

**Evaluating
Co-ordination and
Complementarity of
Country Strategy
Papers with National
Development Priorities**

**Evaluation Report
Volume 2**

- Annex 6: Three field studies**
- **Nicaragua**
 - **Tanzania**
 - **Zambia**

Final Draft

April 2006

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Nicaragua Field Study

Final Draft

October 2005

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List of Abbreviations

2C	Coordination and Complementarity
3C	Coordination, Complementarity and Coherence
AECI	Spanish Agency for International Cooperation
BWIs	Bretton Woods Institutions (WB and IMF)
CCER	Coordinadora Civil para la Emergencia y la Reconstrucción, NGO Coordinating Organization
CIDA	Canadian International Development Agency
CSP	Country Strategy Paper
DAC	Development Advisory Committee of the OECD
Danida	Danish International Development Agency
DFID	Department for International Development of the UK
EC	European Comisión
ERCERP	Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza (Nicaragua's PRSP)
EU	European Union
GDP	Gross Domestic Product
GDPRD	Global Donor Platform for Rural Development
GGG	Good Governance Group
GoN	Government of Nicaragua
I-PRSP	Interim PRSP
H&A	Harmonisation and Alignment
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HLF	High Level Forum
IDA	International Development Agency
IDB	Interamerican Development Bank
IDR	Rural Development Institute
IFIs	International Financial Institutions
IMF	International Monetary Fund
INTA	National Institute for Agricultural Technology
JFA	Joint Financing Arrangement
MAGFOR	Ministerio Agropecuario y Forestal (Ministry of Agriculture, Livestock and Forests)
MARENA	Ministerio del Ambiente y Recursos Naturales (Environment and Natural Resources)

MDGs	Millennium Development Goals
MHCP	Ministerio de Hacienda y Crédito Público (Finance)
MINREX	Ministerio de Relaciones Exteriores (Foreign Affairs)
MoU	Memorandum of Understanding
MS	Member States
MSP	Multi-Annual Strategic Plan
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organization
NORAD	Norwegian Development Cooperation Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PND	Plan Nacional de Desarrollo, National Development Plan
PPGP	Pro-Poor Growth Programme
PRGF	Poverty Reduction and Growth Facility
PRORURAL	SWAp for Rural Productive Sector
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Strategy Credit
PRSP	Poverty Reduction Strategy Paper
SECEP	Secretaría de Coordinación y Estrategias de la Presidencia (Coordination and Strategy of the Presidency)
SETEC	Secretaría Técnica de la Presidencia (former name of SECEP)
SMEs	Small and Medium Enterprises
SREC	Secretaría de Relaciones Económicas y Cooperación (Economic Relations and Cooperation)
SWAp	Sector-Wide Approach
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WB	World Bank

Executive Summary

Developments in donor coordination

Five SWAPs for education, health, rural development, SMEs and environmental management - are currently under development, and the government expects them to be approved by the end of 2005. SWAPs for the sectors of infrastructure, governance and social protection are nascent. Already in 2004, the EC gave some sectoral budget support to the education sector, which had a SWAp in a more advanced stage of development than the other sectors mentioned above. For 2005, this aid was included in the general budget support commitment of the EC, but with a set of conditions which include performance in the education sector.

The government has also developed a National Plan for Harmonisation and Alignment, which incorporates all the essential elements of an EU Roadmap and which is in the last stages of finalisation and approval. This plan is organised in three main sections, focusing respectively on ownership, harmonisation and alignment (plus two additional sections, on monitoring and results-oriented management). Donor coordination thus seems to have acquired considerable momentum over the last year or so, and the government, with the active cooperation of donors, is playing an increasingly proactive role in this process.

Developments in General Budget Support

The Joint Financing Arrangement (JFA) that provides a framework for budget support was signed in May 2005. Attached to it is a performance assessment matrix (PAM), composed of a rather large number of indicators used by the government in the PND 2005-2009.

In addition to signing the JFA, each donor that gives GBS also signs a bilateral agreement with the GoN which spells out that particular donor's conditionalities and the forms in which the BS is made to depend on the achievements of the GoN, expressed in terms of a subset of the indicators included in the PAM. Some of those conditionalities effectively mean that, that though 'General' in name, part of the budget support is in fact not general, since it is conditional on specific sectoral targets being reached.

After the JFA meeting of May 2005 all donors decided to suspend the allocation of GBS for both 2005 and 2006 because they were concerned about the delays in certain reforms considered as basic conditions for governance. On the strength of an IMF letter, the GBS group recently decided to unblock 89 million USD in budget support, against the 109 million that had initially been promised. The amount committed for 2006 is a further 88 million USD.

Coordination and complementarity in the preparation of the CSPs

The preparation of the EC CSP 2007 – 2013

The preparation of the EC CSP for Nicaragua 2007 – 2013 started with a pre-programming mission that took place in January – February 2005. At the same time the EC Country Team for Nicaragua drafted a Concept Note indicating priority sectors for co-operation and the main modalities of implementation. The Draft Concept Note was subjected to discussion in meetings with the EU Member States, with other donors and with the Government, and a one-day National Workshop of consultation of civil society.

Concerning the meeting of EU MS, the main purpose seemed to be to *tell* the participants what the CSP was going to look like, rather than *asking* for suggestions and opinions as to what it should look like. This impression is to an extent borne out by a comparison between the Concept Note and an admittedly not final but relatively late version (23rd August) of the draft CSP, where there are few signs of feedback having been taken on board.

Danish aid and the Danish CSP – additional information

Denmark coordinates with other donors in a variety of ways. Some examples include: co-operation with Finland in support to MARENA, the Ministry of the Natural Resources and the Environment; sectoral budget support to the education sector, together with Canada, on the basis of a Joint Work Plan; in agriculture and rural development, Denmark, together with eight other donors, has just signed the PRORURAL Code of Conduct.

Even though Denmark generally favours budget support, it is felt that in Nicaragua, despite much good work done recently, the conditions are not yet right for that modality of aid to be most effective. Some of the reasons for this judgment include the political weakness of the government and the quality of financial management in Nicaragua. In addition to this, it is felt that the policy dialogue associated with sectoral support is a better and more constructive one than that associated with general budget support, and that in Nicaragua it may not be a bad thing to have a diversity of aid instruments available.

As for participation in the formulation of CSPs of other donors, Denmark has recently participated in the CSPs of the EC, the Netherlands and Spain.

Spanish cooperation and the ongoing preparation of the CSP

The AECI committed itself to draw up a CSP. This work is still in progress. In order to prepare the first draft of the Spanish CSP, the AECI team met with Spanish NGOs, and also organised a meeting to which it invited all main donors, to discuss the draft and suggest improvements. Some – few – donor

representatives came to the meeting, and made a number of useful comments and suggestions.

In the preparation of the first draft the CSPs of other donors were not taken into account because not all of them are available or well known. After the geographical areas of concentration of its aid are determined, the AECI actively tries to coordinate interventions with other donors; it pays particular attention to the presence of donors with whom it has cooperated in the past, so as to continue and deepen such cooperation.

With the exception of the EC, Spain has not been consulted in connection with the formulation of other donors' CSPs. Occasionally the AECI team receives other donors' CSPs – but not all - for information. As a consequence, it has little idea of what some of the other donors, even European, are doing.

The assistance programme of DFID

The entry points in which DFID are engaging in Nicaragua include better governance, economic inclusion and equitable growth to reduce poverty, social inclusion, and municipal development and financial management.

DFID is strongly committed both to coordination amongst donors and to coordination between donors and the country, which it considers one of its areas of comparative advantage.

DFID's co-operation funds (of around £4 million a year) are channelled through a combination of instruments: through multilateral agencies (World Bank, IDB, UNDP), technical assistance managed by local civil society organizations and some local producers associations, and budget support to the Municipal Investment Fund, FOMIN, accompanied by actions aiming at strengthening its financial transparency and control, including the setting up of internal audit units and of external audits at the municipal level. Some budget support is envisaged for 2006.

Other remarks on development cooperation and donor coordination

Routine donor coordination in Nicaragua takes place at various levels. There are regular meetings of heads of mission and, every six weeks, a meeting of heads of co-operation. Nevertheless, the main coordination takes place at sectoral level. Some sectors are better coordinated than others.

There are some doubts about the relevance or effectiveness of some of the sectoral programmes. While the programme in the health sector generally elicits

favourable comments, the same is not always true of others, such as education or the new PRORURAL. In relation to education, for instance, all the indicators are reportedly related to activities rather than objectives or results. This, according to some sources, has led to inappropriate expenditure. Another source of worry is the lack of implementation capacity in the rural sector, which leads to scepticism about PRORURAL's effectiveness.

Some of those interviewed have difficulties with the current trend towards placing harmonisation, alignment and donor coordination at the very top of the donors' agenda. This relates to doubts about the degree of commitment of the GoN to the PRSP and even to poverty alleviation, and to the nature of both the PRSP and the PND 2005-2007, neither of which, some people feel, addresses the real problems of poverty in Nicaragua or offers much hope for moving towards a solution.

Some conclusions and suggestions for improvement

Most donors only know well their own CSP plus, at best, a couple more. Under these conditions, CSPs do not seem to be a good means for donors to communicate such information to other donors. Donor staff resort to heuristic methods (such as a combination of own knowledge, some documentary evidence and meetings or maybe informal consultations) to take other donors' strategies and actual interventions into account when trying to implement the principle of complementarity. This in turn means that there is probably room for improvement.

Existing CSPs thus seem to influence complementarity to the extent that they were designed with complementarity in mind, and through the actions of the agency for which they have been drawn. As for coordination, people tend to coordinate concrete actions in the field, rather than broad programmes, and this primarily with donors with whom they have successfully cooperated in the past, or with whom there are good relations at the personal and political level.

One suggestion for improvement was to design a simplified format for summarising the CSPs. This would allow donors to know more about the focus and orientation of other donors' CSPs. There was also general support for the idea that the EC could be a privileged place for European donors (plus some others with whom they have traditionally cooperated very well) to meet regularly and share analysis and information about strategies. An additional

suggestion is that all CSPs include an annex where the process of their production, and particularly the consultations it entailed, are presented in detail.

1 Introduction

Eight desk studies were carried out in the framework of an evaluation of Country Strategy Papers (CSPs) of the EC and of EU Member States (MS), in order to assess the extent to which the principles of coordination and complementarity are applied to the elaboration of the CSPs and whether and how this contributes to align them with the strategic priorities of the partner countries. In addition to the eight desk studies, the evaluation also includes three field studies carried out in three of the eight countries initially chosen for the desk studies. This is the field study report for Nicaragua, one of those three countries.

The field study found a number of interesting situations that provided additional insights into the process of preparation of CSPs, most notably the almost finished preparation of the new EC CSP and the ongoing preparation of the Spanish CSP. Other interviews provided additional insight into the strategies of other donors and into the point of view of the government. There is also a process of increasing and improving donor coordination under way in which, after a period during which the donors took almost all initiatives, the government is now active in establishing and strengthening donor coordination. Since this may have implications for the present evaluation, it seems important first to update the information in the desk study by giving a brief overview of recent developments in donor coordination in Nicaragua.

In section 2 we give a brief overview of recent development in donor coordination and harmonisation in Nicaragua. This is followed, in sections 3 and 4, by an analysis of coordination and complementarity in the context respectively of the preparation and of the use of Country Strategy Papers. Section 5 then presents some other observations on development cooperation and donor coordination. Finally, section 6 presents some additional conclusions.

The present report is written with reference to the desk study for Nicaragua, and is designed to add information, collected in the country itself, to the desk study report. It should therefore be read together with that report.

2 Recent developments in donor coordination and harmonisation in Nicaragua

In Nicaragua, with 40 donors and approximately 550 million US dollars of aid per annum, the coordination of aid is a major task. As was mentioned in the desk study report, the creation by the government of a number of sectoral coordination round tables signalled its wish to move from a project-based to a sectoral approach. Five SWAPs are currently under development, and the government expects them to be approved by the end of 2005. These relate to the sectors of education (PROASE), health (Plan Quinquenal de Salud), rural development (PRORURAL), small and medium enterprises (PROPYME) and decentralised environmental management (PROAMBIENTE). In addition to these, SWAPs for the sectors of infrastructure, governance and social protection

...are nascent and will be formulated further in 2005/2006. Once approved the SWAPs will serve as a main reference point for intervention at sectoral level and will allow EU donors to align themselves better with approved government-owned sectoral strategies. Members of civil society and/or the private sector are represented at these round tables. Within the context of these roundtables, focal points known as 'enlaces' are provided by several EU donors [...] The Government of Nicaragua has requested each sectoral roundtable to prepare in cooperation with donors, a Code of Conduct (CoC) and where appropriate a Memorandum of Understanding (MoU). These documents will provide clear intervention frameworks and assist donors and government in finding common platforms for aid delivery¹.

In addition to the sectoral coordination round tables, the government, together with a small group of donors (EC/UNDP/NL/Japan) has also developed a National Plan for Harmonisation and Alignment, which incorporates all the essential elements of an EU Roadmap and which is in the last stages of finalisation and approval. This plan, organised in three main sections, focusing respectively on ownership, harmonisation and alignment (plus two additional sections, on monitoring and results-oriented management), identifies objectives, specific actions, expected results, related indicators of achievement and three different horizons for completion, respectively in the short, medium and long term. Noteworthy objectives include, among others, the formulation and presentation of the 2nd generation PRSP, the adoption of SWAP as the main

¹ "Report on EU Coordination and harmonization of Aid in Nicaragua", prepared by the EC delegation and dated August 2005.

implementation mechanism for the PRSP, the insertion of local development plans into the national planning system, the development of a Medium Term Expenditure Framework, advance warning and better planning of donor missions (including a period during the year with zero missions), a continuing shift from project support to sectoral support and joint financing, a reduction in the number of 'parallel or non-integrated project management units' through the gradual reduction in the numbers of such units or their integration into the corresponding ministries, etc.

A Technical Group comprising both donors and government has also been formed for monitoring and implementation of the National Plan for Harmonisation and Alignment. To the directive of DG Development that there should be a Road Map for H&A for every country, the Delegation has replied that the National Plan contains most or all of the essential elements of such a Road Map. Work on the Road Map should therefore wait for the formal approval of the Plan, and the future Road Map, if one is still considered necessary, should complement the Plan, rather than start from scratch again and duplicating what has already been achieved.

In conclusion it may be said that donor coordination in Nicaragua seems to have acquired considerable momentum over the last year or so, and that the government is playing an increasingly proactive role in this process. It is to be hoped that this process will survive, though it is difficult to predict in what shape, beyond the coming elections and the changes that they will almost certainly bring about.

3 General Budget Support: some more details and an update

As had been mentioned in the desk study report for Nicaragua, a number of donors in the so-called BS group have, in close cooperation with the government, drafted a Joint Financing Arrangement (JFA) that was finally signed in May 2005. The JFA provides a framework for budget support. Attached to it is a performance assessment matrix (PAM), composed of a rather large number of indicators most of which are used by the government in the PND 2005-2009. In addition to signing the JFA, each donor that gives GBS also signs a bilateral agreement with the GoN which spells out that particular donor's conditionalities and the forms in which the BS is made to depend on the achievements of the GoN, expressed in terms of a subset of the indicators included in the PAM. The case of the EC may serve as an illustration.

Around 2002 the EC decided to transfer an important part of its as yet uncommitted funds for development cooperation, from rural development to sectoral budget support (to the education sector) and to GBS. The first part of the sectoral budget support to education (estimated at around 50 million euros for the period 2004-2006) was disbursed in 2004. In the meantime the discussions with the GoN and other donors in the GBS group continued, and the EC decided to combine its support for GBS with its commitment to support the education sector by transferring all the funds that had been earmarked for education into the GBS, while at the same time including in the bilateral agreement a set of performance conditions relating to education². This means that though 'General' in name, part of the EC budget support is in fact not general, in that it is conditional on specific sectoral targets being reached. This is also the case with the GBS of other donors.

EC GBS is divided into two parts: a fixed 'slice', the disbursement of which is made dependent on the GoN fulfilling some broad conditions concerning macroeconomic stability and reforms; and a variable 'slice', which will be disbursed to a greater or lesser extent depending on the performance of the GoN in achieving certain results expressed in terms of values of a subset of the indicators in the PAM³. For each indicator there are three measures of achievement: 0, 0.5 and 1, depending on the degree of achievement. The final

² Some of the indicators in the PAM do not come from the PND but from the earlier negotiated agreement relating to the EC's sectoral budget support to education.

³ When no results-oriented indicators are available, intermediate indicators are used as proxies.

measure of performance is obtained by a weighted sum of all the measures of achievement of the various indicators, the weighting being the outcome of a negotiation between the donor and the GoN.

To ensure predictability and to facilitate the budgeting process, the performance assessment in one year, on the basis of the previous year's performance, determines the commitment of funds for the following year. Commitment of the fixed slice for the following year is decided after the JFA meeting of May, once it is verified that the broad conditions associated with it have been fulfilled. Commitment of the variable slice is preliminary after the May meeting and must be confirmed before September 15, to give time for the funds to be included in the budget proposal of October 15.

Not all the donors have fixed and variable slices: some have only one amount. Most of the donors, however, include being 'on track' with relation to the PRGF as part of their conditions⁴.

After the JFA (or GBS) meeting of May 2005 all donors decided to suspend the allocation of GBS for both 2005 and 2006⁵ because they were concerned about the delays in certain reforms considered as basic conditions for governance. After the August meeting, they informed the government that the release of those funds would be made dependent on a letter of the IMF. This letter finally arrived in October, making a series of demands that the GoN was more or less forced to accept. On the strength of that letter, the GBS group decided to commit 89 million USD in budget support, against 109 million that it had initially promised. The amount committed for 2006, assuming that there are no further problems, is 88 million USD.

⁴ Most, but not all: DFID, for example, does not.

⁵ 2005 is an exceptional year, since it is the first year in which the JFA is functioning. The release of funds committed last year for 2005 has to be based on decisions made in this same year.

4 **Coordination and complementarity in the preparation of the CSPs**

General

As mentioned above, two new CSPs are currently under preparation: the EC CSP for the period 2007 – 2013, and the Spanish CSP for the period 2005 – 2008. This gave us the possibility of examining more closely the processes at work in the preparation of these documents⁶. In addition to this, meetings at the Danish Embassy and in the DFID regional office for Central America have yielded additional insight into donor coordination, particularly in connection with country strategy papers and their preparation⁷.

The preparation of the EC CSP 2007 – 2013

The preparation of the EC CSP for Nicaragua 2007 – 2013 started with a pre-programming mission that took place in January – February 2005. This mission identified the main challenges facing Nicaragua in the medium and long term, and possible priority areas for intervention of EC co-operation over the same period. Partly based on this, the EC Country Team for Nicaragua drafted a Concept Note indicating the priority sectors for co-operation and the main modalities of implementation that would be considered in the elaboration of the CSP.

The Draft Concept Note was subjected to discussions focusing on the main lines of the strategy proposed for the co-operation between the EU and Nicaragua and on the priority sectors for intervention, contained in it. Four different events were organized for these discussions: meetings with the EU Member States, with other donors and with the Government, and a one-day National Workshop of consultation of civil society.

Concerning the meeting of EU MS, more than one participant reported the feeling that the main purpose seemed to be to *tell* the participants what the CSP was going to look like, rather than *asking* for suggestions and opinions as to what it should look like. This impression seems to be borne out by a comparison between the Concept Note and an admittedly not final but relatively late version (23rd August) of the draft CSP. To mention one example, in the Concept Note it is

⁶ Since neither of the two documents has been approved as yet, the main focus here will be on the process of their preparation rather than on their contents, which has no formal status and may still change.

⁷ The key people involved in the preparation of the MSP at the Royal Netherlands Embassy have recently been replaced. For this reason only one meeting was held at the Embassy, with the current Head of Co-operation.

announced that, in line with what had already happened in practice a couple of years ago, the EC will withdraw most of its support from the rural sector (though of course things are formulated in a rather less blunt style). Several of the MS present at the meeting strongly objected to this withdrawal, for a variety of reasons, not the least being that this is a crucial sector for poverty alleviation; yet, those objections did not seem to make any difference, in the sense that the draft CSP preserves exactly the same orientation of the Concept Note, without any significant changes. Another suggestion made in the meeting, that the various MS's strategies for cooperation with Nicaragua be annexed to the EC CSP, was swiftly rejected as 'impractical' and does not even appear in the minutes of the meeting. In fact, the only clear indication that the suggestions made by the MS and recorded in the minutes of the meeting were not all ignored was the disappearance, in the draft CSP, of a reference to the 'Dutch disease' made in the Concept Note in connection with aid to Nicaragua, to which the Dutch representative rightly objected at the meeting.

Danish aid and the Danish CSP – additional information

Since the publication of the *Partnership 2000* document, all Danish CSPs are joint strategies, and therefore have to be signed by both governments. On the Nicaraguan side, this is coordinated by the Ministry of Foreign Affairs, MINREX, even though other actors are also involved, such as the SECEP, the Ministry of Finance (MHCP) and others. The preparation of the Danish CSP is a rolling process that starts with consultations and negotiations at high level between governments. In addition to this there are consultations with civil society organizations, both Danish and Nicaraguan, and with other donors. In the case of the current CSP, the other donors were consulted through meetings, to avoid adding to the volume of paper in circulation. No special meeting of EU donors was organized. The Danish CSP is written with several distinct audiences in mind, including an audience in Denmark.

Denmark coordinates with other donors in a variety of ways. Some examples include: co-operation with Finland in support to MARENA, the Ministry of the Natural Resources and the Environment; sectoral budget support to the education sector, together with Canada, on the basis of a Joint Work Plan; in agriculture and rural development, Denmark, together with eight other donors, has just signed the PRORURAL Code of Conduct. The Code of Conduct is sufficiently broad, in the types of aid modalities that it envisages, for all donors

to sign it; at the same time, the donors commit themselves to work towards increasing harmonization and alignment.

Even though Denmark generally favours budget support, it is felt that in Nicaragua, despite much good work done recently, the conditions are not yet right for that modality of aid to be most effective. Some of the reasons for this judgment include the political weakness of the government, the quality of financial management in Nicaragua (despite the serious and valuable efforts to improve the SIGFA), and – though this is not considered a very serious problem – the fact that 6 percent of any resources that enter into the budget are automatically reserved for the Universities (plus 4 percent for the Supreme Court and an increasing percentage – currently 5 percent – for the municipalities. Finally, Danish assistance has been planned through a number of programmes and, since there will be no significant addition to the funds available for aid, there seems little point in moving towards budget support, at least for the time being. In addition to this, it is felt that the policy dialogue associated with sectoral support is a better and more constructive one than that associated with general budget support, and that in a situation like that of Nicaragua it may not be a bad thing to have a diversity of aid instruments available.

As for participation in the formulation of CSPs of other donors, Denmark has recently participated in the CSPs of the EC, the Netherlands and Spain.

Spanish cooperation and the ongoing preparation of the CSP

As was briefly mentioned in the desk study report, the AECI committed itself to draw up a CSP in co-ordination with the main actors of Spanish co-operation in Nicaragua. This work is still in progress. In order to prepare the first draft of the Spanish CSP, the AECI team had five meetings with Spanish NGOs, which is a clear reflection of the problems, already signalled in the desk study report, created by the presence of a large and very diverse group of Spanish development cooperation actors in Nicaragua. In the preparation of the first draft the CSPs of other donors were not taken into account because not all of them are available or well known; instead of that, the team analysed the areas of concentration of the 10 main bilateral agencies and the three multilaterals, and took also into account the volume of their expenditure in these areas.

The first draft of the CSP was then sent to all main donors and they were invited for a meeting several days later, to discuss the draft and suggest improvements. Some – few – donor representatives came to the meeting, and made a number of

comments and suggestions, perhaps the most important of which was that the interventions contemplated in the CSP were too dispersed, and that this dispersion should be reduced. Some people also promised to send more detailed comments later, in writing, but in the end this did not happen.

The geographical areas on concentration for Spanish assistance are determined by the application of a multiple criteria method in which values for six criteria are first determined for each department, and are then combined. The six criteria are the human development index, the number of poor people, the existence of a previous Spanish aid presence in the area, the vulnerability to disasters, the incidence of gender violence and female poverty. The presence of other donors, combined with a lack of familiarity with certain areas, has occasionally led to the decision of staying out of particular areas; this was the case for instance in the autonomous regions of the Atlantic Coast. In such cases, co-financing a programme led by another donor is occasionally done.

After the geographical areas are determined by the method mentioned above, the AECI actively tries to coordinate interventions with other donors; it pays particular attention to the presence of donors with whom it has cooperated in the past, so as to continue and deepen such cooperation.

With the exception of the EC, Spain has not been consulted in connection with the formulation of other donors' CSPs. Occasionally the AECI team receives other donors' documents for information, not even for comment. And it does not receive them all. As a consequence, it has little idea of what some of the other donors, even European donors, are doing.

The assistance programme of DFID

This section contains some more information about the DFID programme in Nicaragua. The programme seeks to mobilise policy change and bring key actors together around transformation processes that provide opportunities for cross frontier learning at Central America and wider regional levels. The entry points in which DFID are engaging are:

- Better governance to reduce poverty, particularly in terms of support to national and decentralised strategy development and working to improve relationships between the executive and political, central and local government (administrative reform), civil society and state.
- Economic inclusion and equitable growth to reduce poverty: support to the governance of the private sector (particularly small and micro enterprises) and the implications for corporate-bureaucratic relationships that shape broader governance.

- Social inclusion: Support in Nicaragua and regionally to help strengthen capacity of Civil Society Organisations to bid for and manage Global HIV/AIDS Fund resources, encouraging south-south technical assistance to Central America from the International Centre in Brazil.
- Municipal development and financial management.

DFID is strongly committed both to coordination amongst donors and to coordination between donors and the country, which it considers one of its areas of comparative advantage.

DFID's co-operation funds (of around £4 million a year) are channelled through a combination of instruments: through multilateral agencies (World Bank, IDB, UNDP), technical assistance managed by local civil society organizations and some local producers associations, and budget support to the Municipal Investment Fund, FOMIN, accompanied by actions aiming at strengthening its financial transparency and control, including the setting up of internal audit units and of external audits at the municipal level. Even though DFID is one of the donors that signed the Joint Financing Arrangement for general budget support, it plans to give no support in 2005. For 2006 DFID envisages some 2 million US dollars worth of general budget support, conditional on the respect for human rights (including a fair and transparent electoral process), credible anti-corruption measures and poverty reduction.

5 Other remarks on development cooperation and donor coordination

Routine donor coordination in Nicaragua takes place at various levels. There are regular meetings of heads of mission and, every six weeks, a meeting of heads of co-operation. Nevertheless, the main coordination takes place at sectoral level. Some sectors are better coordinated than others. Transport, for instance, tends not to be very well coordinated. Sometimes, in the words of one person, 'coordination among donors amounts to little more than exchanging information about expenditure plans'.

There are some serious doubts about the relevance or effectiveness of some of the sectoral programmes. While the programme in the health sector generally elicits favourable comments, the same is not always true of others, such as education or the new PRORURAL. In relation to education, for instance, all the indicators are reportedly related to activities rather than objectives or results. This, according to some sources, has led to inappropriate expenditure.

PRORURAL is being showcased as a good example, almost a model, of how donor harmonization is being carried out. This fact, and the programme in general, are a cause for worry for some of the people who work in development cooperation with whom we spoke. In the words of one such person, 'in PRORURAL donors do not seem genuinely to want harmonization. Rather, every donor wants to include in the sectoral programme their own answers or pet solutions. As a consequence, the program is a disparate collection of bits and pieces without much internal consistency'.

Another source of worry is the lack of implementation capacity in the rural sector. This is partly related to the perceived incompetence of some political appointees at the top and partly to the fact that a large proportion of civil servants at middle level in MAGFOR are hired as consultants on short-term contracts. Their salaries, which are considerably higher than those of people at the same level with permanent public service contracts, are paid by projects, funded by foreign donors. This means that many of these people work at the ministry for a couple of years and then leave. It also means that a large proportion of cooperation funds are used to fund salaries and other current expenditure, leaving little for investment. In the case of MAGFOR, for instance, an estimate places the volume of external resources available for investment at less than 10 percent. Given these weaknesses, and taking into consideration also

the weakness of the private sector, some of the people we interviewed are rather sceptical about the likelihood that PRORURAL will lead to palpable results.

Despite the directive to increase the number of joint missions, they are not always an unmitigated success. A recent joint mission of identification associated with PRORURAL was reportedly so badly coordinated that it really amounted to several simultaneous missions, with different briefs and objectives, all working at the same time – what one person described as ‘a nightmare’.

The EC delegation is seen by many in the European donor community as having the potential and the vocation to play a useful role in facilitating coordination with and among the MS, creating a space for the various MS delegations to meet, exchange views and coordinate policies and interventions. At the same time, however, some donors find that this would require a greater openness on the part of the delegation, which reportedly seems to have difficulty in sharing information. In this connection, people mentioned that they often hear first about EC projects from their own headquarters, rather than from the delegation.

Several of the people interviewed have difficulties with the current trend towards placing harmonisation, alignment and donor coordination at the very top of the donors’ agenda. One reason for this relates to doubts about the degree of commitment of the GoN to the PRSP and even to poverty alleviation, and the sense of aligning aid by a policy in relation to which nobody in the country, government or civil society, feels much ownership. This problem has been partly resolved with the development by the government of the PND 2005-2009 or PRSP II, currently about to be approved and sent to the World Bank and the IMF. A second set of doubts relates to the nature of both the PRSP and the PND 2005-2007, neither of which, some people feel, addresses the real problems of poverty in Nicaragua or offers much hope for moving towards a solution. Some among these go even further, and describe as ‘absurd’ (or worse) a donor policy which places means – such as A&H, donor coordination, budget support – at the top of the priorities of aid, instead of ends such as development, poverty alleviation and the like⁸. Finally, in a not unrelated point, some people expressed shock and dismay at the fact that several members of the GBS group include being ‘on track’ with the IMF as part of the conditions for committing budget support (see section 3, above). In the words of one such person, ‘I cannot understand how the EC and the other BS donors can align themselves with the IMF, and use the IMF criteria as a first condition for their assistance, when they are supposed to be

⁸ In this connection, and without wishing to discuss the contents of a document which has not yet been approved, it seems noteworthy that there is far less emphasis on poverty alleviation, and much more on H&A, in the EC CSP which is currently under development than in the previous one.

more interested in poverty alleviation than in macroeconomic criteria, and when they know that the IMF has no interest in poverty alleviation’.

6 Some conclusions: coordination and complementarity in using the CSPs

From both the CSPs examined in the desk study and the declarations of the people interviewed in the course of the field visit it is clear that people do their best to implement the principle of complementarity when drafting their own CSPs. The fieldwork confirms what was hypothesised in the desk study, namely that most donors only know well their own CSP plus, at best, a couple more. Under these conditions, CSPs do not seem to be a good means for donors to communicate such information to other donors. This is not very surprising: in a country, like Nicaragua, with over 40 active donors, the transaction costs associated with each donor being fully informed about the country strategies of all the others, let alone taking them fully into account at the time of changing its own strategy, or of taking action, would be prohibitively high. Under these conditions what seems to happen is that donor staff resort to heuristic methods (such as a combination of own knowledge, some documentary evidence and meetings or maybe informal consultations) to take other donors' strategies and actual interventions into account when trying to implement the principle of complementarity. This in turn means that there is probably room for improvement.

From this it may be concluded that existing CSPs influence complementarity to the extent that they were designed with complementarity in mind, and that their main influence is upon the actions of the agency for which they have been drawn. As for coordination, the information collected from various donors seems to indicate that people tend to coordinate concrete actions in the field, rather than broad programmes, and that this coordination takes place primarily with donors with whom they have successfully cooperated in the past, or with whom there are good relations at the personal and political level.

7 Some suggestions for improvement

When asked what could be done to improve the role of CSPs in coordination and complementarity, several of the people interviewed expressed support for the idea of facilitating the communication of the essential aspects of donor strategies by means of an instrument that would present the strategies in a standardised and simplified format. Designing a simplified format for summarising the CSPs would allow donors to know more about the focus and orientation of other donors' CSPs. This instrument should probably be country specific, and refer explicitly to the partner country's PRSP or other development strategy.

There was also general support for the idea that the EC could be a privileged place for European donors (plus some others with whom they have traditionally cooperated very well) to meet regularly and share analysis and information about strategies. In relation to this, more than one person expressed the need for such meetings to allow for differences that may, on occasion, be irreconcilable. For them, it might then be preferable to sacrifice some alignment and even harmonisation.

An additional suggestion is that all CSPs have an annex where the process of their production, and particularly the consultations it entailed, are presented in detail. This is, by the way, already the case with DFID documents and with some, but not most, CSPs.

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Annex 2: Literature Consulted

European Commission / Comisión Europea:

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**Evaluating
Co-ordination and
Complementarity of
Country Strategy
Papers with National
Development Priorities**

Tanzania Field Study

Final Draft

October 2005

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List of Abbreviations

CSP	Country Strategy Paper
DP	Development Partner
DPG	Donor Partner Group
GOT	Government of Tanzania
JAS	Joint Assistance Strategy
MOF	Ministry of Finance
MKUKUTA	
NSGRP	National Strategy for Growth and Reduction of Poverty

Executive Summary

Assessment of partner country ownership to the PRSP

The Tanzania desk study conclusion: that a high degree of partner country ownership to the PRSP exists was confirmed during the field study. It is the general opinion among the donors that GOT has managed to combine national ownership with a clearly pronounced interest in donor acceptance.

Achieved degree of alignment, complementarity, and co-ordination

Donor alignment in Tanzania appears in general satisfactory. From the interviews it became clear that there was an increasing donor willingness to consider GBS, a willingness which ran parallel to a broad effort to create and implement joint assessment procedures. In spite of this, the situation is far from satisfactory: projects constitute still almost 50% ODA and MOF is still undermined by off-the-record donor lobbying in line ministries.

As regards complementarity, discussions confirmed that the issue of comparative advantages does not enter into donor strategies – these are still primarily based on political priorities and prior experiences.

Coordination constitutes a paradox in Tanzania: In the wave of increased GBS, SWAps and basket funding, a range of coordinating and monitoring groups have mushroomed. The delegations complain that monitoring activities are taking up most of the time expected to be saved through coordination arrangements.

The role of the five CSPs

The mission was surprised at the attitude shown towards the individual donor CSPs. It became obvious that these strategies did not play any role in coordination activities – the majority of which takes place in the Development Partner Group (DPG) or informally. The delegations pointed out that the CSP first and foremost constituted a Head Quarter requirement which to a higher extent reflected requirements on the part of the donor countries parliaments than GOT needs and demands. Some went so far as to underscore that the CSPs actually hampered day-to-day co-ordination.

The role of other similar processes and mechanisms

The most influential processes and mechanisms appeared to be the following.

Internal donor coordination: The monthly meetings in the DPG play an important role first and foremost in the area of coordination. However, it was often mentioned that the most valuable coordination took place through informal daily contacts. As an example it was noted that the EU member delegations were able to reach agreements on different issues at very short notice.

Aid modalities: It is a general feature that most donors – apart from USAID, Japan and to some extent Germany – aim at providing a higher level of GBS. The fact that a PAF – a common monitoring programme - has been arrived at in this area, constitutes a strong incentive to enhanced GBS activities.

The move to SWAps is slower than expected. The reason seems to be a lack of detailed sector programmes in sectors shared by several sector ministries – e.g. in agriculture. As regards project support, many line-ministries are not “aligned” with the MOF: they consider project support as a protection strategy against a centralisation process which threatens their independency.

The GOT sees the JAS as the new institutional coordination and alignment instrument, which will render individual donor arrangements superfluous. Although donors are in agreement about the inefficiency of the complicated donor architecture - too many donors, each with too many responsibility areas - some are worried about the “assertive tone” which runs through the document.

Indication of institutional structures

Most embassies and delegations expect that the Joint Assistance Strategy (JAS) to a large extent will replace individual CPSs in their present form. However, they do not expect the latter to disappear completely. They are aware that a document like the JAS is required to link donor support firmly to the new national strategy – the MKUKUTA – and many accept that the CSPs might end up as internal “contracts” between the delegations and HQs.

A major player in the area of alignment, co-ordination and complementarity is the Independent Monitoring Group (IMG), which was established jointly by the GOT and the donors in 2001. The evaluations and recommendations of this group are highly respected by both parties and constitute a sound base for the advancement of cooperation and adjustments between GOT and the DPG.

Key incentives and disincentives for the processes of co-ordination

During the field study, it became clear that certain donors, among these the EC, are not supported by their HQs in their coordination activities. The general

impression is that HQs have a low interest in alignment and coordination – partly, as mentioned above, because they on their side are constraint by their national parliaments. As a result, the donor to whom HQ delegates the highest degree of freedom will more often than not be the dynamic force as regards alignment, coordination and complementarity.

1 Introduction

The general aim of this Field Study report is to determine to what extent the so-called “3Cs” have been applied in Tanzania and with what impact.

As a first phase of the evaluation, a desk study has been prepared for Tanzania. The Desk Study’s focus is an evaluation of the extent to which selected donors’ Country Strategy Papers (CSP) from EC and EU Member States (MS) have contributed to co-ordination and complementarity in Tanzania. The Field Study looks into the situation “in the field” in order to get a better understanding of the main mechanisms which promote or hamper coordination and complementarity. The Field Study took place in September 2005 at a time where the JAS and the MKUKUTA were widely discussed in the development partner (DP) community.

The field study aim at complementing the desk-studies so as to establish a solid basis for assessment of the mechanisms impacting the relationships between co-ordination and complementarity on the one hand and development and implementation of CSPs on the other.

The field study will (as a complement to the desk-studies) focus on establishing a basis for analysis of and answers to the following core evaluation questions (see Executive Summary):

- the processes and mechanisms related to the CSPs and other initiatives for co-ordination;
- the role of CSPs and other initiatives for alignment to partner country priorities, for co-ordination and for achievement of complementarity;
- identification and assessment of incentives and disincentives for co-ordination.

1.1 Methodology

The field work has been based on close co-operation with the five EC and EU MS delegations which were selected for the study: The EC-delegation and the delegations of UK, The Netherlands and Denmark. The fifth delegation selected specifically for Tanzania was Belgium.

Before arriving in Tanzania our local consultant Mr. Leonard Chacha had already arranged the majority of the meetings/interviews central to our visit. The

meetings with the remaining delegates were organized while we were there, while follow up meetings were planned if/when necessary.

Interviews with the Tanzanian Government were never conducted in spite of almost daily contacts with the Ministry of Finance (MoF), mainly due to the absence of appropriate high level staff. Fortunately, one of the team members, Henriette Bonnevie had gathered substantial information on the MOF view on GOT/DP cooperation and their view on how this co-operation could be improved through a former assignment.

Before each interview, an introduction to the evaluation background and a questionnaire was forwarded. The interviews were conducted by Henriette Bonnevie, who was the primary interviewer; and Leonard Chacha and Silas Harrebye, who were both also taking notes. After each interview notes were triangulated and meetings evaluated by the three consultants. Where the consultants felt that there were gaps still outstanding after the interviews, follow up meetings were arranged. Questionnaires were continually adjusted as the evaluation proceeded to make them more relevant and to make them fit the individual delegations.

2 **National Framework – the situation today**

Tanzania development policy is today built on two Pillars: the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) and the Joint Assistance Strategy (JAS). While Mkukuta is a strategy document showing various ambitions of the Government and initiatives on how to attain the long term goal of alleviating poverty, JAS is a document that charters out the way the government prefers to work with its development partners. In this section, these two documents are presented.

The national strategy for growth and reduction of poverty (Nsgrp/Mkukuta)

The National Strategy for Growth and Reduction of Poverty (NSGRP / Mkukuta⁹) is the second national organizing framework focusing on poverty reduction. The Mkukuta covers a period of five years, i.e. 2005/06 to 2009/10. It allows for a sustained effort of resource mobilisation, policy implementation and evaluation of the poverty reduction impact. The strategy is informed by the aspirations of Tanzania's Development Vision (Vision 2025) for high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness. Some refer to Mkukuta as "MDG -Plus", due to its focus on the Millennium Development Goals (MDGs), the internationally agreed targets for reducing poverty, hunger, diseases, illiteracy, environmental degradation and discrimination against women by 2015. Mkukuta strives to widen the space for country ownership and effective participation of civil society, private sector development and fruitful local and external partnerships in development, as well as commitment to regional and other international initiatives for social and economic development. The strategy embodies many targets that are more ambitious than the MDGs e.g. halving extreme poverty by 2010 instead 2015!

Mkukuta builds on the Poverty Reduction Strategy Paper (PRSP) (2000/01-02/03), the PRS Review, the Medium Term Plan for Growth and Poverty Reduction and the Tanzania Mini-Tiger Plan 2020 (TMTP2020¹⁰).

⁹ MKUKUTA is the Swahili version of NSGRP and widely used in different fora in the country

¹⁰ Mini Tiger Plan emphasizes the growth momentum to fast-track the targets of Vision 2025

Mkukuta is structured with the intention of coordinating the implementation of all policies, strategies, initiatives and activities aimed at growth and reduction of poverty in three clusters:

- Cluster One: Growth and Reduction of Poverty;
- Cluster Two: Quality of Life and Social Well Being;
- Cluster Three: Governance and Accountability.

As can be seen, the priority sectors approach adopted in MDGs is no longer followed. The *Mkukuta*'s application of outcome-based investment clusters is an innovative approach to poverty reduction. Each cluster has its specific goals and strategies. It is the aim of the Government of Tanzania that these priority outcomes should drive budget allocations.

As the first stage of preparation of the 2005/06 budget, government ministries, departments and agencies (MDAs) were asked to prepare strategic plans based on *Mkukuta* priority outcomes and to make these strategic plans the basis for budgetary requests. UNDP is currently working with the Government to cost the various initiatives for implementing the strategy – the intention is to prepare a *Mkukuta* investment plan. It is envisioned that, once the *Mkukuta* investment plan has been finalised, the government will use it as a resource mobilisation tool to which development partners will be invited to contribute through funding arrangements.

The preparation of this new strategy involved not just the Government but also Civil Society Organisations, the Private Sector, Parliamentarians, and Local Communities. The process was also strongly supported by Development Partners. The aim of the strategy is to balance the contributions of all sectors and crosscutting issues towards development, growth and reduction of poverty at central and local levels – it departs from the assumption that poverty is multidimensional phenomenon and therefore requires tackling from many sides. Box 1 below summarizes the broad outcomes and goals related to the three major clusters in *Mkukuta*.

Box 1: Summary of cluster broad outcomes and goals

Cluster I: Growth and Reduction of Income Poverty

Broad outcome:

- Broad based and equitable growth is achieved and sustained

Goals:

- Ensuring sound economic management.
- Promoting sustainable and broad-based growth.
- Improving food availability and accessibility.
- Reducing income poverty of both men and women in rural areas.
- Reducing income poverty of both men and women in urban areas.
- Provision of reliable and affordable energy to consumers.

Cluster II: Improvement of Quality of Life and Social Well-Being

Broad outcomes:

- Quality of life and social well-being, with particular focus on the poorest and most vulnerable groups improved
- Equalities in outcomes (e.g. education, survival, health) across geographic, income, age, gender and other groups reduced

Goals:

- Ensuring equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women and expansion of higher, technical and vocational education
- Improved survival, health and well-being of all children and women and of specially vulnerable groups
- Access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment and thereby, reduced vulnerability from environmental risk
- Adequate social protection and provision of basic needs and services for the vulnerable and needy.
- Effective systems to ensure universal access to quality and affordable public services.

Cluster III: Governance and Accountability

Broad outcomes:

- Good governance and the rule of law
- Accountability of leaders and public servants
- Democracy and political and social tolerance

- Peace, political stability, national unity and social cohesion deepened

Goals:

- Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive.
- Equitable allocation of public resources with corruption effectively addressed
- Effective public service framework in place to provide foundation for service delivery improvements and poverty reduction
- Rights of the poor and vulnerable groups are protected and promoted in the justice system
- Reduction of political and social exclusion and intolerance
- Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence
- National cultural identities enhanced and promoted

Tanzania Joint Assistance Strategy (JAS)

The JAS now being prepared by the GoT will replace Tanzania Assistance Strategy (TAS), which was established in 2002. TAS has been serving as the medium-term framework for development co-operation, aiming at strengthening aid coordination, harmonisation and alignment as well as national ownership and Government leadership of the development process. The TAS Action Plan, developed during FY 2002/03, sets out practical steps for implementing TAS. Actions are grouped in four priority areas, namely

- Increasing the predictability of aid flows,
- Integrating external resources into the Government budget and Exchequer system,
- Harmonising and rationalising processes, and
- Improving national capacities for aid coordination and external resource management.

Until this date, considerable progress has been made in these areas. One of the major activities under the TAS harmonisation efforts was a joint Government-Development Partner study in FY 2003/04 on the rationalisation/harmonisation of existing Government and Development Partner processes. During the study a range of overlapping and duplicative processes were identified. These have since

been re-organised and streamlined around the national budget and poverty reduction strategy processes.

In this process of rationalisation and harmonisation the idea of merging Development Partners' individual assistance strategies into one Joint Assistance Strategy (JAS) was also born. Through JAS, the Government of Tanzania and its Development Partners aim to further reduce the transaction costs that are incurred through the pursuit of different strategies with multiple and often overlapping processes. The JAS is also intended to extend progress in enhancing national ownership and Government leadership of the development process and in improving aid effectiveness to all levels of Government, Development Partners, aid modalities and processes. Since mid-2004 the Government of Tanzania (GoT) has headed the process of developing the JAS. Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between GoT and its many Development Partners (DPs).

JAS Objective

The overall objective of JAS is to contribute to sustainable development and poverty reduction by consolidating and coordinating Government efforts and Development Partners' support under a single Government-led framework to implement and achieve results under the Mkukuta as well as other national development and poverty reduction initiatives.

The intermediate objective of the JAS is to build an effective development partnership by strengthening national ownership and Government leadership of the development process, aligning Development Partner support to Government priorities, systems and procedures, harmonising Government and Development Partner processes, managing resources for development results, and ensuring mutual accountability procedures with the aim of making aid more effective, and simpler to manage. JAS is regarded as a national interpretation of the Monterrey, Rome, Marrakech, and Paris commitments.

The JAS is elaborated on the basis of the following key principles:

- National ownership and Government leadership of the development process
- Division of labour based on comparative advantage and competitive advantage

- Delegated Cooperation by extending to missions more authority for decision making
- Use of national systems, processes and procedures
- Dialogue structure – including more domestic and external stakeholders
- Enhance the move towards General Budget Support (aimed at attaining 50% – 70% of total ODA in the medium term)
- Role of Non-State Actors to be enhanced by ensuring their involvement in the national development management process
- Ensure the Technical Assistance resources are transferred to GOT in order to enhance the use of regional and local capacity
- Collective and Mutual accountability
- It is the explicit aim of the JAS that it is to replace individual all Country Strategy Papers.

The JAS aims first and foremost at increasing the level of GBS and sector wide support modalities (SWAPs). It will, however, also identify areas where basket-funding or project support can provide appropriate support during a certain period. Another objective is to review the provision of technical assistance with the aim of aligning this support more closely to GoT institutional systems and capacity-building needs, thereby eliminating the existing hundreds of uncoordinated project management offices and structures. Through JAS, efforts will also be made to link Mkukuta's goals explicitly with the government's budget planning and allocations process.

3 The Present Situation Regarding the Distribution of Development Partner Activities across Sectors

The table below shows the situation mid-2005 regarding development partner activities across sectors and crosscutting issues.

Matrix of complementarity of sector support within the Mkukuta structure

The matrix below shows the intricate pattern of donor involvement mid-2005 as well internally – through DPG - as through cooperation with GOT. For each sector, the first row shows donor presence, while the second shows donor grouping within the DPG. In connection with the matrix, a description of the main donor funding mechanisms applied at present is presented. When taking into account that the majority of Tanzania's 35 donors apply all of these mechanisms simultaneously, the need for an approach as the one outlined in the JAS becomes evident.

Matrix showing coordination practices among donors and with GoT in different NSGRP clusters/sectors/issues

NSGRP Clusters	Cluster Two						Cluster One								Cluster Three						Cross cutting issues																	
	Basic Education		Health		Water and Sanitation		Food and Agriculture		Infrastructure		Private Sector		Employment & Income Generation		Financial Sector		Governance and reforms		Local Government Reform		Legal Sector Reform		Public Service Reform		Public Financial Management Reform		HIV/AIDS		Gender		Environment		Forestry		PRBS		PER/PEFA	
	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP	GoT	DP
GOT institutions	MoEC, PORALG		MoH, MoF,				MAFS, PMO,		MoW, PORALG,		POPP, MoTC,					POSH		PORALG, MoH, MoF,		MoJCA + two DPG members		POFSM, PORALG,		MoF, NAO		TACAIDS PORALG		MCDGC,		VPO NEMC PORALG, MoF		MNRT MLHSD		MoF		MoF, other Ministries		
EC	■	X	■				■	X	■	X								X	■	X		■		■		X				X		■		X		■		
DFID	■	X	■	X		X	■		■		■					X		X	■	X		■	X	■		■				X		■		■		X		■
DEN			■	X			■	X	■	X	■					X		X	■	X		■		■		■				X		■		■		X		■
NL	■	X	■	X			■				■					X		X		X		■		■		X				X		■		■		X		■
BEL	■	X	■	X														X		X		■		■		X				X		■		■		X		■
IRL	■	X	■	X		X	■	X								X		■	X			■		■		X				■		■		■		X		■
JICA	■	X	■	X			■	X										■				■		■		X				■		■		■		■		■
FIN	■	X														X		■		X		■		■		X				X		■		■		X		■
GTZ	■		■	X		X		X								X		X		X		■		■		X				X		■		■		■		■
KfW			■	X		X																■		■		X				■		■		■		■		■
SIDA	■	X														X		X		X		■		■		X				X		■		■		X		■
CIDA	■	X	■	X												X		X		X		■		■		X				X		■		■		X		■
SDC			■	X														■		X		■		■		X				■		■		■		X		■
NOR	■	X	■	X						X						X		X		X				■		X				X		■		■		X		■

Key:

- There is some form of coordination/forum between the donor, other donors and the Government of Tanzania in a particular sector/issue
- X There is some form of coordination/forum among the donors themselves in a particular sector/issue
-  Government institutions involved in different forms of coordination in a particular sector/issue
-  Bilateral donors and their mapping into various sectors/issues, as marked by ■ or X
-  Multilateral donors and their mapping into various sectors/issues, as marked by ■ or X
-  NGOs/CSOs and their mapping into various sector, as marked by ■ or X

List of Acronyms

BoT	Bank of Tanzania
CSO	Civil Society Organisation
DP	Development Partners
DPG	Development Partners Group
GoT	Government of Tanzania
MCDGC	Ministry of Community Development, Gender and Children
MEM	Ministry of Energy and Minerals
MLHSD	Ministry of Land Housing and Settlement Development
MNRT	Ministry of Natural Resources and Tourism
MoAFS	Ministry of Agriculture and Food Security
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoH	Ministry of Health
MoJCA	Ministry of Justice and Constitutional Affairs
MoLYDS	Ministry of Labour Youth Development and Sports
MoSTHE	Ministry of Science Technology and Higher Education
MoTC	Ministry of Trade and Commerce
MoW	Ministry of Works
MoWLD	Ministry of Water and Livestock Development
NAO	National Audit Office
NEMC	National Environmental Management Commission
NGO	Non-Governmental Organisation
PMO	Prime Ministers Office
PoPP	President's Office Planning and Privatisation
PoPSM	President's Office Public Service Management
PORALG	President's Office Regional Administration and Local Government
PoSH	President's Office State House
TACAIDS	Tanzania Commission for AIDS
VPO	Vice President's Office

Various donor funding mechanisms

Project-type aid

This kind of aid is favoured by donor partners who either have no confidence in the official accounting and auditing system or who are barred by their governments' legislation from co-mingling funds (e.g. through a pooling arrangement). Such donors therefore finance agreed sector programme initiatives via projects. Under this arrangement, each project's financial management processes vary, depending on the particular donor partner providing the funding.

Basket Funds "off budget"

(e.g. individual accounts or basket funding outside the Exchequer system). Basket funding outside the Exchequer is in place for the Local Government Reform Programme (LGRP)¹¹. The modality operates as follows:

- Annual work plans and budgets are drawn up on the basis of a medium-term strategy/action plan. Thereafter, funding is channelled to a programme operating account from a satellite account (basket fund) on a periodic basis on the basis of satisfactory implementation performance. All disbursements are approved by a committee comprising representatives from government and donor partners in the programme
- Denmark, DFID, EC, Finland, Ireland, The Netherlands, Norway, Sweden and UNDP provide funds through this kind of basket arrangement.

Although earmarking creates fragmented accounting and reporting of public expenditure, the arrangement is perceived to more readily meet donor partners' accountability concerns because systems and procedures can be tailored so as to offer adequate flexibility on the part of the donors. However, transaction costs are high, as it is necessary to adopt specific procedures to ensure that earmarked funds are recorded in GoT's books of account.

Basket Funds "on budget"

This kind of fund is in place for the education and health sector development programmes. Its key operational features are as described for the LGRP. The main exception is that this modality takes advantage of existing accounting policies, financial management systems and infrastructure at both central and

¹¹ It is also being used by the Business Environment Strengthening for Tanzania (BEST) programme's Empowering Private Sector Advocacy component led by the Tanzania Private Sector Foundation

local government. The financial management manuals for sector programmes draw on government legislation and rules to specify common procedures (e.g. with respect to planning, budgeting, procurement, disbursement, reporting and auditing) for the relevant basket. There are similarities in processes, forms and reports used by the two baskets. Also, both funds are subject to an annual audit by the National Audit Office (NAO).

Areas of concern in the initial years of implementation of the basket fund (particularly in the health sector) were as follows:

- Financial management capacity was weak, and therefore personnel experienced difficulties during implementation. As a consequence, a great deal of effort went into training finance personnel and strengthening the basket fund's procedures.
- Quarterly disbursements to local government authorities were tied to the submission of the previous quarter's report. As a consequence, local government authorities had insufficient time to meet this requirement on a timely basis. As a consequence, disbursement was delayed. To minimize disbursement delays, the timetable was revised to allow local government authorities to report after every other quarter

Poverty Reduction Budget Support (PRBS)

Under this modality, government commits to performance benchmarks and funding targets for priority sectors listed in the PRSP¹². Donor partners release funds in tranches on the basis of performance and government's cash-flow requirements. The support takes advantage of existing systems and infrastructure. In addition, joint government/donor partner monitoring is undertaken through the PAF arrangement¹³.

¹² A ring-fenced budget support modality is used for the Primary Education Development Programme financed by government and the World Bank

¹³ One donor the mission spoke to indicated that HQ had to be persuaded to provide budget support rather than join the basket

General Budget Support

The Government of Tanzania is highly in favour of General Budget Support (GBS), whereby it remains with all the flexibilities of where to allocate the funds. The set-up resembles that of the PRBS, the only difference being that while PRBS is solely providing support to sectors aiming directly at poverty reduction, no strings are attached to GBS. However, in both cases, conditionalities are normally attached. This is acceptable to GOT as long as these conditionalities are in line with those of the Mkukuta.

Some practical examples of funding arrangements

- Germany, Denmark, Ireland, Netherlands, Switzerland and IDA provide SWAp under the Health Sector Development Programme (HSDP). They carry out a joint financial management, disbursements and procurement assessment for multidonor pooling of funds for the programme
- Ireland, EC, Canada, the Netherlands, Norway and Sweden provide basket funding under the Primary Education Development Programme (PEDP). The World Bank provides direct budget support for this programme.
- An attempt has for a prolonged period been made by Denmark, EC, Japan, Ireland and the World Bank at organising a SWAp in Agriculture. The fact that four ministries are involved in this sector has considerably delayed the process.

4 Politics, Polity, and Policy

A three dimensional premise for cooperation and complementarity

Comprehending the dynamics of powers and alliances is important for understanding the achievements within co-ordination and complementarity in the development cooperation.

Therefore a brief conceptual distinction between three political dimensions established in political science is presented below in order to set the frame for how these central problems can be assessed.

Definitions of organisational, substantive and operational interaction

Definition	General empirical indicators
<i>Polity:</i> Institutional structure and organisational form (managerial and administrative aspects)	<ul style="list-style-type: none"> • Interventions or claims pursuing institutional, organisational, managerial and administrative structures
<i>Policy:</i> Substantive content (official formulated strategy and values)	<ul style="list-style-type: none"> • Documents and claims regarding substantive orientation, values and policy goals
<i>Politics:</i> Political motives Collaboration/conflict between stakeholders (process oriented)	<ul style="list-style-type: none"> • How (and by whom) the agenda for collaboration/joint efforts is set • National ownership to the development efforts • What remains outside the agenda

In the model below, the three political dimensions have been combined with the two dominant discourses, the “Autonomy/national discourse” and the “Aid/development discourse” in order to identify actual and potential conflict areas between GoT and the DPs as well as conflicts internal to each of the groups.

The “Autonomy national discourse” is – among others - characterised by

- having as overall objective political and financial autonomy for the governments of the developing countries;
- Insisting on the rights of the government to define its own development model and means to achieve it;

- Insisting on the rights of the government to choose and control its political and financial systems and priorities;

The “aid discourse” is - among others - characterised by

- Seeing the Northern and Western Countries as a model for the development of the “third world”;
- Insisting on that quite “radical” social development targets (poverty alleviation) should form an essential part of the national development plans;
- Insisting (spear-headed by IMF and the WB) on a number of financial and structural conditionalities which have to be satisfied in order to allow for the country to get access to additional funding and development aid.

In the following table and paragraphs the general definitions of the concepts will be adjusted to fit the Tanzanian context.

POLICY AND DISCOURSE DIMENSIONS		
	Autonomy/national discourse	Aid/development discourse
Polity:	Ministry of Finance Line ministries	DP Headquarters DP Delegations
Policy:	MKUKUTA JAS	Rome and Paris Declarations Country Strategy Papers
Politics:	Existing and Potential conflicts:	
I	Ministry of Finance ▼ ▲ Line ministries	DP Headquarters ▼ ▲ DP Delegations
II		DPG ▶ ◀ DPG ▼ ▲ Donors outside DGP (e.g. Japan, USAID)

III	JAS ▶	◀ Country Strategy Papers
IV	Line ministries ▶	◀ Individual donors
V	General Budget support ▶ SWAPS On budget basket	◀ Project support Off budget basket

Polity

A cross cutting issue captured under the polity heading is the often referred to problem in the interviews of the too complex donor architecture. At present 35-40 Headquarters are presented in Tanzania through delegations, representations, embassies, etc.

On the Tanzanian side, the GOT is dominated by a high profile MOT, surrounded by line ministries with very different levels of capacity and influence. The latter often find that their voice is not sufficiently heard during the GOT/DP debates.

Policy

Tanzania's policy production is of a high quality. The focus is at present on the *Mkukuta* and the *JAS*, but it should not be forgotten that a main player in the area of policy formulation is the Public Expenditure Review (PER) process, where meetings are held at sector level each month between GOT officials, DPs and NGOs commensurate with meetings at the macro level, where MOF and the World Bank are the main players. These discussions play an important role in the formulation of the Budget Guidelines and thus the MTEF.

The *Mkukuta* constitutes, as mentioned above, the main National Policy Paper, while the *JAS* focus on how DP support can be set up so that it feeds smoothly into the national policy without – as at present – draining the GOT of its resources through the endless line of donor consultations.

The question of whether *JAS* will be able to simplify the institutional structure without hampering too severely with individual donor profile is an issue of the highest importance to the DPs.

According to the *JAS* Concept Paper, the *JAS* is expected to "...align all participating donor requirements, practices and processes for preparing, delivering and monitoring aid to a single country assistance strategy and hence

do away with each donor having their own strategy....the JAS will detail how technical and financial resources of Development Partners can collectively support the Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP),...This will further harmonise and align donor support with country priorities, systems and processes and thereby enhancing development partnership and country ownership, reducing transaction costs and raising aid effectiveness."

Of main importance for the DPs is the proposal that "each development partner concentrates on a few sectors/areas depending on her individual comparative advantage, i.e. expertise relative to other partners, in a particular area or activity... ". Some donors do not see themselves as "silent partners" (donors solely providing support through "Lead donors" in specific sectors) and cannot accept the fact that the GoT expects that the JAS is to replace the individual CPS.

Politics

At the **Politics** level, the table reveals the actual and potential conflicts observed during the field study.

I:

The *Mkukuta* and the JAS are likely to enhance even further the already strong power of the MOF compared to that of the line ministries. As mentioned elsewhere, many line ministries are used to cooperate directly with donors, and continue to cooperate off budget with project oriented donors.

As regards the DPs, some HQs appear to severely limit their delegations' freedom to act fast in a political context characterised by substantial political changes. As put by the RNE: "...besides national changes, HQ is the primary constraint for flexible coordination."

II:

At present the Donor Partner Group (DPG) comprises 32 members:

Belgium , Canada , Denmark, European Delegation, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, US, UNDP, UNICEF, ILO, UNFPA, UNIDO, UNAIDS, UNCDF, WFP, UNHCR, FAO, UNESCO, WHO, UN-Habitat, IMF, World Bank.

The DPG holds monthly meetings, first and foremost to share information, but also to coordinate their activities. Most DPs providing sector funding are members of DPG sector groups. One of the most successful achievements in the area of coordination is the PRBS group where the 14 participating donors have agreed to establish common conditionalities, thereby becoming able to set up a common monitoring approach - the Performance Assessment Framework (PAF). This move represents a significant reduction in transaction costs to the Ministry of Finance when compared to a situation in which the MOF would be required to prepare 14 separate reports. The MOF reports that use of the unified Performance Framework has further reduced transaction costs, since improved understanding of government policy amongst the donors has decreased the need for MOF briefings to donors' project design teams and country strategy teams.

However, there are also a range of cases where formalised donor coordination is still seriously lacking behind: *"half of the dialogue forums don't have ToR and don't report to DPG"* (RNE), *"Meetings on CC are often talking shows"* (DFID)

The main donors outside DPG are Japan and USAID. Both provide only project aid and have no intention to align with GOT procedures. Apparently Japan is at present the only DP who does not regularly disclose its commitments and disbursements at country and sector level

WP 15 points to the fact that the gain in transaction costs achieved through programme support is often counteracted by an increase in the number of new monitoring processes, as can be seen in the table below

Table 3: Existing Monitoring Processes

Forum	Headquarter participation	Topics	Topics Frequency of meetings
<i>Overall level:</i>			
Consultative Group	Yes	Good governance, macro economy, poverty etc.	18 months interval
Poverty Policy Week	No	Draft PRSP progress report, Poverty and Human Development Report	Annually (September)

Forum	Headquarter participation	Topics	Topics Frequency of meetings
Public Expenditure Review	Partly	Medium-Term Expenditure Budget, PER sector reports, PER external evaluation report	Annually (May)
<i>Budget support and sector baskets:</i>			
Budget support facility (PRBS)	For some donors	Monitoring of progress	Two annual meetings /reviews
SWAp (health and education)	No	Monitoring of progress	Annual review, quarterly meetings
Local Government Reform Program (LGRP)	No	Monitoring of progress	Annual review, quarterly meetings
<i>Sector level:</i>			
PER sector working groups	No	Sector studies	Differs, several over a year
Other government – donor sector groups	No	Ongoing programs/projects, sector Issues in general	Differs, but often several times a year

Source: WP 15

It should be noted that **many** of the DPs involved in the above activities continue to use their own external monitoring systems, sometimes in combination with or as a supplement to government systems, when administering their projects

III

The *JAS* assumes, as mentioned above, that it will replace the individual CSPs, or – put more bluntly – that the elaboration of individual CSPs will in the future constitute a sign of non-alignment. The GOT is to cooperate with a minimum of

donors as it is proposed that specific agencies (maximum one or two) will agree to become “lead agencies” for particular sectors, while other agencies are encouraged to adopt “silent partner” roles in these sectors. Some donors have severe reservations regarding the JAS. “*There is a very assertive tone.... and is it a legal binding document?!?*” (RDE), others accept this development: “*If GoT is to gain ownership and take responsibility, we must allow them.*” (RNE)

As will be seen from the interviews, few donors are ready to abandon their CSPs although there is an understanding that they have to be changed “*The CSP in the future might be less focussed and more flexible.*” (EC)

One reason is likely to be that donors have an interest in keeping control of their own funds. “*CSPs are still of some importance... to donor’ home administration*” (DFID).

IV

Many donors – also the ones which officially promote SWAps and GBS – have kept strong ties with line ministries. The DPG complains that in spite of the participating DPs common agreement - not to act individually without having notified the group - donors continue to make special arrangements with the line ministries – arrangements which are often not registered at GOT level.

Three important donors - the World Bank, the African Development Bank and Japan - state openly that they have no explicit policy to reduce project funding to the public sector. According to *WP 15*, it is actually only DFID and the EC which have an explicit policy of shifting from projects towards GBS.

V

The majority of donors are still reluctant to fully commit to GPS - “*Donors have only just dipped their toes into GBS so far*” (DFID) - partly due to a lack of confidence in the national accounting and auditing system, but also because many do not agree with GOT policy. Some donors find this latter position highly unacceptable - “*Either you agree with national strategy or you leave and stop funding*” (RNE) – but the majority appear clearly unwilling to set more than 15-20% aside for GPS.

One of the reasons for preferring basket funding is that this approach makes it easier for the participating donors to add all their individual conditions and monitoring indicators into the system. In the case of the education sector

common basket fund such issues delayed, according the *WP 15*, the launching of the fund by nearly three years.

5 The role of CSP and other relevant Mechanisms for Alignment, Coordination and Complementarity

Key dialogues and other communications with implications for alignment and C&C taking place at present among Development Partners at both general level and within the EC and EU MS delegations

In December 2004 the informal Development Assistance Committee (DAC) 2004 was transformed into the formally established Development Partners' Group (DGP) in order to enhance the commitments made by the Development Partners in Rome and Paris. In the DPG Terms of Reference (which were elaborated before the *JAS*, the *Mkukuta* and the Paris Declaration) it is stated that membership of the DPG is open to any bilateral or multilateral partner that provides development assistance to the United Republic of Tanzania.

Where possible, DPG seeks to be represented in Government-led groups and to build their capacity to coordinate development activities.

The DPG seeks – not always with success - to identify common positions on certain policy and monitoring issues. One of the aims of this approach is to allow nominated DPG members to speak on behalf of the larger group in discussions with GOT.

The DPG TOR underscore that cooperation cannot be prescriptive as it is premised on voluntary engagement and peer support. The DPG is thus mainly to be seen as a forum governed by the principle of consensus, but – in principle - also by respect regarding differences in policy and modality approaches.

In April – after the Paris declaration - The Independent Monitoring Group (IMG) defined three challenges to the success of the DPG:

1. The need for a working definition of harmonization
2. Coping with the problem that the harmonization progress made at country level in implementing the Rome Declaration and other internationally agreed principles of best practices in development cooperation “does not seem to be feeding into the higher level DP offices”. In other words: Harmonization issues are still generally non-issues at HQ level.

3. The fact that some development partners do not accept the Rome and Paris commitments (USAID and Japan) are outstanding examples of the standpoint that donors should not align to GOT procedures.

These challenges reflect **one of the major problems identified during the field study: the fact that the delegations' freedom to negotiate harmonization issues with GOT are often highly constrained by Head Quarter (HQ) positions.**

The mission encountered several examples which pointed to the fact that HQ's interest in coordination is often far lower than that of the corresponding delegation. A case in point was provided by the RNE: At HQ level it was recently decided that the Netherlands should focus on education in their development policy. As a result, the RNE *is obliged* to be active in education in spite of the fact that the delegation staff recognises that they do not have sufficient capacity and knowledge within this area..

Several other examples of severe tensions between HQ and the delegations and missions were provided during the interviews. A range of them have direct repercussions on harmonization due to the fact that new coordination measures might have to be taken fast at very short notice.

A case in point was provided by DFID. The DFID delegation feels that it has a wide range of freedom regarding the establishment of firm negotiations with and commitments to GOT. The result is – according to the EC delegation - that DFID and not the EC delegation stands out as the lead regarding EC/ EU MS cooperation.

This finding leads directly to the issue of the role played by the CSPs, due to the fact that these papers **constitute a kind of contract between HQ and the delegation.** Taking DFID as example, it could be stated as a strong hypothesis that **the less specific the CSP, the higher the chance of alignment, coordination and complementarity at partner country level.**

The implication is thus that **delegations and missions which are not constrained by HQ to act in certain ways – even when it comes to taking specific harmonization measures - are far more likely to react fast and positively to harmonization challenges.**

During the mission's discussions, it was often argued by the delegations that the reason the CSPs collected dust was the fact that the majority were more that two

to three years old – that is: produced either before the Rome declaration or at a time when the consequences of this declaration were not yet reflected in the CSPs.

Is it correct that the only reason the CSPs do not play a role in the harmonization processes is the fact that the ones dealt with in this evaluation are too old? The case of the Netherland CSP shows that this does not appear to be the case.

As stated in the desk study, the Netherland's latest CSP was published in the first part of 2005, when the Paris Declaration was being renegotiated. The delegation played a role in the elaboration of the paper although the final draft was HQ work. According to the RNE the issue of the CSP as an actor in the promotion of coordination and complementarity was never thought of or debated, neither by HQ, nor at RNE level. At no point in time did HQ require an overview of the position and plans of other donors. As far as the RNE was concerned, other donors were only provided with information if they asked for it. As regards the MOF, it was only approached when the sectors where the Netherlands wanted to be present had already been decided upon.

In many cases, it appears that **the CSPs are actually hampering coordination**: according to the EC-delegation, the level of rigidity in the EC CSP is severely weakening the delegation's attempt to promote alignment, coordination and complementarity. The fact that it was decided in 2001 to focus EC sector support on the sub- sector "roads" up to 2007 makes it impossible for the delegation to position the EC within the JAS as an important player in the transport sector as a whole. As put by the delegation: *"due to the CSP the competitive and comparative advantage of the EC in the area of railways and harbours is lying idle."*

Regarding the assessment of the evaluation on EC CSPs, an official document still remains to be finalised. During our stay in Tanzania we managed to meet with J. Toulemonde in charge of the evaluation of EC CSP, conducted in parallel to this evaluation. It was an interesting exchange of perspectives and a "First Phase Report (extracts and complements)" (a first outline of the evaluation) were received for internal, informal information.

On this basis it still seems to be too early to include the document for evaluation of the EC Country Strategy Paper in this 3C evaluation.

Who are the influential stakeholders in the processes of JAS and MKUKUTA?

Although the discussions during the mission with different stakeholders provided interesting information on the relative importance of, on the one hand

the DPG and on the other the GOT – as well as divergences within each of these groups – the minutes from the special DPG meeting in April 2005 on the role of DPG in the JAS provides important information about relative stakeholder influence. At the time of the meeting, the donors had been presented with a draft – which – according to information by GOT – was inspired by the version elaborated in Zambia.

In the area of **complementarity** – that is, the division of labour according to each development partner’s competitive and comparative advantages - the DPG members appear to have been worried about the possibility that the GOT might have the last word when the decision on the position of development partners within the different sectors is to be taken. It is stated in the minutes that “it should not be forGoTten that the issue of division of labour has tremendous implication not only at the country level but also at HQ level, as the set-up proposed requires that HQs review their cross-country portfolios”. In short: the JAS is expected to have significant implications on the development partner’s own systems, procedures (including elaboration of CSPs), interaction between HQs and local missions, and the division of labour. It requires major and prolonged adjustments at both HQs and local mission level. As noted during the interviews, some of these changes will definitely require parliamentary approval!

It is obvious that in this situation the most dynamic development partner is the one who has the possibility of avoiding the “sector battle” by applying general **budget support (GBS)**.

In this area DFID has a clear advantage in that a high level of authority has been delegated to the mission – they can without HQ approval use an amount of up to £ 10 million annually. DFID has realised that not only does GBS reduce the transaction costs of the delegation – it has made them able to cut staff as they have become less dependent on specific sector knowledge - but they are also far less burdened by the increasing number of meetings, which, according the RNE, has now reached a level of absurdity, first and foremost due to a still more advanced lack of understanding of how the this system of sector, sub- sector and sub-sub- sector as well as cross-cutting groups actually interlinks. As mentioned in one of the delegations: **in each delegation there is one person – maybe two – who have an overview of the system – the rest of the personnel is operating in the dark.**

Which adjustments are taking place, or being planned to take place internally by EC and EU MS to adjust their organization and procedures to the implementation of the 2 Cs

One of the main issues of discussion during the mission's meetings was the future need for CSPs in Tanzania. In this area the position of the EU MS diverted to a considerable extent. As regards the EC delegation, there were no direct proposals regarding future CSPs, only that a situation like the present should never arise again, namely that the existing EC CSP makes it impossible to align with the *Mkukuta*.

The position of the EC delegation is that a CSP should continue to be elaborated, but that it should ideally be a common paper covering all EU MS. However, it is their opinion that the rejection of the recently proposed treaty has frozen EU coordination in this area.

As regards Belgium, the delegation's position is that a CSP is not needed once the JAS is operational. However, it has to be set up – but not necessarily used – as the mission is required by law to prepare CSPs..

DFID's position is clear: Once the JAS is in place, DFID will use it as a CSP and only elaborate a couple of pages which will be added to the introductory sections of the JAS.

The position of Danida is that even after the JAS and the *Mkukuta*, CSPs will still be required. One of the reasons is that Danida does not aim at mainly providing GBS; they want to continue to support SWAps and engage in basket funding at sub-sector level.

At the RNE the position differs: On the one hand there one finds the position that CSPs no longer make sense – “*CSPs suggest what donors want to accomplish, and this will in the future depend entirely on GOT*”. This position sees the present CSP activity as a circumvention of official laws and procedures in Tanzania. The reason is that not only does it constitute an extra burden for the GOT administration; it also represents an “unconstitutional development approach”.

Other opinions are, however, also represented: there might be a need for a CSP, but when substantial changes are taking place in the partner country – like the implementation of the JAS and *Mkukuta* - new CSPs have to be elaborated.

Another problem is that the elaboration of a CSP is not optional – it is a requirement from HQ – “*CSPs are policy formulations adjusted to HQ decisions*”.

Annex 1: Persons Consulted

Organisation	Persons interviewed	Interview date	Interview time	Interview venue
EC Delegation	1 st Meeting: Douglas Carpenter, Counsellor and Johann Hesse ,Advisor	Monday, 19 th September 2005	14:00	EC Delegation Umoja House
	2 nd Meeting: Douglas Carpenter, Counsellor	Monday, 26 th September 2005	14:00	EC delegation Umoja House
The Netherlands Embassy	1 st Meeting: Pieter Dorst , Head of Cooperation	Tuesday, 20 th September 2005	9:00	RNE Umoja House
	2 nd Meeting: Henny de Vries, First Secretary	Monday, 26 th September 2005	16:00	RNE Umoja House
Danish Embassy	Jacob Dal Winther, First secretary	Tuesday, 23 th September 2005 Postponed and agreed later to be 23 rd September 2005	08:30	Danish Embassy
DFID	John Piper, Economic advisor, and Andrew Felton (PRS Team)	Wednesday, 21 st September 2005	9:00	DFID Umoja House

Belgian Embassy	Herman Boonen, Consellor (International Cooperation)	Wednesday, 21 st September 2005	14:30	Belgian Embassy
Ministry of Finance	Nyamtara Mukome, responsible for EU Cooperation at Treasury	(See next column)	Local Consultant's report: <ul style="list-style-type: none"> • 13 September – Called Mr Mukome who was away in Mr. Morogoro and asked to call on 15 September when he would be back • 15 September - Met with Mr. Mukome in MOF – arranged to call Monday 19 September to agree on when to meet • 19 September - Was asked by Mr. Mukome to send a letter to ask for interview with the Permanent Secretary..Mr. Lyimo • 20 September – called and spoke to the Mr. Lyimo's Secretary who promised to arrange a meeting a.s.a.p. • 22 September – called Mr. Lyimo's secretary • 23 September – Visited MOF again chase up the interview • 23 September – Called MOF several times • 26 September – were informed that we could not meet Mr. Lyimo, who was 	Ministry of Finance

			away. Asked to wait to be advised after his return	
			<ul style="list-style-type: none">• 27 September: Team left Tanzania	

**Evaluating
Co-ordination and
Complementarity of
Country Strategy
Papers with National
Development Priorities**

Zambia Field Study

Final Draft

October 2005

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List of Abbreviations

BESSIP	Basic Education Sub-SIP
CAP	Country Assistance Plan
CDF	Comprehensive Development Framework
CG	Consultative Group
CSP	Country Strategy Paper
EC	European Commission
EDF	European Development Fund
ESIP	Education SIP
EU	European Union
GRZ	Government of Zambia
HIP	Harmonisation in Practice
HIPC	Highly Indebted Poor Country
HQ	Head Quarters
I-PRSP	Interim PRSP
JASZ	Joint Assistance Strategy, Zambia
MDG	Millennium Development Goals
MoFNP	Ministry of Finance and National Planning
MoU	Memorandum of Understanding
NDP	National Development Plan
PEMFA	Public Expenditure Management and Financial Accountability
PRSP	Poverty Reduction Strategy Paper
RN E	Royal Netherlands Embassy
SAG	Sector Advisory Group
SIP	Sector Investment Programme
SPS	Sector Programme Support
SWAp	Sector Wide Approach
W&S	Water and Sanitation
WB	World Bank
ZBF	Zambia Business Forum

Executive Summary

Ownership to PRSP

An Interim PRSP (I-PRSP) was approved in July 2000 and implemented until the first PRSP (2002-2004) was finalised in May 2002. The PRSP preparation process is considered as country driven with wide civil society participation and it is widely considered as the national development strategy document. A Transitional National Development Plan (TNDP) was prepared for the period 2002-2005, however, there is no contradiction between the PRSP and the TNDP as the TNDP is basically the PRSP plus some more areas of the societal economy.

Achievement of 2Cs

Government does not consider the CSPs, as being important for coordination and complementarity. There have always been elements of coordination and complementarity among donors, even if mechanisms were not well defined. It has been a silent coordination where a donor has accepted the activities of other donors, for instance that certain donors have been seen as linked to certain sectors or certain geographical areas (provinces). This has, however, not been a sufficient mechanism to avoid 'congestion' in certain sectors or thematic areas.

Coordination seems to increase when GRZ plays a significant role in a sector, e.g. with establishment of a SWAp with a comprehensive strategic plan. This seems to spur a stronger coordination within that particular sector although it takes time and effort to reach a certain level of coordination if a sector initially has a dozen donors without a lead donor or any delegated authority.

A functioning Joint Assistance Strategy would at the moment be a very significant achievement in terms of coordination and the present JASZ process is the most promising attempt to date to promote enhanced coordination and complementarity.

Role of CSPs

Bilateral donors' CSPs are prepared primarily for the donors' own use, it is normally not a document agreed to and signed by GRZ. Knowledge of other donors CSPs is not widespread. In relation to GRZ more attention is paid to specific project and programme documents that have been negotiated and signed by both parties. In most cases the CSPs are prepared on basis on studies, scrutiny of existing studies and some level of consultations with other donors and

Government. The CSP preparation processes are therefore seen by donors to make some contribution to complementarity.

Role of similar processes

A first Harmonisation in Practice (HIP) agreement was signed between the Government and seven donors in March 2003. In April 2004 a Memorandum of Understanding on Donor Harmonisation (MoU) was signed between Government and bi-lateral and multi-lateral donors. As a follow up to the MoU a Joint Assistance Strategy in Zambia (JASZ) is in the process of preparation. GRZ and the development cooperation partners have committed themselves to a joint strategic planning exercise leading to a common multi-year strategic plan for donor support, including a matrix for division of labour among donors. The process is led by a few donors, but supported by all the signatories of MoU. The JASZ will ultimately mean that donors have to abandon their individual country strategies or align them with the JASZ.

Another important mechanism to facilitate the stakeholder participation is the Sector Advisory Groups (SAG), one SAG established for each sector. Participants are from civil society, the business community, the donor community and led by the concerned ministries.

Key institutional structures

The non-institutional coordination structures among donors have in the past played some role for coordination and complementarity. However, structures that also includes Government – and even better being Government led – seems to be potentially much stronger mechanisms for coordination and complementarity. It is noteworthy that the present strong drive towards a more institutionalized coordination mechanism initially had its origin in a non-formalised group of donors, i.e. the so called ‘Nordic Plus Group’.

Incentives and dis-incentives

Government expresses a strong incentive in promotion of the MoU and the ongoing JASZ process as it will ultimately reduce the burden on Government to interact with a large number of individual donors. It is furthermore an incentive that it will place the GRZ more in the driving seat on utilization and allocation of the aid. The donors will ideally have the same incentives and is therefore in support of the process. However, it will also mean that individual donors will lose their possibility to demonstrate achievements, e.g. the outcome and impact of individual projects. This may be a disincentive on the donor side.

Factual information

The main features of the donors' support pattern are as indicated in the table below:

	EC	Danida	DFID	Sida	Netherlands
GBS	yes	no	yes	no	No
SWAps:					
- Education	Yes	Yes	Yes		Yes
- Health	Yes	Yes	Yes	Yes	Yes
- Roads	Yes	Yes			
Key sectors:					
- Agriculture				Yes	
- Priv. Sector				Yes	Yes
- W&S		Yes			
- Education	Yes	Yes	Yes		Yes
- Health	Yes	Yes	Yes		Yes
- Infrastructure	Yes	Yes		Yes	
- Inst. Reform & Governance	Yes	Yes	Yes	Yes	Yes

6 Introduction

Purpose and Structure of the Country Study

The present report is the outcome of a country study undertaken as part of the assignment on evaluation of complementarity and coordination in respect of country strategy papers prepared first of all by the EC but secondly also a selection of EU member states. The present country study covers one, namely Zambia, of eight country studies to provide input for the overall evaluation report.

The country study of Zambia began with a desk study of documentation available on the internet and material made available by donor headquarters. This included PRSP and Country Strategy Papers, and DAC Review (2004)¹⁴. Subsequently a field trip to Zambia was carried out from 15 – 26 September 2005¹⁵ where selected donors, GRZ Ministries, private sector organisations were consulted for interview and discussions¹⁶ on the evaluation topics.

The Consultants are grateful to the parties involved for taking time to provide information and discuss the relevant issues.

The country study report is structured around the following themes:

- How far does the PRSP represent the national strategies and can the PRSP be used for measuring donor alignment?
- Which overall harmonisation actions have been taken and which measures implemented?
- Assessment of strategy papers (prepared at different points in time since 2001) for EC, UK, Denmark, The Netherlands, and Sweden; looking at, inter alia, alignment with national strategies;
- Qualitative assessment of complementarity among these donors' activities;
- presentation of the main findings and conclusions of the DAC survey on Harmonisation and Alignment – Measuring aid harmonisation and alignment in 14 partner countries, of which one is on Zambia; and
- Summary of findings and conclusions – and comparison with the findings and conclusions of the DAC study.

¹⁴ List of main literature consulted in Annex 1

¹⁵ The Study has been carried out by Mr. Egon H. Madsen, CopenhagenDC, assisted by Ms. Angela Wainaina, Deloitte Zambia, during the field visit.

¹⁶ Itinerary with list of people met in Annex 2.

Country profile

In the 1960s and 1970s Zambia was one of the better off economies in Africa, however, in the 1980s and 1990s, declining copper prices and a prolonged drought hurt the economy. Elections in 1991 brought an end to one-party rule, but the subsequent vote in 1996 saw blatant harassment of opposition parties. The election in 2001 was marked by administrative problems with three parties filing a legal petition challenging the election of ruling party candidate Levy Mwanawasa. The new president launched a far-reaching anti-corruption campaign in 2002, which resulted in the prosecution of former President Frederick Chiluba and many of his supporters in late 2003. Opposition parties currently hold a majority of seats in the National Assembly.

Despite progress in privatization and budgetary reform, Zambia's economic growth remains somewhat below the 5% to 7% needed to reduce poverty significantly. Privatization of government-owned copper mines relieved the government from covering mammoth losses generated by the industry and greatly improved the chances for copper mining to return to profitability and spur economic growth. Copper output increased in 2004 and is expected to increase again in 2005, due to higher copper prices and the opening of new mines. The maize harvest was again good in 2004, helping boost GDP and agricultural exports. Cooperation continues with international bodies on programs to reduce poverty, including a new lending arrangement with the IMF in the second quarter, 2004 after borrowing from IMF had been discontinued for a couple of years. A tighter monetary policy will help cut inflation, but Zambia still has a serious problem with fiscal discipline.

As experienced in September 2005 there seems to be a lot of optimism in both donor and private sector circles in terms of political stability and prospects for growth. The donor community in Zambia seems also to have a relatively high confidence in the present government. This is reflected in new initiatives and substantial commitments by donors, including initiatives that could bring GRZ significantly more into the driver's seat. The total donor disbursement figures for 2004 are presented in the table below¹⁷.

¹⁷ Table copied from JASZ, Self Assessment of Comparative Advantages – Summary Note, June 2005

Disbursements in Zambia 2004 in million USD

	Macroeconomics including DBS	Agriculture	Tourism (incl environment)	Mining	Industry	Energy	Infrastructure (including roads)	Health	Education	Water and Sanitation	Gender/HV/AIDS	Governance	Social Protection	Defence and Security	Law and Order	Foreign Relations	Information Services	Unallocated/others	Total
Canada	0,70							3,86	1,62									0,98	7,16
DCI								5,40	7,67	3,64	3,64	2,34							22,69
Denmark		0,25	3,74				10,54	6,46	11,90	2,21	1,70	0,34	3,40				0,25		40,79
Finland		0,40	0,60						3,30			1,95						1,30	7,55
Germany							5,00		0,36	18,60	0,80	6,00	0,52					0,40	31,68
Japan		4,27	0,12	0,02	0,54		0,96	4,94	8,31	7,10	4,94	0,89	0,15				0,23	0,97	33,43
Netherlands		3,12						17,60	22,62		1,97	2,14							47,45
Norway		4,63	3,85				3,82		14,32		4,63	3,58						2,32	37,15
Sweden		6,00			1,00	0,65		13,20				3,70						0,45	25,00
UK	0,30	1,30						3,20	17,50	1,30	2,70	9,70	0,20					2,00	38,20
USAID		3,72	1,26		2,13			11,70	5,89		47,73	2,20							74,62
EC	64,11	1,26	0,33	3,64	0,87		10,71	0,50	4,28			0,84	1,27						87,81
IMF	248,10																		248,10
World Bank	20,00	21,15	2,57		3,83	18,22	27,05	9,33	22,25	1,47	7,30	12,01	1,48					3,75	150,39
FAO		1,30									0,20		5,00						6,50
ILO																			no data
UNDP	0,53		1,05								0,76	0,74							3,08
UNFPA								1,00			0,30	0,05							1,35
UNHCR		0,76	0,08				1,17	1,17	0,77	0,32	0,15	0,34	0,51		0,20			3,35	8,81
UNICEF								3,24	1,75	1,61	0,43		1,96						8,99
WHO								4,05			0,96								5,01
WFP, UNAIDS																			no data
total	333,74	48,15	13,59	3,66	8,37	18,87	59,24	85,64	122,53	36,24	78,21	46,83	14,48	0,00	0,20	0,00	0,48	15,52	885,75

7 Zambia's National Strategies and PRSP

An Interim PRSP (I-PRSP) was approved in July 2000 and implemented until the first PRSP (2002-2004) was finalised in May 2002. The formulation process for the I-PRSP was not comprehensive and it was the idea that it should only serve until the PRSP was finally prepared. The PRSP preparation process is considered as country driven with wide civil society participation and it is widely considered as the national development strategy document.

In the 1970'es and 80'es Zambia had three national development plans and a fourth was prepared in the late 80'es; the latter was however never really implemented due to severe economic problems and dis-engagement with the IMF. The national planning process was not resumed in 1991 when a new Government (F. Chiluba as President) came to power as the strategy was more of a laissez faire economy. The results of the economic development in the 90'es are well known as being very far from satisfactory and the GRZ lost significant credibility among the donors.

With the new Government in place in 2001 the GRZ wanted to resume the planning process. This was at the same time as the International Finance Institutions recommended preparation of PRSPs as a condition for further support. The preparation of the PRSP was therefore not alien to the GRZ, however, it was realised that the PRSP mainly focussed on poverty reduction related issues and it was therefore incomplete from a comprehensive national planning point of view. Consequently a Transitional National Development Plan (TNDP) was prepared for the period 2002-2005, encompassing all sectors of the PRSP, but also other areas such as the Judiciary, Law and Order, and Defence and Security. There is no contradiction between the PRSP and the TNDP as the TNDP is basically the PRSP plus some more areas of the societal economy. This meant in reality an extension of the PRSP to include also year 2005.

The future plan is that from 2006 the PRSP and the National Development Plan will be combined in one document: the Fifth National Development Plan. This would further consolidate the national ownership to the strategies for poverty reduction.

Based on studying the donor countries assessments it appears that the donors are generally satisfied with the PRSP, i.e. the strategic priorities and the way it was prepared. They do therefore in principle make efforts to align their activities with

the PRSP and it is considered as the national strategy. The PRSP was welcomed as an important step forward as it is the first comprehensive *strategic* planning document for development and poverty reduction in Zambia.

The main goals of the PRSP are sustained growth and employment generation through:

- Economic development (particularly agricultural diversification, mining, tourism and manufacturing).
- Infrastructure improvement (roads, communications and energy).
- Social sector development (health, education and nutrition).
- Cross-cutting initiatives to address HIV/AIDS, environmental and gender issues.
- Better macro-economic management, public sector reform, and more effective governance.

Although there is donor commitment to the PRSP and agreement with its priorities and strategies there may still be many constraining factors for effective implementation.

The PRSP financing has been patchy¹⁸ and significant improvement in alignment and harmonisation – including moving towards further SWAps and budget support – will require that donors are confident that Government possesses the necessary commitment and capacity to ensure efficient and effective consumption of funds towards the overall PRSP goals. The critical issues where Government still has to improve include:

- General good and effective governance;
- Enhanced public sector management including financial management; and
- Enhanced macro economic management.

Almost all donors mention in their analyses these issues as crucial in addition to the optimal sector allocations. The actual funding structure analysed in 2003-04 is provided in the table below.

¹⁸ Based on various donor analyses and here summarised from the analysis in the DfID analysis in "Zambia: Country Assistance Plan 2004/05-2006/07."

Existing (2003) support from donors to the PRSP¹⁹

PRSP Component	Commitments of funding and technical assistance (examples only)	Funding levels & harmonisation
Economic development (agric., mining, tourism, manufacturing)	EC, WB and USAID working across different sectors. Agriculture prioritised by a range of UN and bilateral agencies (e.g. Sweden, Norway, Netherlands, Finland, USAID), but lacking a widely agreed policy framework, involving a range of projects, and therefore less co-ordinated donor activities than in the case of social sector investment programmes. Early work to strengthen public-private partnerships is being supported by the WB, USAID, Sweden, Netherlands, and DfID.	Significant project funding available, but poorly coordinated, often outside of Government and difficult to predict.
Infrastructure improvement (roads, communications and energy)	EC, WB, Japan, Norway and Denmark. A road sector investment programme RoadSIP well established, including new investment and financing mechanisms for maintenance. Major energy sector reform under way with support of the WB. Community based infrastructure promoted by social fund & micro-project initiatives (WB and EC).	High level of funding, well coordinated in some areas (e.g. roads) or dominated by one donor (e.g. energy)
Social sectors (health and education)	Multi-donor health and education SWAps, in which major pooled finance comes from a group of bi-lateral donors and sub-projects financed by other donors within a well coordinated plan. The Global Health Fund (and potentially the Education Fast Track Initiative) will provide significant finance in coming years.	High levels of funding, well harmonised, and predictable sector budget support.
Cross-cutting initiatives to address HIV/AIDS, environmental and gender issues	Several large scale HIV/AIDS programmes coming on stream or planned (including by USAID, WB, the Global Fund, and DfID), complemented by a large number of smaller scale projects. Nearly all donors provide some support, though some play key roles over and above finance levels (e.g. UNAIDS). Support to environment dominated by Nordic donors. Major investments in water sector by Japan, Germany, Ireland, WB, EC, Denmark and Norway. Gender support by UN agencies and the Netherlands.	Good coordination around HIV/AIDS. Gender and environment support much smaller scale. Some scope for better coordination, predictability of funding.
Better macro-economic management, public sector reform, and more effective governance.	A range of public sector reform projects by various donors, with specific support to key institutions, e.g. Cabinet Office (e.g. WB and DfID), Ministry of Finance (e.g. EC, DfID, and Japan), the Judiciary (e.g. Denmark), Parliament (a number of bi-lateral donors), and decentralisation (e.g. UNDP, Japan, Ireland, and Germany). Bi-lateral donors working	Patchy – present aid delivery fragmented and poorly coordinated across governance issues. However, prospects for joint

¹⁹ Source: ibid

	with EC and WB to agree on a joint approach to supporting Government proposals for key reforms, such as public finance management, PRSP monitoring and public sector restructuring and pay reforms. Civil society and human rights receive substantial support from Nordic and other donors.	donor approaches are good in the light of recent Government reform proposals.
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Reading the table above – and confirmed by other documents - it is clear that the education and health sectors have made the best performance, both in terms of alignment and harmonisation. Also the road (sub-) sector has achieved such results and to a large extent also the HIV/AIDS sub-sector. This is based on strong sectoral commitments, development of National Strategic Plans, and well harmonised multi-donor sector programmes. It has reversed previously negative trends in the sectors; however, there are still major challenges in all the mentioned sectors and sub-sectors. The health and education sectors are also suffering from resource gaps (2003/04), which are linked to the successful processes and structures in the sectors with consequently higher absorptive capacity.

Until 2004 there has not been a Medium Term Expenditure Framework (MTEF) to guide the budget priorities and allocation more than a year at the time. This hampers the negotiations between donors' and Government in their attempts to coordinate the donors' focus areas and the result can be the patchy project picture. The 2004 budget was the first budget to be prepared within a MTEF²⁰.

²⁰ Annual Country Report Zambia, January-December 2004.

8 Harmonisation and Coordination Measures

Harmonisation in Practice

A first Harmonisation in Practice (HIP) agreement was signed between the Government and seven donors in March 2003. In April 2004 a Memorandum of Understanding on Donor Harmonisation was signed between Government and bi-lateral and multi-lateral donors, including Denmark, Germany, Finland, Ireland, the Netherlands, Sweden, UK and the EC. Outside the EC signatories included Norway, Japan, Canada, the UN system, and the WB.

8 key principles for GRZ-donors Co-ordination and Harmonisation are listed in the document:

- 1) Delivery of development assistance in accordance with Zambia's needs and priorities as outlined in the PRSP;
- 2) Alignment with GRZ systems such as national budget cycles, financial systems and PRSP/MDG monitoring processes, where these provide reasonable assurance that cooperation resources are used for agreed purposes;
- 3) Working with GRZ to address institutional capacity limitations and other constraints that prevent reasonable assurance on use of cooperation resources;
- 4) Review of the multiplicity of different donor missions, reviews, conditionalities, and documentation with the aim of reducing transaction costs for GRZ;
- 5) Promotion of co-ordination and harmonisation at all levels;
- 6) Working towards delegated cooperation ("silent partnerships") among donors at country level where it is possible legally and administratively;
- 7) Improvement of information sharing and understanding of commonalities and differences in our policies, procedures and practices;
- 8) Further formulation of a division of labour, based on PRSP themes and objectives, and formatted along the lines of a Comprehensive Development Framework (CDF).

All the signatories commit themselves to abide to the MoU. However, existing bilateral agreements will take precedence over the MoU. The strengthening of coordination and harmonisation will therefore not take place at once but rather over a period of time and as new bilateral agreements are signed, assuming that those will reflect the intentions of the MoU.

The serious weaknesses in the Government's capacity in terms of governance, public sector management and financial management are reflected in the MoU, e.g. in item 2.

Sector Advisory Groups

The Fifth National Development Plan 2006-2010 is currently under preparation. This document will embrace the overall national and comprehensive development strategy and will replace the PRSP. The Government is leading the preparation process, however, with wide participation of stakeholders as required in preparation of the PRSP.

An important mechanism to facilitate the stakeholder participation is the Sector Advisory Groups (SAG), one SAG established for each sector. Participants are from civil society, the business community, the donor community and led by the concerned ministries. The level of activity of the various SAGs is generally quite high, although varying from sector to sector, and there is relative satisfaction with the SAGs among donors. Presently the major subject for the SAGs is preparation of sector sections for Fifth NDP; at completion of this exercise there is a risk that the activity level will be reduced.

Joint Assistance Strategy in Zambia

As a follow up to the MoU on Harmonisation a Joint Assistance Strategy in Zambia (JASZ) is in the process of preparation. GRZ and the development cooperation partners have committed themselves to a joint strategic planning exercise leading to a common multi-year strategic plan for donor support, including a matrix for division of labour among donors. The process is led by a few donors, but supported by all the signatories of MoU and facilitated by a process consultant. The JASZ will ultimately mean that donors have to abandon their individual country strategies or align them with the JASZ.

The JASZ is to be based on the Fifth National Development Plan, and can only materialise if the Plan is accepted by the cooperation partners. Delay in preparation of the Plan will also mean delay in implementation of the JASZ. Although the cooperation partners are in support of the JASZ they do not necessarily all subscribe to all its implementation modalities, some have for instance reservations on direct budget support or silent partnership, however, they all seem to accept important elements of harmonisation, e.g. only one lead donor in a sector and a general reduction in the number of sectors supported by each donor. This has for instance at this stage resulted in a matrix (see overleaf)

showing which donors have expressed interest in being lead donors, based on the donors' self assessment. This is then seen as the starting point for negotiating among donors and between donors and Government who should have the lead in specific sectors. From the matrix it appears that there is a tendency that (some) donors express interest in being lead donor in the sector where they have operated for a long period and therefore is well established. Time will show how whether it will be difficult to arrive at only one lead donor per sector.

The JASZ is a very significant change from the situation when the CSPs under review were prepared, e.g. EC CSP prepared in 2000-20001. At that time it would not have made any sense to suggest joint strategy papers with Government playing a major role in decisions on aid modalities and substantial budget support. What has happened in the mean time is that a new Government has resumed power and there seems to be relative political stability. The Government has also agreed to a significant public sector agenda, e.g. PEMFA²¹, which must be of great importance for the cooperating partners' confidence in the Government of Zambia. The same positive elements could therefore also delay or jeopardize the JASZ process and are therefore risk elements, such as:

- The Fifth NDP turns out not to be of a satisfactory quality;
- Key public sector reforms are not implemented, e.g. due to lack of interest among GRZ personnel;
- Reduced political commitment to the process, e.g. in connection with elections in 2006, or reduction in the level of general political stability.

The risks for abortion of the JASZ process is not only on the GRZ side, risks on the donor side include:

- The present 'drive' towards implementation of the HIP process with development of a JASZ is to a large extent a Lusaka based process, final endorsement by donor HQs. still remain;
- If a few major donors are outside the process it will loose in effectiveness.

²¹ See further on PEMFA in a section below

Proposed sector lead Cooperating Partners

	Macroeconomics including DBS	Agriculture	Tourism (incl environment)	Mining	Industry	Energy	Infrastructure (including roads)	Health	Education	Water and Sanitation	Gender/HIV/AIDS	Governance	Social Protection	Defence and Security	Law and Order	Foreign Relations	Information Services
Canada												○					
DCI																	
Denmark							●			●		○					
Finland			○														
Germany										●		○					
Japan												○					
Netherlands		●						●	●		○						
Norway	●		○						●								
Sweden	●	●						●									
UK	●							●				●					
USAID											●	○					
EC	●			●			●										
IMF	●																
World Bank	○				●		●										
FAO		●															
ILO													○				
UNDP			○								●	○					
UNFPA								○			○	○					
UNHCR												○	○				
UNICEF									●	●			●				
WHO								●			●						
WFP, UNAIDS																	
Total	6	3	3	1	1	0	3	5	3	3	5	9	3				

- Proposed Lead
- Proposed lead for sub-sector

Source: JASZ – Self Assessment of Comparative Advantages – Summary Note – June 2005

9 Achieved Coordination and Complementarity

Assessment of Selected Donors' CSPs

EC-Country Strategy Paper (EC-CSP)

Preparations for the EC-CSP took place while the I-PRSP was the guiding strategic document, however also simultaneously with the assessments for preparation of the PRSP. The preparatory work relied on many of the same studies and documents that were available for the PRSP preparation. Based on this and orientations from EC HQs, the EC-CSP and Indicative Programme were prepared by the delegation and GRZ. The draft document was sent through an extensive approval procedure involving consultations with different European Commission services as well as all EU member states (in Zambia and in Europe: EDF committee). GRZ must agree with possible modifications in the document during this process.

The findings and conclusions of the assessment made in connection with the EC-CSP is summarised as follows in the EC-CSP document²²:

The most important challenge facing the country is to achieve poverty reduction, which will require a strong and sustained growth, a stable macroeconomic environment conducive to private sector investment, and the achievement of low inflation. Performance in relation to the Government's target of at least 5 % real GDP growth per annum will be critical. The Government's commitment to the continuation of the economic reform programme will be crucial for Zambia's performance in terms of economic growth and poverty reduction.

A stable macroeconomic environment is essential for Zambia to benefit from debt reduction in accordance with the enhanced HIPC initiative and to pursue poverty alleviation in line with the PRSP process.

Lack of appropriate human capacity constitutes an obstacle to development of both the public and the private sectors. In this respect, the HIV/AIDS pandemic, in addition to the vast human suffering involved, means a severe worsening of the situation. Increased efforts will have to be devoted to improvements in the areas of economic and financial governance within the public sector.

The coming years will require the Government's continued commitment to support and deepen the democratisation process and to maintain peace and stability in Zambia and in the region. This includes measures to secure human rights and to counter intimidation, violence and corruption.

²² Zambia – European Community, Country Strategy Paper and Indicative Programme for the period 2001 – 2007, p12: Key Challenges Facing Zambia

The issues of coordination and complementarity are dealt with specifically and individually in the assessment made in connection with the EC-CSP.

Coordination with donors: In the analysis section of the EC-CSP it is stated that donor co-ordination and co-operation are necessary since GRZ has insufficient capacity to take the lead in these aspects. The annual CG meeting is mentioned as one (among a number) instrument of coordination and this is followed up in the sectors by working groups.

Sector complementarity: The assessment provides a brief analysis of which donors – EC member states as well as non-member states – have been supporting which sectors until 2001²³. In another section of the analysis²⁴ it justifies the selection of the core support areas in the EC-CSP in relation to present (i.e. 2001) support by EC member states. Among member states Denmark, Ireland, the Netherlands, Sweden, and the UK are particularly engaged in the social sectors and they have developed valuable experience from the dialogue with Government on sector reforms and possess a comparative advantage. It was therefore decided that EC will support certain elements of both health and education, but as non-focal sectors. This is a specific example of aiming at complementarity.

Support strategy: Two focal sectors are selected for support:

- **Focal sector 1:** The road transport sector will become a main area of support in line with the I-PRSP and the ROADSIP. EC will be a lead donor in the sector and will emphasise sustainability through implementation of its strategy. Euro 90 mill. is allocated for this sector.
- **Focal sector 2:** Institutional development and capacity building will be the other focal sector in the support programme. This is an area identified by most donors as critical to rapid socio-economic growth with significant effectiveness in poverty reduction. Euro 40 mill. is allocated for this sector.

Besides the focal sector support the EC will remain an important provider of macro-economic support and will become a financial contributor to the implementation of the PRSP. The indicative allocation figure for this is Euro 90

²³ EC-CSP 2001 – 2007, pp 15-16

²⁴ Ibid, p 23

mill. In the policy dialogue with the Government the EC and other donors have emphasised the need for:

- More comprehensive and participatory analysis of poverty in Zambia;
- Public finance management reforms towards more effectiveness and accountability; and
- Monitor outcome indicators as a way of measuring progress in the access and quality of social services, as well as the efficiency/effectiveness of public expenditures.

Support to the non-focal sectors will as said in the example above include health and education with an indicative allocation of Euro 20 mill.

In the absence of adequate sector policies for agriculture and tourism and in view of the dominant role given to private enterprises for the development of these sectors, further EC interventions are not considered at this stage

EC is a signatory to the MoU on Harmonisation and supports the JASZ process, but was not part of the group taking the initiatives. It is assumed to be possible to align the JASZ and the CSP with continued funding through the National Authorizing Officer under the 9th EDF. The modalities after 9th EDF is undecided at present.

The EC support is facing some difficulties due to complex and rigid EC procedures and administrative requirements, in particular the Cotonou determined procedural requirements. Such difficulties are for instance seen in connection with basket support, where procurement is supposed to follow GRZ regulation; this is presently not acceptable under Cotonou. Also transferred responsibility is difficult due to procedural requirements.

During preparation of the EC-CSP there were consultations between GRZ and the EC Delegation. This has - together with extensive analyses - ensured both complementarity in relation to other EU member states and alignment with GRZ priorities. The EC Delegation is committed to fully join the HIP process, however, it seems that EC possess some degree of structural and administrative rigidity and inflexibility due to internal procedures. This may also hamper the EC as donor in being lead on new initiatives.

9.1.1 DFID

Country Assistance Plan (CAP) 2004/05 – 2006/07. DFID's central objective is to support the implementation of Zambia's PRSP. However, DFID's analysis of the environment for support concludes that there are serious weaknesses in governance, public sector management and financial management. Some sector, notably health and education and to some extent the road sub-sector, have a sound implementation framework while other sectors are lacking effective implementation structures and mechanisms. The conclusion made by DFID is therefore that a single definitive strategy is difficult to map out; instead the situation will continuously be analysed to assess risks and feasible strategies. This may change the focal points over relatively short time, e.g. annually, according to the risks and opportunities through the continuous monitoring of the situation.

The objectives of the CAP 2004/05 – 2006/07 are summarised as follows:

- Improving governance, public sector management and PRSP implementation;
- Promoting more effective and equitable service delivery to the poor through Government health and education programmes;
- Improving the enabling environment for pro-poor private sector growth, particularly in agriculture;
- Reducing the vulnerability of the poor to key risks, including food insecurity and HIV/AIDS; and
- Improving aid management and effectiveness in Zambia.

DFID emphasises strengthening of the Government's capacity in terms of planning, management and implementation and thereby facilitating both the alignment process as well as donor harmonisation. This is illustrated by this section lifted from the CAP²⁵:

"The DFID objectives will seek to strengthen the PRSP process by joint donor approaches to support improvements in Government implementation and monitoring capacity, at both the centre (e.g. Ministry of Finance) and in key line ministries and agencies (e.g. Education, Health and the National AIDS Council). DFID will also promote more coherent policies through dialogue with the Government and other donors in key areas: for example for better macro-economic management and private sector led growth; and in order to address the increasing vulnerability of the poor to key risks, which threaten to undermine recent emerging poverty reduction gains."

²⁵ Country Assistance Plan, p 13

DFID's efforts to improve aid management and effectiveness will be focussed around the HIP process and DFID is a signatory of the MoU on Donor Harmonisation.

As said above DFID will not initially commit itself to one long term strategy but would see its support depending on the GRZ performance in policy development, management and administration. Seen from the most to the least conducive environment the priorities shift downwards in the hierarchy of aid instruments:

- I. General budget support;
- II. Multi-donor sector investment programmes;
- III. Multi-donor pooled funding projects;
- IV. Co-funded or stand-alone technical assistance and direct delivery projects; and

The total amount of resources to be provided by DFID may also change from year to year, depending of the results of the assessments made.

The CAS was prepared internally in the DFID system, primarily by the DFID Office in Lusaka. The preparation was based on the PRSP and a number of additional analyses initiated by DFID. The draft version of the CAS was presented at a brief meeting to the MoFNP and at another session to the donors. However, the dialogue and negotiations with the key stakeholders were limited.

DFID is in full support of the JASZ process and is ready to provide direct budget support, basket funding, and SWAps as well as silent partnerships. It is foreseen that once the JASZ is ready for implementation the CAS will be phased out.

SIDA

Country strategy for development cooperation, Zambia, January 2003 – December 2007: The overall goal of the Swedish CSP is "to contribute to poverty reduction by promoting deeper and broader democracy, in which human rights are respected, and to work for economic and social development, including equality between men and women".²⁶ Sida is emphasising the harmonisation process and was a signatory on both the HIP initiative in 2003 and the MoU on donor harmonisation in April 2004.

²⁶ Sida: Development Cooperation etween Sweden and Zambia, 2004, p.1

As laid out in the CSP the support was directed at four sectors or areas:

Democratic governance: 14 % of the development budget was allocated for this area and covered subjects such as: increased political participation, equal access to justice, freedom and independence of media, and accountability and transparency of public expenditure.

Agriculture: 23 % of the development budget in 2004. Sida provides the support to agriculture in a project mode with emphasis on land management techniques, market linkages between formal and informal seed sectors, crop diversification, sustainable seed delivery systems, and development of business entrepreneurial skills. A SWAp approach in agriculture is being discussed but still far from ready.

Health: Sida has a longstanding relationship with GRZ on health reforms and health sector development and just over 50 % of the total Swedish budget was in 2004 allocated for this sector. 70 % of the allocation is provided as pooled support to the district health services through the 'district basket' (i.e. the health sector SWAp and related budget support) and 30 % is allocated for institutional capacity building within key institutions in the health sector.

Energy, private sector, urban development: In 2004 7 % of the total allocation was for these areas and sub-sectors. The activities include capacity building and institutional development, and for the private sector development micro finance was a key activity.

Sida has also signed a joint agreement with DFID and the Netherlands on support to Zambia Business Forum (ZBF). ZBF, jointly with the Ministry of Commerce, Trade and Industry, organised a private sector development forum in 2004 which resulted in an Action Plan for accelerated private sector development. This Plan was later revised and developed into a Private Sector Development Plan, aiming at a better environment of accelerated private sector growth.

The Swedish CSP was developed by the Swedish Embassy with instructions from Hq. Some consultations with GRZ took place at an early stage in the process and a Zambian Reference Group was established for discussion of various draft papers. The Reference Group had no GRZ participants.

Sweden is in full support of the JASZ and is ready to go into the various joint support modalities, such as direct budget support, basket funding, and silent partnerships.

Danida

The latest Danish CSP was prepared in 1995 (called Country Assistance Plan) and was valid until 1999. A new CSP was not prepared because Danida was uncertain about the future support to Zambia due to concerns in respect of the political situation and governance practices. However, preparations started for a new CSP in 2003 but were suspended with signing of the MoU and start of the JASZ process. Nonetheless, Danida has a substantial support programme in Zambia.

Besides support to health, education and roads infrastructure – and from 2005 to the Water and Sanitation Sector - Danida gives high priority to good governance with emphasis on anti-corruption measures.

The Health Sector has been a key area for Danish support over many years and support is now in its third phase. The present (2003) Danish sector support is an integral part of the financing of the Health Sector Strategic Plan 2001-2005 and SWAp. Danida is closely monitoring the governance practices and indicate the major risk elements as corruption and lack of political commitment to carry out the required reforms in the Health Sector.

The education sector is another key area for support, which is provided through an Education Sector Programme. The Danish Sector Programme Support (SPS) was fully integrated in the BESSIP that had seven components of which the Danish SPS supported three. From 2003 Danida continued to support the SWAp in the Education Sector, based on a comprehensive strategic plan for the sector.

Danida is also having a SPS for the road sector where funds are channelled through the ROADSIP I until 2002 and from 2003-2013 through the ROADSIP II. The Danida SPS only runs up to 2007 and is directed at three specific components among a number of components.

The Water and Sanitation SPS is being subject to appraisal in parallel with the present assignment. It is envisaged to comprise both basket funding and project support.

Denmark is a signatory on the MoU on Donor Harmonisation and gives high emphasis to coordination. Danida – as a member in the NORDIC PLUS Group – has been actively promoting the JASZ process. It is still to be seen how the SPS concept is going to be harmonised with the JASZ. Future support is envisaged to be provided within the framework of the JASZ, however, direct budget support is not foreseen and participation in silent partnership is not possible at present. The support modalities will thus be basket funding and other support within a SWAp framework.

Danida and GRZ have aid negotiations once every year or two years and in addition each SPS is reviewed on a regular basis, concluded with signing of agreed minutes between representatives of the two governments.

The Netherlands

The Strategic Multi Annual Plan for the Netherlands' support to Zambia covers the period 2005 – 2008. The Netherlands have provided support to Zambia over many years based on annual budgets with multi-annual forecasts, but not with a CSP. There have not been annual or regular bi-lateral negotiations or reviews between GRZ and the Netherlands' Government with signing of agreements or agreed minutes.

The analysis made in connection with preparation of the Multi Annual Plan concludes that the previous support, to a large extent project support, has not had the desired effect. The analysis is the same as for the other donors, i.e. weakness in institutional capacity and in many cases poor governance practices. In short, the national political level and the highest institutional levels have not demonstrated – maybe until very recently – willingness and commitment to undertake the required reforms and political and strategic decisions to make poverty reduction efforts effective. The Netherlands' overall strategy shall therefore in future adopt a more business like attitude in engaging with the Zambian counterparts in questions of development assistance. This will include enhanced cooperation with the international partners, e.g. within the framework of donor harmonisation (the Netherlands is a signatory to the MoU on donor

harmonisation) and thereby develop a stronger alliance in addressing key issues of concern for development and poverty reduction.

Based on this analysis the following themes and sectors will be in focus:

- **Governance**, with emphasis on anti-corruption and electoral processes.
- **Improving conditions for budget support**, with enhanced modalities for multi-donor budget support and better linkages between Ministry of Finance and Development Planning and sector ministries in terms of planning, budgeting and monitoring. The intention is to provide general budget support from 2006.
- **Harmonisation**, with realisation of the objectives outlined in the MoU on Donor Harmonisation.
- **Environment**, with emphasis on mainstreaming of environmental management issues as a cross cutting theme and environmental education integrated in the primary school curriculum.
- **Health (including HIV/AIDS)**, with further internalisation of HIV/AIDS preventing measures at institutional and organisational level, support to the health sector SWAp with budget support, and further enhancement of the GRZ health sector budget support modalities.
- **Education**, improved management of education services by Ministry of Education (MOE) and enhanced partnership between civil society and MOE.
- **Private sector development**, with enhancing the private sector's influence on the GRZ for development of a conducive business environment through support to a basket fund under Business Forum.

The Royal Netherlands' Embassy (RNE) is in full support of the JASZ process. The role of the Strategic Multi Annual Plan remains to be determined, however, it could still exist as an internal paper of the Netherlands Embassy and Headquarters.

A consideration from the RNE was that the JASZ process is very much between the MOFDP and the donors; the process does not yet involve the line ministries. As the JASZ is seen as an important element in the process to enhance the aid effectiveness the line ministries need probably to get more involved and become stakeholders of the process.

Summary of donors support priorities

In the table below the sector and theme coverage has been summarised and the individual sectors and themes have been given a score for the level of coverage, from 'low', over 'medium' and 'high' to 'very high'. This is a very rough classification and does not indicate the level of attention (e.g. in terms of funding) given by each donor to a particular sector, theme or cross cutting issue, and neither does it provide a complete donor support picture as other donors may prioritise otherwise. Nonetheless, it provides an overview of the distribution of donor support among five key donors in this study and provides thus information on complementarity among their support efforts. It should be kept in mind that all the mentioned donors subscribe to enhanced donor coordination and all are signatories to the MoU on Donor Harmonisation, and all are in support of the JASZ process.

Summary of sector/theme priorities

Sectors and themes:	EC	Danida	DFID	SIDA	Netherlands	Sector coverage
	2001-2007	No CSO at present	2004/05-2006/07	2003-2007	2005-2008	Level of attention
Agriculture & Livestock				Focus area		LOW
Private sector / business development				Focus area	Focus area	LOW/ MEDIUM
W&S		Upcoming sector support				LOW
Education	Support – non-focal	Sector programme, (including vocational training)	Support through existing SWAp		Focus area	HIGH
Health	Support – non-focal	Sector programme, support to SWAp	Support through existing SWAp	Focus area	Focus area	VERY HIGH
Large scale infrastructure		Danida sector				LOW
Local infrastructure and maintenance	Focus area	program support to ROADSIP I/II				LOW/ MEDIUM
Environmental						LOW

management						
<i>Cross cutting themes:</i>						
Institutional reform and capacity building	Focus area		Focus area		Focus area	HIGH
Good governance, Human rights		Focus area		Focus area	Focus area	HIGH
Gender, environment					Focus area	MEDIUM

All the donors conclude in their analyses that governance, institutional and organisational capacity, and to some extent political commitment as serious constraining factors for socio-economic development with significant poverty reduction. This is also reflected in the focus areas with high attention to governance, institutional reform and capacity building. The social sectors, in particular health (including HIV/AIDS) and to a certain extent also education, have well developed SWAps with modalities for sector budget support ('pool' funding). This is therefore apparently considered as low risk areas for support and investments and attracts high attention. Other sector attracts less attention and if support is given it is mostly through a single project mode, e.g. in agriculture.

The bilateral CSPs are all – more or less – taking the point of departure in the donor countries' own policy objectives of their development aid programme; this is often related to the MDGs. Besides, donor countries will normally make a number of needs analyses or rely on existing analyses, including the analyses and priorities in the PRSP. The EC CSP preparation process seems to have been based more on open interaction with GRZ and the EC-CSP is an agreed document signed by the EC and the GRZ and administered by the NAO. Bilateral donors' CSPs are not agreed documents signed by GRZ.

Before the PRSP was prepared there was hardly any instruments in GRZ to effectively influence the distribution of donor supported interventions, however, there has for a long time been some coordination among donors – not necessarily formalised – about which sectors and geographical areas to support.

Almost all the donor programmes are in line with the PRSP. This is not surprising as the PRSP covers all sectors and most cross cutting issues. However, scrutinising the PRSP and looking at the overall allocation sector by sector, it seems that some areas are considered very high priority. These are the sectors

that can immediately contribute to economic growth, such as increased agriculture productivity, tourism, generally private business development, and energy. These areas are not given high priority by the donor community. With reference to section 1.2 of this report (table) with disbursement figures from 2004, agriculture had small contributions from many bilateral donors and a larger input from WB. Tourism – which also includes environment – received some support from donors, energy very little from bilateral donors and a larger amount from WB. With reference to the same table, education sector received the largest donor input followed by Health and Gender/HIV/AIDS, infrastructure, and only then followed by Agriculture and then Governance at about the same level as agriculture. This could indicate that the donor priorities are different from the GRZ priorities, although direct budget support, which is a large amount compared to the individual sectors' support, may change the picture.

One further observation (reference to table in section 1.2) is that governance receives input from all bilateral donors but one, and the social sectors receive also input from almost all bilateral donors. It could lead to the conclusion that there are certain sectors or areas where all donors want to be seen as active rather than being coordinated and managed for achieving maximum overall effectiveness.

The findings emphasised above regarding coordination, complementarity and alignment are those issues that may have to be addressed by the JASZ, which is based on the Fifth National Development Plan.

Sectors and Cross Cutting Areas

Ministry of Education

Until 1998 the education sector was characterised by being supported by a number of donor funded individual projects with sporadic coordination, including a failed attempt to establish an Education Sector Investment Programme (ESIP). Based on a new National Policy on Education the Basic Education sub-Sector Investment Programme (BESSIP) was introduced from 1999 with basket funding support on a sub-sector basis. This has in 2003 turned into a SWAp and is no longer only a sub-sector programme but the entire education sector.

The BESSIP as well as the SWAp has been administered in MoE, however, with a number of Joint Technical Committees to provide technical guidance and overview and approved the accounting. Funds are released quarterly, based on a joint committee's approval of accounting for past expenditure (with one quarter's delay in between).

The SWAp is supported by 12 donors (two silent donors), however there is no lead donor which means that MoE in principle has to deal with 10 donors although in practice not all of them negotiate individually with MoE. Coordination is carried out in the technical committees and a Sector Plan Coordinating Committee, which can also approve reallocation of funds among budget lines. The accounting for the basket takes place by MoE but is separated from the Ministry's management of GRZ funds. The former is a computerised system and the latter is a manual system.

With initiation of the SWAp a strategic plan for the sector was developed and this is basically been followed for all activities under the SWAp. There are also donors outside the SWAp, e.g. USAID, providing classic project support. The IFIs support the SWAp but provide designated funding restricted to defined activities or defined geographical areas.

This is an example of a sector that has changed from classic project support with very limited donor harmonisation and individual donors' support based more on donor priorities than GRZ priorities to a high degree of harmonisation and almost full alignment.

Public Service Reform Programme

A Strategy and Action Plan for Public Service Management and Capacity Building has been developed for the period 2004-2008, which has six broad areas of focus. One of the focus areas has been further developed, namely the Public Expenditure Management and Financial Accountability (PEMFA)²⁷. PEMFA includes many of the elements that should be of significant importance for capacity building of the Zambian Government System in term of building confidence among donors that GRZ can manage the funds provided, account for them, and make transparent operations. The 12 components of PEMFA include:

- Commitment control and financial management system;

²⁷ The other five areas are: Right Sizing and Pay Reform; Enhancing Performance Management; Strengthening Policy Management; Enhancing Governance and Justice for All; and Decentralisation and Strengthening of the Local Government System.

- IFMIS implementation;
- Improved fiscal policy and economic planning;
- Reformed budget preparation and budget execution;
- Improved debt management;
- Improved internal audit;
- Better external finance coordination;
- Consistent legal framework for public expenditure management;
- Strengthened external audit;
- Enhancing parliamentary oversight;
- Accountancy training and regulation; and
- Public procurement reform.

PEMFA has attracted very significant support from the donor community, close to over funding, which is seen as an indication of the significance of the programme seen from the donors' point of view. It would be logical to assume that progress of PEMFA implementation will be taken into consideration before final commitments are made by donors to the JASZ implementation.

Business Sector Development

A basket funding for development of the private business sector is provided by the Netherlands, Sweden, IDA, UK and USAID. The basket fund is administered by 'Zambia Business Forum' that is an organization established by 5 private sector business associations. EC is providing TA to the Business Forum.

This is an example of harmonized support to a sector, aligned to the expressed needs of the sector.

10 Conclusions

In this section, findings and conclusions made in previous sections are summarized and some conclusions are taken a few steps further. The structuring of this section reflects the direct reference to the TOR for the field studies and conclusion are structured accordingly. However, before presentation of the conclusions of this evaluation the main findings of the DAC evaluation are briefly presented.

Conclusions of the DAC Survey in Zambia (2004)

The DAC survey on harmonisation and alignment²⁸ that took place approximately one and a half year before the present evaluation will be used in this evaluation to compare results on coordination and complementarity,. During this period significant developments have taken place and this may have changed the perspectives for aid effectiveness in Zambia.

Considering the quantitative indication-method used, one should be aware of the somewhat limited extend to which general conclusions can be made from the survey. Furthermore, it should be kept in mind that DAC to a certain degree is representing the donor countries²⁹ and that only donor personnel have answered questions in parts of the survey. However, we can conclude that the DAC survey is the most comprehensive and authoritative up-to-date assessment available. It is internationally respected for its solidity and therefore the best initial indicator on the progress on coordination currently available.

For Zambia it was concluded that initial steps towards Government ownership and harmonisation are coming into place with the MoU on Harmonisation of spring 2004. The intention is to structure frameworks for aid policy coordination and management assessments. However the government does not seem to be fully committed in terms of resources and capacity which slows down the progress and have a negative effect on donor support of the government harmonisation agenda.³⁰ On one hand the PRSP is generally accepted as a framework for the provision of donor assistance. On the other hand it is concluded that concrete action plans should be clarified. The survey also shows

²⁸ DAC, Survey on Harmonisation and Alignment – Measuring aid harmonisation and alignment in 14 partner countries (2004) www.oecd.org/dac/wpeff/harmonisation/survey

²⁹ An example of a positive interpretation of an indicator table that could be concluded on differently is found on p. 10 in the DAC survey.

³⁰ DAC survey p. 147, Figure 15.1 (indicator 1)

that donors do not rely in a relatively high degree on the PRS when programming official development assistance.³¹

*A constructive example*³²:

The well developed sector-wide approaches (SWAps) in Zambia are reported as a genuine success. Especially within the health and education sector are the SWAps supported by good MTEFs, fine donor co-ordination mechanisms, and government performance management systems. Donors really support the initiatives and make use of disbursement, reporting, procurement, and M&E

Sector wise the health and education sector have made notable progress towards greater harmonisation. In general, key coordination elements need to be improved upon in order for this process to develop on a broader basis, among which are better communication, greater participation, and simplification.

In summary form the DAC evaluation concluded:

- GRZ is not pro-active and in the driving seat;
- Capacity weaknesses identified in planning and financial management but not yet adequately addressed;
- Donors do to a large extent not rely on PRS when programming ODA;
- Only EC provide multi-year predictable budget support;
- Only use of partner country systems (reporting, disbursement, procurement, audit, and M&E) for 30 – 35 % development aid;
- Moving towards alignment on sector programme aid;
- Except for health and education sectors, donors are not streamlining their conditionalities;
- Some donors accept delegated co-operation;
- Only very few joint donor missions; and
- Many donors are sharing country analytic work.

The findings of the present 3Cs evaluation do not contradict any of the findings of the DAC evaluation and in most cases the conclusion would be similar today. However, the difference may be that there has been a quite sincere and progressive development in Zambia, both in terms of joint donor efforts to coordinate and harmonise and also to establish mechanisms to align with

³¹ Ibid. P. 149, Figure 15.2 (indicator 4)

³² DAC survey p. 21, Box 1.5

national strategies. These positive processes are still in progress but not yet implemented and there are many risks that could jeopardize the process if the cynical glasses are put on.

Impact of preparation processes of CSPs for Promoting Coordination and Complementarity

Bilateral donors' CSPs are prepared primarily for the donors' own use, it is normally not a document agreed to and signed by GRZ. Knowledge of other donors CSPs is not widespread. In relation to GRZ more attention is paid to specific project and programme documents that have been negotiated and signed by both parties.

The picture obtained through the field work is that through the CSP preparation process a donor has taken the starting point in its own overall development policy objectives and considered why it should be present as donor in a specific country. Next, studies were made and/or existing studies were scrutinised, and also the PRSP (including the I-PRSP) was studied after it was prepared. During this process other donors programmes would be taken into consideration, and comparative advantages was analysed. Selection of sectors for support has also been based on an evaluation of which sectors have the best developed framework for support, such as health and education in Zambia. Another aspect that can not be ruled out is that donors have tended to include assistance to what could be labelled the most 'sexy' sectors or areas; at different points in time it has for instance been gender, good governance, and public sector reform. PEMFA is an example of the latter.

The preparation process of CSPs has an impact on complementarity but less than it has had on coordination. The preparation processes is where the donors position themselves strategically in relation to other donors. Subsequent to the preparation process the CSPs are only being used by the individual donor itself. In the case of the EC CSP it seems, however, to be more of a reference document also after preparation. The EC CSP does specifically discuss the issues of coordination, harmonisation and complementarity in the selection of intervention areas.

Mechanisms for Alignment with Partner Country priorities

The PRSP itself is an important mechanism for alignment, particularly because it is considered as Government owned. There is a parallel document, the

Transitional National Development Plan; however, that includes the whole socio-economy, and also the PRSP. Donors claim they align with the PRSP; that is true in the sense that the PRSP is mentioning all sectors and all sectors are important and it can therefore not be claimed that they do not align. By scrutinising the PRSP it appears that economic growth is considered as the highest priority in the PRSP, particularly agriculture based growth and mining based growth. This does not seem to be reflected in the donors support pattern.

The JASZ process can be a very strong tool for alignment (as well as coordination) if it is implemented successfully. It seems to be the strongest mechanism seen in Zambia – and most other countries for that matter – for alignment. Another measure for promoting alignment in term of priority activities is when a sector, under GRZ lead, develops a SWAp with a comprehensive sector strategy. This does not ensure alignment of all support modalities, financial management and accountability still tend to be kept separate from or outside GRZ's normal accountability procedures. Successful implementation of PEMFA is a measure that can ensure further alignment also in terms of financial management and accountability.

The strongest factor for alignment and harmonisation with Government procedures is that donors are confident that GRZ institutions can handle funds effectively and efficiently and make sure that disbursed funds are transparently accounted for.

Mechanisms for Improved Coordination

The CSP preparation process or the CSPs do not appear to have had significant direct impact on coordination. Government does not seem to give much attention to the CSP, and they are thus not considered being important for coordination. There have always been elements of coordination among donors, even if mechanisms were not well defined. It has been a silent coordination where a donor has accepted the activities of other donors, for instance that certain donors have been seen as linked to certain sectors or certain geographical areas (provinces). This has not been a sufficient mechanism to avoid congestion in certain sectors or thematic areas.

Coordination seems to increase when GRZ plays a significant role in a sector, e.g. with establishment of a SWAp with a comprehensive strategic plan. This seems to spur a stronger coordination within that particular sector although it takes

time and effort to reach a certain level of coordination if a sector initially has a dozen donors without a lead donor or any delegated authority.

A functioning Joint Assistance Strategy would at the moment be a very significant achievement in terms of coordination.

Mechanisms for Promotion of Complementarity

CSPs have not been a strong measure for complementarity, only to a very limited extent during the preparation process. SWAPs are not measures that can promote inter-sectoral complementarity; it may to some extent ensure complementarity within the sector. However, even this has proved difficult if one SWAp is supported by a dozen donors without one lead donor and without the necessary Ministerial strength to take the SWAp leadership.

There does not seem to have been any mechanisms in the past that have promoted complementarity significantly. The present JASZ process is the most promising attempt to date to promote – among other things – complementarity. It seems that without Government being in a position to take a leading role, the avenue towards significantly more complementarity will be full of ‘pot-holes’. Only a strong partner country government, GRZ, that can enforce its own priorities and effectively direct the donor funds to where it will be most effective in the overall picture, will have a chance to improve complementarity. Any individual donor, or the group of donors, tends to have too strong individual interests to take this role.

Partner Country’s View on Alignment, Co-ordination, and Complementarity

Representatives of Government expressed repeatedly the view that many donors, particularly bi-lateral donors, are not committed to align their activities with the national strategies and plans. This is in terms of administrative and accounting procedures, sector focus in the support pattern, and the support pattern within individual. It was mentioned several times that bi-lateral donors have their own agendas for support. This being said, it was appreciated that alignment has improved since the time with no PRSP and a much larger proportion of individual projects.

It was appreciated by Government representatives that there had been some extent of complementarity among donor interventions, also during the times of individual project support, in the sense that donors have tended to ‘share’ the

sectors and provinces among themselves. It was also noted that some sectors or areas were very popular among donors and tended to be 'crowded'. This has been counterproductive for aid effectiveness.

It was stressed from Government side that the multitude of donor approaches and requirements, let alone that Government has been dealing with a large number of donors, has placed a serious strain on the Government's scarce human resources. Government representatives were therefore pleased with the present move towards a JASZ, linked to the Fifth NDP. This could place the Government in the driver's seat in managing the donor support, reduce the number of donors with whom the Government should interact, and decide where individual donors would fit in.

The Government representatives expressed the view that the WB and IMF were more straight forward to deal with, although also these have rigid conditionalities. Once such conditionalities were fulfilled, the Government would have more free hands to distribute and manage the funds. Also the EDF funds provided by EC were somehow easier to manage than the bi-lateral donor funds.

Annex 1: Literature Consulted

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- OECD/DAC (2004):** Survey on Harmonisation and Alignment.
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- Venkatech Seshamani (?):** The same old wine in the same old bottle? Content, process and donor conditionalities of the PRSP. (UNZA).
- IMF & IDA (March 2005):** Joint IDA_IMF Staff Advisory Note on the International Development Association.
- A2-A3 Working Group (March 2005):** Roadmap (paper on JASZ process).
- A2-A3 Working Group (April 2005):** Preparatory Study – mapping of current strategy processes.
- GRZ (March 2002):** Zambia Poverty Reduction Strategy Paper 2002-2004
- GRZ (April 2004):** Memorandum of Understanding: Coordination and Harmonisation of GRZ/Donor Practices for Aid Effectiveness in Zambia.
- GRZ (December 2004):** Second PRSP Implementation Progress Report, July 2003 – June 2004.
- Ministry of Finance and National Planning (?):** Aligning Donor Support with PRSP Priorities (Discussion Paper).
- GRZ (2005):** Review and Road Map for Implementing the Harmonisation and Coordination Memorandum of Understanding.
- GRZ(August 2005):** Public Service Management Component.

Annex 2: Schedule of Meetings held

Date	Time of Meeting	Name of Contact	Position	Organisation	Location and Contact Details
Thursday, 15 September 2005	13:00 Hrs	Eva Lovgren	Economist	SIDA	eva.lovgren@sida.se Tel: 251 711 Fax: 254 049 Cell: Haile Selassie Avenue, Opposite Ndeke House
	16:00 hrs	Rafael Aguirre Unceta	Head of Operations	Delegation of the European Commission	Tel(+260-1) 25.07.11 / 25.11.40 Fax(+260-1) 25.23.36 E-mail : Rafael.Aguirre-Unceta@cec.eu.int
Friday 16 September	08:30 hrs	Mr. Kondowe	Director	PSCAP Cabinet Office	
Monday 19 September	09:00 hrs	Kartrine Walentin Jensen	Counsellor	Royal Danish Embassy	4 Manenekela Road, Lusaka P.O.Box 50299 Tel 254277 E-mail katjen@um.dk
	14:30 hrs	Dr. Sloane Mwenechenya		Business Forum	292050 Off Great East Road
Tuesday 20 September	09:00 hrs	Amadeus Mukobe	Health Planner	Ministry of Health	2 nd Floor, Ndeke House, Rm 208, Longacres
	10:30 hrs	Mr. James Mulungushi	Director of Planning and	Ministry of Finance	Ground Floor, New Wing, Room 141

			Economic Management		
	11:00 hrs	Mr. Muhanbi Lungu	Principal Economist	Ministry of Finance, Directorate of Planning	
	11:30 hrs	Mr. Paul Lupunga	Economist (Bi-lateral Unit)	Ministry of Finance and National Planning, Economic & Technical Cooperation Department	
	12:00hrs	Dr. Thomas Krimmel	Development Cooperation Advisor/Team Leader	Ministry of Finance and National Planning, Economic & Technical Cooperation Department	Third Floor New Wing Room 381 Tel: +260 – 1 -250828/250158 Fax: +260 1 250158 Cell:+26-095/097 795111 E-mail:tkrimmel@nao.gov.zm
Wednesday 21 September	08:00 hrs	Richard Montgomery	Deputy Head, DFID Zambia	DFID	5210 Independence Avenue Tel +260 (1) 251164 +260 (0)96-745762 E-mail: r-montgomery@dfid.gov.uk
Thursday 22 September	08:30hrs	Arnold M. Chengo	Technical Advisor –	Office of the Permanent	Room 110, MoE Hq Main Building

		Fred Booker	Institutional Management, EQUIP 2	Secretary, Ministry of Education	
	16:00 hrs	Rafael Aguirre Unceta	First Counsellor Head of Operations	Delegation of the European Commission	Plot 4899, Los Angeles Boulevard, P.O. Box 34871. Tel(+260-1) 25.07.11 / 25.11.40 Fax(+260-1) 25.23.36 E-mail : Rafael.Aguirre-Unceta@cec.eu.int
Friday 23 September	11:00 hrs	Marriet Schuurman and Ineke Van de Pol	Royal Netherlands Embassy	First Secretary	United Nations Avenue Plot 5208 P.O. Box 31905, Lusaka Phone: +260 (0) 1 253590 E-mail: marriet.schuurmann@minbuza.nl Ineke-vande.pol@minbuza.nl