

**AFRICAN DEVELOPMENT BANK GROUP**



**PROCESS REVIEW OF HARMONIZATION/JOINT  
ASSISTANCE STRATEGY PROCESS IN FIVE RMCS**

**OPERATIONS EVALUATION DEPARTMENT  
(OPEV)**

**18 August 2006**

## TABLE OF CONTENTS

	<u>Page</u>
ACRONYMS AND ABBREVIATIONS, EXECUTIVE SUMMARY	(i-ii)
1. INTRODUCTION	1
1.1 Background	1
1.2 Objective	1
1.3 Methodology	2
2. RELEVANCE OF HA / JAS PROCESS WITH BANK STRATEGIES AND HARMONIZATION PRINCIPLES	3
2.1 The Harmonization Process	3
2.2 Relevance of Bank HA / JAS Interventions with Government PRS	6
2.3 Focus on Outcomes and Measuring of Results	7
2.4 Simplifying of Existing Procedures	8
3. HA / JAS AND COUNTRY ASSISTANCE PROGRAMMES	8
3.1 Impact on CSP Development	9
3.2 Division of Labour (DoL) Among Development Partners	10
3.3 Framework for Promoting better Governance and Accountability	11
3.4 Value-added Compared with the Previous Process	12
3.5 Potential to Reduce Transaction Costs	13
4. HA / JAS OPPORTUNITIES AND RISKS	17
4.1 Opportunities	17
4.2 Risks	20
5. EFFECTIVENESS OF THE BANK'S ROLE IN THE HA / JAS PROCESS	23
5.1 Effectively Engaging in Policy Dialogue	23
5.2 Country Office Influence in Shaping the HA / JAS Process	23
5.3 Level of Support / Alignment with Head-quarters in Tunis	24
6. HA / JAS IMPLICATIONS FOR THE BANK	26
6.1 Implications for the Bank Project Cycle	26
7. CONCLUSION	30

8.	LESSONS LEARNED AND RECOMMENDATIONS	31
8.1	Lessons Learned	31
8.2	Recommendations	33

### **Annexes**

1. HA / JAS Comparative Table
2. Report Summary of the Five Country Case Studies
3. Assessment of the Five Country Case Studies:  
Synthesis Report  
Summary Matrix

### **BIBLIOGRAPHY**

**2**

---

*This report was prepared by a team from the Operations Evaluation Department (OPEV) under the general direction of D.A. Barnett, Acting Director of OPEV. The main report was written by P-A. Rochon, based on Country Reports prepared by M. Manai (Zambia), E. N'Diaye (Mozambique), D. Puetz (Uganda), P-A Rochon (Tanzania) and F. Turay (Ethiopia). These Country Reports are OPEV Working Documents available on request. Any further matters relating to the main report or the Country Reports may be addressed to D. A. BARNETT at extension 2041 or to P.-A. Rochon at extension 3179.*

**ACRONYMS AND ABBREVIATIONS**

ADB	African Development Bank
ADF	African Development Fund
CB	Capacity Building
CD	Capacity Development
CO	Country Office
CSP	Country Strategy Paper
DBSL	Development Budget Support Lending
DFID	Department for International Development
DP	Development Partner
EC	European Commission
EHaP	Ethiopia Harmonization Action Plan
ESW	Economic and Sector Work
EU	European Union
FI	Financial Institutions
Ha	Harmonization
HQ	Headquarters
IDA	International Development Association
IFC	International Finance Corporation
JAST	Tanzania JAS
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MFI	Multilateral Financial Institutions
MICS	Middle Income Countries' Strategies
MPD	Master Procurement Document
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for African Development
OECD-DAC	Development Assistance Committee of the Organization of Economic Cooperation & Development
OPEV	Operation Evaluation Department
ONVP	Operations (North, East & South) Department
PAF	Performance Assistance Framework
PFM	Public Financial Management
PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
SWAp	Sector-Wide Approach
UJAS	Uganda JAS
UNDP	United Nations Development Program
JASZ	Zambia JAS
TUZ	Zambia, Tanzania and Uganda

## **EXECUTIVE SUMMARY**

1. In line with its commitment to the ongoing international harmonization agenda, the AfDB augmented its involvement in Aid Harmonization (Ha) in 2002, and has also become increasingly active in Joint Assistance Strategies (JAS) since 2004. The Board requested the Operations Evaluation Department undertake a review of the role of the ADB in selected JAS / Ha processes in order to generate pertinent information and to inform ongoing as well as future relevant Ha processes in the RMCs.
2. This Process Review (PR) focuses on ongoing JAS process in Tanzania, Uganda and Zambia, as well as the ongoing Ha process in Mozambique and Ethiopia. The PR may be compared to a snapshot of what has happened so far, and the experiences, perceptions and opinions of major players. The goal is to draw lessons on how to proceed with JAS / Ha at this juncture, not to provide an evaluative judgement early on regarding this complex process, which will be fully evaluated once it has sufficiently matured.
3. Overall, Bank interventions are well aligned with the PRSP in all five RMCs. Ha interventions were generally highly relevant to Bank strategies and the Bank's commitment to alignment and harmonization principles. The Bank and its Ha partners in the five RMCs are fully committed to harmonization in line with the Government/Donor partnership principles as well as the Rome and Paris declarations. However, the Bank has not been as effective as it could have been in influencing the Ha / JAS process in the five RMCs under review, due in part to the timing of the opening of the Bank's offices in these countries. In Tanzania, Uganda and Zambia (TUZ) the Bank is handicapped by a tardy arrival on the JAS scene compared to most other key donors who have been operating from country offices (CO) in these RMCs, and have been actively participating to varying degrees in the Ha process leading to the development of JAS. In TUZ the level of readiness of the Bank to join the JAS process was low compared to that of other DPs who now exert considerable influence on the process largely linked to their early involvement in the overall Ha process in these countries. In Tanzania for example, most other Development Partners (DPs) had been preparing prior to 2004 for the ongoing Division of Labour (DoL) exercise. The Bank opened its CO in October of that year and was therefore little involved in the early but critical stages of the DoL exercise. The opening of COs in TUZ is helping the Bank catch up with other DPs to some extent, but country representatives soon encounter a 'resource wall' in dealing with the numerous meetings and committees generated by the JAS process. They soon realize that they do not have sufficient resources to meet the demand for Bank presence and input in the Ha / JAS process. This difficulty is compounded by the lack of technical support from HQ on difficult and often complex policy issues. The situation with regards to the Ha process in Ethiopia and Mozambique is similar in many respects.
4. Comparing the three countries with JAS and two countries with Ha processes reveals similarities but also key differences in the two approaches to greater donor integration in responding to PRSs. Moving to JAS in TUZ reflects the view by Development Partners (DP) and Government that the governance environment in these three RMCs is conducive to increased levels of Ha, whereas in Mozambique and in Ethiopia DPs and Government consider the current level of integration to best reflect the RMC's current capabilities/needs. The Process Review also identifies a number of Ha / JAS implications for the Bank in the following areas: impact on the Bank Project Cycle; the use of Country Systems; Division of Labour among DPs; Bank Participation in Aid Modalities; and Transaction Cost.

5. The Ha / JAS process appears to hold promise in harmonizing assistance strategies among core donors in the five RMCs and in establishing an integrated country assistance program. Its key disadvantage over previous approaches, however, is that the Ha / JAS process requires intensive donor coordination thereby taking longer to process, especially at the initial stages. Though there has been some value-added to date, much remains to be done to implement country programs successfully, in the areas of selectivity and division of labour among donors, appropriate aid modalities for various programs and projects commensurate with Government capacities, and in the area of policy and governance dialogue.

6. Opportunities and risks abound as the Ha / JAS process unfolds. So far, evidence points to substantial benefits with regards to: expediting the Bank's decentralization policy and enhancing field presence, strengthening of the PRSP process, and enhancing Bank selectivity. Many of these opportunities have already been reaped, with more to come, provided the Ha / JAS process is sustained. On the other hand, political, institutional/operational and fiduciary risks are also substantial both for RMCs and the Bank.

7. The Process Review has generated lessons learned which include:

- Assessing JAS time requirements as accurately as possible is essential to effectively programming Bank involvement.
- Dedicating sufficient staff and financial resources to the Ha / JAS process is essential to Bank success.
- Future Ha / JAS processes should become more scripted and formally guided to improve Bank participation.
- There are risks associated with the Ha / JAS principle of channelling aid through national procurement and auditing systems.
- The reduction in the overall transaction costs to RMCs and to donors is not yet evident and will take time to be realized.
- The Development Budget Support Lending process may negatively affect the predictability of the flows of donor resources and even lead to aid suspension in some cases.

8. The PR recommends that the Bank should be especially attentive to RMCs that demonstrate willingness to advance in aid Harmonization. Bank decentralization, with corresponding resources in the field is essential if Bank is to become effective in influencing the ongoing Ha / JAS process as it seeks to develop a comparative and/or competitive advantage relative to other donors. The Bank will likely be faced with possible phasing out of non-priority sectors which could be requested in specific sectors/areas in various RMCs as the JAS processes mature and needs to prepare an appropriate response. For example, Bank position on lead and silent donors in JAS countries also needs to be better defined and articulated. Also, the Bank should gradually shift to modes of aid delivery preferred by RMCs (i.e. Baskets funding; Sector wide Approaches and Direct Budget Support).

9. Despite a late arrival on the scene, the Bank now appears to be heading the right direction in its support of the Ha / JAS in the five RMCs under review. The PR also points to both the capacity and need of Bank Management and the Board to significantly influence the nature of future Bank participation in the Ha / JAS process in the coming years (e.g. decentralization, aid modalities, procurement, etc.). Indeed, many of the criticism regarding Bank involvement in the Ha / JAS process identified in this PR could be addressed with the ongoing and future Bank restructuring initiatives.

## 1. INTRODUCTION

### 1.1 Background

The Board requested the Operations Evaluation Department (OPEV) of the African Development Bank<sup>1</sup> (ADB) to undertake a review of the role of the ADB in selected Joint Assistance Strategies / Harmonization Processes.<sup>2</sup> OPEV was to specifically focus on countries presented in the ADB document titled: CSP/Joint Assistance Strategies (JAS): Implications for Processing the Bank Group Lending Program<sup>3</sup>. The document covered four countries; Ethiopia, Mozambique, Tanzania and Uganda. Tanzania and Uganda had Joint Assistance Strategies (JAS) processes in place, while the other two countries had ongoing Harmonization (Ha) processes driven largely by Joint Budget Support initiatives. Zambia, with its burgeoning JAS, was included later in order to broaden the scope of the review. The purpose of the review was to generate pertinent information and to inform ongoing as well as future relevant Ha processes in the RMCs.

### 1.2 Objective

1.2.1 The objective of the study is to review the ongoing JAS process in Tanzania, Uganda and Zambia, as well as the ongoing Ha process in Mozambique and Ethiopia in order to draw lessons for AfDB's continued participation in the short/medium term. Challenges identified by the Bank<sup>4</sup> in its efforts to participate in this process are highlighted. The study focuses on the following issues:

- The extent to which the JAS / Ha process ("the process") is consistent with relevant Bank strategies as well as with alignment and harmonization principles;
- The usefulness of the process to establish more effective Country Assistance Programs;
- The potential of the process to reduce transaction costs through common implementation and monitoring ;
- Opportunities and risks associated with the process; and
- The effectiveness of the Bank's role in the process to date.

1.2.2 This Process Review (PR) may be compared to a snap-shot of an ongoing 'unscripted' process. The PR focuses on what has happened so far, and on the experiences, perceptions and opinions of major players. The goal is to draw lessons on how to proceed at this juncture, not to provide an evaluative judgement early on regarding this complex process, which will be fully evaluated once it has sufficiently matured.

---

<sup>1</sup> Referred to in this report as 'the Bank', which includes African Development Bank, the African Development Fund, and the Nigeria Trust Fund.

<sup>2</sup> In this paper the term Harmonization (Ha) refers to the Ha processes identified under the Paris Declaration which include *inter alia*: joint analytic work, procurement, financial systems, results reporting, mission moratoriums, etc.. The Joint Assistance Strategy, which evolves from the Ha process, is used to describe ongoing Ha activities in Zambia, Tanzania and Uganda. Both Ha and JAS refer to the same process (see Chapter 2).

<sup>3</sup> (ADF/BD/WP/2005/128)

<sup>4</sup> i.e. Management, Staff and the Board

### 1.3 **Methodology**

1.3.1 This report is based on the findings of five country reports (CRs) developed by OPEV staff following missions to Zambia, Uganda, Tanzania, Ethiopia and Mozambique, between December 15, 2005 and March 1, 2006. Questionnaires were used to collect information on five themes: the Ha /JAS process, stakeholder (including Bank) participation in the process, transaction costs, the Ha / JAS process as a planning tool, and implications for the Bank.

1.3.2 Because of the small sample size across the five countries, and due to the low response rate ranging from ten respondents (Tanzania) to one response only (Mozambique), it is difficult to draw robust statistical conclusions across the five CRs. Definition issues were also encountered in making cross donor/country comparisons. For example, on the question of transaction costs, items which are considered and included in the calculation of transaction cost vary from donor to donor and among countries<sup>5</sup>. The CRs therefore focus more on the ‘perceptions’ of senior donor officials in the five RMCs under review regarding the Ha / JAS process and, as such, may subject to dispute. It should be noted however that this methodology is consistent with the approach used in the Multilateral Performance Assessment Network (MOPAN). Even some of the findings in this report confirm earlier findings in MOPAN as evidenced by the fact that both reports conclude that the Bank should take a more proactive role in its relationship with other donors<sup>6</sup>.

1.3.3 Survey results were used to draw conclusions and lessons in each CR based on merging of the information collectively available to the experts interviewed in each of the countries. Summaries of each of the five Country reports are presented at Annex 2. The following four steps were adopted in synthesizing the information provided in the CRs into this report:

- 1) A general assessment of the Ha / JAS process across the five CRs;
- 2) An identification of common and contrasting features based on specific criteria presented in the attached matrix at Annex 3;
- 3) An assessment of Bank performance in the five RMCs; and
- 4) Identification of implications for the Bank and general lessons emerging.

1.3.4 The report has the following structure. Chapters Two to Four present Ha efforts in the five countries under review. These Chapters examine the relevance of Bank participation and whether the Ha / JAS process has so far been effective in harmonizing assistance strategies among core donors and in establishing an integrated country assistance program in the five countries under review. Chapter Five focuses on the effectiveness of the Bank’s participation in the Ha/JAS Process. Chapter Six examines key implications of the process for the Bank going forward. The Conclusion in Chapter 7 is followed by Lessons and Recommendations.

---

<sup>5</sup> This costing issues was also encountered in surveys on transaction costs conducted in Senegal and in Zambia. See: UNDP, Transaction Costs in Aid: Case studies in SWAps In Senegal and Zambia, New York, 2005.

<sup>6</sup> MOPAN: Report from the 2003 Pilot Exercise: Final Report Dweceember 2003, page 10.

## 2. RELEVANCE OF HA / JAS PROCESS WITH BANK STRATEGIES AND HARMONIZATION PRINCIPLES

This chapter begins by defining the JAS and Ha concepts with reference to the five countries under review. It then examines the relevance of the Ha process in the five RMCs with Bank strategies and alignment / harmonization principles.

### 2.1 The Harmonization Process

2.1.1 The AfDB is a signatory to the on-going international harmonization agenda developed in Monterrey (2002), Rome (2003), Marrakech (2004) and Paris (2005). In line with this commitment, the Bank has increased its involvement in Coordination-Harmonization and co-hosted in 2005-06 three Regional Conferences on Harmonization in Dar es Salaam, Kampala and Bamako. The Bank has also become increasingly active in Joint Assistance Strategies in an effort to contribute to the relief of what has become known as the ‘*aid-induced burden*’.

2.1.2 Donor processes, procedures, requirements for development assistance delivery, monitoring, etc., are undermining development effectiveness by diverting limited national resources and managerial talent. Ironically, aid delivery and management appear to be making a difficult situation in Africa worse, by creating an unintended burden on RMCs. The burden associated with delivering and managing aid and the corresponding reduction in development effectiveness is deep-rooted. It includes outdated and often arcane donor policies and practices not aligned with country needs and priorities; pre-programmed lengthy reports at numerous intervals in the project cycle; redundant procedures and due diligence requirements; the creation and management of implementation agencies (PIUs) which tend to duplicate government facilities on the ground; duplicative diagnostics and Country Strategies; not to mention countless donor missions. These and other requirements undermine development impact and tend to divert efforts from progress towards the Millennium Development Goals. In an attempt to address these challenges, “the ADB and other MDBs, and bilateral donors are working to simplify and harmonize their policies, procedures, and requirements; and to aligning their support with country-owned poverty reduction strategies or other national frameworks. Today the alignment agenda goes beyond how well aid is delivered and managed; it is shifting from the earlier focus on transaction costs to how well RMCs and donors work together in a framework of mutual accountability, towards better country ownership, high-value policy harmonization and alignment, and impact on the ground”<sup>7</sup>.

2.1.3 The Bank defines Harmonization (Ha) as: ‘efforts by donors and RMCs to integrate and streamline all aspects of their development assistance, including adopting common systems and procedures, as well as joint working arrangements that include joint shared decision-making & shared information’<sup>8</sup>. Ha efforts are conducted by donors and RMCs at different paces and levels of intensity based on a number of factors including (*inter alia*): political will of the RMC to lead in the Ha process; the dynamic which exists among donors within a specific RMC; the general

---

<sup>7</sup> POPR, The Revised Bank Group Action Plan On Harmonization, Alignment, And Managing For Results, ADF/BD/WP/2005/01.

<sup>8</sup> Ibid.

level of confidence with existing country systems, current governance standards in the RMC, etc. Each of the five countries under review has its own historical and institutional context which necessarily influences the aid relationship and consequently the evolution of the Ha process. In this paper, all five RMCs under review are experiencing Ha processes. Mozambique and Ethiopia are focusing much of their efforts on DBSL to further harmonize<sup>9</sup>. For example in Ethiopia donors and Government both perceive DBSL to be consistent with their respective development and harmonization agenda, and to add substantial value in providing a common dialogue framework, relevant development assistance information and contributing to the use of country systems and reducing some transaction costs associated with the delivery of development assistance. A similar situation exists in Mozambique where the Bank is signatory with seventeen other donors to a MOU for the Provision of Direct Budget Support.

**Box: 1**  
**The Mozambique MOU for the Provision of Direct Budget  
 and Balance of Payments Support**

Government of Mozambique and DPs are committed to improving the quality of development cooperation in Mozambique through: strengthening dialogue; guaranteeing the timely availability of all documentation necessary for this dialogue; and establishing an agreed disbursement schedule, in order to assist GoM in implementing its commitments.

In addition, DPs are committed to providing Programme Aid in a way that is aligned with Mozambican instruments, processes and systems of financial management; and increases the predictability of the flow of donor funds, including by making multi-year agreements on Programme Aid, providing GoM with information on Programme Aid commitments in time for the information to be used in policy and budget planning, linking response mechanisms to agreed, realistic targets and indicators, disbursing according to the agreed disbursement schedule and not interrupting in-year disbursement, unless underlying principles are violated.

2.1.4 Compared to Ethiopia and Mozambique, Tanzania, Uganda and Zambia are experiencing harmonisation efforts going beyond the focus on DBSL by further streamlining development assistance, common systems and procedures, joint working arrangements, etc.. In these three RMCs, Ha efforts have led to the development of Joint Assistance Strategies (JAS). A Joint Assistance Strategy (JAS) is a national medium-term framework for managing development co-operation between donors and the RMC aimed at achieving national development and poverty reduction goals. Like the Ha process from which it evolves, the JAS is also ‘home-grown’, reflecting harmonious donor/Government relations specific to each RMC. The JAS is typically complemented by an Action Plan that specifies concrete activities, targets and time frames in implementing the Strategy, as well as a monitoring framework with indicators to measure Government and DP performance. A JAS may develop at different paces and levels of intensity depending on a number of factors including whether the JAS process is country or donor led, or the number of development partners that adhere to the JAS. This is the case in Tanzania,

<sup>9</sup> We refer to Bank Budget Support in Ethiopia, Mozambique and in other RMCs as DBSL. It is noteworthy that the Bank revisited its budget support lending in the ADB [Guidelines on DBSL](#) 2004: ADF/BD/2003/182

Uganda and Zambia (TUZ): for example, government leadership is strong in Tanzania compared to Uganda and Zambia while donor participation in the JAS process is rapidly evolving in each of these RMCs.

2.1.5 The Ha process in general and the JAS initiatives in TUZ in particular, are driven by the need to ‘scale up’ development assistance. This has led to the recognition by Governments and donors that DP behaviour needs to change with regards to: the sharing of information, promotion of transparency and improved coordination; the gradual simplification of procedures and specific requirements in order to reduce the burden on Governments; and the development of common planning arrangements for planning managing and delivering aid.<sup>10</sup>

2.1.6 To reach a level of Ha in which a Joint Assistance Strategy is developed and implemented appears to be determined on a case by case basis between donors and the RMC that ultimately decides to follow the JAS path. It is founded on the level of integration and streamlining of development assistance, common systems and procedures, joint working arrangements, etc. that has been achieved. This threshold has been reached by Tanzania, Uganda and Zambia but is yet to be achieved by Ethiopia and Mozambique. Three critical factors favouring the development of a JAS in a RMC are *inter alia*:

1. The dynamic which exists between donors and Government within a specific RMC as expressed by donor confidence in existing country systems and the current governance environment in the RMC.
2. The political will of the RMC to lead in the Ha process, and
3. Strong donor participation in the JAS process.

2.1.7 Overall, progress on Ha is uneven across RMCs as reflected in the five country case studies<sup>11</sup>. The coverage of both JAS and non-JAS countries in this review is meant to provide a basis for comparison among the RMCs covered by the study. Annex 1 provides key characteristics of the ongoing harmonisation for each RMC.

---

<sup>10</sup> DFID, Evaluating Progress towards Harmonization, May 2005.

<sup>11</sup> Even in the three countries having adopted a JAS appropriate incentives at political, institutional, and individual levels, have yet to be entrenched. Efforts to replicate this progress in other countries may prove difficult as experience shows that a *one size fits all* approach does not always work. RMCs at different levels of institutional capacity require strategies and approaches which will need to be developed and implemented at a different pace and sequence.

**Box: 2**  
**Tanzania JAS Principles**

The JAST sets a out principles on which DP / GoT relations are founded. These include:

- Government leadership of development processes, by taking the lead in developing and implementing policies, strategies, and programs.
- Harmonization and alignment of all development partners' assistances (including technical assistances) into national strategies, government systems, and processes.
- Division of labour and delegated cooperation, such that development partners concentrate on specific areas/activities/sectors depending on their comparative and competitive advantage.
- Technical assistance which will ensure sustainable human and institutional capacity building, where technical assistance should be that of demand driven, un-tied.

Source: AfDB, Harmonization and Alignment Agenda at Country Level: Experience of Tanzania, Presentation , 2006.

## 2.2 Relevance of Bank Ha / JAS Interventions with Government PRS

2.2.1 The following three criteria were used to assess Relevance:

- Alignment of Bank intervention with Government PRS
- Focus on outcomes and measuring of results
- Usefulness of the Ha / JAS process in simplifying procedures

2.2.2 Overall, Bank interventions are well aligned with the PRS in all five RMCs. Ha interventions were generally highly relevant to Bank strategies and the Bank's commitment to alignment and harmonization principles. The Bank and its Ha partners in the five RMCs are fully committed to harmonization in line with the Government/donor partnership principles as well as the Rome and Paris declarations.

**Box: 3**  
**Donor rating of the UJAS process**

According to replies to the question: *How do you rate (1) the extent of participation and (2) effectiveness of various partners in UJAS so far?*, almost all donors who participated were satisfied or even highly satisfied with the process to date. Both the *extent of participation* and the *effectiveness of various partners* in the UJAS process were rated very positively, mostly between substantial and high. Particularly the lead donors, the World Bank and DfID, got very high marks for their engagement and effectiveness. The AfDB's contribution and effectiveness was rated between modest and substantial. Overall these results show the extent of donors' satisfaction with the process and its outcomes so far. Similarly, the *value added* of the process so far was rated as substantial or high by 6 out of 8 respondents.

2.2.3 With regards to Tanzania, Uganda and Zambia (TUZ), the JAS are donor responses to the PRS in these three countries. As such, they reflect medium-term commitment and resources from domestic stakeholders and development partners (including the Bank) required in delivering the PRS. By adhering to the JAS the Bank's interventions are *de facto* aligned with the PRS. However, these JAS remain mostly a work in-progress as they are still at their development or early implementation stages.

2.2.4 In non-JAS countries, the Bank is an active participant in the Ethiopian Ha Action Plan (EHaP) whose overall objective is to enhance the effectiveness of the development assistance to Ethiopia through effective harmonization and alignment of DP's practices and procedures to those of the Government of Ethiopia. In Mozambique the last 2006-09 CSP focuses on two pillars of the Mozambique PRS process, and should therefore be in line with the PRS currently in drafting. This bodes well with regards to increasing Bank selectivity (as the Bank intervened into up to five sectors in Mozambique in the past) and enhancing the relevance of Bank interventions in the future.

### 2.3 **Focus on Outcomes and Measuring of Results**

2.3.1 In line with the Bank's objective to increasingly apply results-based management principles in its operations, the JAS in Tanzania, Uganda and Zambia (TUZ) focus on outcomes and measuring of results. TUZ all have Second Generation outcome-based PRSSs. Government and Development Partners (DP) performance will be measured by Paris Declaration indicators but also by a set of criteria developed for the JAS.

2.3.2 The JAS explicitly identify links between its interventions and PRS results and harmonize DP's monitoring and evaluation in line with the review of the implementation of the PRS. The JAS are concerned with better management of Government and external assistance resources and improvements in decision-making for results while aiming at strengthening systems for monitoring and evaluation.<sup>12</sup>

2.3.3 In non-JAS countries, the focus on outcomes and measuring for results is also a key concern. In Mozambique for example the Performance Assistance Framework (PAF) has 49 performance indicators as well as specific targets to be assessed annually by both Government and donors. The Ethiopia draft Harmonization Action Plan (2004-2006) and Joint Declaration on Harmonization, Alignment and Aid Effectiveness (EHaJD) reflect the principles of the 2003 Rome and 2005 Paris declarations (RPDs) to the extent that they adapted the RPD targets and indicators which are results-focused.

---

<sup>12</sup> Monitoring under the JAS will *inter alia* look at DP focus (including ADB) on results in the PRS; DP reliance on Government monitoring and evaluation frameworks and systems, and the functioning of these systems including the JAS monitoring system and review processes. The latter processes monitor: number of sector and sub-sector signed MoUs, number of lead and/or active donors in a sector or a sub-sector, resources channelled, gradual merging of stand alone projects into Sector-wide programs, etc..

## 2.4 **Simplifying of Existing Procedures**

2.4.1 The intermediate objective of the JAS is to build an effective development partnership in line with international commitments to aid effectiveness by aligning DP support to Government priorities, systems, structures and procedures. In Zambia, Tanzania and Uganda, DPs are committed to increasingly use common arrangements to deliver aid and to achieve a more effective division of labour among themselves in support of specific sectors or programs. JAS also presents a common assessment framework for determining levels of finance, which will help improve the predictability of aid.

2.4.2 The AfDB encourages the use of country systems—that is, the RMC’s legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures—considering they have significant potential to improve development impact. In collaboration with the World Bank, AfDB is currently reviewing country systems in three areas—environmental and social safeguards, procurement, and financial management—that are central to effective development spending and sustainable results. Fourteen pilot countries including Uganda have been selected world wide.<sup>13</sup> These, and other measures in turn contribute to simplifying existing procedures in each of the countries under review.

2.4.3 However, the Bank will need to be vigilant in order to keep pace. ADF Agreement Article 15(4)(a) restricts procurement to membership of the Bank. The Bank has encountered operational difficulties when attempting to join other donors in Multi-Donor Sector Investment Programs. For example, the requirement of financial safeguards as prerequisites for accessing SWAps resources have, in practice, constrained access to the instrument only to strong performers in the Bank Group Country Performance and Institutional Assessment (CPIA) rating exercise.<sup>14</sup> Such operations usually require the pooling of donor’s resources and the use of procurement arrangements that generally do not meet the rules of origin requirement of the Bank. This has meant that the Bank has had to exclude itself from some of these operations and thus limits its involvement in certain investment projects, much to the dissatisfaction of the potential beneficiary RMCs as well as the other development partners involved in these operations.

---

<sup>13</sup> AfDB, *Piloting the Use of Ugandan Systems to Address Environmental and Social Safeguard Issues; the Equivalence Assessment*, April 2006.

<sup>14</sup> ADB, *Bank Group Use of DBSL and SWAPs: Issues and Challenges*, ADF/BD/WP/2006/35.

### 3. HA / JAS AND COUNTRY ASSISTANCE PROGRAMS

This chapter examines whether the Ha / JAS process has so far been effective in harmonizing assistance strategies among core donors and in establishing an integrated country assistance program (of which the Bank is a key partner) in the five countries under review. The following criteria were used to this end:

The impact of Ha / JAS on:

1. CSP development
2. Enhancing division of labour
3. Promoting better governance and accountability
4. Generating value added compared with the previous process, and
5. Reducing transaction costs

#### 3.1 Impact on CSP Development

3.1.1 The need for greater alignment of Bank country programming and projects with RMC national priorities, sector strategies, and implementation modalities prompted the development of a new generation of CSPs. A Results-Based CSP (RBCSP) format was developed in 2005 in line with sister institutions. The RBCSP is a programming instrument and a management tool allowing for monitoring progress in Bank Group strategy and poverty reduction efforts undertaken by the RMC. A primordial concept in developing the RBCSP was to respect country ownership.

3.1.2 The new CSP format obligates the Bank to harmonize and align its interventions with the RMC PRS whenever possible. Such CSPs are being developed for Ethiopia and Mozambique. However in the case of TUZ the CSPs will largely reflect the JAS in these countries. For example, the UJAS reviewed by the Bank Board in December 2005 was adopted “as the Results-Based Country Strategy Paper for Uganda for the period 2005-2007”<sup>15</sup>.

3.1.3 With regards to Tanzania and Zambia<sup>16</sup>, a similar path is being followed. The Bank has postponed the preparation of its 2005-09 CSP in these countries, and is fully participating in the preparation of the JAS, along with other major development partners<sup>17</sup>.

3.1.4 Turning to non-JAS countries, the draft EHJD in Ethiopia, as well as experience gained from the DBSL process provides useful information for the development of the CSP. In Mozambique the Ha process appears not to have influenced the new CSP significantly apart from consultations with other donors. Contrary to Zambia, Tanzania and Uganda, donors in Mozambique will each develop their own CSP, as in the past<sup>18</sup>.

---

<sup>15</sup> UJAS ADF/BD/WP/2005/130 page 5.

<sup>16</sup> In Zambia, the Bank participated in consultations with other donors and Government on its role as active partner in the JAS. The Bank identified three areas in which it will contribute in its 2005-2007 country assistance strategy: rural water supply and sanitation, agriculture sector and direct budget support.

<sup>17</sup> Bank position in March 2005 to postpone developing its own CSP was consistent with that of the majority of other donors.

<sup>18</sup> The ADB Mozambique CSP 2005-09 was approved June 17, 2006.

3.1.5 Overall, the Ha / JAS process is impacting positively on Bank CSP development. The process is making the CSPs more relevant to RMC needs as demonstrated by the Bank's participation in DBSL in Ethiopia and the growing to move to JAS in TUZ. In Mozambique, the preparation of the 2006-2009 CSP was based on discussions with government, development partners and civil society. The CSP took into account sectors' ability to reinforce donor harmonization and to comply with Paris Declaration targets.

### 3.2 **Division of Labour (DoL) among Development Partners**

3.2.1 *DOL* refers to the optimal allocation of responsibilities and tasks between Government and DPs to maximise the RMCs' progress towards the MDGs. There is widespread consensus among donors and RMCs that a more rational division of labour is needed. This will typically involve fewer donors in each sector and better ways of co-ordinating between donors and between donors and government<sup>19</sup>.

3.2.2 However, a detailed structure for how to achieve this has yet to be implemented and remains a major challenge for RMCs. In Zambia, Tanzania and Uganda, this could translate into an assessment of the donors and their comparative advantages<sup>20</sup> and competitive advantage<sup>21</sup> in the different sectors and overall, thereby assisting in improved allocation of scarce resources by drawing attention to sectors not well covered by aid assistance.

3.2.3 For the Bank, moving from a project-oriented financial institution to a full JAS player means finding the right niche among the different types of partnerships which are rapidly evolving on the ground. Two basic types of partnerships are being discussed in Zambia, Tanzania and Uganda<sup>22</sup>. Lead partnerships are the most commonly cited type of partnership in the JAS draft documents. Under these arrangements, one DP appoints another to speak on behalf of the DP group as a single focal point for policy dialogue with the Government. These arrangements might include pooling of DP funds, either bilaterally between two partners, or in a larger basket. In cases where project-based funding prevails, lead partner arrangements tend to be less viable, since project dialogue is usually still required on a bilateral basis. Lead partnerships are closely linked in many cases to silent partnership arrangements, whereby one or

---

<sup>19</sup> Too many donors in one sector may prevent consistent sector priorities and interventions, dilute clear responsibilities, and reduce effectiveness, particularly when they are only loosely committed to working within established sector policies and program priorities. A recent study observes that certain sectors and thematic areas in Tanzania appear to be overcrowded with donors. For example, 23 Development Partners (DPs) are engaged directly in the health sector, 20 in education, 18 in water, 17 in governance, and 16 in HIV/AIDS.

<sup>20</sup> *Comparative advantage* may be defined as the area of activity in which an agency is considered to be at its most effective in relation all other activities in which that agency is engaged. All agencies therefore have a comparative advantage (i.e. the thing itself and others consider that it does best).

<sup>21</sup> *Competitive advantage* is defined as a pre-eminent strength of any single agency in a particular activity, in comparison to other agencies engaged in the same or similar activity. Therefore, whilst all agencies possess a comparative advantage, not all necessarily possess competitive advantage.

<sup>22</sup> This nomenclature is taken from the Tanzania DPG Note on DOL, 2005. Active or Delegated cooperation are other types of formal cooperation agreement in which a DP channels its funds through another DP. For example, Delegation may apply to specific, non-financial parts of the programming cycle where efficiencies can be realized (e.g. through joint consulting or analytical work, monitoring and review). Sometimes all functions are delegated. The Poverty Reduction Budget Support in Tanzania provides an example, through the use of multidisciplinary technical teams that work for the group as a whole.

more partners agree to remain silent, delegating authority to another agency to speak partly or entirely on its behalf<sup>23</sup>.

3.2.4 In Tanzania, Mozambique, Zambia and Uganda, “Lead” and “Silent” partner arrangements have already been initiated in many sectors<sup>24</sup>. Over time, the GoT and Development Partners have agreed to continue jointly reassessing the adequacy of existing division of labour arrangements, taking into account and adjusting to possible changes in Development Partners’ comparative/competitive advantages or changing Government needs. A similar approach is being envisaged in Uganda and in Zambia.

3.2.5 The division of labour among donors by sector and selectivity of programming are acknowledged in the UJAS document as a major challenge: ‘Disengaging from sectors proved difficult for many UJAS partners. The issue of who decides who has the comparative advantage in any given area was difficult to address. A further challenge is how shifts in comparative advantage over time can be accommodated.’

3.2.6 The donor division of labour in specific sectors is complicated in Uganda as the country has a large number of very active donors, several of them with similar priorities. This leads to overcrowding of certain sectors, particularly the social and governance sectors. Moreover, the absorptive capacity of Uganda for foreign assistance has been reached, which generates competition among donors for scarce funding opportunities.

3.2.7 There is little clarity in Uganda about what constitutes comparative or competitive advantage in a sector and who should determine it. Several donors argue that traditional donor presence in a sector, combined with a certain reputation of quality, effectiveness, sector know-how and experience provides a good criteria. Others suggest specific donor’s past or current volume or size of operations in a given sector should not be the only consideration. Several donors argued that silent partnerships may be the best way out of the dilemma of overcrowding, particularly when institutional constraints are not conducive to full withdrawal from certain sectors<sup>25</sup>. Similar issues are being addressed simultaneously in Zambia, and in Tanzania.

3.2.8 The role of Government in DoL is also an issue. Ugandan donors differ in their opinion on the optimal role of GoU in the division of labour<sup>26</sup>. In Zambia, donors have been requested by Government to indicate their preferred sectors of intervention, whereas in Tanzania, Ministry of Finance is clearly in the driver’s seat regarding DoL in JAS. Despite such adjustments (which are indicators of the seriousness with which the DoL issue is addressed), the JAS process is impacting significantly on how DPs and Government share the burden of meeting PRS objectives over the next five years.

---

<sup>23</sup> *ibid*

<sup>24</sup> AfDB does not appear to be Lead Partner in any sector/issue at this time in Tanzania. A key sector for the Bank is infrastructure (Transport) for which the EC is lead partner. Finland is lead partner on Water and so on... Though not lead partner, CO is promoting Bank presence in the Transport complemented by GBS. Other sectoral interventions on a project basis could be considered on merit, case by case.

<sup>25</sup> For AfDB in Uganda, this might mean that it could and should play a larger role in infrastructure development and water, while possibly becoming a silent partner in the social sectors and agriculture.

<sup>26</sup> While DfID expressed its preference for Government lead in sector selectivity, the AfDB CO suggested for donors themselves to take a first cut - while continuously soliciting Government views.

### 3.3 **Framework for Promoting better Governance and Accountability**

3.3.1 A key objective of the Ha process is to strengthen RMCs and DP teamwork in a framework of mutual accountability and good governance. Ha / JAS holds significant promise with regards to promoting better governance in the Government structures of RMCs responsible for channelling external resources to the line ministries under the Public Expenditure Management and Financial Accountability Framework (PEMFA). In all five RMCs, activities are being undertaken at different levels in the areas of fiscal policy formation, parliamentary oversight, review of procurement legislation, review of Financial Management Information System. Ha / JAS also provides a joint risk assessment and performance indicator framework offering donors increased opportunity to act and react jointly viz-a-viz political and governance developments, based on a shared understanding.

3.3.2 On the other hand, there remains a clear need for continued improvement of public sector management in the RMCs. Although the relevant issues are known, practical steps to substantially and rapidly improve fiduciary accountability and M&E of development outputs and outcomes deserve more attention, as the capacity of the Governments for effective action in these areas is generally weak. The requisite institutions and procedures may exist but are not necessarily functional.

3.3.3 Overall, Ha / JAS provides an important framework for promoting better governance and accountability in RMCs, but remains to be strengthened with regards to practical steps on how to ensure sound public sector management and accountability.

### 3.4 **Value-added Compared with the Previous Process**

3.4.1 The Ha / JAS process is judged to be substantially different from donors' previous CAS processes as captured by a survey of key Ha / JAS players conducted in the five RMCs<sup>27</sup>. For example in Tanzania, 40% of donors interviewed said JAST was substantially different, while 60% said JAST was highly different than what they did previously. A significant difference and value added of Ha / JAS is its promotion of new aid modalities, notably DBSL which is emerging as the RMCs' preferred aid modality, consistent with the international Ha agenda DBSL has demonstrated numerous advantages over other instruments in RMCs<sup>28</sup>. In light of the advantages of DBSL<sup>29</sup> and limitations of other modalities, DPs (including the Bank) will increasingly move to DBSL and adhere to criteria of 'good practice' for using basket funds and direct project funds. For example in Ethiopia, donors consider the DBSL not only to have

---

<sup>27</sup> Questionnaires were used to collect information in the five RMCs. The results of the questionnaires along with semi-structured interviews and focus-group sessions were conducted to obtain, combine and refine the opinions of a heterogeneous group of experts involved and/or concerned by JAS/Coordination-Harmonization (Bank, Donors, Government, and NGOs). Results were used to draw conclusions and lessons based on a merging of the information collectively available to the experts interviewed on JAS/Coordination-Harmonization in each of the RMC.

<sup>28</sup> These include: consistency with the Government legal framework; increasing the proportion of external resources subjected to the national budget process; placing the Government more fully within the scrutiny of the Parliament and civil society, as more decisions have to be taken within the framework of a transparent budgetary process; etc..

<sup>29</sup> The advantages of DBSL are also highlighted in: Learning From Experience With Performance Assessment Frameworks For General Budget Support, OECD-DAC multi-country evaluation of GBS, May 2006.

significant value-added but also to have substantially contributed to the harmonization process in the country<sup>30</sup>. However, certain constraints have been highlighted by some donors including the Bank with regard to their binding regulations and procedures under the new aid modalities such as the procurement issue for the Bank.

3.4.2 Another significant difference and value added of Ha / JAS is progress towards improved division of labour consistent with the international Harmonization agenda. Though some donors are still referring to headquarters on sector presence, in-country peer pressure is influencing some donors to phase out from certain sectors and limit their influence by concentrating aid on fewer sectors. This should over time help adapt donor aid to the local context in line with Ha principles.

3.4.3 Ha has also triggered an intensive process of communication and alignment within the donor community. Separate negotiations between donors and Government are increasingly being replaced by a roundtable approach. Ha is facilitating the generation of a joint “platform” and framework for more effective delivery of assistance in these RMCs. For example in Ethiopia, Ha has the potential to improve accountability and transparency through increased reliability of country systems for information generation and dissemination. In Mozambique, the Bank joined the Ha process in 2006 and expects that ongoing efforts will rationalize aid among donors, though bilateral exchanges are expected to continue for the foreseeable future.

### 3.5 **Potential to Reduce Transaction Costs**

3.5.1 Ha /JAS may be perceived as a commitment by donors and Government to reduce assistance related transaction costs in the medium- to long-run and bring about substantial rationalizations and administrative savings. The Country Reports reviewed this issue from the perspective of DPs, AfDB Headquarter/Country Offices and the RMC Governments, usually through the views of central departments such as Finance or Planning. The following paragraphs present these three different perspectives in turn.

3.5.2 Tanzania, Uganda and Zambian development partners were generally reluctant to speculate about future reduced transaction costs under a fully implemented JAS, as there are many unknown factors involved. The matter is further complicated by the fact that DPs tend to assess transaction costs based on different cost-components. Nevertheless, the overall impression among DPs in these three RMCs is that transaction costs should fall overtime due to: joint missions for ESW/MDG country reporting; cost-effective partnerships among donors; and the emergence of strong donors to lead development programs putting less burden on other donors over time (i.e. active but silent partners in particular).

3.5.3 However, RMCs may have to make substantial investments in improving program and project management systems, particularly the fiduciary and M&E systems, before benefits of reduced transaction costs appear. In comparison with traditional country strategies and programming the JAS may initially actually take up to a quarter more time and costs than regular

---

<sup>30</sup> This finding is consistent with the DFID Evaluation of General Budget Support (May 2006) which noted similar advantages of GBS in Mozambique and Uganda.

programming<sup>31</sup>. Some donors expect that with the gradual operationalization of JAS, real administrative costs may increase even further, as lending cycles will have to be harmonized; new formal cooperation agreements will have to be signed; joint criteria and triggers will have to be developed and negotiated; and administrative and legal issues of “joint” supervisions, evaluations etc. will have to be dealt with.

3.5.4 AfDB view (both Country Office and HQ) is that JAS will not entail greater or reduced transaction costs than preparing CSPs according to the Bank’s pattern and timetable as in the past. The process could actually be more effective and efficient for the Bank and the Government as part of the work (and costs involved) may be taken on by third parties (e.g. ESW). However it remains to be seen whether the JAS will entail greater or reduced transaction costs since in certain cases Ha efforts have already negatively affected the processing of Bank loans and grants<sup>32</sup> and could continue to do so in the short term.

3.5.5 Government perceptions of the JAS process are more positive than that of DPs (including AfDB) with regards to reducing transaction costs. The Government view is based on (inter alia) the following expectations: less disruption of government’s departments by donors HQ missions<sup>33</sup>; less burden on coordination of donors (role of the lead DP); and minimal reporting requirements from donors.

3.5.6 With regards to Ethiopia and Mozambique, the potential to reduce overall transaction costs appears negligible in the short term<sup>34</sup> but could become substantial in the long-run<sup>35</sup>. The Ha process is likely to reduce overall transaction costs for these Governments as well as the Donors as a result of: maturity of the DBSL mechanisms including dialogue; improved public sector M & E systems; complete alignment of donors operations with Government planning and budget cycles; and respect of agreed resource flow schedules.

---

<sup>31</sup> Such costs consist of coordination meetings; reaching consensus on major issues and related discussions; reviewing documents; dealing with headquarters in compiling information that’s usually not required for donor specific country programs; and adjusting procedures.

<sup>32</sup> CSPs/JAS for Ethiopia, Tanzania and Zambia negatively impacted the processing of the Bank lending program in these countries in early 2006. The total amount of loans and grants affected is estimated at UA 293.3 million. Source: POPR, CSP/ Joint Assistance Strategies (JAS) Implications for Processing the Bank Group Lending Program, October 2005.

<sup>33</sup> These should concentrate on development policies and monitoring and Evaluation

<sup>34</sup> For example in Ethiopia the Ha process will require resources for administration and coordination as in the case of the Joint Budget Support Process, to which the Bank allocated extra staff time in excess of 50% as reported by the Bank staff interviewed. As a result, the potential of the process to reduce Bank’s transaction costs within the programming cycle is negligible.

<sup>35</sup> As demonstrated in Ethiopia by the Joint Budget Support Process –part of the EHAP- the EHAP will imply in the short-run extra administrative and coordination costs for both DPs and GoE. According to representatives of DPs and GoE, the additional administrative and coordination costs, in the case of the Direct Budget Support Process, range from 25% to 50%.

**Box: 4****Transaction costs in Tanzania**

Based on interviews conducted in Tanzania, the additional staff time required by donors to participate in the JAST varied as shown in Table 1:

**Table 1: Extent of extra donor staff time required for JAST process**

Staff time	Extent of extra staff time (%)				
	Negligible	5-25	25-50	50-100	>100
% of donors		10%	40%	10%	40%

All donors registered additional costs (preparation, coordination, meetings, etc) but at varying degree as indicated in Table 2.

**Table 2: Extent of extra transaction costs required for JAST process**

Extra transaction costs	Extent of extra transaction costs (%)				
	Negligible	5-25	25-50	50-100	>100
% of donors		40%	20%	40%	

When asked to what extent the JAST process reduces or increases the government transaction costs, 85% of donors agreed that the JAST reduced cost to GoT, a view shared by the Ministry of Finance. The remaining 15% of donors said it represented only a modest increase in GoT transaction costs.

### Similarities and differences

3.5.7 Comparing JAS and Ha countries reveals similarities but also key differences in the two approaches to greater donor integration in responding to PRSs in RMCs. Moving to JAS in TUZ reflects the view by DPs and Government that the governance environment in these three RMCs is conducive to increased levels of Ha, whereas in Mozambique and in Ethiopia DPs and Government consider the current level of integration to best reflect the RMC's current capabilities/needs. However, over time, these latter RMCs (as well as other countries) may choose to adopt a JAS approach. The Government led Tanzania model illustrates advantages of such a choice.<sup>36</sup>

3.5.8 A key advantage of the JAS is to lighten the '*aid burden*' notably with regards the delivery of aid. Without a JAS, a RMC faces continued demand for Country Assistance Strategies (CAS) by each Development Partner, characterized with varying areas of focus, timeframe, reporting requirements, review processes, as well as the existence of old systems and procedures of aid delivery. This translates into reduced Government ownership of projects and programs, as most of the external resources are not subjected to government procedures on procurement, monitoring, reporting, accounting, and auditing. In addition, continued tied Technical Assistance tends to constrain development of local capacity needs.

3.5.9 Moving the Ha process to the JAS level translates into Government leadership of development processes as the RMC is encouraged to take greater the lead in developing and implementing policies, strategies, and programs. The Ha and alignment of all development partners' assistances (including technical assistance) into national strategies, government systems, and processes is accelerated. Division of labour and delegated cooperation, such that development partners concentrate on specific areas/activities/sectors depending on their comparative and competitive advantage is vigorously promoted. Technical assistance to ensure sustainable human and institutional capacity building as well as Capacity building are reinforced. Development partners are also urged to harmonize their individual financial contributions with each other, enter into a joint funding arrangement, and increase the share of budget support. National procurement procedures which allow purchase of goods and services from any country and source and national accounting and auditing system using Government accounting and auditing procedures and systems are encouraged to a greater degree than without the JAS. Dialogue becomes a means of information sharing, assessing and scrutinizing national/sector policies and strategies, as well as monitoring performance under the Government leadership at national, sector, or local government levels.

3.5.10 It may take some time before all these JAS benefits materialize even in TUZ where the process is gaining momentum, but their benefits could potentially be large with the patient efforts of DPs and RMC Governments involved. It is the promise of these advantages that motivates development partners to seek to the higher levels of harmonization afforded by the JAS.

---

<sup>36</sup> Advantages of JAS are taken from a presentation given at the ADB Development Effectiveness Seminar of June 19-22 by Mr. S. Sesay, titled: Harmonization and Alignment Agenda at Country Level: Experience of Tanzania.

**Box: 5**  
**JAS Tanzania and Effective Country Assistance Programming**

A key goal of the JAST process is to establish more effective Country assistance programs leading to greater development effectiveness. While it is too early to judge its effectiveness in this regard, donors are beginning to develop an appreciation of the process so far. Overall, donors were well prepared to participate in the JAST: 40% of respondents said they were substantially ready and 60% said they were highly prepared. They viewed their own participation in the process as highly satisfactory (84%). Donors also said that other DP preparation was satisfactory (50%) or highly satisfactory (50%). Over two thirds of respondents considered the GoT participation to be highly satisfactory as well.

#### **4. HA / JAS OPPORTUNITIES AND RISKS**

This chapter examines opportunities and risks associated with the Ha / JAS process.

##### **4.1 Opportunities**

4.1.1 Opportunities afforded by the Ha / JAS process mirror the numerous challenges raised by the *aid-induced burden*. It follows that the Ha / JAS process provides many opportunities for donors and RMCs to enhance development effectiveness. In order to assess these opportunities across the five RMCs reviewed, the following three criteria are examined in turn:

1. Expediting decentralization and enhanced field presence
2. Strengthening of RMCs PRS process, and
3. Enhancing selectivity.

##### Expediting decentralization and enhanced field presence

4.1.2 The Ha / JAS process is an opportunity to enhance the Bank's current decentralization strategy anchored on the opening of 25 field offices<sup>37</sup>. This is notably the case in the countries under review where the Bank HQ views on Ha / JAS and Country Office (CO) representation in the field at times overlap or are seen to be contradictory by Government and/or other donors. A key prerequisite for substantive DP participation in Ha / JAS is country office empowerment with HQ delegation of authority. Adequate staffing and skills-mix to assist in delivering the PRS is another important consideration. For example, since October 2004, the Bank CO in Tanzania has been responding positively to these criteria by playing an increasingly lead role on JAS for the Bank among donors and by gradually augmenting its staff in response to JAS needs identified on the ground. Sustained Bank participation in the JAST thus provides the opportunity to expedite the new bank decentralization policy.

---

<sup>37</sup> ADB/BD/WP/2006/, Enhancing The Effectiveness Of The Bank - Proposals For Reform Of The Operations Complexes, Strengthening Of The Office Of The Chief Economist, And Enhancing Human Resource Management And Business Processes, March 22, 2006, p. 14

4.1.3 Although most donors have already started the decentralization process in Zambia, (i.e. providing more devolution of power to country offices even for strategic decisions), some donors continue to defer to headquarters on sector presence and aid modality issues. In order to better expedite its participation, the Bank is currently strengthening its CO presence in that country. The on-going establishment of a fully manned office in Zambia will reinforce the new bank decentralization policy.

**Box: 6**  
**DP and Government of Zambia Partnerships**

According to the survey conducted in Zambia, DP participation focussed on coordinating the JASZ meetings and participating in sector working groups. Donors recognized the substantial efforts made by them and GRZ to come to a consensus on sector leadership and ways and means to implement aid harmonization. DPs agreed on the importance of respective commitments, the necessity to have delegated representation in the country with dedicated delegation of authority in order to adequately play a leadership role in a particular sector. Respondents to the study questionnaire judged the participation of GRZ and donors as satisfactory (75% to 85%) and effective (75%), whereas the participation of the Bank is seen as modest (55%).

4.1.4 The establishment of a decentralized Country Office in Uganda in 2004 greatly enhanced the capacity of AfDB to participate in (and benefit from) the UJAS process. Participation in the UJAS required, and will continue to require, that the Bank expedite decentralization and enhance its field presence in Uganda. UJAS could help the Bank become a more effective partner, provided that the Bank will expedite the deployment of decentralized staff with appropriate technical skills to country level.

4.1.5 In Ethiopia and Mozambique, increased in-country intra-DP coordination and DP-Government coordination require for DPs to have empowered country presence with the appropriate staff mix and other resources. For example, the EHaP is an additional driver of the Bank decentralization process because in order to become an effective partner in the EHaP, the Bank will have to delegate more decision-making power to and allocate better staff-mix to the ETCO.

4.1.6 Overall, the Ha / JAS process provides a window of opportunity for real delegation of authority and empowerment of field offices for not only the JAS process but to also improve portfolio management, dialogue, coordination and responsiveness. The Ha / JAS process is conducive to staffing adapted to country strategies and portfolio activities and better definition of roles and responsibilities between field offices and headquarters. It should also promote the AfDB as a more monolithic block, speaking with one voice, and help close the perceived gap between HQ and C/O.

### Strengthening AfDB support of RMC's PRS process

4.1.7 Consistent with Bank policy in support of RMC development of PRSSs the Ha / JAS process is an opportunity for the Bank to enhance its support of RMCs in this area. For example, the UJAS constitutes a unique opportunity for the Bank to strengthen its support to national PRS by playing a catalyzing role in the development of the Strategy. By being fully aligned with the Ugandan PRS (ie. the PEAP), in terms of its goals, strategies, and overall M&E, the UJAS constitutes a good opportunity for the Bank to further demonstrate its support. In Zambia, the Bank is preparing to participate in a Budget Support under ADF X, while postponing the development of a new CSP. The Bank is thus demonstrating that its new funding agreement with the GOZ under the JASZ will be part of the on-going donor coalition to support the PRS process. Bank is also increasingly aligning its support with the MKUKUTA/ZPRS in Tanzania as well as its support to other national as well as sector strategies, policies and programmes and local government plans in that RMC. By postponing the development of a new CSP, the Bank demonstrated that its new funding agreement with the GOT under the JAST will be geared to support part of these strategies, policies, programmes and plans. The Bank has agreed to harmonise its processes around the MKUKUTA/ZPRS and the national budget over time and is already following the GOT calendar of processes. In Ethiopia, the Ha process substantially reinforces the Bank's support for the national PRS process. The national PRS process anchors the EHAP process which is also geared towards contributing to effectiveness of the development assistance. The Bank is an active participant in the aid coordination mechanisms and supports the EHAP, represents an additional contribution to the national PRS process. In Mozambique, the Bank is also well positioned within the ongoing Ha process to support the PRS (which is still in drafting) once it is completed.

In all five RMCs under review, Bank active participation in the Ha / JAS process has strengthened AfDB support of national PRSSs. Continued sustained participation will further enhance Bank contribution in this area.

### Enhance Selectivity

4.1.8 Strategic selectivity refers to the number of pillars or sectors supporting the Bank Group strategy in a particular RMC. Enhancing sectoral alignment of the Bank's strategy with the country's PRS<sup>38</sup> is a key opportunity provided by the Ha / JAS process.

4.1.9 Over the last decade, Bank effort to limit the number sectors supporting the Bank Group strategy generally met with limited success<sup>39</sup>. However the Ha / JAST process is promising with regards to enhancing Bank selectivity in future. For example, during the process leading to the JAST, the Bank reviewed its portfolio in order to better respond to JAST objectives of rationalizing number of donors per sector<sup>40</sup>. Through enhanced dialogue and division of labour, the JAST provides an opportunity to limit the number of sectors in which the Bank intervenes in

---

<sup>38</sup> That is, whether the identified priority sectors are consistent or aligned with the PRS or Comprehensive Development Framework (CDF).

<sup>39</sup> This is a recurring theme in all Country Assistance Evaluations conducted by OPEV over the last ten years as well as in the 2002-2004 CSP Review conducted by OPEV in 2005.

<sup>40</sup> Tanzania CPR, 2006

delivering the MKUKUTA/ZPRS. A similar situation may be found in Ethiopia. The EHaJD promotes among other things effective division of labour and selectivity among DPs. The adoption of the EHaJD is therefore expected to enable the Bank to be more selective in providing support to Ethiopia. As the Bank selectivity improved in 2002-2004 compared to the previous programming period, the harmonization process is expected to sustain this impact on selectivity. In Zambia, during the process leading to the JASZ, the Bank reviewed its portfolio in order to better respond to JASZ objectives of rationalizing number of donors per sector. The Bank defined its options to intervene in three areas instead of five. However, the Bank cannot assume the responsibility of being Lead CP in any of the sectors in which it is intervening during the transitional period in 2006, as the country office is still being established. The Bank needs to substantiate its sector leadership preferences by more economic and sector work and committed itself to Government and other Cooperating Partners to subsequently assume leadership in the same sectors after the full establishment of the Country Office. In Uganda, UJAS clearly demonstrates Bank need for a more selective approach. All proposed sector investments in Uganda under UJAS were extensively discussed with DPs where AfDB has shown flexibility in selecting priority sectors, and defining its role in these sectors in the upcoming process on the division of labour among DPs.

4.1.10 Not surprisingly, the Ha / JAS process has enhanced Bank selectivity in Tanzania and Uganda where the number sectors of ADB intervention are being reduced and portfolios streamlined to meet PRS needs. This is a move in the direction in to lightening of the *aid-induced burden* and increasing overall aid effectiveness in the five RMCs.

## 4.2 **Risks**

4.2.1 The Ha / JAS process holds a number of risks for donors and RMCs as they move to closer coordination and collaboration in their quest for enhanced development effectiveness. In order to standardize their assessment across the five RMCs reviewed, the main risks arising from Ha / JAS are classified as: political, institutional & operational, and fiduciary risks<sup>41</sup>: The following paragraphs present these risks as identified in the Country Reports.

4.2.2 Political risks vary among RMC's depending on their particular circumstances. Among Zambia, Tanzania and Uganda, the latter holds least political risk considering its established democratic government and robust growth and development over the last decade. The risk of non-implementation of JAST or reversal of the GOT's commitment to its implementation is modest in the short to medium term in light of the existing strong government leadership in the process as well as due to the election<sup>42</sup> in of a new President and cabinet who both fully support the process. Risk on the part of DP country Governments of political change or other international events that weaken or reverse commitment to the JAST or to previously promised funding support is also modest. Donors consolidated in a Development Partners Group strongly support the JAST process and the likelihood a change of position occurring in many DP country governments at once is unlikely in the short to medium term.

---

<sup>41</sup> This classification is taken from the draft JAST, May 2005.

<sup>42</sup> December 2005

4.2.3 A worsening of the enabling political and governance environment in Uganda – similar to the one that took place in 2005 before the 2006 general elections - could trigger a low-case scenario for assistance. It could then be expected that all UJAS partners adhere to decreased aid. However, the UJAS document and agreements are not legally binding. Not all donors may react in the same manner. Under such a scenario, a key risk for the Bank would be damage to its privileged relationship with the Ugandan Government, as the Government is a shareholder in the Bank.

4.2.4 Although the GoE leadership and ownership is strong, political risk is substantial due to the internal political crisis that followed the 2005 general elections and the unresolved border conflict with Eritrea. The GoE has yet to satisfactorily manage the internal political crisis which led to the suspension of the disbursement of certain DP funds. On the DP side, the political risk is negligible within a programming period, as political changes at HQ can hardly affect programmed funds.

4.2.5 Overall, the Ha / JAS process carries a considerable amount of political risk, especially for RMCs, as poor governance may negatively affects the predictability of donor aid flows and even lead to suspension. This obviously affects the delivery of Government development programs and their effectiveness. For the Bank the key political risk then becomes managing its relationship with the RMC which has encountered aid reduction/suspension.

#### Institutional and Operational Risk

4.2.6 Changes in the way things are done under Ha / JAS are substantial compared to the period before 2002, the year Ha initiatives in RMCs began. Ha / JAS requires AfDB change its practices as well as its attitude toward the RMCs and development co-operation, adopt a flexible approach to its development operations and adapt its way of doing business in each of the RMC based on conditions on the ground. Moving towards this new agenda implies risks. For example, the JAS' intensive donor coordination takes longer to process, and has already negatively affected the processing of Bank loans and grants in four of the countries under review. The Bank's disclosure policies may also need to be adjusted as Ha / JAS will be owned by several participating donors. This increases the complexity of reaching consensus content, timing, etc. which could prevent the Bank from adhering to its disclosure constraints within the prescribed timeframes.

4.2.7 For example in Ethiopia, the use of the GoE systems and common arrangements for delivering assistance, as well as the simplification of procedures as demanded in the EHaP will require both institutional and operational changes on the part of the DPs. These changes for the Bank will involve among others modifications to procurement procedures and rules, as well as to the Disclosure Policy. The GoE's systems will also require strengthening to improve their effectiveness and reliability. The EHaP also implies a change in behavior of DPs – i.e. accepting and working with GoE as equal partners. All these necessary changes require time to be effected, and there is the risk of only partly adopting them. With the adoption of common arrangements and procedures, DP collective influence is expected to increase at the expense of their individual influences. Hence, the identity of some individual DPs will likely be lost. As a result, there is the risk of certain DPs reducing their support accordingly. These institutional and operational risks

are also applicable at varying degrees in all RMCs where the Bank adheres to the Ha / JAS agenda.

4.2.8 Another significant risk pertains to the Bank's difficulty to clearly define its corporate profile and comparative advantage viz-a-viz other donors. Unless the Bank identifies a constructive and pro-active role for itself compatible with its particular circumstances as a Regional Development Bank, it risks being plagued by operational and institutional contradictions.

4.2.9 In all RMCs reviewed, promoting the Bank's comparative and competitive advantages in sectors and activities where it intends to play a key role is a major risk (shared among all donors) associated with the Ha / JAS process. There is no guarantee for the Bank of being successful as it positions itself among DP, some of whom may also be competing for the same role.

### Fiduciary Risk

4.2.10 Fiduciary risk arises from public expenditures: (a) not being properly accounted for, (b) not being used for its intended purposes, and (c) not representing value for money. Fiduciary risk covers the budgetary process, effectiveness of the financial and legal system and other areas.

4.2.11 Even before Ha, fiduciary risks have traditionally been substantial for the Bank, largely due to the weakness of RMC Government systems to generate timely and reliable information for assistance audit and performance monitoring. Fiduciary risk is heightened under a Ha / JAS process in which DBSL becomes the privileged aid modality for increased amounts of aid to be channelled through national procurement and auditing systems. For example, in Tanzania, DPs recognize the JAST principle of channelling aid through national procurement and auditing systems, which will be monitored under the Paris indicators 5(b). However, some DPs' regulations might preclude this, whilst others feel constrained by in-country studies that highlight significant shortcomings in the GoT systems to make this possible<sup>43</sup>.

4.2.12 The risk of misreporting of performance - either under - or over reporting also exists as well as in terms of reluctance to apply good and sound public financial management in some RMCs. To address this risk in Zambia, donors provided GRZ with technical assistance to strengthen the public financial management and the audit system (Office of the Auditor General) under the PEMFA reform program.

4.2.13 Opportunities and risks abound as the Ha / JAS process unfolds. With regards to expediting the Bank's decentralization policy and enhancing field presence, strengthening of the PRS process, or enhancing Bank selectivity the evidence from the country reports points to substantial benefits. Many of these opportunities have already been reaped, with more to come, provided the Ha / JAS process is sustained. On the other hand, political, institutional/operational and fiduciary risks are also substantial both for RMCs and the Bank. The implications of these opportunities and risks for the Bank are analyzed in Chapter Six, following an assessment of Bank performance below.

---

<sup>43</sup> There have been such studies in Tanzania which may be perceived as having one of the surest systems in this regard.

## 5. EFFECTIVENESS OF THE BANK'S ROLE IN THE HA / JAS PROCESS

This section discusses the merit of the Bank's participation in the Ha / JAS process, and attempts to determine whether the Bank has become, or is expected to become, a key player in the process. The following three criteria were used to assess Bank effectiveness:

- Effectively engaging in policy dialogue
- Level of CO influence in the shaping the Ha / process
- Level of support / alignment with Headquarters (HQ) in Tunis

### 5.1 Effectively Engaging in Policy Dialogue

5.1.1 Bank policy dialogue is founded on relevant ESW, lessons learned from operations in RMCs, as well as on staff expertise and experience. It seeks to: openly explore policy issues affecting RMC development; discuss and share best practices; and, come to some common understanding and possible future collaboration.

5.1.2 The Bank did not sufficiently take advantage of the opportunity offered by the Ha / JAS process to effectively engage in policy dialogue in the five RMCs under review. For example, in Tanzania which is recognized as a RMC with a well established aid coordination practice, the Bank remained largely uninvolved of the policy dialogue initiated in 2002 between Government and other DPs, which led to the development of the JAS in 2005<sup>44</sup>. During this period, a Development Partners Group (DPG) was established in Tanzania to discuss policy issues, avoid duplication of efforts and decide priority areas of intervention. The Bank was not actively part of the Donors' Committee, although it was involved in some joint financing with other donors during this period. A similar situation occurred in Zambia, Ethiopia and Mozambique where policy dialogue was usually limited to bilateral discussions on Bank interventions as opposed to the larger Ha / JAS agenda. Even at the bilateral level, recent Bank evaluations<sup>45</sup> demonstrate that there was insufficient economic and sector works as well as lack of lessons learned from Bank operations in other RMCs to adequately inform policy dialogue. Bank policy dialogue is currently improving with the recent opening of CO, notably in Tanzania and in Uganda.

### 5.2 Country Office Influence in Shaping the JAS / Harmonization Process

5.2.1 Substantive CO presence in an RMC is central to influencing the process but results are mixed so far. The opening of the Tanzania CO in late 2004 prompted the Bank to join the Ha process in Tanzania. Since 2005, the TZCO has been leading on the JAST for the Bank, participating actively in DPG meetings notably when JAST is the central agenda item. However, two thirds of donors interviewed still considered AfDB participation in JAST process to be unsatisfactory due to the Bank's late arrival / participation in the Ha process which began in 2002 and DP perception that the Bank was not always candid about concerns it has with the JAST process. On the other hand, in Uganda, all donors interviewed agree that the Bank's CO

<sup>44</sup> Tanzania Country Assistance Evaluation, OPEV, 2006,

<sup>45</sup> This a recurring issue in other Country Assistance Evaluations for Ghana, Mali, and Mauritania to name only recent CAEs conducted by OPEV.

which opened in 2005 has become an important partner for policy dialogue and in UJAS. The Bank is now perceived as pivotal for the JAS process as well as for dialogue among donors, but in particular for dialogue between UJAS and the Ugandan Government. In Zambia, the Bank exerts little influence on the process at this time, but is expected to improve its coordination activities and subsequently assume leadership in certain sectors once a Country Office is firmly established.

5.2.2 Since becoming operational in 2001, the Ethiopia CO (ETCO) participates in the Development Assistance Group and DAG-GoE harmonization taskforce, as well in most of the thematic working groups of the DAG, including that on General Budget Support. The effectiveness of the ETCO participation is, however, constrained by the lack of decision-making authority and limited access to appropriate and adequate staff resources. The DPs and GoE interviewed consider the ETCO participation in the EHaP unsatisfactory. Most of the other DPs not only provided a wider scope of activities including ESW, coordination, concept paper, due diligence review and follow-up of agreed actions, but the extent of their involvement was highly substantial. In Mozambique, the lack of resources in the recently opened CO severely limits Bank influence of the Ha process.

**Box: 7**

**ADB preparation for the Ha process in Ethiopia**

The extent of participation of the ADB Harmonisation is unsatisfactory largely because of its limited preparedness for and contribution to the DBSL process. The ADB preparation for DBSL was mainly limited to the country assistance strategy paper and issues paper, whereas other donors invested in additional activities including ESW, risk analysis and review of their administrative procedures. The ADB's contribution was also limited in scope and effectiveness. It only provided staff time and in insufficient quantity. And the ADB staff time was thinly spread with little effect.

### 5.3 Level of Support/Alignment with HQ in Tunis

5.3.1 The Ha / JAS process has the merit of fostering simultaneous discussion on country assistance programming at three levels: Partner to Government harmonization; Partner to Partner harmonization (i.e. division of labour); and within partner institution (reconciling field views with HQ perceptions). The latter level is discussed in this section.

5.3.2 Because COs are close to Ha developments which can proceed quickly (and at times enthusiastically) on the ground, they tend to become advocates of these initiatives with their respective HQs. This was the case for the AfDB following the opening of CO in Tanzania and Uganda. Explaining significant new developments in the field to HQ is a reality for most donors, not only for the AfDB. In the five RMCs under review, HQ/Capitals tended to have stronger reservations about the Ha / JAS process than COs which have almost daily contact with Government and other donors. This may reflect that HQs are much closer to the domestic/institutional policy concerns and further away from the realities on the ground. For example, donor country politicians may, in some cases, have a less developed understanding of

the necessity of harmonisation, alignment, ownership and related processes such as JAS, but a relatively better developed sense of the advantages of being identified with in successful development projects. Securing their support for the JAS remains a challenge. A similar situation exists between COs and Bank Management and the Board.

5.3.3 In TUZ, Government and DPs are encouraging an increased Bank presence in the country and are pleading for convergence of instruments or harmonized intervention among Development Partners, notably with regards to increasing the use of SWAps and GBS. Country offices have complained of the lack of HQ policy support in dealing with these issues in light of the Bank Group's difficulty to participate in certain modalities such as SWAps due to Article 15(4) of the African Development Fund, which limits procurement using ADF resources to Member States of the Bank only.

5.3.4 The high-level regional harmonization policy workshop in Kampala in November 2005 organized by the Bank was seen as necessary and useful. But it was not seen as sufficient in terms of providing administrative and technical support to the CO, as it was focussed largely on broader policy issues, with few suggestions on facilitating UJAS consultation and implementation.

5.3.5 Though both HQ and ETCO support the EHaP in principle, it appears that HQ engagement in ESW and in synthesizing lessons learned from its operations elsewhere is limited. As a result, the effectiveness of the HQ support is reduced, which ultimately constrains Bank participation in the process. A similar situation existed in Mozambique until recently. The situation appears to be improving since the Bank joined other with other DPs in the Ha effort in October 2004.

5.3.6 Overall, the Bank has not been as effective as it could have been in influencing the Ha / JAS process in the five RMCs under review. In TUZ the Bank is handicapped by a tardy arrival on the JAS scene compared to most other donors who have been actively participating to varying degrees in the Ha process leading to the development of JAS since 2002. In TUZ for example, the level of readiness of the Bank to join the JAS process was low compared to that of other DPs interviewed. These donors now exert considerable influence on the process. In Tanzania for example, most other DPs have been preparing prior to 2004 for the ongoing DoL exercise. The opening of COs in TUZ is helping the Bank catch up on other DPs to some extent, but country representatives soon encounter a 'resource wall' in dealing with the numerous meetings and committees generated by the JAS process. They soon realize that they do not have sufficient resources to meet the demand for Bank presence and input in the Ha / JAS process. This difficulty is compounded by the lack of technical support from HQ on difficult and often complex policy issues. The situation with regards to the Ha process in Ethiopia and Mozambique is similar in many respects. In all cases, greater Bank decentralization with corresponding resources in the field appears essential if Bank is to become effective in influencing the ongoing Ha / JAS process.

## 6. JAS / HA IMPLICATIONS FOR THE BANK

The move to increased Ha entails changes to Bank procedures as well as to the conduct of its day to day operations. This Chapter examines key implications of the Ha / JAS process to the following:

- Bank Project Cycle
- Use of Country Systems
- Division of Labour among DPs
- Participation in Aid Modalities
- Transaction Costs; and
- Board

### 6.1 Implications for the Bank Project Cycle

6.1.1 The JAS has significant implications for the development of CSPs. With the new results-based CSP format, the Bank has already begun adjusting to these implications by adapting to PRS requirements in RMCs along with other DPs. This trend of adjustments is likely to continue notably in JAS-countries where opting-in or out of JAS may not be feasible for the Bank. Since the JAS has no legal status and as such has no binding implications it is difficult for the Bank not join at the request of Government. In addition, DPs are increasingly committing to abandon the previous bilateral strategy model (CSPs for the Bank), consistent with Ha principles. The Bank has already set on this path in TUZ. Should bilateral strategies be replaced by JAS, then new/substitute planning and budget tools will then have to be found. The ‘mapping’ of Bank interventions would likely occur within the framework of the *Action Plan* developed with the JAS. Also, the RMCs Medium-Term Expenditure Framework (MTEF) which provides a resource framework (usually for three financial years) on a rolling basis may eventually become the shared planning and budget tool among DPs with Governments that adopt a JAS. The Bank would of course be involved in such developments.

6.1.2 The expectation in Zambia and Tanzania is that the DoL and ensuing project mapping for DPs to be developed on the basis of JAS will replace the CSP as was the case with the UJAS<sup>46</sup>. The impact of this development on future CSP drafting at the Bank is still largely unknown as these JAS will likely differ from the new CSP format, may not require a CSP mission, or the development of an ADB stand-alone strategy as is the case for non-JAS countries.

6.1.3 Looking ahead, harmonizing Bank interventions with those of other DPs will continue to have implications for the Bank. For example, the ongoing development of a Results-Measurement Framework at the Bank<sup>47</sup> implies that progress achieved towards meeting the PRS

---

<sup>46</sup> The Boards of Directors approved the Bank’s 2002-2004 Country Strategy Paper (CSP) for Uganda in July 2003<sup>46</sup>. A major innovation during the subsequent planning period was the development of a joint operations strategy committing the Bank to a common development financing framework with several other development partners. In line with the coordination arrangements necessary to underpin this approach, a Uganda Joint Assistance Strategy (UJAS) was designed collaboratively by seven development partners. The Bank’s Board adopted the UJAS as the Bank’s CSP in Dec. 2005.

<sup>47</sup> ADF/BD/WP/2006/05, The ADF Results Measurement Framework Paper, December 2005.

priorities and the MDGs, will not be regarded as resulting from the ADF's actions alone, but will increasingly be attributed to the collective Ha / JAS process.

### Use of Country Systems

6.1.4 As mentioned in Chapter 3, the Bank supports the use of country systems when feasible. This is in line with donors who have agreed in principle to use enhanced country systems including procedures for public financial management, accounting, auditing, procurement, environmental and social assessment as well as M&E systems, in line with the Paris Declaration. The implication for the Bank is that it may have to increasingly rely on RMC country systems to deliver aid. However, this cannot be easily achieved without confidence in national country budgetary and public management systems. This is seen as a key challenge to accelerated Ha by the Bank and most donors. It underscores the need for increased support and resources to RMCs in support of existing country systems, notably in JAS countries where DBSL are increasing.

6.1.5 The Bank and other DPs are encouraged to support government efforts in strengthening country systems to attain international standards. But RMCs also need to develop systems that are more transparent and accountable to encourage donors to more seriously consider relying on host country procurement, audit and M&E systems<sup>48</sup>.

### Division of Labour

6.1.6 DoL is essential to achieve effective harmonization of assistance strategies among core donors and in establishing integrated country assistance programs. DoL is also a highly sensitive issue for Government as it is called to assign sectors to specific donors as well as for DPs as they attempt to intervene in sectors of their preference for which there is usually competition from other donors. This central Ha issue is currently being hotly debated in all RMCs, but notably in JAS countries. A key concern in TUZ is phasing out of non-priority sectors for some donors who will eventually be requested in specific sectors/areas. Bank will be faced with such decisions as the JAS processes mature and needs to prepare a response.

6.1.7 However, division of labour among DPs is a necessary condition to achieving effective harmonization, but it is not sufficient. The transfer of resources and human capacity from headquarters with more delegation of authority to country offices and representations are a pre-requisite. This has significant implications for the Bank as it seeks to develop a comparative and/or competitive advantage relative to other donors.

6.1.8 Much of the DoL is currently happening in a decentralized environment in the field. Bank decentralization to COs is not only mandatory but becomes increasingly urgent in this DoL context. Decentralization should be tailored to country challenges/responsibilities and aim at:

---

<sup>48</sup> For example, DPs in Tanzania recognize the JAST principle of channelling aid through the national procurement and auditing systems, which will be monitored under the Paris indicators 5(b). However, some DPs' regulations might preclude this, whilst others feel constrained by in-country studies that highlight significant shortcomings in the GoT systems to make this possible. DPs will continue to provide support to programmes such as the Public Financial Management Reform Programme to strengthen this capacity. Nonetheless, weaknesses in GoT systems are likely to limit DPs' readiness to increase DBSL commitments in the short and medium term.

expanding technical capacity at the CO; strengthening the role of the CO in aligning AfDB sector interventions with country priorities; securing Bank sectoral leadership where possible; and enhancing HQ support especially at the CO start-up stage.

### Participation in Aid Modalities

6.1.9 Moving from a project-oriented financial institution to a full JAS player has implications for finding the right niche among the different types of aid modalities which are rapidly evolving on the ground<sup>49</sup>. RMCs are increasingly requesting a move from project funding to DBSL and SWApS.

6.1.10 An important implication of the use of RMC-favoured aid modalities, including SWApS, is the need to address limitations of Article 15 (4) regarding the pooling of funds in a single basket or trust fund for undertaking projects, notably investment projects. Such SWApS often involve the use of common procurement and disbursement procedures. In such cases, the Bank has frequently resorted to ring-fencing or providing parallel financing through separate implementation modalities in order to ensure compliance with the procurement limitation imposed by Article 15 (4) relating to the Rule of Origin. This approach has proved cumbersome. Also, strict application of this Article is viewed by some as being inconsistent with the letter and spirit of harmonization, as its benefits are lost. In addition, experience has shown that in cases where Bank used ring-fencing as a solution, implementation was delayed. Participating donors and borrowing governments have shown dissatisfaction and resisted this Bank practice. As this issue, as well as DBSL and other aid modalities are discussed abundantly in another Bank recent document<sup>50</sup>, they are only mentioned here.

6.1.11 It is however noteworthy that the Bank provides funds to DBSL in support of the PRS, but at the same time funds sectoral off-budget investment projects which may not be fully in line with PRS priorities. Many of these off-budget projects are and have been plagued with numerous administrative disbursement and procurement problems as mentioned above. Some donors complain that in several cases (even as late as mid-2005) Bank participation in sectoral project development and coordination with Sector Working Groups, particularly in the social and governance sectors, has been unsatisfactory.

### Transaction Costs

6.1.12 A major expectation of the Ha effort in RMCs is that expenses related to carrying out business will be reduced. However, based on OPEV finding in Country Reports, confirmed in a recent OECD survey<sup>51</sup>, there is not enough evidence that harmonization initiatives have helped curb transaction costs. Indeed, over the short term at least, they may have actually increased

---

<sup>49</sup> As a regional multilateral financial institution the Bank has developed structures and processes specifically to ensure effective delivery of financial support to RMCs. By virtue of it being a project-oriented financial institution, funds advanced to Regional Member Countries (RMCs) are ring-fenced and subject to close supervision. By so doing, the Bank has established structures, processes, and has in place requisite staffing for effective execution of its obligations, particularly in assisting RMCs in programs/projects preparations/appraisal, supervision and monitoring.

<sup>50</sup> ADF/BD/WP/2006/35, Bank Group use of DBSL and SWApS: Issues and Challenges, 14 April, 2006.

<sup>51</sup> OECD Harmonization and Alignment Report, Paris, 2004.

these costs. Implications for the Bank of attempting to reduce transaction costs by joining in JAS include delays that can negatively affect the processing of Bank loans and grants for a RMC as delays in JAS in turn postpone the processing / approval of the Bank's CSPs, which in turn negatively impacts on Bank operations. The Bank's disclosure policies may also need adjustments when dealing with JAS documents which have a number of owners and the publication of the JAS also requires a consensus on the publication date. The delay in the preparation of the second generation of PRSs is also posing a challenge to the Bank by delaying the preparation of its CSPs, thereby increasing overall Bank transaction costs.

### JAS / Ha Implications for the Bank Management and Board

6.1.13 The move towards increased Ha / JAS also holds several implications for Bank Management and Board. It can be expected that over time envelope size of Board approval will be impacted as the Bank moves to increased DBSL and SWAps. This movement may translate into larger size of operations negotiated between the RMCs and the Bank (subject to ADF allocations). Such developments should free the Board to increasingly focus on Policy/Strategy in RMCs, the Regions and on the Continent more generally. The Board could thus gain a more significant oversight function of Bank operations over time, as it would spend less time approving smaller project-specific envelopes.

6.1.14 Another implication of the Ha / JAS process for the Board is the need to become more familiar with Ha developments in the field and Management needs to proactively keep the Board informed of such developments. Producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy. Bank needs to dedicate sufficient staff and financial resources to the process. In addition, an implication for CODE of Ha / JAS is that OPEV will likely be conducting more joint evaluations and impact evaluations over time to better respond to the Ha agenda.

6.1.15 The Board needs to keep abreast of the Ha / JAS initiatives to foresee such developments. For example, it is noteworthy that Ha / JAS implications are especially significant with respect to CSP development and Division of Labour. This study which the Board requested, as well as the approval of the recent Mozambique CSP, are steps in that direction and bode well for future Board contact with COs, Governments and other donors.

#### **Box: 8**

##### **The Bank and Donor Harmonization in Mozambique**

The Mozambique 2006 – 2009 CSP envisages strengthening donor harmonization. Ongoing and planned initiatives include: (i) the CSP M&E mechanisms are based on the PAF Matrix thus assuring enhanced coordination on donor support and M&E mechanisms; (ii) the strategy and pillar choices took into consideration sectors ability to comply with the Paris Declaration; (iii) the Bank recently joined the G-18 donor group in Mozambique, and will be able to participate fully in donor coordination efforts, particularly at direct budget support level; (iv) the Bank became a member of a donor group that is in charge of preparing potential JAS for Mozambique; (v) with the opening of the regional office, the Bank will now be able to fully participate in donor coordination efforts on the ground; and (vi) it is expected that all projects approved under ADF-X would be co-financed.

Source: AfDB, Mozambique CSP 2006-2009.

6.1.16 The Ha / JAS process carries significant risks for both the Bank and RMCs. The Ha / JAS process can negatively affect the predictability of donor resource flow, even leading to aid suspension, which can in turn significantly affect the delivery of development programs and their effectiveness. The governance issues which arose in Uganda and in Ethiopia in 2005 and which led to a concerted DP position to reduce aid flows illustrates this point. In order to assess these and other risks, it would be useful to advance the entry point of Senior Management and the Board in future Ha / JAS initiatives. In addition, senior Management and Board guidance and leadership could help to promote Bank as a more monolithic block in RMCs, speaking with one voice across various departments.

6.1.17 The Ha / JAS is however a ‘two-way street’. Indeed, Bank Management and the Board can also in turn significantly influence the nature of Bank participation in the Ha / JAS process in the coming years by opting for judicious decisions as these processes move forward.

## **7. CONCLUSION**

7.1 This review of the ongoing JAS process in Tanzania, Uganda and Zambia, as well as the ongoing Ha process in Mozambique and Ethiopia has addressed challenges identified by the Bank in its efforts to participate in this process. It has demonstrated that Bank interventions are well aligned with the PRS in all five RMCs and that continued involvement in Ha / JAS enhances Bank alignment. Ha interventions were generally highly relevant to Bank strategies and the Bank’s commitment to alignment and harmonization, in line with the Government/donor partnership principles as well as the Rome and Paris declarations. The Ha / JAS process appears to hold promise in harmonizing assistance strategies among core donors in the five RMCs and in establishing an integrated country assistance program. However, Ha and/or JAS should not be seen as a panacea, but as a (if not ‘the’) major instrument for enhancing aid effectiveness. Despite some value-added so far, much remains to be done to implement country programs successfully, in the areas of selectivity and division of labour among donors, appropriate aid modalities for various programs and projects commensurate with Government capacities, and in the area of policy and governance dialogue.

7.2 Though the Ha / JAS processes holds potential to reduce transaction costs through common implementation and monitoring in the medium term, in the short term there is little evidence to indicate that this is the case. In fact, the JAS process appears to have actually increased Bank transaction costs in some countries.

7.3 With regards to opportunities for the Bank associated with expediting the Bank’s decentralization policy and enhancing field presence, strengthening of the PRS process, or enhancing Bank selectivity, evidence in the field points to substantial benefits. Many of these opportunities have already been reaped, with more to come, provided the Ha / JAS process is sustained. On the other hand, political, institutional/operational and fiduciary risks associated with Ha / JAS are substantial both for RMCs and the Bank.

7.4 The study shows that the Bank has not been effective in influencing the Ha / JAS process in the five RMCs under review. Bank is handicapped by a tardy arrival on the scene, notably in JAS countries, compared to other donors who have long established representation in the field.

Though the opening of COs is helping the Bank catch up with other DPs in this regard to some extent, COs still do not have sufficient resources to meet the demand for Bank presence and input in the Ha / JAS process. This difficulty is compounded by the lack of technical support from HQ on difficult and often complex policy issues.

7.5 The study identifies a number of Ha / JAS implications for the Bank in the following areas: the Project Cycle; the use of Country Systems; Division of Labour among DPs; Bank Participation in Aid Modalities; and Transaction Cost. The Ha / JAS is however a ‘two-way street’. It also points to the both the capacity and need of Bank Management and the Board to significantly influence the nature of future Bank participation in the Ha / JAS process in the coming years (e.g. decentralization, aid modalities, procurement, etc.). At this time however, the Bank appears to be heading the right direction in its support of the Ha / JAS in the five RMCs under review. Indeed, many of the criticism regarding Bank involvement in the Ha / JAS process in the past will likely be addressed with the ongoing and future Bank restructuring.

## 8. **LESSONS LEARNED AND RECOMMENDATIONS**

### 8.1 **Lessons Learned**

8.1.1 This section presents lessons learned, highlighting Bank strengths and weaknesses. It provides generalizations based on experience thus far in the Ha / JAS process.

8.1.2 Assessing JAS time requirements as accurately as possible is essential to effectively programming Bank involvement. Delays encountered in developing JAS have caused programming difficulties for the Bank. These could be avoided in future similar situations by being more realistic about time requirements at the outset based on acquired experience in TUZ.

8.1.3 Dedicating sufficient staff and financial resources to the Ha / JAS process is key to Bank success. Producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy. Also, ensuring support and guidance for Ha / JAS from headquarters at an early stage would help the Bank influence the process in RMCs. Advance preparation is key to Bank involvement. The opening of COs in TUZ is helping the Bank catch up with other DPs.

8.1.4 Future Ha / JAS processes should become more scripted and formally guided to improve Bank participation. There is always a danger of ‘homogenization’ of policies and approaches in joint assistance; narrowing on ‘*issues du jour*’; overemphasis on *hot* topics, etc. As in any partnership, different interests - that sometimes may widely differ and rapidly change - need to be acknowledged and respected. While all partners have to accept some trade-offs in cooperation that may reduce their degree of freedom for the sake of broader development effectiveness, the Bank needs to find ways to maintain its institutional identity in an increasingly fungible environment of lead and silent donors.

8.1.5 There are risks associated with the Ha / JAS principle of channelling aid through national procurement and auditing systems. For example, the RMCs Medium-Term Expenditure

Framework (MTEF), or some version thereof, may eventually become the shared planning and budget tool among DPs with Governments that adopt a JAS.

8.1.6 The Ha /JAS process is not an end to DoL, but rather a start to improving DoL both among donors as well as among Government ministries. The Bank needs to address/clarify the issue lead and silent donor with other donors and Government in JAS countries. The Bank also needs to assist central planning and line ministries develop their own institutional capacities in order that they may also proceed to DoL at the national level.

8.1.7 Division of labour among donors in leading sector aid delivery is a necessary condition but not sufficient to the smooth implementation of the Ha / JAS principles and concepts. The transfer of resources and human capacity from headquarters with more delegation of authority to country offices and representations are a pre-requisite. Another pre-requisite is Government ownership and leadership by engaging in open dialogue with donors to determine the preferred sector presence and which line ministry will lead in various sectors/areas.

8.1.8 The reduction in the overall transaction costs to RMCs and to donors is not yet evident and will take time to be realized. In some cases, the Ha /JAS process has even entailed greater transaction costs than simply preparing CSPs according to the Bank's pattern and timetable as in the past. This is largely due to JAS requiring intensive donor coordination, which increases the complexity of reaching consensus on content, timing, etc.

8.1.9 The DBSL process may negatively affect the predictability of the flows of donor resources and even lead to aid suspension. Though Bank and RMCs perceive the DBSL process to be consistent with their respective development and harmonization agenda, it can be a two-edged sword should significant governance issues arise in a RMC (e.g. Ethiopia, Uganda).

8.1.10 Moving from a project-oriented financial institution to a full JAS player providing increasing amounts of DBSL will require substantial changes in the way the Bank operates. As the Bank's current Direct Investment Projects Funding commitments are significantly larger than amounts disbursed through DBSL (e.g. five times larger in Tanzania in 2004), becoming a credible JAS partner will mean finding the right niche among the different types of aid modality partnerships which are rapidly evolving on the ground.

## 8.2 **Recommendations**

### Support Ha / JAS Initiatives Early-on

8.2.1 The Bank should be especially attentive to RMCs that demonstrate willingness to advance in Aid Harmonization. Sufficient staff and financial resources should be planned and allocated to RMCs on a case by case basis. Support and guidance from headquarters for the Ha / JAS process also needs to be ensured at an early stage in order to influence outcomes on the ground. Bank also needs to find ways of maintaining its institutional identity in an imminent environment of alternating Lead and Silent donors. It should begin by considering inter-country collaboration and exchange of experiences on Ha / JAS in seeking to assert its position, notably in JAS countries.

### Actively Pursue Decentralization

8.2.2 Bank decentralization, with corresponding resources in the field, is essential if Bank is to become effective in influencing the ongoing Ha / JAS process as it seeks to develop a comparative and/or competitive advantage relative to other donors. In TUZ the Bank is currently experiencing difficulty in claiming the role of Lead Partner in view of the limited number of staff and skill mix of professionals as well as the limited financial resources available at Country Offices. The transfer of resources and human capacity from headquarters with more delegation of authority to country offices and representations should be actively pursued.

### Address the DoL Issue

8.2.3 The Bank will likely be faced with possible phasing out of non-priority sectors which could be requested in specific sectors/areas in various RMCs as the JAS processes mature and needs to prepare an appropriate response. Bank position on lead and silent donors in JAS countries also needs to be better defined and articulated.

### Support Reform Initiatives and Conduct ESW

8.2.4 The Bank should gradually shift to modes of aid delivery preferred by RMCs (i.e. Baskets funding; Sector wide Approaches and Direct Budget Support). Channelling increased amounts of aid through national procurement and auditing systems is also on the horizon for all donors. The Bank should support reform initiatives aimed at enhancing national procurement and financial systems, and be prepared to restructure its own systems, notably with regards to procurement and disbursement. In addition, as JAS begin substituting the traditional Bank CSP in selected countries, new planning and budget tools may emerge. The Bank should monitor these and similar developments occurring in the field and develop appropriate responses based on sound ESW.

**Annex 1****Selected Harmonization Characteristics in Five RMCs**

<b>Item</b>	<b>Zambia</b>	<b>Uganda</b>	<b>Tanzania</b>	<b>Mozambique</b>	<b>Ethiopia</b>
	(ZJAS)	(UJAS)	(JAST)		
Date Ha Process started	March 2003	2002	2002	2004	2002
Date JAS started	2004	March 2004	Oct. 2004	--	--
Date AfDB became active in JAS or Ha	2004	Oct. 2004	Feb. 2005	Oct. 2006	2002
Period cycle	2007-2011	2005-2009	2006-2010	Ongoing	ongoing
AfDB rank among donors (based on 2004 net disbursements)	14 <sup>th</sup>	7 <sup>th</sup>	11 <sup>th</sup>	4 <sup>th</sup>	5 <sup>th</sup>
Donors adhering to Ha / JAS country network	Majority	Minority	Majority	Majority	Majority
Process Leadership	Donor led	Donor led	Government	Donor led	Government
GBS as % of Aid Budget in 2005	8%	50%	41%	31%	33%
GBS as % of Aid Budget Goal ( RMC Goal of over next three to five years)	40%	60%	60%	40%	75%

## REPORT SUMMARY OF THE FIVE COUNTRY CASE STUDIES

### Tanzania Country Report Summary

1. Aid to Tanzania is currently at an unprecedented level, more than double its real value in the early 1990s. The AfDB is the 11<sup>th</sup> largest donor and ranked in the top quarter among all contributors present in Tanzania. This makes the Bank a significant donor, but a relatively small player in terms of overall aid flow to the country which accounted for about 45% of the GoT budget in 2005. With some 45 active donors in Tanzania, many sectors are overcrowded. Government of Tanzania (GoT) and Development Partners (DPs) are currently rationalizing both the number of donors per sector, and the number of sectors per donor through a Tanzania Joint Assistance Strategy (JAST). The JAST is a national medium-term framework for managing development co-operation between the GoT and DPs so as to achieve national development and poverty reduction goals. The Tanzania Country Report reviewed the Harmonization process in Tanzania culminating in the development of the JAST and assessed implications of Bank participation in this process.
2. A key characteristic of the JAST is the GoT's determined leadership in the ongoing JAST process, coupled with DPs commitment to fulfil their obligations under the Paris Convention. The JAST is the object of a significant participatory process including its review by both Parliament and Cabinet. Though consensus has yet to be reached among DPs on key issues such as DoL, and considering a transition period will be needed before attaining DBSL levels desired by the GoT, progress continues to be steady. However, the comprehensive nature of the Tanzania JAS approach is requiring more time than initially expected to resolve issues at the various levels of discussion: Partner to GoT; Partner to Partner; and within partner institutions harmonization. These delays postponed the processing of Bank projects under ADF X to Tanzania in 2005. A CSP Update has since allowed for a DBSL (50 million UA) to go forward with other projects to follow in 2006.
3. Though the general donor view is that the JAST should reduce transaction costs in the medium to long term, field data indicates that JAST could nevertheless entail greater transaction costs in the short term than simply preparing CSPs according to the Bank's pattern and timetable as in the past. In its development stage, the JAST requires intensive donor coordination. It takes longer to process. This increases the complexity of reaching consensus on JAST content, timing, etc. which could prevent the Bank from adhering to its disclosure constraints within the prescribed timeframes.
4. "Lead" and "active or delegating" partnership arrangements have already been initiated in most sectors. AfDB does not appear to be Lead Partner in any sector/issue at this time. The CO is promoting Bank presence in the Transport complemented by GBS. Other sectoral interventions on a project basis could be considered on merit, case by case. Over time, the GoT and Development Partners have agreed to continue jointly reassessing the adequacy of existing division of labour arrangements, taking into account and adjusting to possible changes in Development Partners' comparative/competitive advantages or changing Government needs.
5. The TZCO has been monitoring and informing Bank Headquarters regularly on the JAST process in Tanzania. These efforts in the field received inadequate technical support from

- HQ on JAS-related issues raised in Development Partner Group meetings. This could in part explain that two thirds of donors interviewed consider AfDB participation in overall Ha process to be unsatisfactory so far. Another reason may be the Bank's late arrival / participation in the JAST process.
6. As the Bank's current Direct Projects Funding commitments are over five times the amounts disbursed through DBSL in 2004, moving from a project-oriented financial institution to a full JAST player providing increasing amounts of will require substantial changes in the way the Bank operates. Becoming a credible JAST partner will mean finding the right niche among the different types of partnerships which are rapidly evolving on the ground.
  7. Moving forward, a key issue for the AfDB will be the need to be more selective in its areas of intervention and to seek to develop a comparative and/or competitive advantage relative to other donors. The Country Report provides the following recommendations as the Bank pursues its Ha effort in Tanzania:
    8. The country team, working in close collaboration with the Tanzania CO, should develop a strategy to become a full JAST player. Key issues to be addressed should include:
      - an assessment of how the JAST will influence/impact on current Bank operations in Tanzania;
      - how the Bank will become more selective in its areas of intervention;
      - measures needed to develop a comparative and/or competitive advantage relative to other donors
      - TZCO presence as a venue to bring the Bank closer to the GoT, and
      - delegating authority to country office, empowering CO to make certain decisions on the ground.
  9. The Bank should develop flexibility and simplify its policies, procedures, and practices to make them more JAST friendly. Criteria for the procurement of goods and services should be reviewed in order to resolve the persistent problem regarding country of origin of goods and services.
  10. The Bank should develop incentives to promote the Country Team's effective participation with other partners, in the implementation of creative aid delivery and management modalities in Tanzania.
  11. GOT needs to be clearer on the extent of its current capacity to deliver on JAST and how long it will take to reach the required levels.

### Zambia Country Report Summary

1. The harmonization process in Zambia started in March 2003 when the Government of the Republic of Zambia (GRZ) developed with interested donors (Nordic countries, UK and the World Bank) a framework for Harmonization in Practice (HIP) but now open to all donors. Many development partners active in Zambia have signed the Memorandum of Understanding (MoU) submitted in April 2004 or indicated interest in participating informally in the HIP initiative along with GRZ which forms the basis of the JASZ.
2. The JASZ is a donor response to the Fifth National Development Plan (NDP). As such, it was consistent with the harmonization agenda. A road map for implementing the harmonization and coordination MoU has been established and various preparatory works took place as part of the JASZ process. An assessment of comparative advantages of each cooperating partner, and the identification of main sectors for leadership and an overview of actual and planned disbursements for 2005 were undertaken to facilitate the JASZ consultation process.
3. According to the respondents to the study questionnaire, 86% of the donors were ready to participate to the JASZ process. The main activities undertaken by donors were mainly in reviewing and revising their own strategies for the country, developing position papers and producing background papers including some economic and sector work. The Zambian Model of the JASZ involves dialogue and consensus and high commitment of both government and donors.
4. In terms of aid effectiveness, the JASZ process is seen as an effective mechanism to reduce the burden of the Government to coordinate the donors present in every sector with different aid modalities, approaches and practices. The division of labour resulting from the JASZ will not affect negatively the overall aid allocation but will optimize the allocation of resources in drawing their attention under the Government leadership to other sectors not actually well covered by aid assistance.
5. In terms of development planning and programming procedure, the JASZ appears to be, as anticipated by donors and the government, a good planning assistance tool for aid delivery that will reflect the harmonization, coordination and alignment principles.
6. The JASZ is also seen as a “committing guidance document” with no legal status and as such has no binding implications. However, the CPs have committed themselves to not make anymore bilateral strategies. The implication of that is the use of the MTEF as planning and budget tool.
7. The increased reliance on country systems is among the implications of the JASZ. However, this cannot be easily achieved without a minimum of confidence in

- country budgetary and public management systems. This is seen as a challenge by most of the donors highlighting the need for more support and resources to the country. Another implication of the JASZ is the necessary move from standalone projects with singularized project implementation units (PIUs) into sector wide programmes and basket funding under the umbrella of the FNDP priorities. A new prominent role is being devoted to sector ministries to set up policies and strategies and to implement sector programs with the assistance of a reduced number of active donors in the sectors.
8. The JASZ is associated with institutional, political and fiduciary risks particularly in terms of not applying good and sound public financial management. In tackling these risks, donors have provided GRZ with technical assistance to strengthen the public financial management and the audit system (Office of the Auditor General) under the PEMFA reform program. Anticipated Transaction Costs will not be reduced in the coming years particularly at the preparation phase which needs a lot of consultation, policy dialogue to enhance confidence and trust into country systems and practices. However, in the long run, transaction costs will be reduced due to joint missions, minimal reporting requirements, and joint briefings for donor headquarters on key development issues in Zambia with less disruption of government's departments. The time freed up from donor-led Headquarters missions coordination will be devoted to implementation, monitoring and evaluation.
  9. Because of its temporary relocation and absence from the country, the participation of the Bank in the consultation process and the sector advisory groups (SAGs) was minimal. However, the Bank Group has since June 2005 formally joined the JASZ process and to date, has participated in the mapping of current cooperating partner strategies, self assessment of comparative advantage and all the other JASZ related activities. The current challenges facing the Bank participation in the JASZ process include the activation of the Country Office in Zambia, the difficulty to assume the responsibility of being a Lead CP in any of the sectors that it is intervening during the transitional period in 2006 as the country office is being opened and its limitation to participate in SWAps by Article 15(4) of the African Development Fund, which limits procurement using ADF resources to Member States of the Bank only. However, the Bank has committed itself to Government and other Cooperating Partners to subsequently assume leadership in the same sectors after the full establishment of the Country Office.
  10. The main lessons drawn from the review of the JASZ' achievements so far are the following:
    - Division of labour among donors in leading sector aid delivery is a necessary condition but not sufficient. The transfer of resources and human capacity from headquarters with more delegation of authority to country offices and representations are a pre-requisite;

- The Government ownership and leadership are pre-requisites that need more transparency and commitment to engage into open dialogue with donors;
  - The JASZ is not an end but a start to a good division of labour that can optimize aid delivery and reduce transaction costs in the long run. In the meantime, donors will have to assist in building central planning and line ministries' capacities in order to better develop, coordinate, harmonize, monitor and evaluate development outcomes and impact;
  - In order to be effective, a Cooperation Partner should be involved early in the process and assess risks and opportunities with regard to different lead modalities (lead, active or silent);
  - Active involvement of sector ministries and other stakeholders will strengthen the process and will ease the division of labour and engagement of donors;
  - Strengthening GRZ capacity and ownership in leading the harmonization process will have an implication on the smooth implementation of the JASZ which is at its preliminary phase;
11. It is recommended to the Bank to have an active role in the process and develop its operational capacity in the main areas in which the Bank will be present in the country. However, ADB should enter into consultation with other donors on its future development assistance strategy and interact with other donors on its role as active partner. The Bank should also review its decentralization policy within the context of the JAS process in the JAS countries by strengthening its country offices with competencies in line with its development assistance strategy to these countries for the next coming years.

### Uganda Country Report Summary

1. The Bank Group adopted the Uganda Joint Assistance Strategy (UJAS) as the Bank's country programming framework for Uganda in December 2005. The UJAS, developed by the Bank and six other donors, substitutes the Bank's Country Strategy Paper (CSP).
2. The UJAS is highly relevant to Bank alignment and harmonization principles. It is a coherent response by a group of core donors to Uganda's 2004 Poverty Eradication Action Plan (PEAP), the country's PRSP equivalent. UJAS focuses on outcomes and measuring of results, and explicitly identifies the links between the different UJAS interventions and PEAP results. UJAS aims to simplify aid delivery systems and to reduce Government and donor transaction costs.
3. UJAS has so far been effective in harmonizing assistance strategies in Uganda. The evaluation found clear value-added and high satisfaction with the UJAS process so far. UJAS provides an important framework for promoting better governance and accountability in Uganda. But it is still relatively weak in practical terms to ensure better public sector management, accountability, and M&E implementation. Critical work remains to be done regarding Division of Labour among donors, identification of aid modalities commensurate with Government capacities and individual donor regulations, and policy dialogue. Government will become increasingly involved in all of these processes.
4. UJAS is committed to reduce assistance related transaction costs in the medium- to long-run and bring about substantial rationalizations and administrative savings. UJAS relies on existing mechanisms and agreements rather than new structures, e.g. the Uganda partnership principles, local donor sector groups, or the Government's own ministerial working groups. Achieving lower transaction costs in the long-run may, however, require additional investments and efforts by donors and the Government in the short- to medium term.
5. The Bank's effectiveness in Uganda's harmonization and UJAS process was high at the Country but low at Headquarter's (HQ) level. The Bank's Country Office has been very effective in shaping the UJAS and the policy dialogue with the Government. But problems remained with the Bank's sectoral policy and program dialogue, particularly as it is perceived by other donor partners. Also, more support, guidance and flexibility on harmonization from donor headquarters is called for. It would be particularly useful for the Bank's senior management and Boards to become involved in future Joint Assistance Strategies at an earlier stage. It should be positively noted, however, that the Bank HQ in 2005 was very instrumental in developing a formula for '*ring-fencing*' certain projects and their procurement to enable the Bank's participation in sector-wide programming (SWAPs) in Uganda.

6. The evaluation identified substantial *political risks* for the Bank associated with harmonization and UJAS in Uganda. They could even affect the level of assistance and the Bank's standing with the Government. *Institutional and operational risks* are also significant. Enhancing Division of Labour among donors could lead to reduced investment opportunities for the Bank and to longer, more complicated and costly project preparations. The Bank could run into problems in defining its corporate profile and comparative advantage viz-a-viz other donors. Significant *fiduciary risks* also exist, as fiduciary accountability by the public sector and M&E on the ground are weak, particularly in Uganda's line ministries. Relevant institutions and procedures may exist but are not always fully functional. In the end, civil service and pay reforms would be required to strengthen the public sector and reduce the fiduciary risk.
  
7. Main challenges for the Bank are in decentralization, local capacity development, and reinforcing its African identity. To become a truly effective partner in harmonization the Bank must above all further strengthen its Country Office and further decentralize operations. A smart decentralization would (1) expand the technical capacity at the CO, (2) team up with bi-lateral donors with specialized technical know-how at country level; (3) strengthen the CO in aligning the Bank's sector interventions with country interests; (4) delegate more authority to the CO; (5) invest in lasting institutional strengthening of public sector systems; and (6) enhance HQ support and engagement.
  
8. The Uganda case study embodies a number of lessons on harmonization and joint assistance in other countries: (1) Producing a joint strategy may take more time than preparing a single agency country assistance strategy. Adequate human and financial resources for the process are a *must*. (2) A clear management arrangement for the process needs to be put in place, which includes the advance identification of leaders and clarification of partners' expectations. (3) All partners, actual and prospective, should be involved and regularly consulted from the start. The strategy document must be grounded in objectives that are deliverable. (4) Different tiers of membership in Joint Assistance Strategies could facilitate the participation of donors with more restrictive aid modalities. (5) The authors of the joint document should carefully review, discuss and develop core bits of analysis, in particular that of donor comparative advantage. (6) Support from donor headquarters needs to be ensured, by securing flexibility and readiness for innovations with regard to headquarter policies and regulations. (7) Future JAS processes should become more scripted. Inter-country collaboration and exchange of experience should be expanded. (8) Government readiness for the Joint Assistance needs to be enhanced, through capacity building in central *and* key line ministries for enhanced accountability and performance-based M&E. (9) Equal attention should be paid to implementation and mitigation of implementation risks as to the initial design and planning. (10) The political implications of harmonization and joint assistance strategies and the changes have to be addressed head-on. (11) The overall objective of 'jointness' should go hand in hand with mechanisms for securing diversity in unity. There is always a danger

of 'homogenization' of policies and approaches in joint assistance. (12) As in any partnership, different non-negotiable interests need to be acknowledged and respected. Structures and processes need to be established at country level and HQ levels to ensure frank debates and resolution of differences.

### Ethiopia Country Report Summary

1. Ethiopia is large recipient of both external development and humanitarian assistance in Sub-Saharan Africa from a multitude of multilateral and bilateral agencies most often with diverse delivery rules and procedures. The Government of Ethiopia (GoE), recognizing the importance of harmonization in improving development effectiveness, has not only endorsed the Millennium Development Goals (MDGs) and the Rome and Paris declarations on harmonization, but also prepared and submitted its harmonization agenda (2004-2006) to its development partners for discussions.
2. As Ethiopia had no JAS process, the review assesses the role of the ADB in the harmonization process focusing on the DBSL Process. DBSL is the driver, as well as one of the key expected outcomes of the harmonization process in the country. The DBSL process is centred on the budget support instrument which delivered about a third of the ADB assistance to Ethiopia in 2002-2004 programming period.
3. The review uses a desk review and field data collection through discussions with selected ADB staff and opinion interviews of selected key stakeholders of the process on relevance, effectiveness and implications of the process. It also relies on selected criteria of the OPEV evaluation framework (relevance; effectiveness) for the assessment.
4. The DBSL process, as well as the overall harmonization process made substantial progress but lost some of it by the end of 2005 as a result of the political crisis that followed the 2005 general elections.
5. The DBSL process even in the absence of a formal MoU has substantially contributed to the harmonization agenda in Ethiopia. However some of its expected key benefits such as the reduction in the overall transaction costs of the GoE are not immediately evident and will take time to be realized.
6. Donors and GoE perceive, in general, the DBSL process to be consistent with their respective development and harmonization agenda, and to add substantial value in providing a common dialogue framework, relevant development assistance information and contributing to the use of country systems and reducing some transaction costs associated with the delivery of development assistance.
7. The DBSL process is effective but is staff time-and other resource-intensive for both GoE and donors. The process is most effective in supporting the donor country assistance program (anchored in the national poverty reduction strategy), harmonization, donor alignment with country systems but less so in improving the predictability of resource flows and inter-government department coordination;

addressing the issues of governance, gender and environment; and in identifying donor comparative advantage.

8. The extent of participation of the ADB in the DBSL process is unsatisfactory mainly because of its limited preparedness for and contribution to the process. The ADB preparation for the process was mainly limited to the country assistance strategy paper and issues paper, whereas other donors invested in additional activities including ESW, risk analysis and review of their administrative procedures. The ADB's contribution was also limited in scope and effectiveness. It only provided staff time and in insufficient quantity. And the ADB staff time was thinly spread with little effect.
9. The ADB could further contribute to moving forward the harmonization agenda in general and the DBSLS process in particular in Ethiopia by:
  - Extending its contribution beyond staff time; strengthening the field office with appropriate staff, decision-making authority and other resources for effective engagement in the process
  - Using the experience from the DBSL process to promote harmonization actions in the other DAG thematic/technical working groups, as well as to experiment other assistance delivery instruments given the risk associated with the budget support
  - Supporting the improvement of the national M & E systems
  - Encouraging the GoE to actively involve sector and regional authorities in the process, and to resolve the political crisis.

### Mozambique Country Report Summary

1. Aid coordination has a long history in Mozambique among minded like-minded bilateral donors such as Nordic countries, Canada, Netherlands and Switzerland. However, formal coordination alignment and harmonization mechanisms (CAH) were only established in 2004 with the signature of a Memorandum of Understanding (MoU) among 15 donors. Additional members joined the group (now known as the G-18) including the Bank Group in 2006. The G-18 purpose is to assist the Mozambican authorities in implementing the PRSP (PARPA II) through provision of resources in a form of budget support principally but not exclusively. Mozambican authorities and Program Aid Partners (PAPs) “...would collaborate in the spirit of principles of NEPAD, Monterey and Rome in a process of open dialogue and mutual accountability<sup>52</sup>”.
2. Mozambique has yet to consider adopting a Joint Assistance Strategy (JAS) with donor partners. Government is focusing principally on improvements to existing CAH which utilize significant human resources from both Government and Donors. Though a full JAS may not be feasible at this time, it is however possible to minimize the donor costs in preparing Country Strategy by undertaking and sharing the Economic and Sector Work (ESW) thematically and insuring consistency of diagnostics. Even this more modest approach would require the Government of Mozambique to take the lead. From 2000 to 2005, budget support assistance has registered an almost tenfold increase (i.e. from 29.5 million dollars to 254.6 million dollars). In 2005 budget support amounted to 30.8 % all external financing of Mozambique. However, if budget support is still key in driving CAH efforts, the relative contribution of donors in respect of their total financial assistance varies greatly from a token contribution securing a seat at the G-18 table to very significant contributions (64 % in one case).
3. The MoU sets quite stringent commitments to be observed by signatories and in terms of objectives to be met such as: (i) predictability of funds, alignment and harmonization, (ii) percentage of reduction of derogatory clauses (iii) submission of quarterly reports. Globally donors complied with MoU up to 87% of provisions in 2003 and 2004. The 2005 joint review Aide-Memoire confirmed progress in various areas of Public Financial Management (revenues as well as expenditures), Procurement and implementation of Education and Health strategies. There were also missed performances regarding use of country budget systems and off budget funding for operations. Performance was not satisfactory regarding Governance issues. The G-18 approach facilitates dialogue with the government on a range of development issues in particular in implementing the PARPA and in agreeing on key measures identified as the result of specialized working groups activities<sup>53</sup>. To summarize, it can be stated that substantial progress was achieved since the inception of the CAH process which began around year 2000.

---

<sup>52</sup> Paragraph 3, introductory provisions of the MoU.

<sup>53</sup> 23 working groups were active in 2004

4. Reduction of transaction costs was not demonstrated because items which are considered and included in the calculation of transaction cost vary from donor to donor. The perception is in general that the budget support approach incurred important transaction costs at the beginning because of its human resource intensive nature for donors and for the Mozambican civil servants involved in the process. It seems also that transaction costs within the Mozambican administration have been redistributed from sector ministries to central institutions (Ministry of Finance, Ministry of Planning, Central Bank, and Treasury). These relatively high transaction costs will persist for some time to come as long as old aid modalities coexist with budget support, but is anticipated that they will stabilize in the future and then decline progressively.
5. Mozambican authorities consider that general statements on harmonization supersede all other specific demands expressed by themselves or by donors. They are in this respect not too different from those expressed by countries having formally adopted a JAS. These are : (i) predictability of funding, (ii) reduction of administrative costs generated by the presence of too many donors, (iii) reinforcement of planning and budgeting capabilities; and, (i) supporting the government in implementing its development strategy in a coherent manner. The Mozambican authorities appear very keen not to weaken the appropriation of the development process and in responding automatically to priorities set by donors. The government provides a noticeable contribution to the organization of consultation with donors but still faces difficulties in analytical capabilities
6. Bank Group's role until recently when it joined the G-17 was quite limited in CAH efforts in Mozambique. The consequence of this limited participation in CAH is that the Bank Group sidelined itself and did not sufficiently take part in policy discussions as a key partner. The Bank Group did secure some project niches but at the expense of its isolation as it intervened with little coordination with other donors. In this respect the Bank Group efficiency in CAH process is deemed unsatisfactory.
7. All studies in Mozambique have shown that benefits derived from CAH efforts exceed drawbacks and costs. Budget support undoubtedly entails risks, in particular political risks, where a donor (or group of donors) may suspend its (or their) assistance having the potential to destabilize the overall budget support process. This risk is judged to be negligible, however, given the high degree of consultations among G-18 members, and the conviction that it would be a measure of last resort when all the dialogue options would have been exhausted.
8. One of the major findings emerging from the review of CAH mechanisms lies in the high degree of harmonization which can be reached without formally opting for a JAS, provided certain minimum principles are respected by both government and donors (i.e the principles found in the Monterrey, Rome and Paris declarations). Another major finding is that wherever a formal coordination mechanism exists among donors in a RMC, the Bank Group should systematically consider joining, weighing the pros and cons explicitly beforehand.

## **ASSESSMENT OF THE FIVE COUNTRY CASE STUDIES**

### **Synthesis Report**

#### **Methodology**

The methodology for this synthesis report involves a comparison of performance and an identification of common and contrasting features in the five Country Case Studies based on the attached Summary Matrix. These Assessment Criteria have been further refined into sub-criteria based on information provided in Country Reports. The five Assessment Criteria and their corresponding sub-criteria are listed below.

#### **Assessment Criteria 1**

Relevance of the process with Bank strategies & alignment and harmonization principles.

##### **Sub-Criteria**

- Alignment of Bank intervention with Government PRS
- Focus on outcomes and measuring of results
- Simplifying of existing procedures

#### **Assessment Criteria 2**

Usefulness of harmonization process to establish more effective Country assistance programs

##### **Sub-Criteria**

- Value-added compared with the previous process
- Framework for promoting better governance and accountability
- Impact on AfDB CSP development

#### **Assessment Criteria 3**

Effectiveness of the Bank's role in the Ha/JAS process

##### **Sub-Criteria**

- Effectively Engaging in Policy Dialogue
- Country Office Influence in Shaping the JAS/Ha Process
- Level of support/alignment with HQ in Tunis

#### **Assessment Criteria 4**

Potential of the process to reduce transaction costs

Sub-Criteria

- Country Report Survey Results
- Country Office views
- Perceptions of Government

**Assessment Criteria 5a)**

Opportunities associated with the harmonization process.

Sub-Criteria

- Expedite decentralization and enhanced field presence
- Strengthen AfDB support of RMC's PRS process
- Enhance selectivity

**Assessment Criteria 5b)**

Risks associated with the harmonization process.

Sub-Criteria

- Political risk<sup>54</sup>
- Institutional and Operational Risk<sup>55</sup>
- Fiduciary risk<sup>56</sup>

---

<sup>54</sup> Political risk relates to the non-implementation of Ha/JAS or reversal of the Government commitment to its implementation due to political instability or other adverse political events, changing political leadership or problems of political governance.

<sup>55</sup> The Government at national, sector and local level and donors at country and headquarter levels face institutional and operational risks in implementing the Ha/JAS, as these are demanding of both Government and donor capacity

<sup>56</sup> Fiduciary risk arises from public expenditures: (a) not being properly accounted for, (b) not being used for its intended purposes, and (c) not representing value for money.

**Summary Matrix**

	Relevance of process with Bank strategies & alignment/Ha	Usefulness of process to establish effective Country assistance programs	Potential of the process to reduce transaction costs short/med. term	Opportunities associated with harmonization process	Risks associated with harmonization process
<i>Zambia</i>	Highly relevant	Substantial	Modest	Substantial	Modest
<i>Uganda</i>	Highly relevant	Substantial	Modest	Highly substantial	Substantial
<i>Tanzania</i>	Highly relevant	Substantial	Modest	Substantial	Modest
<i>Ethiopia</i>	Highly relevant	Substantial	Negligible	Modest	Modest
<i>Mozambique</i>	Relevant	Modest	Modest	Substantial	Modest

## BIBLIOGRAPHY

AfDB. OPEV. Zambia: Joint Assistance Strategy, Process Review of the Harmonization / Joint Assistance Strategy Process in Five RMCs, 2006.

AfDB. OPEV. Uganda: Joint Assistance Strategy, Process Review of the Harmonization / Joint Assistance Strategy Process in Five RMCs, 2006.

AfDB. OPEV. Tanzania: Joint Assistance Strategy, Process Review of the Harmonization / Joint Assistance Strategy Process in Five RMCs, 2006.

AfDB. OPEV, Ethiopia: Role of the Bank Group in Harmonization Process, Process Review of the Harmonization / Joint Assistance Strategy Process in Five RMCs, 2006

AfDB. OPEV, Mozambique: Role of the Bank Group in Harmonization Process, Process Review of the Harmonization / Joint Assistance Strategy Process in Five RMCs, 2006

AfDB. OPEV, Efforts de coordination, d'harmonisation et d'alignement entre donateurs au Mozambique, 2006.

AfDB, The Revised Bank Group Action Plan On Harmonization, Alignment, And Managing For Results, ADF/BD/WP/2005/01.

AfDB, Guidelines on DBSL 2004: ADF/BD/2003/182

AfDB, Piloting the Use of Ugandan Systems to Address Environmental and Social Safeguard Issues; the Equivalence Assessment, April 2006.

AfDB, Bank Group Use of DBSL and SWaps: Issues and Challenges, ADF/BD/WP/2006/35.

AfDB, Harmonization and Alignment Agenda at Country Level: Experience of Tanzania, presentation to the Development Effectiveness Seminar by S. Sesay, June 2006.

AfDB. Enhancing The Effectiveness Of The Bank - Proposals For Reform Of The Operations Complexes, Strengthening Of The Office Of The Chief Economist, And Enhancing Human Resource Management And Business Processes, March 22, 2006 (ADB/BD/WP/2006/18)

AfDB, Tanzania Country Assistance Evaluation, OPEV, 2006, (ADF/BD/WP/2006/16)

AfDB, The ADF Results Measurement Framework Paper, December 2005. ADF/BD/WP/2006/05

AfDB, Bank Group use of DBSL and SWaps: Issues and Challenges, 14 April, 2006. ADF/BD/WP/2006/35

AfDB, Mozambique 2006-09 Country Strategy Paper, ADF/BD/WP/2006/41

ADB, Harmonization and Alignment Agenda at Country Level: Experience of Tanzania, Presentation by S. Sesay at Development Effectiveness Seminar, Tunis, June 19-22, 2006.

DFID, Evaluating Progress towards Harmonization, May 2005.

DFID, Evaluation of General Budget Support: Synthesis Report, A Joint Evaluation of Joint Budget Support, 1994-2004, May 2006.

MOPAN: Report from the 2003 Pilot Exercise: Final Report December 2003

OECD-DAC, Learning From Experience With Performance Assessment Frameworks For General Budget Support, OECD-DAC multi-country evaluation of GBS, May 2006.

OECD, Harmonization and Alignment Report, Paris, 2004.

UNDP, Transaction Costs in Aid: Case studies in SWAps In Senegal and Zambia, New York, 2005.

World Bank. OPCS. Expanding the Use of Country Systems in Bank-Supported Operations. Washington D.C., 2005.