

AFRICAN DEVELOPMENT BANK GROUP



ZAMBIA

**JOINT ASSISTANCE STRATEGY
REVIEW OF THE HARMONIZATION PROCESS IN FIVE
COUNTRIES**

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
CP	Cooperating Partners
ETC	Economic and Technical Cooperation
FNDP	Fifth National Development Plan
GRZ	Republic of Zambia
JAS	Joint Assistance Strategy
JASZ	Joint Assistance Strategy for Zambia
HIP	Harmonization in Practice
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MDG	Millennium Development Goals
MoF	Ministry of Finance
MoU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
OPEV	Operations Evaluation Development
PEMFA	Public Expenditure Management and Financial Accountability
PIU	Project Implementation Unit
SWAP	Sector-Wide Approach
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	The World Bank

EXECUTIVE 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.
2. 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. However, not all donors are prepared to support the MoU: one bilateral donor noted that the MoU principle is not compatible with existing rules and regulations of the agency.
3. The JASZ is a donor response to the Fifth National Development Plan (NDP). As such, it was consistent with the harmonization agenda.
4. 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.
5. 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.
6. The Zambian Model of the JASZ involves dialogue and consensus and high commitment of both government and donors. However, the Government and donors have to accommodate each one's constraints and difficulties in translating the JASZ partnership principles into practice. Flexibility is thus needed during the phasing out of donors from congested sectors and scaling up of their participation in the focus sectors.
7. 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. However, risks of a decrease of aid in particular sectors may be observed before adjustments could be made. The importance of a follow up and monitoring and evaluation mechanism as part of the JASZ process is also highlighted by all donors.
8. The division of labor 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.

9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. 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.

18. The main lessons drawn from the review of the JASZ' achievements so far are the followings:
 - Division of labor 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 labor 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 labor 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;
19. 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.
20. 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.

Assessment of ADB's Role in the Joint Assistance Strategy
Harmonization Process in Five Countries
The Case of Zambia

1. Introduction: Objective and Methodology

1.1 The ADB Board of Directors asked the Operations Evaluation Department (OPEV) of the Bank to undertake an assessment of the effectiveness of Bank's participation in joint assistance strategy harmonization processes in five countries including Zambia in order to improve the Bank's contribution to the on-going country level country assistance strategy and harmonization process. The objective of the study is to assess Bank Group participation in the JAS process in the medium term and the implications of participating in JAS. The study includes the following tasks and activities:

- assess the extent to which JAS/Coordination-Harmonization process and content are consistent with relevant Bank strategies as well as with accepted alignment and harmonization principles;
- determine the effectiveness of the Bank's role in the JAS process;
- analyse opportunities, risks, and costs associated with the ongoing JAS process; and
- identify lessons to be drawn for ADB's participation in current and future JAS.

1.2 The approach used in this study is a desk review of major documents in relation to the country program and Bank portfolio in Zambia. A field mission took place in Lusaka from 11 to 17 January 2006. The mission was planned and executed in close collaboration with the Department of Economic and Technical Cooperation (ETC), Ministry of Finance and National Planning.

1.3 The relevant data was mainly generated through discussions and interviews with representatives of selected donors and government. A questionnaire was prepared and discussed with the key Cooperative Partners (CP) and Government (see attachment 1).

1.4 Responses to the CP questionnaire were obtained from the majority of donors active in the country including the ADB. Data was also collected on the general mechanisms of CPs assistance harmonization in the country. The effectiveness, participation, transaction costs, relevance for development assistance planning and implications of the various aspects of the JASZ were also assessed.

1.5 During the 1994-2005 period, net receipts of external financial resources channelled to Zambia amounted USD 908.63 million out of which 60% were from DAC countries and 40% from the multilateral aid including the Bank. The major cooperative partners in terms of net resources channelled during this period were IDA, United Kingdom, IMF, and EC followed by Germany, Japan, and the United States.

1.6 The Bank is ranked 13th according to the OECD data on external financial resources to Zambia with an average annual disbursement of USD 13.8 million.

2. Overview of the Harmonization Process in Zambia and Results Reached so Far

2.1 Brief Overview of the Harmonization Process in Zambia

2.1.1 The harmonization process started in March 2003 when the Government of the Republic of Zambia (GRZ) developed with interested donors (Nordic countries, the United Kingdom 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. The MoU focuses on aid effectiveness and includes a set of actions (e.g. development of aid policy, formulation of a joint assistance strategy for Zambia "JASZ" for division of labour, increased use of direct support and reliance on government systems for procurement, fund management and auditing, etc.) and a monitoring framework for coordination and harmonization.

2.1.2 The GRZ was represented at ADB and WB sponsored Africa Regional Workshop on Harmonization and Alignment for Development Effectiveness and Managing for Results in Dar-es-Salaam, Tanzania on November 9-11, 2004 and in Kampala, Uganda on November 16-17, 2005.

2.2 Coherence of JASZ with the Harmonization Agenda and Level of Participation

2.2.1 The HIP framework forms the basis of the JASZ which is a donor response to the Fifth National Development Plan (FNDP). As such, it was consistent with the harmonization agenda.

2.2.2 A road map for implementing the harmonization and coordination MoU has been established in March 2005 and various preparatory works took place as part of the JASZ process and included an assessment of comparative advantages of each cooperating partner. This has led to the identification of main sectors for leadership and an overview of actual and planned disbursements for 2005. Donors were also requested by GRZ to position themselves against key partnership principles. In particular, the key issues on which the government requested to get assurance from cooperating partners were the followings:

- a) The willingness of partners to decongest crowded sectors and use the Lead Donor concept to ensure a better coordinated and more rational Division of Labour.
- b) The willingness of partners to use the MTEF as a planning and budgeting tool to project commitments. This should include reporting on releases as they happen in the various sectors.
- c) The acceptance of the Line Ministries' final preference on lead donors as they will eventually be defined.
- d) The gradual merging of stand alone projects into Sector-wide programs following the NDP framework.

2.2.3 The JASZ was perceived as a key mechanism for putting harmonization principles into practice and as such, it constitutes the framework for donors to align their programs to

GRZ's FNDP and build on its policy tools, systems and processes and coordinate aid rather than creating parallel systems that meet their own requirements. However, not all donors are prepared to support the MoU: one bilateral donor¹ noted that the MoU principle is not compatible with existing rules and regulations of one development agency².

2.2.4 JASZ consultations took place in October 2005 in which the Bank was represented by the country operations manager and the country economist. GRZ and its cooperating partners reiterated their commitment to continue and strengthen their efforts within the JASZ.

2.2.5 The Conference participants agreed that better division of labour would not lead to reduced overall funding, but will reflect government priorities as expressed in the FNDP. It is expected to share the draft FNDP by end of January 2006, to complete the plan for division of labour by end of March 2006, and to complete the Joint Assistance Strategy by mid-June 2006.

2.2.6 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 that would facilitate the progress towards the implementation of full direct budget support.

2.3 Readiness Assessment and Level of Development of the JASZ Process

2.3.1 The JASZ is still a work in progress that has a strong support from donors particularly those participating in the HIP group. Self-assessment and internal discussions are underway to provide a clear response to GRZ request for better alignment and partnership. The discussions that went on the CP leadership and modalities for aid delivery forced the donors to position themselves against the JASZ principles and concepts as described in the MoU.

2.3.2 The JASZ process had reached a stage in January 2006 where the Government was consulting within itself concerning the adjustment of the generic Terms of Reference for lead donor for each sector. This would have a strong bearing on the categorization of sector by the Fifth National Development Plan which is yet to be issued. Furthermore, the process of aligning Cooperating Partners to specific sectors both as leads as well as active partners is still in formation and is expected to reach decision points by end April 2006.

2.3.3 It was also noted that some of the sectors have already began the process of developing MoU's which will be the basic agreements at sector level. A donors' meeting was scheduled for the end of February 2006 to finalize the division of labour among development partners and sector presence envisaged under the JASZ.

2.3.4 The translation of these activities into a real division of labor among donors in the sectors and the development of specific MoUs for sector leads and active partners is yet to be

¹ Japan faces problems signing the JASZ although it is not legally binding and rigid in terms of number of sectors for each donor, phasing out of project based support and "banning" any interventions outside the JASZ framework.

² It was reported to the mission that USAID expressed reservations in integrating the JASZ process due to its existing policies and procedures. USAID cannot participate in DBS and silent partnerships and does not foresee major investments in SWAPs, but would like to continue its role of supporting sector wide approaches using project-oriented modalities as they are currently doing in health, education and private sector development.

completed. Only two sectors (education and health) have reached this stage where a good coordination is underway through SWAPs. The local Government and Housing has just developed the draft MoU which was circulated to donors.

2.3.5 Facilitating factors that have enhanced the preparedness and participation to the JASZ process cited by Government officials and donor representatives were the following:

- Constant dialogue with lead CPs and successful buy-in from CP headquarters as evidenced by the response to the GRZ position paper and level of attendance at the October 2005 meeting;
- Strong commitment from Government to enhance aid coordination and harmonization;
- General consensus among donors and governments regarding the Paris Declaration for better alignment, harmonization and managing for results.

2.3.6 The weak institutional capacity of both central and line ministries, limited involvement of sector ministries and other stakeholders, and business as usual from the part of the donors were cited as limiting factors that affected the smooth implementation and participation in the JASZ process. Furthermore, some of the respondents from CPs were concerned about the quality of the Fifth National Development Plan which is still in draft.

2.3.7 It is noted therefore that there is need for GRZ to be supported by donors in terms of capacity development to better manage the change during the transition phase, and to monitor the JASZ process once developed. This institutional capacity building is needed at all levels of the process together with the involvement of all stakeholders, across both Government and donors. A Technical Assistance funded by UNDP did not take place as yet due to the difficulty to engaging a consultant.

2.3.8 Actual participation of donors according to responses to the study questionnaire was concentrated on coordinating the JASZ meetings, participating in sector working groups (sector advisory groups) which have been revitalized. Donors recognized the substantial efforts made by them and GRZ to come to a consensus on sector leadership and ways and means to implement the aid harmonization MoUs.

2.3.9 Here again, CPs and GRZ 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 have actually 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%).

2.3.10 Finally, the JASZ process is in motion and good progress has been made since October 2005 with the issuance of draft sector investment plans and draft Memorandum of Understanding for sector leads. However, due to the delay in the issuance of the Draft National Development Plan, there is a concern that the JASZ road map will not be implemented according to its planned schedule (full JASZ process in place in June 2006).

3. JASZ as an Effective Tool of Country Assistance and Planning of External Aid

3.1 The Zambian Model of the JASZ involves dialogue and consensus and high commitment of both government, donors and other stakeholders. The JASZ is seen as a start process not an end where the government and donors have to accommodate each one constraints and difficulties in translating the JASZ partnership principles into practice. Flexibility is thus needed during the reorientation and phasing out of donors from congested sectors and scaling up of CPs in the focus sectors.

3.2 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. However, risks of a decrease of aid in particular sectors may be observed before adjustments could be made. The importance of a follow up and monitoring and evaluation mechanism as part of the JASZ process is also highlighted by all donors.

3.3 Donors agree also that the division of labor 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.

3.4 Direct budget support as a mechanism for aid delivery by Cooperating Partners is currently minimal³ but there is indication by those interviewed that once the JASZ is adopted they would likely upscale the contributions they make to Direct Budget Support.

3.5 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. Although, the JASZ is at its infant stage, there is a consensus among donors that it will optimize substantively aid delivery based on comparative advantages and division of labor and help address the predictability of funding. However, anticipated risks such as dependency to external aid, difficulties in case of turn-around situation and political crises, should be fully addressed from the start. Flexibility from the part of donors and the government is thus required during the first years of implementation.

3.6 The lead cooperating partner concept is based on a working definition that has been adopted by CPs and GRZ. It includes the following:

- Policy dialogue: to speak and act on behalf of the CPs community in the Sector Advisory Groups (SAGs) and other sector-related policy discussion forum.
- Facilitation of joint processes: Facilitate government management of financial and technical assistance; Ensure that joint reviews, monitoring and reporting take place following agreed formats, and liaise with the cooperating partner community and GRZ.

³ According to some donors, DBS is at the range of 5-8 percent of external aid assistance. A poverty reduction budget support funded by DFID, Netherlands, Norway, Sweden and EC with IMF is underway and incorporates lessons from earlier PRS. An interim performance assessment framework has also been developed based on the National Development Plan, Public Expenditure Management and Financial Accountability reforms under the PEMFA programme and related initiatives over time, other components of public service reform, macro-economic stabilization policy and debt sustainability.

3.7 Taking a lead CP role will require a substantial commitment and capability. The role and tasks of the lead CPs and the optimal number of CPs will vary from sector to sector⁴. Optimal composition between bilateral and multilateral was also discussed without any conclusion. For the UN family, it has been suggested to ensure that sectors that need co-UN lead will have one agency only speaking on behalf of the others.

3.8 However, it was observed that in sectors where donors would not be leads there will be a possibility to be silent partners⁵. Furthermore, the concept of leadership is rather seen as dynamic and implies readiness, acceptance, mutual accountability and shared responsibility in development partnership.

3.9 With regard to the issue of phasing out from congested sectors, most donors expressed their willingness to implement it gradually although they did not set a timetable nor indicated their commitments.

4. JASZ Implications

4.1 The JASZ is seen as a “committing guidance document” with no legal status and as such has no binding implications⁶. Most CPs will develop their own bilateral arrangements in line with the JASZ which can be used as a legal basis for disbursements. 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. However, as direct budget support is not yet universally accepted as a mode of aid delivery by all donors, it was highlighted that predictability of funds is also not easy to happen due to domestic constraints in number of donor countries.

4.2 The increased reliance on country systems is also among the implications of the JASZ as cited by both government and donors. This cannot be easily achieved without a minimum of confidence in country budgetary and public management systems⁷. This is seen as a challenge by most of the donors highlighting the need for more support and resources that will aim at strengthening the country systems including procurement, disbursement, audit, monitoring and evaluation (M&E) systems⁸.

⁴ Actual Presence of CPs by sector shows a real donor congestion in the social sectors (education and health), governance, gender, HIV/AIDS and agriculture (more than 10 and up to 16 CPs). The preliminary proposed number of leads by sector and sub-sector will not be more than 3 and the optimal number of CPs in a sector will be drastically reduced (to 3 in the agriculture sector for example but up to 9 in the governance area).

⁵ A distinction has been made between active and silent partnerships. An active CP delegates ‘voice’ to the lead CP but remains actively and visibly involved whereas the silent CP will delegate full authority to a lead or active CP

⁶ Japan and USAID are facing problems in signing the JASZ although it is not legally binding and rigid in terms of number of sectors for each donor.

⁷ The programme for the improvement of Public Expenditure Management and Financial Accountability (PEMFA) is now operational (since April 2005) with first activities being undertaken in areas of fiscal policy formation, parliamentary oversight, development of new cash management system, review of procurement legislation, review of IFMIS.

⁸ Under the MoU Harmonization, donors commit themselves to an increased use of the Zambian Auditor General for external audits.

4.3 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. 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. Some donors have also highlighted the limits to joint modalities due to differences in sector policies among donors that may cause difficulties in working together. Furthermore, this also implies the removal of donor funded PIUs during the phasing out period to more centralized but well established implementation units within the sector ministry.

4.4 Although most of donors have already started the decentralization process which provides more devolution of power to country offices even for strategic decisions, it has been highlighted that some donors are still referring to headquarters on sector presence and aid modalities which will make it difficult for some agencies to adapt their aid to local context and to the requirements of the JASZ's principles. It was also highlighted in the other hand, that peer pressure and convincing and coherent plans from country offices may allow donor headquarters to phase out from certain sectors and limit their influence while concentrating aid on fewer sectors.

4.5 Another implication will be the new prominent role of 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. This will help ensure the implementation of the harmonization agenda and management for results at the sector level.

5. Bank's Role in the JASZ Process

5.1 The current Bank portfolio in Zambia consists of 9 ongoing public sector operations in Agriculture, Water Supply and Sanitation, Energy, Social and one policy based operation, valued at UA 115.17 million. The Bank portfolio had a generic and project oriented engagement in the Development process for Zambia with few policy based lending operations. The most prominent presence has been in the Agriculture, Water supply and social sectors together with other infrastructure and policy-based operations. The table shows the breakdown of ongoing public sector portfolio by sector.

Table: Breakdown of Ongoing Projects by Sector: (As at 6 March 2006)

Sector	No. of Operations	Commitment (UA Million)	Percentage (%)
Agriculture	2	27.07	23.5
Water Supply and Sanitation	2	34.44	29.9
Energy	1	4.85	4.2
Social (Health and Education)	3	32.08	27.9
Policy based loan	1	16.73	14.5
Total	9	115.17	100

5.2 The Government and the Bank have agreed that the Bank would support Rural Water Supply and Sanitation, Agriculture and a Budget Support, under ADF X and this new lending will be within the context of the Joint Assistance Strategy for Zambia. The total allocation

under the under ADF X is UA 46.7 million, of which 45% of this will be grants. The Bank is processing a proposed operation of US\$ 43 million for a private firm involved in copper mining. The Bank is also providing parallel funding under the existing SWAPs in the health and education sectors. It is also preparing to join other development partners currently providing a Budget Support to the Government, while also working with the development partners in the Water and Sanitation sector. Joint funding of a new operation in agriculture is also under preparation with the World Bank.

5.3 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 responded to the self-assessment questionnaire but needs to substantiate its sector leadership preferences by more economic and sector work. Further observations relate to the need to strengthen the presence of the Bank and the on-going establishment of a fully manned office in Zambia which may need to have the specialized staff that are needed in fields that ADB will have a presence in. Three areas have been identified: rural water supply and sanitation, agriculture sector and direct budget support.

5.4 With the decongestion of sectors, the Bank has yet to decide on the phasing out procedure from sectors where it will be only silent partner.

5.5 ADB was part of the consultation and discussion around the JASZ. By letter dated 22 June 2005 signed by the Country Director, the Bank recognized the significant progress that has been made by the government and development partners in Zambia to harmonize and align development assistance in the country and committed itself to harmonize its future assistance to Zambia along with the JASZ conceptual framework.

5.6 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.

5.7 The Bank has been invited by the Government and donor representatives in the country to take active part in the process and accelerate the establishment of its country office with delegated authority in order to respond to country needs, priorities and preferences. The issue of the article 15(4) related to the procurement issue has to be taken into account and may constitute a limitation to Bank's involvements in basket funding or swaps in sectors where these are the major aid modalities.

5.8 However, the current challenges facing the Bank participation in the JASZ process include the following:

- a) The Bank Group does not have a Country Office in Zambia. Participation in donor coordination meetings since the inception of the JASZ process has been limited to main donor meetings. Neither is the Bank represented in the Sector Advisory Groups that are becoming an important instrument of collaboration and donor coordination at sector level;
- b) The Bank Group cannot 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. 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.

- c) As the process of JASZ continues, the Government is encouraging convergence of instruments or harmonised intervention among Cooperating Partners, with the increasing use of SWAPS and direct Budget Support. However the Bank Group's participation in SWAPS is limited by Article 15(4) of the African Development Fund, which limits procurement using ADF resources to Member States of the Bank only. The Bank Group, therefore, participates in SWAPS as long as this does not entail pooled funding of resources. Nevertheless, the Bank is preparing to participate in a Budget Support in Zambia under ADF X, which is not constrained by the limitation of Article 15(4);
- d) The preparation of the FNDP/JASZ process involves extensive consultation with the Government, between Government and other stakeholders and among development partners themselves. This extensive consultation process has resulted in slippages on the FNDP/JASZ programme and continue to affect the scheduled presentation to the Board of Bank Group's new interventions in Zambia under ADF X. Going to the Board in advance of the JASZ could create problems with Government that has categorically indicated that any new interventions by all Cooperating Partners should be guided by the Fifth National Development Plan and the agreed harmonisation framework.

6. Risks, Costs (including Transaction Costs), and Opportunities

6.1 Risks

6.1 Risks associated to the process and its output for participating agencies and government, the following have been cited by order of importance:

- Delayed delivery of aid
- Increased shared government-donor budgetary decision-making power with the increased of the general/direct budget support
- Reduced individual donor influence and fading donor identity

6.2 The political risk is also important and seen, as most of the respondents highlighted, as a reversal of the GRZ's commitment to implement the development policy described in the FNDP particularly in moving away from its stated goal for an increased administrative decentralization in the country.

6.3 The fiduciary risk has also been highlighted in terms of not applying good and sound public financial management and not allocating the resources by GRZ. In tackling this particular risk, 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.

6.2 **Transaction Costs**

6.1 Transaction Costs as anticipated 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 but the time freed up from donor-led Headquarters missions coordination will be devoted to implementation, monitoring and evaluation. More focused and limited sector leads' visits to line/sector ministries will increase in number. Finally, there is a consensus that JASZ outcome will not materialize in the beginning of the process but it will take time to harvest the results.

6.2 According to respondents to the study questionnaires, transaction costs will be reduced by 25-50% (mainly after this preparatory phase) due to:

- Joint mission for ESW/MDG country report
- Partnership with other donors including ADB
- Strong role of lead CP but less burden for other donors (active but silent partner in particular)
- Less disruption of government's departments from donors HQ missions which will concentrate on development policies and monitoring and Evaluation
- Less burden on coordination of donors (role of the lead CP)
- Minimal reporting requirements from donors

6.3 **Opportunities**

With regard to opportunities in sharing information on the country, it was noted⁹ only 18% regularly share information on their country analytic work on the country analytic Web site and only 17% of donors claim to provide comprehensive and regular information about in-country disbursements. This calls for more harmonization to prepare joint briefings for donor headquarters on key development issues in Zambia.

7. **Lessons and Way Forward**

- Division of labor among donors in leading sector aid delivery is a necessary condition but not sufficient to the smooth implementation of the JASZ 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;
- The NDP sector strategic plans, sector financing and categorization of cross cutting sectors will determine the preferred sector presence by donors, as well as the line ministerial leads. 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 labor that can optimize aid delivery and reduce transaction costs in the long run. In the meantime, donors will

⁹ OECD Survey on Harmonization and Alignment, 2004.

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 CP 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 labor 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;
- Although draft generic lead donor ToRs have been prepared and draft proposed division of labor resulting from donors response to JASZ questionnaire being discussed, some other issues related to the leadership role of donors need to be clarified particularly in filling the gaps in terms of resources, advisory services, policy dialogue and coordination of work with other donors (active and silent) and GRZ.

8. Recommendations to the Bank

8.1 The Bank should 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. An operational mission to Zambia has received confirmation from the GRZ of the three areas of focus for under ADF X should provide policy guidance for the bank to effectively position itself in the JASZ process.

8.2 ADB is not behind schedule to positioning itself with regard to its full participation in the JASZ. Other donors are also in their way to repositioning themselves in view of the next consultation and government preferences for sector leadership. 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.

8.3 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.

ZAMBIA: JASZ Filled Questionnaire

December 2005

A Survey of Donors, Government, and Other Major JASZ Stakeholders
Responses to the questionnaires

Respondents: Representatives of

- Ministry of Finance
- Ministry of Local Government and Housing
- German Embassy
- Danish Embassy
- DFID
- UNDP
- WB (IDA)

I. Participation in JASZ

Preparedness and readiness

1. To what extent was your organisation prepared / ready to participate in JASZ from the start?

% Respondents

1. low	-	
2. modest	14	
3. substantial	43	
4. high	43	

2. What factors facilitated the readiness of your organisation to participate in JASZ?

Facilitating factors (by order of importance):

- i) Harmonization and Alignment Agenda (Paris Declaration)
- ii) Agreement on the Govt MOU on harmonization and coordination of aid
- iii) Draft Govt Aid Policy and Strategy (Political Will)
- iv) Harmonization process through the DBS/GBS (agreement on the PAF)

3. What factors constrained the readiness of your organisation to participate in JASZ?

Limiting factors:

- i) Old habits and business as usual from donors
- ii) Weak Capacity of Govt both at the central (Planning and Finance) and at sector level
- iii) New Development Programme (still in draft and with low quality)
- iv) Lack of resources (devolution of authority)

4. What key activities did your organisation undertake when you started engaging in the JASZ process? (mark, if yes)

% Respondents		
1. Reviewing and revising your own country strategy	100 (Underway)	
2. Developing position papers	100	
3. Analysing your organisation's comparative advantage, selectivity, redefining your niche	80	
4. Producing special sectoral or economic background papers (e.g.ESW)	100 (Underway)	
5. Consider change in modes of instruments and interventions (e.g. more direct budget support)	80	
6. Adjusting administrative procedures to better align with JASZ	100 (Underway)	
7. Preparing MOU for sector leads	15	
8. Preparation of annual cycle of meetings with CPs	30	
9. Enhance dialogue with sector stakeholders	15	

Government's readiness for JASZ?

Please indicate the Government of Zambia's readiness for JASZ, in terms of capacity for planning and budgeting, implementation, and monitoring/evaluating the joint strategy

% Respondents		
1. low		
2. modest	75	
3. substantial	25	
4. high		

Please give some reasons for your opinion on Government readiness:

- Lack of capacity of ministry of finance and sector/lead ministries
- NDP still in draft and with low quality
- Lack of good records in cooperating with CPs
- Harmonization Unit within MoF is composed by a single staff from ETC

However,

- GRZ has taken good steps in inviting Cooperative Partners (CPs) to position themselves on the draft aid policy and the MOUs for harmonization and Coordination of aid and giving strong indication to CPs to harmonize, coordinate and use national systems within the framework of JASZ
- GRZ recognizes the need to strengthen its capacities for better coordination/harmonisation as part of JASZ implementation

Actual participation in JASZ

Extent and effectiveness of your organization’s involvement in JASZ

Please indicate the extent of involvement of your organization in each of the following activities and how effective you rate your involvement in each activity

% Respondents		
	Extent of involvement	Effectiveness/ quality of involvement
	<i>low/negligible = 1, modest = 2; substantial = 3; high = 4.</i>	
(Co-)leading the overall JASZ process	45% (high)	Substantial
Shaping JASZ for certain sectors	45% (high)	“
Participating in JASZ coordination process, meetings etc.	100% (high)	“
Participating in Sector Working Groups	30% (substantial)	“
Producing sectoral/economic background papers and documents	15% (substantial)	“
Drafting JASZ related reports	45% (substantial)	“
Reviewing JASZ related reports	60% (substantial)	“
Carrying out or sponsoring JASZ review missions	-	-
Hiring Consultant/Technical Assistants	30% (substantial)	TA did not work out

What factors facilitated the actual participation of your organisation to in JASZ?

Facilitating factors:

- i) Presence in the country
- ii) Commitment of donor agencies
- iii) Specific mandate (UNDP)

What factors constrained the actual participation of your organisation in JASZ

Limiting factors:

- i) Lack of presence in the country
- ii) Lack of resources (devolution of authority)
- iii) Limitation of sector ministries involvement

Overall preliminary rating of JASZ

In your opinion, do you consider the JASZ process overall so far as:

% Respondents

1. highly unsatisfactory		
2. unsatisfactory		
3. satisfactory	100	
4. highly satisfactory		

How do you rate the extent of participation and effectiveness of various partners in JASZ so far

% Respondents

	Extent of participation	Effectiveness/ quality of participation
	<i>low/negligible = 1, modest = 2; substantial = 3; high = 4.</i>	
Self (your organization)	30% High 45% Substantial 25% Modest	30% High 45% Substantial 25% Modest
Main development partners (apart from government)	85% substantial 15% Modest	85% substantial 15% Modest
Government	75% Substantial 25% Modest	75% Substantial 25% Modest
<u>African Development Bank</u>	55% Modest 45% Substantial	55% Modest 45% Substantial

How would you rate the *value added* by the process so far

% Respondents

1. low		
2. modest		
3. substantial	100	
4. high		

Where would you see the major *value added* areas by JASZ (incl. planned future benefits):

- Distribution of labour and repositioning of CPs
- Transaction costs and time will be reduced considerably although they have increased during the preparation phase of JASZ

Lessons learnt / suggestions for improving JASZ

What main lessons could be drawn from the process so far

- CPs have to be part early in the process in order to contribute efficiently and effectively to the process

- Active involvement of sector ministries and other stakeholders will strengthen the process and lessen the difficulties in future division of labour and leadership of CPs in sectors/themes
- More time and reflection will be needed before getting JASZ fully implemented

Please specify key suggestions for improving JASZ and similar processes in other countries

- Strengthen the coordination capacity of GRZ and its sector ministries
- Improve the quality of the NDP and its sector strategies
- Prepare the transition phase (phasing out) with all donors in the country
- Assist continuously GRZ in assessing JASZ outcomes and benefits

Please specify suggestions for improving the participation of your own organisation

- Strengthening GRZ capacity
- Enhancing dialogue with interested stakeholders in lead sectors
- Assisting GRZ/CPs in implementing JASZ

If any, please specify suggestions for improving AfDB's participation in JASZ

- Accelerate the process to open a country office with right staffing and delegation of authority

Incremental staff time and other transaction costs of JASZ

[Differentiate current JAS members and non-JAS members]

Does the JASZ process take longer to complete than ... the preparation of your previous country programme/strategy? **Yes/No...**

If yes, is the extra time:

% Respondents		
1. low		
2. modest		
3. substantial	100	
4. high		

Does JASZ require relatively more or less staff time by your organisation than regular program planning (*)?

% Respondents		
More	100	
Less		
Same		

(*) Mainly during the preparation phase and before implementing the JASZ probably less once implemented

If more, what's the extent of extra staff time?

Extent of extra staff time (%)				
Negligible	5-25%	25-50%	50-100%	>100%
		All Respondents		

Does JASZ imply in the short-run more or fewer other transaction costs to your organisation (e.g. for preparation, coordination, meetings, etc.)?

% Respondents		
More	100	All respondents
Less		
Same		

If more, what is the extent of these **extra transaction costs**?

Extent of extra transaction costs (%)				
Negligible	5-25%	25-50%	50-100%	>100%
		All respondents		

What do these extra (transaction) costs mainly consists of?

- Meetings
- Coordination Meeting
- Repositioning and review of country strategy
- Phasing out from congested sectors

In your opinion to what extent will the process increase or reduce the government's future transaction costs?

% Respondents		
More		
Less	100	
Same		

If more, what is the extent of these **extra transaction costs**?

Mainly before the JASZ

Extent of saved transaction costs (%)				
Negligible	5-25%	25-50%	50-100%	>100%
		All respondents		

If less, how much do you estimate **saved transaction costs**?

a. Mainly after the JASZ

Extent of saved transaction costs (%)				
Negligible	5-25%	25-50%	50-100%	>100%
		All respondents		

How can current transaction costs in JASZ be reduced?

b. For your organization?

- Joint mission for ESW/MDG country report
- Partnership with other donors including ADB
- Strong role of lead CP but less burden for other donors (active but silent partner in particular)

c. For the Government?

- Less disruption from donors HQ missions
- Concentrate on development policies and monitoring and Evaluation
- Less burden on coordination of donors (role of the lead CP)
- Minimal reporting requirements

Development Assistance Planning and Programming

% Respondents

	Low	Modest	Substantial	High
1. Is JASZ effective for planning assistance / aid delivery?			75%	25%
2. IS the strategic vision of your organization reflected in JASZ?			75%	25%
3. Are harmonization, coordination, and alignment principles reflected in JASZ?			90%	10%
4. Are country development / PEAP priorities reflected in JASZ			75%	25%
5. Is the comparative advantage / strengths of participating agencies reflected?			75%	25%
6. Is process ensuring division of labor?			75%	25%
7. Is the issue of predictability of funding addressed?		50%	25%	25%
8. Is analysis of MDG progress included?		50%	25%	25%
9. Are governance issues adequately addressed in JASZ?		?	?	?
10. Are cross-cutting issues adequately addressed in JASZ?		75%	25%	
11. Does JASZ mean any change in intervention mix (projects, SWAPs, DBS etc.)?			75%	25%

JASZ Implications

In your opinion what are the key implications of JASZ process and its key products for your organisation?

(Please rank your responses in decreasing order of importance, starting with 1 as the most important)

% Respondents		
1	Increased reliance on country systems	100%
2	Increased trust on national systems	90%
3	More support for strengthening country systems (M&E);	75%
4	Better mutual accountability; donors and government	75%
5	Compatible individual agency rules and procedures;	75%

What are the costs and risks associated with the process and its output for your organisation?

(Please rank your responses in decreasing order of importance, starting with 1 as the most important)

% Respondents		
1	Fading donor identity	100%
2	Increased Government-donor budgetary decision-making power contributing to loss of some government authority	75%
3	Reduced individual donor influence	75%
4	Political crisis	75%
5	Delay in aid flow to the country	50%
6	Drop in Government commitment	0%
7	Drop in aid flow to the country	0%