

02



ROUNDTABLE 3: HARMONISATION

HARMONISATION AND DIVISION OF LABOUR IN ZAMBIA

1. COUNTRY CONTEXT: CURRENT PRIORITY SECTORS AND DONORS IN ZAMBIA

Zambia is at the leading edge of good practice when it comes to the implementation of harmonisation and division of labour (DoL) criteria as foreseen in the Paris Agenda. Both the Zambian Government and the cooperating partners faced the challenge of assuming new roles and starting to change old habits accordingly. The **Joint Assistance Strategy for Zambia (JASZ)** with its improved sector structures was signed by 16 bilateral and multilateral donors in April 2007.

A look at the donor mapping performed in 2006 on the basis of a joint agreement reveals several tendencies. The 17 sectors identified in and aligned with the Zambian Fifth National Development Plan (FNDP) attract donors to a varying degree. Governance, education, macro-economics and health represent highly favoured sectors with nine or ten cooperating partners each. At the same time there are sectors, above all science and technology, but also social protection and the environment, which do not attract the necessary attention at present. Although the majority of the cooperating partners agreed to restrict their activities to a few sectors or to delegate activities to other donors, there is still room for further concentration. One of the challenges that lie ahead will be to involve non-DAC donors who only lately joined the donor community in Zambia (e.g. BADEA, IMF, Kuwait Fund, OPEC) in the discussions and proceedings taking place within the JASZ framework.

2. HARMONISATION AND DOL PROCESS

INITIATIVES IN ZAMBIA PRECEDING PARIS

In Zambia, the initiative to strengthen donor harmonisation and alignment was built on existing Sector-Wide Approaches (SWAs). These were introduced in Zambia in the late 1990s in an effort to achieve greater national ownership, clarify strategic directions and coordinate the large number of donor-funded programmes at sector level. Consequently, Zambia became one of the pilot countries of the

OECD / DAC **Harmonisation in Practice Initiative (HIP)** signed in March 2003 by the Zambian Government and the “NORDIC+” Group (Sweden, Denmark, Norway, Finland, the United Kingdom and the Netherlands). In April 2004, the **Wider Harmonisation in Practice Initiative (WHIP)** was signed by an expanded number of members. It included the NORDIC+ Group, Japan, the United Nations System, the World Bank, Germany, Canada and France, and eventually the USA and the European Commission.

THE FOLLOWING PRINCIPLES WERE EMBEDDED IN THE WHIP:

- deliver development assistance in accordance with Zambia’s needs and priorities encapsulated in the national development plans
- align with Zambia’s Government systems that provide reasonable assurance that cooperation resources are used for agreed purposes – e.g. national budget cycles, financial systems and monitoring processes
- work together with Zambia’s Government in order to address institutional capacity limitations
- review the plethora of different donor missions, reviews, conditionality and documentation with the aim of reducing the transaction costs for the government
- work towards delegated cooperation (“silent partnership”) among donors at country level wherever legally and administratively possible
- improve information sharing and understand commonalities and differences in donor policies, procedures, and practices

These principles were also incorporated into Zambia's key development planning instruments – the Fifth National Development Plan (FNDP 2006-2010), the Aid Policy, the above-mentioned Joint Assistance Strategy for Zambia (JASZ), and the Development Assistance Database for Zambia (Z-DAD).

DIVISION OF LABOUR PROCESSES IN ZAMBIA AFTER PARIS

The EU Code of Conduct introduced in May 2007 reinforced the DoL process that had already started in Zambia. DoL was approached by both the Zambian Government and its cooperating partners as a subset of the country's larger harmonisation, simplification and alignment agenda. It drew upon UN Reforms (1998 +), the Monterrey Consensus (2002), the Rome Declaration (2003) and the overarching principles contained in the Paris Declaration (2005) concerning ownership, alignment, harmonisation, managing for development results and mutual accountability.

As in other countries, the guiding principle of the DoL exercise was to make development assistance more effective and to bring some level of equity and balance to sector coverage. In Zambia there was a strong desire to reduce congestion in

some of the disproportionately favoured sectors and to increase support in under-represented sectors. Another basic consideration was that the leadership and ownership of the development process should be in the hands of the Zambian Government. The government in return agreed to respect the programmes and geographical priorities of the cooperating partners.

In the process of strengthening the DoL in Zambia, three issues remained the focus of discussion:

- single versus joint lead
- degree of visible involvement and phasing out of donors
- alignment to the FNDP

This discussion among both the Zambian Government and cooperating partners took place on different levels and proved to be mutually supportive.

As a starting point, the cooperating partners developed a self-assessment instrument designed to establish each partner's sector preferences, internal capacities, preferred roles and the perceived comparative advantage in certain sectors. This process of "self re-positioning" was subjected to a peer review ("beauty contest") against other submissions. The Zambian Government for its part performed an

internal review of its experiences with partners in different sectors over time. It took a close look at their strengths and weaknesses, the history and quality of the cooperation and the level of commitment in particular sectors.

After a few months of consultations, negotiations and consensus-building among and between cooperating partners and the Zambian Government, a **final DoL** was issued in **June 2006**. It included the following key features:

- Each sector would be jointly led by two to three partners, rather than one
- Cooperating partners had four options through which to participate in the DoL: "lead", "active partner", "background partner" and "phasing-out".
- The 17 sectors related to the efforts to improve DoL were all aligned with the FNDP 2006-2010 and, by extension, also with the related ministries.
- Several partners that previously had no leadership role emerged as leaders in the new arrangement, e.g. co-lead of DFID in five sectors (the highest result for any single bilateral partner).

Together with the **Generic ToR for lead donors** that were elaborated in the JASZ Working Group in 2005, the final DoL provided a solid basis for strengthening both the DoL process and structure.

3. LESSONS LEARNED IN ZAMBIA

POSITIVE EFFECTS AND BENEFITS

Two years after the agreed DoL, the following positive effects and benefits can be stated:

IMPROVED COORDINATION AMONG PARTNERS

Development partners in Zambia have organised themselves within the **Cooperating Partners' Group (CPG)**. The work of this group is led by a troika (CPG troika) made up of two bilateral donors and one multi-lateral entity on a rotational basis. The CPG holds monthly meetings under the chair of the lead troika member to discuss general and sector issues. The CPG troika liaises with the national coordinating authority, the Ministry of Finance and National Planning, for and on behalf of the CPG on broad aid coordination and management issues. The CPG and CPG troika arrangements have also provided fo-

rum for partners to address common problems or constraints encountered during implementation. This sharing of information and experiences among cooperation partners contributed considerably to both sector and overall coordination.

STREAMLINED COMMUNICATION WITH THE GOVERNMENT

With support from partners, the government has developed a **National Economic Management Cycle (NEMC)** to guide the implementation of the FNDP. Under the NEMC, cooperating partners can now expect and plan for a high-level policy dialogue with the government in September of each year, shortly before the budg-

et preparation process with the government begins.

REDUCING TRANSACTION COSTS

While transaction costs – in both time and resources – may have actually risen during the initial phase, there are indications that the trend is developing for the better as both central government and sectoral ministries no longer have to inform all donors on several common issues. The Ministry of Finance and National Planning is particularly appreciative of the fact that they no longer have to contact all members of the CPG directly, but can do so indirectly through the lead CPG troika who has the responsibility of keeping the CPG informed.

CHALLENGES AND WORK TO BE DONE

Rationalising aid delivery in Zambia through a structured DoL among development partners remains very much a work in progress. Despite the promising experience with the new DoL, there are still a number of challenges that have to be taken into account for future action.

OWNERSHIP AND APPREHENSIONS

The Zambian coordinating authority, the Ministry of Finance and National Planning, has shown great ownership in the DoL process. In order to clarify categories like “sector lead”, “active partner” and “background partner”. **Generic ToR for lead donors** were agreed upon and now facilitate everyday work. However, effective and efficient DoL endeavours have been slowed down because of certain apprehensions on the Zambian side: overly intensive donor coordination efforts are sometimes seen as donors “ganging up”, as are their increasing demands and pressure on governments when they act in a more united and coordinated way. Doubts remain that some sectors will not be sufficiently supported once donors withdraw (e.g. in the case of the housing and tourism sector in Zambia). Lack of sufficient institutional capacity for donor coordination is perceived as negatively influencing the ability to steer DoL processes.

DISENGAGEMENT EFFORTS AND MODES OF DELIVERY

Potential conflicts of interest and the inability to channel funding through other donors prevents the effective withdrawal of donors from specific sectors. Cooperating partners and the government found it extremely difficult to disengage from sectors and privileged relationships with which they have been associated for long periods of time, mainly because of ongoing commitments which could not just be abandoned. This phenomenon has given rise to the need for a transition period during which a partner systematically disengages without disrupting on-

going activities and commitments (“phasing out”). Generally speaking, in Zambia the envisioned disengagement strategy could be successfully implemented. Nevertheless, the issue of different modes of delivery (and related comparative advantages) is only rarely linked with DoL processes.

BALANCE IN SECTOR COVERAGE

It is quite evident that the current DoL has not yet resulted in a balanced sector coverage by the cooperating partners. Thus, further efforts have to be taken to rationalise the DoL and to reach real complementarity across sectors. The DoL in its current form does not pay adequate attention to issues of a cross-cutting, cross-sectoral or sub-sectoral nature such as gender, macro-economics or climate change. Related to this is the political importance of assigning a reasonable or dignified role to the more significant donor countries. Donors that carry gravitas cannot be seen to be just “active” or operating “in the background”, but must have a leadership role somewhere along the line.

EQUITY OF AUTHORITY AMONG PARTNERS AND PERSONAL COMMITMENT

It was evident in the consultations that decision-making powers varied considerably among the various cooperating partners. For bilateral donors especially, most decisions on sector priorities and preferred roles (leadership, active, background) were actually made at their headquarters, since they needed to be consistent with the country’s overall programme, regional priorities and focus. This fact tended to slow down country-based negotiations. However, it also became obvious that the DoL implementation process depends

heavily on committed individuals on both the donors’ and the Zambian side. Once a particular person leaves the position or the country (due to standard personnel rotation), the process often comes to a halt.

EMERGING DONORS

The role of emerging donors (China, India, Brazil, South Africa) and new and increasingly significant alternative sources of development finance is also not adequately enshrined in the current DoL. This weakness renders the entire enterprise merely a partial solution to the challenges of achieving comprehensive aid effectiveness. That is why this issue is under active discussion in the CPG.

DECLINING SIGNIFICANCE OF ODA

Zambia now enjoys strong macro-economic fundamentals, characterised by steady growth over time, a stable currency, declining inflation and interest rates and renewed interest in the country by foreign investors. Through the facilities of the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI), the country has had its multilateral and bilateral external debt cancelled. Therefore, overall donor dependence has declined and continues to decline in Zambia. Budget support as a proportion of the national budget dropped from about 30 percent to about 15 percent over the last five years. This development is likely to influence the extent to which the Zambian Government will remain fully engaged in donor-sponsored aid effectiveness schemes.

¹⁾ Today’s common modes of delivery for Financial and Technical Cooperation include:

- General and sectoral budget support, programme-oriented joint financing and basket funding.
- Technical Cooperation in the form of direct contributions (delivered by long-term experts and other modes of advisory input).

- Technical assistance pools.
- Delegated cooperation as an active or silent partner.





4. OUTLOOK: WHAT ARE THE CHANCES OF ENHANCED DoL IN ZAMBIA?

The outlook of enhanced DoL in Zambia is a very promising one. The Zambian Government and the cooperating partners have started an ongoing process that already complies to a high degree with the EU Code of Conduct. However, there is still room for improvement to intensify the process and establish the requisite structure to achieve reduced transaction costs, equal and balanced sector coverage and efficient development assistance. For the future, this means integrating more actors from all sections of society in an inclusive partnership.

It has become obvious that the Zambian Government has its sights clearly set on ownership. This is indicated in all the efforts to achieve the key objectives of the JASZ and the FNDP goals based on development results and an optimal allocation of resources. And, last but not least, Zambian good practice may provide sufficient expertise for other countries to close the gap between the current status and DoL best practice.