

Evaluation of the Implementation of the Paris Declaration

Country Evaluation

ZAMBIA

Executive Summary

Introduction

The Phase 2 Evaluation building on evidence from the Phase 1 and regular PD monitoring surveys which focused on behavioural change and intermediate results in aid management efficiency, went further to **assess plausible contribution of aid to development results**. The Evaluation concentrated on three main questions: (a) the PD context; (b) intermediate outcomes in terms of efficiency of aid management; and (c) development results, drawing from key informant interviews and existing literature.

Study Approach

A national overview and two sector case studies in Health and Agriculture were to be conducted. Interviews were conducted with over 30 key informants drawn from government, development partners, quasi-government institutions, civil society, the academia and the private sector, selected based on a comprehensive stakeholder analysis. Regular advice was provided by the international core team and a multi-stakeholder national reference group.

Main Findings and Conclusions

The National Context

Zambia is a land locked country of approximately 752,600 square kilometres with a population of 13 million people. The country's tight fiscal and monetary policies have reduced inflation to single digit levels and attracted foreign direct investment mostly into the mining sector. GDP in purchasing power parity terms has risen more than 70% between

2000 and 2010 reaching USD 17.155 billion or USD 1,460.63 per capita in 2010. Despite these positive economic gains, extreme poverty remained endemic especially in rural areas as poverty headcount reduced only marginally from 70% to 64% between 1991 and 2006. Due to this imbalance, consumption inequality was high, as shown by a Gini coefficient for 2007 of approximately 50.7, only marginally lower than the 52.6 for 1998 (2001 and 2009 Human Development Reports). This context, indicates the need for external support to address socio-economic challenges.

According to the Ministry of Finance and National Planning, in 2009, 28 donors were providing ODA to Zambia and many more through NGOs. Between 2006 and 2009 the 10 largest donors were EU (14.3%), USA (10.7%), United Kingdom (9.0%), United Nations (8.9%), World Bank (8.7%), Netherlands (7.6%), Norway (5.6%), Denmark (5.2%), AfDB (4.4%), Germany (4.3%) and Japan (4.3%). The rest of the donors provided 17%.

- a) **“What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?”**

Momentum towards more aid effectiveness in Zambia started with the introduction of the Sector Wide Approach (SWAp) and decentralisation policy well before the Paris Declaration was adopted in 2005. However, the natural expectation that the pre-existence of initiatives towards aid effectiveness would have catalysed adoption of the PD principles in Zambia was not supported by strong evidence. The counterfactual –

whether the current progress in embracing the Paris Declaration principles would not have taken place without the Declaration being signed – cannot be answered conclusively either.

Views of some in the government pointed out the lack of a formal domestication of the Paris Declaration and institutional champions as key stumbling blocks that inhibited translation of the PD into action level mechanisms. While the Economic and Technical Cooperation (ETC) Department of the Ministry of Finance and National Planning (MOFNP) was the natural home for propagation of the PD, a recent evaluation of the Joint Assistance Strategy for Zambia (JASZ) found the structure of the department more amenable to a bilateral focus on aid relations rather than a sector thematic focus that would suit the handling of the Paris Declaration issues. The ETC has also been overstretched because it continues to deal with donors on a one-on-one basis demanding diverse competencies.

The findings from Zambia confirm that the PD has made aid effectiveness principles more widely known. Government and donors can easily relate to, and build consensus around them. Donor country offices also now find it easier to negotiate for support from headquarters on country level aid cooperation on the basis of these global principles.

The high level of interest and engagement in aid effectiveness among key stakeholders has continued to operate with different dialogue platforms established under the Poverty Reduction Budget Support and JASZ MoUs. However, there is dissimilar levels of commitment between the donors and the GRZ to this process. For donors that signed either the PRBS or the JASZ MoUs, the interest in aid effectiveness generally remains high though some who are part of the JASZ appear to doubt the efficacy of these dialogue platforms and the aid effectiveness agenda as implemented.

Regarding the GRZ, commitment to aid effectiveness principles was found to vary, being highest in the ETC department of MoFNP. Ministries with SWAps also have sustained interest and level of engagement. Less interest was exhibited by those without SWAps exemplified in the declining level of seniority of sector ministry representatives at the High Level Policy Dialogue meetings.

In terms of key influences on aid relations there are three. Firstly, with Zambia's attainment of the HIPC Completion Point in 2005 and the subsequent debt write off, Zambia debt stock fell from USD 7.2 billion to only USD 500 million. With it ended the annual negotiations for debt rescheduling at the Paris Club. Subsequently, the role of the World Bank, which often acted as a bridge between Zambia and other donors, is no longer as prominent. The rising status of China as a donor to Zambia is another major influence. China has in recent years become the second largest economy in the world and her aid to Zambia has become more visible, mostly in the form of loans, yet she remains outside the aid effectiveness agenda.

The third has been the withholding of some aid due to alleged misappropriation of funds at the Ministry of Health. This last influence appears to have tested Zambia's aid relations the most in recent times.

It was found that PD principles and their sub-principles are at times interpreted differently by different players, including among the donors themselves. Division of labour is understood differently, with some so called "silent" donors being very visible and articulate. There is however tension between the GRZ and donors around Mutual Accountability. Government officers believe there is disproportionate intensity of scrutiny of government's actions relative to those of donors, yet the latter should equally be open to scrutiny on timeliness of aid release.

Civil society organisations who are receiving a significant share of donor funds are not included in the mutual accountability framework. CSOs hold the view that the absence of a Mutual Accountability Framework is one of the reasons Cooperating Partners (CPs) and CSOs find it difficult to hold government to account for its unilateralism in decision making. Further, in some sectors harmonisation appears to have provided CPs with a convenient platform with which to "gang-up" to criticize government. CPs may hold different views concerning contentious issues but with harmonisation they speak with one voice.

b) "To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?" (Core Question 2)

Increased leadership and ownership by the government was clearly evident in processes which formulated the Fifth and Sixth National Development Plans (FNDP, SNDF). However, due to low staff capacity in critical departments, there has been a weak link between national development planning on one hand and budgeting, on the other. This has hindered full realisation of potential benefits from improved planning. Government and development partners have become increasingly open to increased civil society participation in development planning processes with formal representation in aid coordination, although the extent of civil society participation and engagement is perceived differently across stakeholder groups.

Harmonisation is well accepted by development partners particularly with respect to programme based approaches but performance indicators and reporting still needs standardisation and harmonisation. In terms of alignment, development partners have aligned most of their policies and programmes to the national development plan but much of project or programme implementation is not yet using country systems. Managing for development results is being done mostly at project level. Mutual Accountability is being strengthened and a review has been commissioned to investigate outcomes so far achieved.

In terms of performance and accountability, there are now better systems including the Auditor General's Office and Parliamentary Accounts Committee. However, not much has been done to follow-up on issues that have been highlighted by these institutions due to a weak link with systems for law enforcement.

Less duplication of effort among CPs has been noted primarily through the SWAp reinforced by the PD. Both the Wider Harmonisation in Practice (WHIP) and Sector Advisory Groups (SAGs) have also positively reinforced adherence to PD principles and vice versa. The JASZ has been particularly useful in this regard.

Predictability of financial flows which had improved significantly deteriorated in 2010, following the alleged theft of funds at the Ministry of Health which led to a general freezing of ODA. Government funded 100% of the health budget in 2010 and at least 90% of the agriculture budget in the same year. CP delegation of decision making to country offices is insufficient, curtailing decisions informed by local circumstances.

Capacities for results-driven strategies are getting stronger. The FNDP provided a framework for results management through the Key Performance Indicators. The Ministry of Finance established a dedicated department in the last two years mandated with monitoring and evaluation. However, inadequate staffing remains an issue with M&E outputs and there is also a need for a forum for wider discussion.

Information asymmetry exists which favours CPs, while leaving government without adequate information. This affects the latter's ability to engage in dialogue with donors.

c) "Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results? How?" (Core Question 3)

The extent of implementation of PD principles varies across sectors thus results are mixed. In health, the advent of PD principles not only led to better understanding of what was to be done under SWAp, but also increased stakeholder consciousness of the need to utilise available resources more wisely. The PD contributed to progress in aid effectiveness by strengthening the development plans, aid coordination mechanisms and sector wide management approaches.

More especially, the Paris Declaration has enhanced the quality of dialogue, contributed to more coordinated support towards national systems, widened use of programme-based approaches and guided implementation of the FNDP towards achievement of the Millennium Development Goals.

The PD has encouraged donor harmonisation but persistent fragmentation of aid modalities still places an administrative burden on health sector capacity.

A significant proportion of health sector investments do not have adequate monitoring systems in place to enable results – oriented decision making. It is difficult to find evidence of PD influence on quality of results management and mutual accountability in the sector.

With respect to administrative efficiency, SWAp records for the past eight years show a substantial amount of time being spent attending meetings. Donors that have not been pooling resources continue to impose separate planning, budgeting and reporting formats and meetings, increasing the administrative workload on health staff.

In agriculture, PD-like principles became evident during the design and implementation of the Agricultural Sector Investment Programme (ASIP) between 2000 and 2006. At that time the Ministry of Agriculture and Cooperatives (MACO) showed greater ownership by driving the design and implementation of ASIP and carrying out wide-ranging institutional reforms. The GRZ insisted on phasing out all area-based programmes and asked donors to support agriculture through a single planning framework of ASIP. Management for results was far much more vigorous then, with a clear results based M&E framework and Key Performance Indicators at sectoral level that fed into the overall macro level indicators, annual work planning and budgeting.

However, alignment has proved to be a perennial problem in the agriculture sector. Despite the GRZ making efforts to strengthen the financial and procurement systems, CPs continue to shun government systems. Given that GRZ was strong on insisting that there would be no new stand alone projects, many donors simply held on to their funds and ASIP failed to live up to its ambitions. This development led the Agriculture Commercialization Programme, which succeeded ASIP to abandon the requirement of insisting on the use of national systems. A number of projects with their own implementation units immediately followed but all focusing on smallholder commercialisation.

The agriculture sector may have benefited from enhanced dialogue structures that emerged since the adoption of the PD. However, contentious issues under ASIP still poison the CP/GRZ relationship – fertilizer subsidies and government intervention in maize marketing and the aid relationship is not as amicable as in those sectors that enjoy SWAps.

The most notable results contributed by the PD-influenced dialogue are the eight refined policy statements in the draft Comprehensive Africa Agriculture Development Programme Compact. These policy statements, extensively discussed by all key stakeholders were all well received by major CPs for future funding to the sector.

Overall, the capacity of Zambia to coordinate and manage aid is growing slowly, with improvements in public financial management. However, major gaps still remain in analytical work,

policy formulation, strategic planning and evaluation which are least supported. Other capacity gaps lie with limited attention on the needs of parliament, auditors and civil society, who play an important oversight role.

Main Recommendations

To sustain the present PD momentum, it is critical that all aid stakeholders in Zambia build on the original founding basis for aid effectiveness dialogue and policy instruments.

Enhanced value can only be attained if **progress is made on all fronts of the five PD principles**. The PD should be implemented in full to become a catalyst of better governance, better service delivery, and enhanced trust by citizens of both the donor and the recipient country.

Hence a **system to strengthen national capacity to cascade PD knowledge** from the focal institution, the ETC in the Ministry of Finance and National Planning, to other ministries and every critical oversight body such as parliament, civil society, and the Auditor General's Office.

The **link between these accountability institutions and law enforcement systems** should also be strengthened in order to reduce risk of financial misappropriation and, more importantly, rekindle development partner confidence in the use of national systems for public financial management and procurement.

Since the SWAps have proven to be a catalyst to PD implementation in Zambia, they should be **rolled out to as many sectors as possible**, whilst at the same time recognising that while being a necessary condition they are not a sufficient condition for aid effectiveness.

Beyond 2010, **critical questions still remain unanswered as to how to sustain the momentum gained towards aid effectiveness and how to ensure that aid achieves the desired development outcomes**. The next high level forum on aid effectiveness should tackle these core questions, especially **how to make aid more effective in reducing rural poverty, social exclusion and income inequalities**. This may require enhanced support by development partners to initiatives that address inequalities more directly, improve monitoring and evaluation systems, and strengthen of service delivery systems.

Weak frameworks for enforcing and assessing Mutual Accountability need to be strengthened. The same applies to monitoring of transaction costs and holding DPs to account for declining aid predictability.

CPs should increase their delegation of decision-making powers to country office staff to facilitate decision-making sensitive to local realities.

Methods for assessing the contribution of aid to development outcomes need to be further refined, building on the experience and lessons gained from this Evaluation.