

# **Poverty Reduction Budget Support (PRBS) in Zambia Joint Annual Review 2007: Learning Assessment**

Final report

13 July 2007

Report to the Government of the Republic of Zambia and  
the PRBS Cooperating Partners by

**Richard Gerster**  
**Mwila Chikwekwe**

---

This report was commissioned by the Government of the Republic of Zambia (GRZ) and the PRBS Cooperating Partners (CPs). It is an effort undertaken in the framework of the Strategic Partnership with Africa (SPA). The financial support of the Swiss State Secretariat for Economic Affairs (SECO), Switzerland, is gratefully acknowledged.

## Contents

Acronyms	3
Executive Summary	4
1 Introduction	6
1.1 Mandate and methodology	6
1.2 PRBS setting in Zambia	7
2 Approach	8
2.1 Issues and good practices	8
2.2 Observations	9
2.3 Recommendations	11
3 Dialogue	11
3.1 Issues and good practices	11
3.2 Observations	12
3.3 Recommendations	14
4 Performance	15
4.1 Issues and good practices	15
4.2 Observations	16
4.3 Recommendations	18
5 Accountability	19
5.1 Issues and good practices	19
5.2 Observations	20
5.3 Recommendations	22
6 Sustainability	23
6.1 Issues and good practices	23
6.2 Observations	24
6.3 Recommendations	24
7 Closing remarks	25
8 Annexes	26
8.1 Annex 1: Zambia PRBS facts and figures	26
8.2 Annex 2: Summary Feedback from JAR 2007 participants	27
8.3 Annex 3: National Economic Management Cycle	30
8.4 Annex 4: List of interviews	32
8.5 Annex 5: Bibliography	33

## Boxes

Box 1: The DAC Guiding Principles on GBS	8
Box 2: Voices on approach	9
Box 3: Voices on dialogue	12
Box 4: Voices on performance	16
Box 5: Voices on accountability	20
Box 6: A donors' PAF: Learning from Mozambique	21
Box 7: Voices on sustainability	23

## Acronyms

AfDB	African Development Bank
CSO	Civil Society Organisation
CSPR	Civil Society for Poverty Reduction
DAC	Development Assistance Committee (of the OECD)
CP	Co-operating Partner
DFID	Department for International Development
EC	European Commission
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
FY	Fiscal Year
GBS	General Budget Support
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
IFMIS	Integrated Financial Management and Information System
IMF	International Monetary Fund
IMG	Independent Monitoring Group
JAR	Joint Annual Review
JASZ	Joint Assistance Strategy for Zambia
JEC	Joint Executive Committee
JSC	Joint Steering Committee
JTWG	Joint Technical Working Group
KfW	Kreditanstalt fuer Wiederaufbau
LA	Learning Assessment
MACO	Ministry of Agriculture and Cooperatives
MDGs	Millennium Development Goals
MoFNP	Ministry of Finance and National Planning
MoU	Memorandum of Understanding
MP	Member of Parliament
MPSAs	Ministries, Provinces, Subsidiary Agencies
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PAF	Performance Assessment Framework
PEMD	Planning and Economic Management Department (in the MoFNP)
PEMFA	Public Expenditure Management and Financial Accountability
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility (IMF)
PRP	Poverty Reducing Programme
PRS	Poverty Reduction Strategy
PS	Permanent Secretary
PSI	Policy Support Instrument (IMF)
PSM	Public Service Management
PSRP	Public Sector Reform Programme
SAG	Sector Advisory Group
SECO	State Secretariat for Economic Affairs
SPA	Strategic Partnership with Africa
ST	Secretary to the Treasury
SWAP	Sector Wide Approach
TA	Technical Assistance
UNDAF	United Nations Development Assistance Framework
WG	Working Group

## Executive Summary

Mandated jointly by the Government of the Republic of Zambia (GRZ) and the Cooperating Partners (CPs) committed to Poverty Reduction Budget Support (PRBS), the learning assessment (LA), integrated into the Joint Annual Review (JAR) 2007 process, pursued the **overall objective** of developing practical recommendations on strengthening the effectiveness and efficiency of PRBS-supported programme implementation. The recommendations are based on PRBS experience in general and the 2007 JAR process in particular. The quality of dialogue, performance and accountability was to be specifically assessed. Methodologically, the LA made use of good practices developed elsewhere, observations of JAR sessions, interviews, and written feedback.

The **JAR 2007** is embedded in Zambia's cooperation landscape which is shaped by a highly advanced level of harmonisation and coordination, the PRBS being part of it. Nine CPs participate in the PRBS and have committed US\$185 million for 2007. The Ministry of Finance and National Planning (MoFNP) provided professional leadership. Overall, the review was perceived as a positive experience by most of the participants. It drew on the benefits and virtues of PRBS as an aid modality by focusing on a limited number of core reform issues across sectors. However, no consensus was yet reached on past performance (2006) against the 33 indicators of the Performance Assessment Framework (PAF).

**Approach:** The JAR 2007, with one full day of working group discussions on key and cross-cutting issues, and a half-day plenary event for the formal conclusion, is remarkably lean and offers a high level of alignment. The JASZ and the GRZ Aid Policy provide an agreed framework to improve the CPs' portfolio coherence. However, a number of CPs view PRBS as an additional aid modality while continuing to provide ODA to GRZ off-budget and off-treasury, through programmes and projects. The PRBS scheme has been greatly expanding during the last two years. The machinery to direct and administer the PRBS flows and events has, however, not kept pace, and multiple functions of the current unit in the MoFNP bring the danger of sidelining attention to the PRBS even with highly dedicated staff. Therefore, the following recommendations are made:

- The GRZ and CPs should invest in **strengthening domestic processes** that are ongoing or planned, and abstain from expanding the JARs and the PRBS parallel machinery in forthcoming years.
- The PRBS CPs should pursue a **coherent portfolio approach** to their assistance to Zambia.
- The current unit in MoFNP should be expanded to a **PRBS secretariat** in order to ensure the quality of coordination amongst all the stakeholders in this process.

**Dialogue:** The participation of line ministries at the JAR was mixed. A few NGO representatives were present in the thematic working groups on Tuesday but not during the plenary session on Thursday. There were no Members of Parliament present. Strong linkages to these stakeholders secure the expertise from different perspectives, which is so important in policy dialogue. There is broad agreement that the present GRZ budget management cycle is dysfunctional and needs revision. A revised proposal is on the table. A gap between FNDP priorities and budget execution was noticed during the JAR 2007 on several occasions. This needs to be addressed in order to prevent an erosion of trust between the GRZ and CPs when measuring performance. The relationship between the PRBS and the sectors varies a lot depending on the ministries responsible. Therefore:

- Efforts are needed to **make the PRBS dialogue process more inclusive**: linkages to sectors, decentralised levels, parliament, and civil society should be strengthened.
- The revision of the **National Economic Management Cycle** should be given top priority in order to arrive at an adequate budget cycle. Since the latter is part of the constitutional review, a separate fast track may be considered.

- Due to the political dimension of a number of issues involved, the GRZ and CPs might take into consideration a **high-level policy dialogue**, and, as a permanent measure, activate the Joint Steering Committee (JSC) provided in the MoU.

**Performance:** There is a strong GRZ ownership of the performance-based system, as expressed in both the underlying principles as well as in the PAF. One of the key purposes of the JAR in June is to review the PAF-based GRZ performance. The perceptions and evaluation of performance in 2006 differed among the GRZ and the CPs. The JAR 2007 plenary meeting did not reach consensus but identified the way to take the performance assessment forward. The option of a transition from the IMF's PRGF to the PSI provides a window of opportunity to rethink the role of the IMF in PRBS. Aspects to consider are:

- The PAF indicators should be **assessed on a more permanent and regular basis**, and the assessment procedures should build upon the underlying sector processes. Ideally, a newly structured FNDP reporting, based on the indicators including those in PAF, could become part of and annexed to the MoFNP's Economic Development Report. Timely information has the big advantage of opening a window for early corrective measures.
- MoFNP and CPs should envisage a PRBS and **PAF-related capacity building effort** integrated in overall FNDP capacity development endeavours to ensure broad dissemination and good understanding of the PAF, its purpose and its implications, in particular with reference to funding. Options are tailor-made workshops designed for different target audiences, including sector ministries, civil society, parliament, and provincial and district government.
- Advantages and disadvantages of the **PSI vs a PRGF** should be carefully assessed. Clarity is crucial about how CPs intend to use the IMF's expertise and instruments for the signalling effect in view of their disbursements.

**Accountability:** Up to now, neither the Economic Report of the MoFNP nor the PAF have been transferred to parliament, despite declared intentions to do so. Parliament is not (yet) sufficiently involved in PRBS. Improving information access to PRBS documents beyond the MoFNP and the CPs would provide a basis for enhancing PRBS effectiveness as well as strengthening accountability to stakeholders and the general public via the media. Despite the spirit of mutual accountability, an assessment of CPs' performance was missing from the JAR 2007. The PRBS MoU provides a good basis for evaluating the CPs efforts but there is no institutionalised machinery to measure past performance or to stimulate progress on agreed objectives. To address these issues:

- Strengthening the role of **Parliament** in the budget cycle overall, including the PRBS, should become a priority.
- A **PRBS website** should be created to host all essential PRBS-related documents so that all interested stakeholders could have access to this information.
- A **CPs' PAF** should be developed. It is suggested that the same monitoring approach as has been agreed upon for monitoring GRZ obligations should be used. The stipulated JASZ independent monitoring group (IMG) should not prevent this from bringing more symmetry into PRBS CPs – GRZ relations.

**Sustainability:** Zambia has articulated its long-term development objectives in the National Vision 2030. The Millennium Development Goals have a time frame up to 2015. The Fifth National Development Plan (FNDP) covers the period 2006 - 2010 as an interim step towards realising the vision. The volume and sustainability of Zambia's development efforts and the CPs' support is, taking any of these projections, a major issue. The GRZ has a mixed track record in raising internal revenues. In contrast to a deterioration in recent years, the FNDP projects a substantial increase of tax revenues as a percentage of GDP by 2010. The GRZ and the CPs rightly put taxation as one of the core issues on the agenda of the JAR 2007. Mobilisation of national resources is the best remedy against aid dependency. Taxation not only provides revenue but also strengthens domestic accountability – taxpayers become demanding citizens.

# 1 Introduction

## 1.1 Mandate and methodology

The Government of the Republic of Zambia (GRZ) and the Cooperating Partners (CPs) who are committed to Poverty Reduction Budget Support (PRBS) jointly mandated a team of independent consultants to perform a learning assessment (LA), as part of the Joint Annual Review (JAR) 2007 process of PRBS. The **overall objective** of the LA was to develop practical recommendations on ways to strengthen the effectiveness and efficiency of PRBS-supported programme implementation. Recommendations were to be based on experience in general and the 2007 JAR process in particular. The quality of dialogue, performance and accountability was to be specifically assessed.

Notably, based on the Mozambican and Tanzanian experience, a number of **framing factors** were to be observed to make the LA a success:

- The team was jointly mandated by the GRZ and the CPs;
- GRZ and CPs made use of the umbrella provided by the Strategic Partnership with Africa (SPA) to widen understanding of how government-donor relationships are evolving, and to identify key elements in the PRBS approach to strengthen dialogue, performance, accountability, and sustainability;
- The team had an independent status and was therefore free to formulate recommendations within its mandate;
- The team had access to all meetings of the JAR 2007 and received all relevant internal and external documentation;
- The final learning assessment report as an output of the exercise is in the public domain and freely available;
- The LA report feeds into the wider evaluation exercise on the harmonisation agenda in Zambia, which is to follow;
- The team consisted of an experienced international expert and a national expert familiar with the local context.

The LA **methodology** made use of the following instruments:

- Building on good practices<sup>1</sup> in GBS, as developed in the Development Assistance Committee (DAC), SPA, and selected countries;
- Analysis of the available internal and external documents and Zambia-related studies, including the SPA Budget Support Survey;
- Observation of sessions of the Working Groups (WG) on 5 June 2007 and the JAR 2007 meetings on 7 June 2007, to examine the form and effectiveness of the dialogue taking place between GRZ and CPs;
- A series of semi-structured interviews<sup>2</sup> with representatives of government institutions and CP agencies participating in the JAR process, and a number of complementary interviews with both participating agencies and other stakeholders in the PRBS programme;
- A considerable number of the attendants (56) at the WGs and the JAR gave written feedback on a form that had been distributed to all participants.<sup>3</sup>

---

<sup>1</sup> See the bibliography in Annex 5.

<sup>2</sup> See list of interviews in Annex 4.

<sup>3</sup> See the summary Annex 3.

The GRZ and the CPs mandated the following **LA team**:

- Richard Gerster (Switzerland), PhD. Econ., Director of Gerster Consulting ([www.gersterconsulting.ch](http://www.gersterconsulting.ch), richard.gerster@gersterconsulting.ch), team leader;
- Mwila Chikwekwe (Zambia), M.Sc., consultant and researcher, Lusaka (mwila.chikwekwe@gmail.com).

The LA team wishes to **acknowledge** the financial support of the Swiss State Secretariat for Economic Affairs (SECO) and the logistical support provided by the GRZ and the CPs towards the preparation of this study. The authors thank all interviewees, who took time out from an intensive process of negotiations during the JAR to talk to the LA team. A particular thank-you goes to those participants who completed the feedback form.

## **1.2 PRBS setting in Zambia**

Zambia has articulated its long-term development objectives in the **National Vision 2030**. The vision is to “become a prosperous middle income country by the year 2030”, based on a significant reduction of hunger and poverty, and a competitive outward-looking economy. The 2006-2010 Fifth National Development Plan (FNDP), officially approved in January 2007, outlines a medium-term plan as an interim step towards realising the vision. The FNDP aims at “broad based wealth and job creation through citizenry participation and technological advancement”. The FNDP is the successor document to the Poverty Reduction Strategy Paper (PRSP) 2002-2004 and the Transitional National Development Plan 2002-2005. The main obstacles on that path are regarded as macro-economic stability, the investment climate, implementation capacity, commitment of the GRZ towards reforms, and adequacy of CPs response.<sup>4</sup>

**GRZ-CP relationships** underwent profound changes during the last decade. A Memorandum of Understanding (MoU) on Coordination and Harmonisation of Government/Donor Practices was signed in April 2004. At the complementary level of the United Nations agencies, in May 2006, the agencies involved drafted a joint development assistance framework (UNDAF). A division of labour between CPs across the various intervention sectors was first agreed in June 2006. These efforts resulted in a Joint Assistance Strategy for Zambia (JASZ), which was finalised in April 2007. The JASZ, as a medium-term framework (2007-2010), has been developed by the CPs to manage their response in alignment with the FNDP. The JASZ is based on the “Zambia Aid Policy and Strategy”, approved by Cabinet in May 2007.

In terms of budget support, donor coordination is managed through the **Poverty Reduction Budget Support (PRBS) Group**, comprising all donors providing budget support and official observers to the programme. Following intense engagement between the Government and representatives of bilateral agencies (Netherlands, Norway, DFID and Sweden), along with the World Bank and the EC, a MoU on budget support was signed in April 2005. The IMF, though not a formal signatory, has been actively engaged in this process. Since then, Germany, Finland and the African

---

<sup>4</sup> CP perspective (oral communication)

Development Bank have joined the PRBS Group, which now therefore counts nine members. Ireland has also expressed interest in joining. The PRBS CPs are led by a troika of the European Commission (chair from June 2007), the United Kingdom (chair up to June 2007), and the World Bank.

#### **Box 1: The DAC Guiding Principles on GBS<sup>5</sup>**

The DAC of the OECD identifies four guiding principles for the provision of GBS:

- Budget support should reinforce partner countries' ownership;
- Budget support should help to enhance the performance and accountability of partner countries' PFM systems;
- Transaction costs incurred by budget support should be minimised;
- Budget support should be delivered in a way that enhances the predictability of resources and reduces their volatility.

**PRBS commitments** for 2007 amount to US\$185 million; PRBS represents roughly 20% of a projected total ODA of US\$902 million. Annex 1 summarises the PRBS arrangements in quantitative terms.

## **2 Approach**

### **2.1 Issues and good practices**

The **core principles** governing the way PRBS is delivered to the GRZ and how the CPs organise themselves are laid down in the MoU signed on 8 April 2005. Among other elements, dialogue, monitoring, reporting, evaluation, and auditing are dealt with in some detail. The MoU is not a legally binding agreement; nor does it constitute an international treaty creating rights and obligations under international law. Bilateral arrangements have precedence over this MoU.<sup>6</sup> Despite this formal weakness, the institutional machinery of PRBS has developed a remarkable strength, derived mainly from the volume of finance involved and from peer pressure.

In terms of **good practices**, other experiences provide the following lessons that are relevant in this context:

- Joint processes should preserve the space for different but transparent decisions, in the same way as harmonisation is different from unanimity.<sup>7</sup>
- The key requirement for a predictable approach in GBS flows is that the JAR should be timed to take place nine months before the start of the Financial Year (FY), with disbursement decisions resulting from the JAR being confirmed at headquarters' level six months before the start of the FY.<sup>8</sup>
- Basing future allocation and policy decisions on results is more than a technical question of how to produce timely, high quality data. It is a new paradigm that

---

<sup>5</sup> DAC 2005, p. 12 – 13.

<sup>6</sup> Part 1, Art. 4 MoU.

<sup>7</sup> DAC 2005, p. 18.

<sup>8</sup> Lawson/Gerster/Hoole 2005, p. 7.

requires a fundamental shift of institutional culture and considerable time for change.<sup>9</sup>

#### **Box 2: Voices<sup>10</sup> on the approach**

- GRZ: “The implementation of the aid policy towards PRBS needs time. If e.g. Japan were to channel all its roads funding through PRBS we would not have the capacity now to handle it properly.”
- GRZ/CP: “What are we talking about PRBS going one million up or down? CPs, just replace exemption rules and pay taxes when supporting projects.”
- CP: “We need to shift some of the technical discussions to the political level.”
- CP: “It has been a conscious decision to keep the JAR concentrated, despite a genuine need by the CPs for GRZ accountability.”
- NGO: “The PRBS is basically a good tool but could lead to the creation of parallel processes.”
- NGO: “The principle of PRBS to put money into the budget and holding the GRZ accountable for its use makes sense.”

## **2.2 Observations**

A **high level of alignment, harmonisation and coordination** has been achieved through the JASZ signed in April 2007, and the GRZ Aid Policy approved by cabinet in May 2007. The GRZ assigns an explicit priority to PRBS as the preferred aid modality. However, there is widespread acknowledgment that the project modality will continue for a long time, as the lack of implementation capacities cannot be overlooked. In particular, the consensus on a division of labour and assigning lead donors for the sectors is noteworthy and important for the PRBS. It significantly clarifies and balances donor activities in relation to the sector advisory groups (SAG).

The **PRBS leadership** by the GRZ is headed at the technical level by the Secretary to the Cabinet. Some CPs felt that it would have been best if the process was at a political level and headed by the Minister of Finance and National Planning. However, the Zambian government considers that it is in the best interest of the PRBS process for it to be headed by the most senior civil servant, who is a technocrat and hence provides a solid platform for institutional memory and continuity purposes; as opposed to the Minister of Finance, who is a political appointee. There is a high turnover of manpower at the ministerial level – the Minister of FNP holding office for over five years is an exception to that rule. The intention of those who drafted the MoU was to protect the PRBS from being politically trapped and delayed.

**CPs’ country portfolios** are managed quite differently from one donor to another. For some, the PRBS modality clearly takes the lead quantitatively and is used as a change vehicle in terms of approach. For others, PRBS is rather another aid modality in addition to the traditional project approaches. This leads to inconsistencies within the portfolios of aid to GRZ (on-budget, off-budget, on-treasury, off-treasury). Off-budget support is not coherent with the spirit of PRBS. The potential benefits of PRBS as far as reduced transaction costs are concerned, are not (yet) fully tapped.

<sup>9</sup> This represents a well established experience from OECD as well as other GBS countries.

<sup>10</sup> These voices do not claim to speak on behalf of the indicated segments of society. They speak in their personal capacity. They are quoted here to give an impression of the range of opinions.

PRBS is concerned with more than adding up sectors: it is about cross-cutting, core reform issues. The JAR 2007 drew on these benefits and virtues of PRBS as an aid modality by focusing on a limited number of **key issues** during the WG session. The six key issues chosen were under three headings: (1) macroeconomics: pro-poor growth, and tax policy; (2) Public financial management: service delivery, and gender; (3) governance: anti-corruption, and developing institutional capacity. The debate on institutional capacity was cancelled at the last minute. The process to select these key issues was based on proposals from the CPs' side, which were accepted by the GRZ without changes or additions. GRZ were strongly encouraged to submit ideas – this year and last year. The presentations and discussions of the key issues revealed concerns about inconsistencies between priorities laid down in the FNDP and their implementation, in particular the areas of agriculture and decentralisation. In the 2007 budget, education and health also received lower allocations on a budget share basis compared to the FNDP.

The **JAR 2007** with one full day of thematic working group discussions of key and cross-cutting issues, and a half-day plenary event for the formal conclusion of the JAR is remarkably lean. Yet it compares favourably with the heavy “machinery” of one-week duration and more used in other countries. The extension of the PRBS volume and the number of participating donors are likely to increase the demand for an extension of the JAR. While understanding the motives for a longer and more substantial discussion, the focus of such a demand should rather be on strengthening the underlying domestic processes and profit from their outcomes for the PRBS scheme.

A **lack of capacity** to steer and administer PRBS flows and events cannot be overlooked. The PRBS scheme has expanded during the last two years from six PRBS CPs and one observer in April 2005 to nine PRBS CPs and two observers<sup>11</sup> in June 2007. The financial volume increased as well, from US\$60 million (2005) to US\$185 million (2007). The machinery to direct and administer these flows of funds has, however, not kept pace, resulting in a permanent work pressure on the GRZ as well as the CPs' side, and last-minute activities that affect the quality of results<sup>12</sup> negatively. Peer pressure is not what it could and should be with regard to monitoring the conformity of bilateral agreements with the PRBS MoU, the increased PRBS share promised by CPs, and the transformation of off-budget into on-budget flows. Despite clear provisions in MoU (Part 1, Art. 5, and Part 13, Art. 63), the routine review of the PRBS MoU did not take place at the JAR in October 2006.

There are different perspectives on how to shape the relationship between the PRBS CP group and other CPs. It was said that there is an increasing interest in getting formal PRBS group **observer status**. For CPs (like Ireland or Japan) on the way to providing PRBS in the future, there is consensus. For those (like UNDP, USAID) that are highly unlikely to grant PRBS even in the distant future, it is an issue whether they should get a “free lunch” at the table (without the right to speak in the plenary). The IMF plays a special role in being actively engaged but formally not a member.

---

<sup>11</sup> IMF and Ireland are the only longer-term formally approved observers. The UNDP, US and Japan received MoFNP approval to observe the June 2007 JAR but there has not yet been any substantive discussions on whether they should be permanent formal observers.

<sup>12</sup> See chapter 3.2 on dialogue.

Clarification of the nature of observer status is required. The GRZ, which ultimately decides on the observer status, follows an open door policy.

### **2.3 Recommendations**

The PRBS CPs should pursue a **coherent portfolio approach** to their assistance to Zambia. At present, PRBS tends to be an additional aid modality while CPs continue to provide ODA to GRZ through programmes and projects, on- and off-budget, on- and off-treasury. Inconsistencies such as off-budget and off-treasury funding undermine the potential benefits of the PRBS and do not reduce transaction costs. The JASZ and the GRZ Aid Policy provide an agreed framework to improve the CPs' portfolio coherence.

The GRZ and CPs should abstain from expanding the JARs in forthcoming years but rather invest in **strengthening domestic processes**, whether ongoing or planned. Domestic institutions and processes, such as the Sector Advisory Groups (SAGs), and the related annual poverty conference, have the advantage of being inclusive of all stakeholders. Strong domestic institutions and processes enable the PRBS machinery to be kept to a minimum.

At a more practical level of the **JAR**, the GRZ should consider extending the one day in between the working group sessions and the plenary to at least two to three days. This will allow for the participants to distil the issues from the workings sessions that will ultimately feed into the plenary.

As the PRBS volume expands and the number of participating CPs increases, the need for a **PRBS secretariat** to enhance the quality of coordination amongst all the stakeholders in this process is imminent. The current unit in MoFNP is stretched by other duties and these multiple functions bring the danger of sidelining attention to the PRBS even with highly dedicated staff.

## **3 Dialogue**

### **3.1 Issues and good practices**

**Dialogue** between GRZ and PRBS partners is regarded as a very important element in the implementation of the MoU. Both the Government and PRBS CPs understand that “regular consultation among the signatories is considered critical to continued engagement in the PRBS Group and effective implementation of the National Development Plan and subsequent reform strategies.”<sup>13</sup>

Dialogue was identified as one of the issues to be examined for this LA, in view of the efficiency and effectiveness of the PRBS support to FNDP implementation. The LA team was expected to assess **selected aspects** in order to strengthen dialogue

---

<sup>13</sup> MoU Art. 19

processes in future, including (1) levels and range of participation, including the role of sector ministries and non-PRBS donors; (2) effectiveness of dialogue (policy debate or exchange of information, cross-cutting issues, information flows); (3) linking sector reviews and the PRBS processes.

In terms of **good practices**, other experiences provide the following lessons that are relevant in this context:

- Partner country ownership is essential; weakening, or even substituting for, national efforts should be avoided.<sup>14</sup>
- Issues that are fundamental to the GBS process can be effectively assessed outside of the PAF. “Sub-contracting” underlying processes (macroeconomics to International Monetary Fund (IMF), sectors to sector reviews, etc.) of performance assessment could be an effective way of dealing with the excessive size of the PAFs.<sup>15</sup>

### **Box 3: Voices on dialogue**

- GRZ: “The JAR highlights linkages between different government departments, and provides an excellent platform for learning from experiences made by other sectors.”
- GRZ: “Next year, feedback should be communicated regarding proposals made by the thematic working groups this year.”
- GRZ: “I am happy that in the working groups the PRSB process is becoming transparent, you feel comfortable now to interact and get feedback from MoFNP.”
- GRZ: “The GRZ should discuss the draft budget with the CPs before submission of the budget to Cabinet and Parliament.”
- CP: “Sometimes I have the impression that the GRZ does not share CPs’ concerns on gender but hesitates to speak out to retain the harmony between CPs and GRZ.”
- NGOs: “In PRBS donors are running away from their responsibility, they give the money and trust in trickle-down.”

## **3.2 Observations**

### *(1) Levels and range of participation*

During the JAR 2007, GRZ was well-represented at the technical level but largely **absent at the political level**. The Secretary to the Treasury (ST) as the highest civil servant in the MoFNP chaired the meetings. Many problems can be solved at an intermediate level but on a number of occasions it became evident in the WG that key problems have to be referred to the political level (e.g. agricultural subsidies). The PRBS CPs view the FNDP as a credible plan behind which to align their support but some inconsistencies have emerged between FNDP priorities, budget allocation and execution. This perception is of a fundamental nature and tends to undermine the credibility of the FNDP and the relations of trust between the GRZ and CPs. It is of crucial importance to address this in an appropriate manner. The PRBS MoU in 2005 created the Joint Steering Committee (JSC) as the core structure that is supposed to meet at least quarterly. Such high level meetings have not taken place so far, while the Joint Executive Committee (JEC) at the technical level, meets

---

<sup>14</sup> DAC 2005, p. 6.

<sup>15</sup> Lawson/Gerster/Hoole 2005, p. 8.

frequently. The Zambian way of dealing with the policy dialogue is not without risks. Even during good weather it may be wise to invest into an umbrella.

The **participation of civil society and the private sector** in the PRBS process has improved but is still weak. During the JAR 2007, some NGO and private sector representatives were present in the thematic working groups on Tuesday but not during the plenary session on Thursday. NGO and private sector presence was negatively affected by the late invitations. The invitations were despatched only a few days before the event and the documents were only partly available beforehand. An exception to that experience was a stronger private sector participation in the macroeconomic group on pro-poor growth and agriculture. Members of Parliament were entirely absent. Independent of the PRBS process, at the Sector Advisory Group (SAG) level, participation is open to all institutions having expertise on the subject matter, including civil society.

## *(2) Effectiveness of dialogue*

The effectiveness of the dialogue was seriously hampered by the **last-minute preparations**: This is not said to criticise hard-working people but it is a fact that it negatively impacts on the quality of dialogue. Many participants deplored the short notice of the invitations and documents. For five of six thematic papers the CP-lead of the group was responsible. It cannot be overlooked that ownership on the GRZ side remains weak in terms of preparation of the input to the papers.

The **SAGs** offer an excellent platform for all stakeholders related to an issue. Many SAGs are, however, institutionally weak. If the GRZ does not invite people, no SAG meeting takes place. The discussions often do not result in recommendations. The annual SAG conference is the only opportunity for an exchange of information across sectors among the 19 SAGs. In 2006, no annual conference took place and in 2007 it was overdue at the time the JAR was conducted, though one is planned for September.<sup>16</sup> The various meetings of the SAGs throughout the year are not (yet) systematically linked to the PRBS JAR. This gap surfaced ahead of the JAR when the GRZ and the CPs presented separately their appreciation of the PAF 2006. Many arguments brought forward by sector experts in the oral discussion were said to be more substantial than the rather general reasoning presented in written form.

There is broad agreement among the stakeholders that the present GRZ **budget management cycle**<sup>17</sup> is dysfunctional and needs revision. It is an agreed objective to have the GRZ budget approved by Parliament in December of the preceding year instead of April of the current year. The present delay in the budget cycle creates financial challenges for sector ministries, which receive their resources behind schedule. Implications of this are delays in developmental projects at grassroots level and frequent under-spending of approved budgets. PRBS CPs are prepared to align PRBS-related processes and reviews to the revised GRZ budget management cycle. There is a constitutional dimension delaying progress.

---

<sup>16</sup> All this relates to the fact that the national economic management cycle was not implemented in 2006 or the first half of 2007.

<sup>17</sup> See for the present situation Annex 3

### (3) *Linking sector reviews and the PRBS processes*

The **relationship between the PRBS and the sectors** varies a lot depending on the responsible ministries. In health, an increasingly positive attitude prevails, whereas education and agriculture are said to be rather reluctant to enhance cooperation. However, things are obviously moving as, on the occasion of a meeting between the Learning Assessment team and a representative of the Ministry of Education, no such fundamental resistance could be felt. The MoFNP has seconded internal auditors to all MPSAs for the pre-auditing of all payment requisitions. Moreover, in the Budget Office of the MoFNP there are Desk Officers for specific sectors but they do not yet play the effective role they could in linking line ministries to the MoFNP. Some are invited to the monthly meetings at the sector level between the line ministry and CPs but rarely attend. Others are only selectively invited.

In his foreword to the FNDP, H.E. the President of the Republic of Zambia draws the attention to the importance of having fully functional district and provincial planning units advised by **SAGs at the district and the provincial levels**. This important step to decentralise the SAGs and touch the ground will be part of the long-awaited and forthcoming Decentralisation Implementation Plan. On paper, a decentralised advisory structure open to all stakeholders is already in place; the PRBS monitoring process will have to take that into account.

### **3.3 Recommendations**

The PRBS vehicle and the harmonisation agenda have been progressing fast since 2004. While safeguarding the achievements, it is imperative to continue moving ahead. As indicated in Chapter 2, priority should be given to **strengthening throughout the year the underlying processes of domestic origin**:

- The role of **Sector Advisory Groups** can and should be enhanced instead of just extending dialogue opportunities between GRZ and CPs. The generic terms of reference for the SAG role provide a good start, complemented by more specific ToRs at the individual SAG level. An open but more formalised and standardised SAG methodology (co-chairs GRZ/CPs, regular meetings, joint agenda setting, systematic follow-up and monitoring) could be a big step forward. As foreseen in the FNDP, SAGs at the district and provincial level should become operational.
- The **Annual Poverty Conference** (Annual SAG Conference)<sup>18</sup> provides cross-fertilisation and serves to distil various aspects of poverty challenges. Beyond the annual conference, the quality and frequency of dialogue amongst the SAGs throughout the year should be strengthened.
- There is consensus on the urgency of revising the **National Economic Management Cycle** in order to avoid major setbacks in budgetary resource allocation. Since the budget cycle is part of the constitutional review currently underway, it is recommended that this should be given top priority in order to execute resource allocation timeously.

---

<sup>18</sup> In relation to the annual poverty conference lessons may be learned from the experience made in Mozambique with the Poverty Observatory, see the independent evaluation Matter/Francisco 2007.

Strong **linkages of the PRBS to sector processes** secure the expertise which is so desperately needed in policy dialogue. Learning from line ministries such as health might be considered as the Ministry of Health has permanent structures for dialogue, such as monthly operational meetings and annual consultative meetings with Ambassadors and the Minister of Health, where a lead donor and the minister co-chair the meeting. The MoH also organises dialogues during the budget preparation period.

The **local levels** of FNDP implementation are the backbone of poverty reduction and development. The PRBS/JAR, including its underlying processes, should be reviewed to find adequate ways and open windows to include the achievements and challenges from a decentralised perspective.

The functions of the **sector desk officers in the MoFNP** should be reviewed and strengthened. They ought to serve as a sustainable link between the MoFNOP and the sector ministries. Desk officers should also participate in policy meetings to enhance their knowledge of the challenges in their respective sectors. There is also a need to expand their TORs to include sectoral linkages in their duties.

In order to prevent an erosion of trust between the GRZ and CPs when measuring performance, it is recommended to observe attentively the consistency between FNDP priorities, budget allocation and execution. Due to the political dimension of the issues involved, the GRZ and CPs might take into consideration a **high-level policy dialogue**. Despite the joint PRBS, the bilateral CPs often enjoy high political GRZ presence when signing bilateral agreements. In order to minimise the time burden for the GRZ, CPs may want to consider making a shift from bilateral visibility to a joint strategic dialogue on PRBS issues at the political level.

Moreover, as a permanent measure, the **Joint Steering Committee (JSC)** provided in the MoU (part 5, Art. 32, and Annex 4) should be activated. The JSC is to facilitate regularly – on at least a quarterly basis – a higher-level dialogue, complementing the operational Joint Executive Committee (JEC) of the PRBS.

## **4 Performance**

### **4.1 Issues and good practices**

GBS is a contractual relationship offering a package of support (funding, dialogue, TA, harmonisation and alignment of procedures) based on an agreement on **performance**. As a partnership arrangement, there are agreed obligations on both the GRZ and the CPs, laid down in the MoU. One of the key elements is the PAF, against which past performance is jointly assessed and forthcoming performance is projected.

Performance was identified as one of the issues to be examined for this LA in view of the efficiency and effectiveness of the PRBS support to FNDP implementation. The LA team was expected to assess **selected aspects** in order to strengthen

performance in future: (1) Experience with the PAF and perception of the main risks; (2) The involvement of transaction costs of delivering assistance and options for reduction; (3) The adequacy of GRZ's capacity to effectively deliver on commitments.

In terms of **good practices**, other experiences provide the following lessons that are relevant in this context:

- It is possible to manage all GBS effectively through a single, harmonised PAF, with major gains in reduced transaction costs. Streamlining conditionality to avoid an unnecessary expansion in the scope and complexity of the PAF is a major lesson.<sup>19</sup>
- The PAF should be only one component within a coordinated sequence of processes for performance reviews and policy dialogue to facilitate an overall assessment.<sup>20</sup>
- The role of the IMF in monitoring and advising on macro-economic performance as a basic requirement for GBS should be retained, while avoiding a mechanistic link of GBS funding to the IMF's own conditions.<sup>21</sup>

#### **Box 4: Voices on performance**

- GRZ: "We are used to going to work. Working towards results is new and beneficial as it adds to our motivation."
- GRZ: "The PAF has been instrumental for progress in monitoring, reporting and accountability."
- GRZ: "Some unrealistic indicators of the PAF were pushed through by CPs, and Zambia said yes, because we wanted to see the money flow."
- GRZ: "Some PAF indicators are beyond the control of GRZ. If the girls are not enrolling in school, we cannot force the parents."
- CP: "Data base problems prevented the inclusion of important sectors like water in the PAF."
- CP: "No performance, no funds. Performance today, funds today!"
- NGO: "Poverty reduction does not happen in Lusaka. But only a meagre part of the budget is allocated to the districts."

## **4.2 Observations**

There is a **strong GRZ ownership** within the performance-based system, as expressed in both the underlying principles as well as in the PAF. All PAF indicators originate from the FNDP monitoring system. The indicators have been further sharpened in order to play their role in the PAF. The selected subset for the new 2006-2008 PAF was the subject of extensive consultation among line ministries and SAGs. Contrasting with these achievements, new CPs joining the PRBS scheme tend to bring their own priorities into the system, trying to add performance indicators.<sup>22</sup> However, the number and scope of 33 PAF indicators touches an upper limit and should rather be reduced than extended.

<sup>19</sup> DAC 2005, p. 14; Lawson/Gerster/Hoole 2005, p. 7.

<sup>20</sup> Lawson/Gerster/Hoole 2005, p. 8.

<sup>21</sup> IDD 2006, p. 106; similarly ESRF 2005, p. 39.

<sup>22</sup> The African Development Bank is a recent example, aligning to the PAF after quite an internal effort.

For those using variable tranches, the purpose of the PAF is to serve as triggers for disbursement decisions. Strictly speaking, fixed tranches do not depend on performance according to the PAF but on the observance of the **underlying principles** related to GRZ's commitments to fight poverty, to good governance, to public financial management, and to sound macroeconomic policies as set in Part 2 of the MoU. The fixed tranches make up for 84% of the overall PRBS financial commitments for 2007. For donors with a fixed disbursement, the PAF serves as a checklist for the policy dialogue rather than directly determining their disbursements.

However, in practice the indirect **relevance of the PAF** extends much beyond the variable tranche disbursements of the remaining 16% for 2007. There are repercussions of GRZ overall PAF performance also for fixed tranches: when the CPs have to extend or renew a PRBS agreement, the performance of the GRZ in the past, as demonstrated in the PAF, plays a crucial role in determining future volumes of support. Lack of transparency then creeps into the system.

One of the key purposes of the JAR in June is to review the **PAF-based GRZ performance**, with "Signatories coming to a joint view on performance, which serves as the basis for commitments for the next budget year" (Part 5, Art. 22, MoU). While the GRZ produced the PAF report and all other documents required by the MoU<sup>23</sup> in a timely manner, the perceptions and evaluation of performance in 2006 differed among the GRZ and the CPs. The GRZ first draft report evaluated a 61% performance which is down from last year's 85% but based on a different interim PAF. In order to arrive at a joint view in time and in a well-founded way, a preliminary discussion on strengths and weaknesses as measured in the PAF would have been advantageous in the preparatory period. The JAR dialogue on the cross-cutting key issues could then have built upon this, resulting in an agreed way forward. The JAR 2007 plenary meeting did not arrive at a consensual conclusion but identified the way to take the performance assessment forward. The self-evaluation based on the PAF brought to light considerable rating differences between the GRZ and the CPs, necessitating a verification session and continuing negotiations.

The meaning and **leverage of the PAF** is only now being discovered and understood across the various government ministries. For the line ministries, the PAF should not be seen as a burden but an opportunity. A sector-related PAF indicator secures visibility and attention in the political debate on financial allocations. It can be used by the sectors as an argument to get adequate funding from the MoFNP because the sector performance, as expressed in the indicators, co-determines future disbursements, both directly via the variable tranches and indirectly through the fixed tranches .

The role of the PAF within the PRBS scheme and the wider FNDP is not yet fully understood by the all the stakeholders, in particular by line ministries, at decentralised levels in provinces and districts, by members of parliament and civil society representatives. A number of **PAF indicator-related issues** came up during the review:

---

<sup>23</sup> Documents required under MoU part 8, Art. 45 & 46 are the National Development Plan's Annual Review, i.e. the 2006 Economic Report; 2006 PEMFA Annual Progress Reports; Auditor General's report on the financial statements for the y/e 31<sup>st</sup> December 2005; Quarterly Budget Execution Reports for Q4 2006 and Q1 2007.

- The PAF indicators should be under the control of the GRZ. This can be challenged in case of **results indicators** such as girls' enrolment in education. There is a trade-off between results-based disbursements that are not fully under GRZ control and the predictability of funding flows.
- If performance is linked to **policy indicators**, it provides an incentive for reform but undermines ownership. GRZ representatives also argued that agreed policy obligations with implications for the Cabinet are beyond the control of the MoFNP. However, PRBS is strengthening all areas of government, not only the MoFNP.
- Some of the PAF indicators were clearly flawed and **overambitious** (e.g. in education). As the indicators are supposed to be derived from the FNDP, there is also an issue of coordination here. GRZ officials mentioned that for the 2008 indicators, the GRZ would have to come out very strongly with its views.
- Lack of **reliable data** has prevented the inclusion of important poverty relevant sectors in the PAF (e.g. water and sanitation).

**PRBS-IMF relations** are in a transitional phase. The present PRGF-arrangement ends on 30 September 2007. The PRGF arrangement served not only as a funding source for the GRZ but also as a signalling device for the CPs to assess macroeconomic performance. Even if, for the time being, Zambia would not need further IMF funding, the CPs continue to be interested in the IMF's expert knowledge and judgement. For that purpose, the IMF has developed a new "Policy Support Instrument (PSI)" offering advice but not funding. The PSI "helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks and markets the Fund's endorsement of a member's policies"<sup>24</sup>. It provides more frequent and more in-depth analysis than the routine surveillance process of the IMF. PSI design and procedures are very much like the PRGF, but there is no funding involved and there is no provision for waivers. The IMF emphasises the voluntary and demand-driven nature of the PSI. However, the GRZ and CPs should be aware that in situations where, under a PRGF arrangement, a waiver would have been granted, the PSI offers no flexibility. This makes eventual cross-conditionality of PRBS CPs with a formal IMF on-track status more risky.

There are divergent views on the impact of PRBS on **transaction costs**. The World Bank argues that its floating tranche system further reduces transaction costs of both GRZ and CPs below the levels of combined fixed and variable tranches. There is consensus, however, that whatever the effect on transaction costs, the output in terms of reporting etc. has greatly improved for the GRZ.

### **4.3 Recommendations**

In order to facilitate an agreed view in time and an adequate follow-up on past performance based on the PAF, the indicators should be **assessed on a more permanent and regular basis**, and the assessment procedures should build upon the underlying sector processes. Ideally a newly structured FNDP reporting based on the indicators, including those in PAF, could become part of and annexed to the

---

<sup>24</sup> IMF 2006, p. 1.

MoFNP's Economic Development Report. Timely information has the big advantage of opening a window for early corrective measures.

It is good practice to draw **PAF indicators** from the FNDP monitoring basket. The statistical system requires strategic investment in order to cover outstanding areas in a well-founded way in the future. The overall size of the PAF, however, should not exceed the present manageable levels. When revising the PAF, the following technical aspects merit due attention:

- Balancing results-based and policy-related indicators;
- Setting realistic and consistent targets;
- Securing reliable data collection through the national Statistics Development Strategy being prepared.

MoFNP and CPs should envisage a PRBS and **PAF-related capacity building effort** integrated in overall FNDP capacity development endeavours to ensure broad dissemination and good understanding of the PAF, its purpose and its implications, with particular reference to funding. Options are tailor-made workshops designed for different target audiences. This effort should include the various sector ministries, other stakeholders (civil society, parliament), and also the decentralised levels.

The option of a transition from the PRGF to the PSI merits an in-depth discussion of their advantages and disadvantages. Moreover, it may be a window of opportunity to **rethink the overall relationship of the IMF to PRBS** and its role in the PRBS dialogue structures. An important issue here is clarity about how CPs use the IMF programmes for the signalling effect. Under PSI conditions, access to PRBS funding should be defined in such a way that CPs retain the flexibility to exercise their own judgement, after consultation with the IMF, whether further disbursements are appropriate or not. On the one hand, duplication of macroeconomic assessments should be avoided to keep transaction costs low; on the other, the monitoring of the macroeconomic framework should be opened up to domestic stakeholders.

## **5 Accountability**

### **5.1 Issues and good practices**

**Accountability** is understood as the obligation of power holders to account, or take responsibility, for their actions. Formal mechanisms ensure the accountability of government actors towards citizens and, in particular, towards people living in poverty. The concept of social accountability includes reliance on a broad range of actions and mechanisms of civic engagement, besides voting, when ordinary citizens, non-state actors including independent media hold government officials and institutions accountable. The contribution of foreign aid is always linked to a demand for accountability by the receiving partners to the donors and their taxpayers. This demand is not peculiar to GBS. The risk is always there that an outward-looking bias is created at the expense of domestic accountability.

Accountability was identified as one of the issues to be examined for this LA in view of the efficiency and effectiveness of the PRBS support to FNDP implementation.

The LA team was expected to assess **selected aspects** in order to strengthen PRBS processes in a context of wider accountability, including (1) the links of the PRBS processes to the GRZ domestic accountability (internal regulations in Government, parliament, civil society, private sector, and the media); (2) influence of the donors' domestic accountability on the PRBS partnership; (3) the mechanisms to monitor PRBS Partner commitments in the sense of mutual accountability.

In terms of **good practices**, other experiences provide the following lessons that are relevant in this context:

- Reinforced domestic accountability in partner countries is not an automatic result of the shift to GBS; domestic political change is the prime mover to drive actors to assume new roles.<sup>25</sup>
- A significant level of alignment to government systems and procedures is achievable by using normal government reporting systems for budget execution, for service delivery performance, and for progress towards PRS targets.<sup>26</sup>
- The concept of a PAF can also be applied to the donors' obligations and offers new ways to strengthen mutual accountability, which again permits a lowering of the transaction costs for the partner governments.<sup>27</sup>

#### **Box 5: Voices on accountability**

- GRZ: "The PRBS has strengthened monitoring, reporting and domestic accountability of the GRZ."
- GRZ: The MoFNP has deployed 700 qualified accountants and made a big step towards better accountability".
- CP: "PRBS provides a platform to enhance the accountability of the MoFNP towards the line ministries."
- CP: "The transaction costs may not have gone down. But we get certainly better output from GRZ."
- NGO: "Much GRZ action is responding to incentives. It is obvious that CPs have more weight than Parliament and civil society."
- NGO: "The GRZ is more accountable to the donors than to the local people. This is demonstrated by the wage bill ceiling of 8% of GDP imposed by the IMF and the World Bank."

## **5.2 Observations**

PRBS is about strengthening governments' performance of their core tasks. Accountability issues require a wider view that includes checks and balances in a society. Civil society organisations, the private sector and parliament should have equal capacity to perform their roles. Up to now, neither the Economic Report of the MoFNP nor the PAF have been transferred to **parliament**, despite declared intentions to do so. The Parliament is not (yet) sufficiently involved in PRBS. MPs' absence during the JAR 2007 is a telling example. Selected MPs were invited to the Working Group sessions on 5 June 2007, albeit at short notice.

<sup>25</sup> Lawson et al. 2005, p. 148 – 150.

<sup>26</sup> Lawson/Gerster/Hoole 2005, p. 8.

<sup>27</sup> Lawson/Gerster/Hoole 2005, p. 8.

**Reporting obligations** of the GRZ were an issue in 2006, as the reports due were delayed and substituted by the economic report. In 2007, the GRZ was commended by the CPs for following up all the reporting requirements stipulated in the MoU. The 2006 difficulties may be considered as transitional as they relate to the late launching of the FNDP. On 1 January 2007, the FNDP 2006-2010 was launched and in future the CPs will consider the annual progress reports on FNDP implementation as the basis for PRBS reporting. It is worth noting that to a large extent – the exception so far being the PAF-report – reporting to the PRSB CPs is an integral part of domestic accountability processes.

**Media relations** are not a high-ranking concern in Zambia. As an idea it was mentioned to produce a press release four weeks after the JAR when indicative CP pledging for 2008 is available. In a PRBS scheme, the general public is a genuine stakeholder, and citizens as well as their organisations have a right to be informed on what kind of support CPs are providing. A number of CPs adhere to their domestic freedom of information act and have to deliver the documents anyway on request. Pro-active media work reduces mistrust through transparency and is to be seen as a part of domestic accountability and as an opportunity. Some countries, such as Mozambique, make the strengths and weaknesses of the joint assessment public, immediately after the review, in the form of a negotiated and agreed Aide-Memoire.

There was no assessment and no debate of **CPs' performance** throughout the JAR 2007. The PRBS MoU provides (art. 12 & 13) a good basis to evaluate the CPs efforts at an individual and collective basis. A regular independent assessment, publicly available, and a debate during the JAR would add value to the on-going Paris Declaration monitoring. However, there is no institutionalised machinery so far. At an earlier stage, CPs had suggested including some indicators on CPs' performance in the PAF, and the GRZ welcomed the idea. However, no action followed. One reason may be that the JASZ, signed by 16 CPs (including seven non-PRBS CPs) is heading towards CP performance measurement based on the Paris Declaration. While avoiding duplication, the stipulated JASZ independent monitoring group (IMG) should not inhibit more symmetry in PRBS CP-GRZ relations.

#### **Box 6: A donors' PAF: Learning from Mozambique**

In Mozambique, the CPs involved in GBS, in a spirit of mutual accountability, developed a PAF to assess their own performance in alignment, harmonisation, predictability, transparency, administrative burden, and capacity building, against their MoU obligations and the Paris Declaration on Aid Effectiveness. The donor PAF is assessed annually as part of the JAR process, based on reporting by independent experts<sup>28</sup>. This unique experience from Mozambique provides the following lessons:

- The key issues of concern – ownership by donors, effective use of the PAF as a strategic tool for the reform of aid delivery, etc. – are essentially the same as for the PAF of the partner government;
- The GoM proposal of individual donor ratings was taken up for one year and replaced subsequently by a more consensual form of reporting;
- Reporting on the donor PAF obligations should be coordinated with reporting on the Paris Declaration for Aid Effectiveness;
- A strong government can exert pressure, and the donor PAF process is intended to strengthen GoM ownership and negotiating power;

<sup>28</sup> Killick/Castel-Branco/Gerster 2005.

- The basic asymmetry and power imbalance of the aid relationship cannot be overruled by a technical tool such as the donors' PAF. Self-discipline of donors and peer pressure are among the main resources for producing tangible results.

The GRZ is coming up with a legal framework ("**NGO Bill**") for support of civil society organisations. The objective is to gather better information on the overall flow of funds. Improved monitoring of support to NGO places minimal corporate responsibility also on NGOs, where misuse of funds can happen as it does elsewhere. Another (hidden) objective may be at the political level, to prevent the funding of opposition parties from external sources. The bill is not a problem for service delivery NGOs, but it could present a challenge for advocacy NGOs.

### **5.3 Recommendations**

Linkages of the JAR to **Parliament** and engaging MPs in the PRBS processes are crucial to the GRZ's accountability. Strengthening the role of the Parliament in the budget cycle overall, including the PRBS, should become a priority. CPs should consider offering demand-driven capacity building to parliament and its budget-related core committees.

It is suggested that a **PRBS website** should be created to host all essential PRBS-related documents so that all interested stakeholders could have access to this information. Ideally it becomes part the MoFNP website. Documents can be classified to the extent that there sensitive information may not be shared with everyone. Many CPs follow a freedom of information policy towards their own citizens and cannot legally limit access. Improving access to PRBS documents beyond the MoFNP and the CPs is a basis for enhancing PRBS effectiveness as well as strengthening accountability to stakeholders and the general public via the media.

In the spirit of mutual accountability, a **CPs' PAF** should be developed, applicable at the collective and individual level. It is suggested that the same monitoring approach as has been agreed upon for monitoring GRZ obligations should be used. A CPs' PAF not only serves as a monitoring tool but stimulates progress on agreed objectives. A PAF adds value by facilitating the setting of specific annual or longer-term targets in implementing CPs' obligations. The GRZ and the CPs, in the SPA Survey 2006, mention: "...only 20% of all donor missions were joint missions. There continues to be proliferation of donor missions at often inconvenient times of the year for Government"<sup>29</sup>. However, a conceptual framework to address such an issue and to monitor systematically CPs' performance has so far been lacking. The good practice typified in Mozambique may serve as a helpful inspiration. When establishing a CPs' PAF, the Paris Declaration monitoring already in place and the forthcoming JASZ framework are to be taken into account.

---

<sup>29</sup> SPA 2007, Vol. II, p. 14

## 6 Sustainability

### 6.1 Issues and good practices

The National Vision has long-term goals up to 2030, the Millennium Development Goals (MDGs) have a time frame of 2015, while the FNDP has a medium-term horizon of 2010. There is a huge gap between the resources needed to reach these ambitious objectives and the resources available. Within any of these projections, both the volume and the sustainability of Zambia's development efforts are a major issue. Sustainability is also a challenge to the CPs' way of doing business. So far their **planning horizon** stretches at best to four or five years. However, GBS is more than just another aid modality continuing business as usual. An adequate CP approach includes long-term perspectives. Balancing structural differences between economically weak and strong regions within developed countries may serve as a source of inspiration.

A related issue is the **relationship between external and domestic funding**. If GBS is seen as being long-term and becomes predictable, is it likely to reduce the efforts to raise domestic revenue? Or, on the contrary, is there a positive relationship between the supply of GBS and the efforts to raise domestic revenue? The DAC GBS Evaluation did not find significant negative effects of GBS on tax revenue, but rather strong increases in tax revenue in some countries.<sup>30</sup> This may be due to the fact that GBS is often accompanied by agreed revenue targets and TA that specifically addresses revenue collection. Moreover, GBS operates in consultation with the IMF, which prioritises the issue of domestic revenues. On balance, the GBS relationship and its environment influence the long-term sustainability of the public sector positively in terms of raising sufficient domestic funding for the GRZ budget.

In terms of **good practices**, other experiences provide the following lessons that are relevant in this context:

- An evolutionary design of GBS is crucial for providing systemic feedback loops to learn from experience and adapt accordingly.<sup>31</sup>
- Donors should continue to accompany GBS with technical support to strengthen revenue agencies and monitor revenue targets.<sup>32</sup>
- Donors should increase their efforts to programme and commit budget support (subject to performance) over a rolling multi-year framework<sup>33</sup>.

#### Box 7: Voices on sustainability

- GRZ: "The GRZ should increase its share of funding of education to secure the sustainability of educational efforts."
- GRZ: "If we fail to mobilise funding, it will compromise the integrity of the FNDP."
- GRZ: "The GRZ should increase own revenue in view of sustainability of its efforts in education and other sectors."
- GRZ: "Late release of funds cripples our own activities."

<sup>30</sup> IDD 2006, p. 67.

<sup>31</sup> IDD 2006, 73 – 75. The DAC evaluation refers here to the Mozambican Learning Assessment and the donor PAF as good practice examples.

<sup>32</sup> IDD 2006, p. 107.

<sup>33</sup> IDD 2006, p. 16.

## 6.2 Observations

Zambia has articulated its **long-term development objectives** in the National Vision 2030. The Millennium Development Goals have a time frame up to 2015. The Fifth National Development Plan (FNDP) covers the period 2006-2010 as an interim step towards realising the vision. The volume and the sustainability of Zambia's development efforts and the CPs' support is, within any of these projections, a major issue.

The share of tax revenue in the Gross Domestic Product (GDP) is an important yardstick to measure the mobilisation of domestic resources. The GRZ has a **mixed track record** in raising internal revenues. The tax/GDP ratio has dropped from 19.4% in 2000 to 17% in 2005.<sup>34</sup> In contrast to that deterioration, the FNDP projects an increase of tax revenues as a percentage of GDP from 16.2% in 2006 to at least 18% by 2010. The potential erosion of the tax base by widespread tax incentives cannot be overlooked. Zambia has not yet fully tapped all potential resources to contribute its share of FNDP funding, including the uncovered funding gap. It is a welcome intention of the GRZ to renegotiate mining agreements in order to get a fairer share of rising raw material prices to sustain economic growth and share its benefits with Zambian citizens.

The GRZ and the CPs are to be commended for making taxation one of the core issues on the **agenda of the JAR 2007**. Often the interest focuses very much on the expenditure side of the government's budget while neglecting the revenue part or leaving it to the specialists. In view of the sustainability of Zambia's development efforts and a long-term exit strategy from the PRBS scheme, revenue mobilisation merits top priority attention. The CPs estimate<sup>35</sup> of US\$700 – 750 million total ODA resources per annum in the near future is a solid complementary response and should encourage domestic resource mobilisation.

## 6.3 Recommendations

Scaling-up of external resources should go hand in hand with increased **domestic resource mobilisation**. A continued strong political will by the GRZ to increase domestic revenues in absolute and relative terms will be one of the crucial determining elements of a successful growth and poverty reduction strategy. PRBS can contribute to such a sustainable path to the extent that CPs share this concern, support corresponding meaningful indicators in the PAF and provide complementary support to capacity building efforts in revenue collection. Mobilisation of national resources is the best remedy against aid dependency. Last but not least it should be remembered that taxation does not only provide revenue but also strengthens domestic accountability – taxpayers become demanding citizens.

---

<sup>34</sup> JASZ 2007, p. 24

<sup>35</sup> JASZ 2007, p. 25

## **7 Closing remarks**

Since 2004, thorough independent evaluations of PRBS have been done in Tanzania (2004), jointly in the DAC for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam (2006), and in Ghana (2007). The Learning Assessments facilitated by SPA add a more practical and process-related dimension to these efforts of cross-country experience gathering. After Mozambique, Tanzania and Zambia, one or two more countries will follow and provide a basis for cross-country comparisons and a synthesis. In 2008, SPA will provide a platform for the presentation and discussion of the synthesis findings of all learning assessments completed by early 2008.

## 8 Annexes

### 8.1 Annex 1: Zambia PRBS facts and figures

#### Cooperating Partners' contribution to PRBS:

Agency	2005 (disbursements)		2006 (disbursements)		2007 (commitments)	
	US\$ (mio.)	%	US\$ (mio.)	%	US\$ (mio.)	%
African Development Bank - out of it variable tranches	-	-	08.8*	07%	30.3	16%
European Commission - out of it variable tranches	40.8	43%	57.7	43%	47.9	22%
Finland - out of it variable tranches	-	-	-		06.7	04%
Germany - out of it variable tranches	-	-	-		06.7	04%
Netherlands - out of it variable tranches	-		07.5	06%	10.7	06%
Norway - out of it variable tranches	06.1	06%	12.8	09%	17.6	09%
Sweden - out of it variable tranches	-		06.9	05%	14.0	08%
United Kingdom - out of it variable tranches	28.3	30%	41.1	30%	49.0	26%
World Bank - out of it floating tranches	20.0**	21%	-		10.0	05%
<i>Total</i>	<i>95.2</i>	<i>100</i>	<i>134.8</i>	<i>100</i>	<i>184.6</i>	<i>100</i>
<i>PRBS share of the GRZ national budget</i>	<i>%</i>		<i>%</i>		<i>%</i>	
<i>Pro memoria</i> <i>IMF PRGF disbursements (US\$)</i>						

\* Disbursement of outstanding balance of payments support provided to GRZ in 2001

\*\* This disbursement was the remaining tranche of the World Bank's Economic Management and Growth Credit (EMGC) prepared before the PRBS arrangements became in effect.

#### Composition of ODA according to aid modality (source: JASZ, p.26):

TYPE	2006 (US\$)	2007 (US\$)	remarks
Grants: PRBS	145.2	176.3	Figures differ from table above because AfDB & World Bank disburse credits
Grants: SWAPs	94.4	116.5	SWAP: Sector Wide Approach
Grants: Project & programme	548.8	403.1	
Loans: Projects	147.4	166.7	
Loans: Programmes	0.0	40.0	AfDB: US\$ 30, World Bank: US\$ 10
Total ODA	935.6	902.6	
PRBS share of ODA	15.6%	19.6%	

The statistics does not differentiate between on- and off-budget, or on- and off-treasury funds, nor does it show the amount disbursed to non-GRZ partners (NGOs, etc.).

## **8.2 Annex 2: Summary Feedback from JAR 2007 participants**

### **1 Introduction**

Feedback forms were distributed among participants of the JAR working groups on Tuesday, 5 June 2007, and on the occasion of the JAR plenary meeting on 7 June 2007. The forms were filled on a voluntary and anonymous basis. This evaluation does not claim any statistical significance. Its value is rather on the qualitative side providing inputs into the on-going JAR-process. 56 forms were returned, with the following background:

24	GRZ
24	PRBS CP
05	non-PRBS CP
01	private sector
03	no specification

The main points are summarised in three areas: strengths, weaknesses and suggestions for improvement. As is the case with any such feedback there is always contradictory information on specific issues. The feedback was not analysed separately for the different working groups, which might explain some of the contradictions.

### **2 Strong points**

Overall the different sessions received many positive comments. In particular, the **openness and transparency** in the discussions, which allowed for a constructive dialogue, was highlighted several times. This overall positive atmosphere has contributed to strengthening the dialogue between the government and the cooperating partners. Civil society, while weakly represented in terms of numbers, was vocal in a constructive way and contributed to a substantial dialogue.

The **attendance** and the diversity of participants were generally appreciated, with some exceptions (see below). More specifically, many people welcomed the bringing together of different ministries and cooperating partners, and strengthening their interaction. The subsequent discussions between government institutions such as the MoFNP and sector ministries were positively appreciated and was said to have improved as a result. It can be assumed that both the positive atmosphere and the bringing together of many stakeholders resulted in another positive point which was mentioned: "It has helped to improve accountability."

Furthermore, it was said that the meetings were very **informative**, well-structured and managed. Generally the participants were well-prepared and presented themselves well. An important role was played by the **chairs** of the various working groups – while the chairs of the plenary and in the working group on tax policy were judged to be very good, the chair in the anti-corruption group was seen as being strong and strict. Generally, however, the discussions were said to have been participatory.

Looking at the **content** of the meetings, it was said that they were informative and that important issues were raised. The background papers were well prepared and provided a good basis for the broad discussions. It was specifically appreciated that this was the only forum to discuss issues that go beyond sectors. Some specific issues that were judged to be positive related to tax policy (broadening the tax base, review of the mining sector's taxing, etc.) and budgetary allocations and releases.

### 3 Weaknesses

While it was judged positively that the different ministries were brought together, their inadequate **cooperation** was a frequent point of criticism. Inadequate information sharing and weak coordination not only had a negative effect on providing responses to questions but also resulted in the failure to constitute one working group. Poor responsiveness to questions was mentioned several times as a weakness and also gave some people reason to judge some of the discussions as superficial. Furthermore, it has been noted that government representatives should speak with one voice rather than blaming each other.

As already mentioned, assessment of **attendance** at the meetings was contradictory. There were many positive remarks with respect to the broad participation from the GRZ and the CP side. Exceptions were mentioned related to sector ministries such as MACO. Equally many negative remarks pointed out the low participation of civil society, parliament, media, the private sector and professional associations such as the farmers organisation, ZNFU). The five working groups differed in that respect. Another point raised with respect to attendance was the absence of the Cabinet office.

In spite of some positive comments about achieved consensus and talk about **results**, one of the main weaknesses seemed to be the lack of follow-up, as many negative remarks concerned the complete lack or low numbers of agreements reached and action points. This is a critical issue. As one participant put it: "No next actions, no outcome."

With regard to the **structure** of the meetings, there are two main criticisms: the strong chairing already mentioned and the lack of time. It is not always clear, however, where the time was too short – in presentations, discussions, between different meetings, etc.

One last point worth mentioning is the need for updated and verified **data**, which has been identified several times as a gap and was equally mentioned as one area for improvement.

### 4 Suggestions for improvement

While there were some voices that found the overall format of the meetings satisfactory, there still were some areas that could be improved. The one area that seems to be in need of improvement is the **preparation** of meetings. Several aspects were mentioned in this respect: an earlier start, which would not only allow earlier

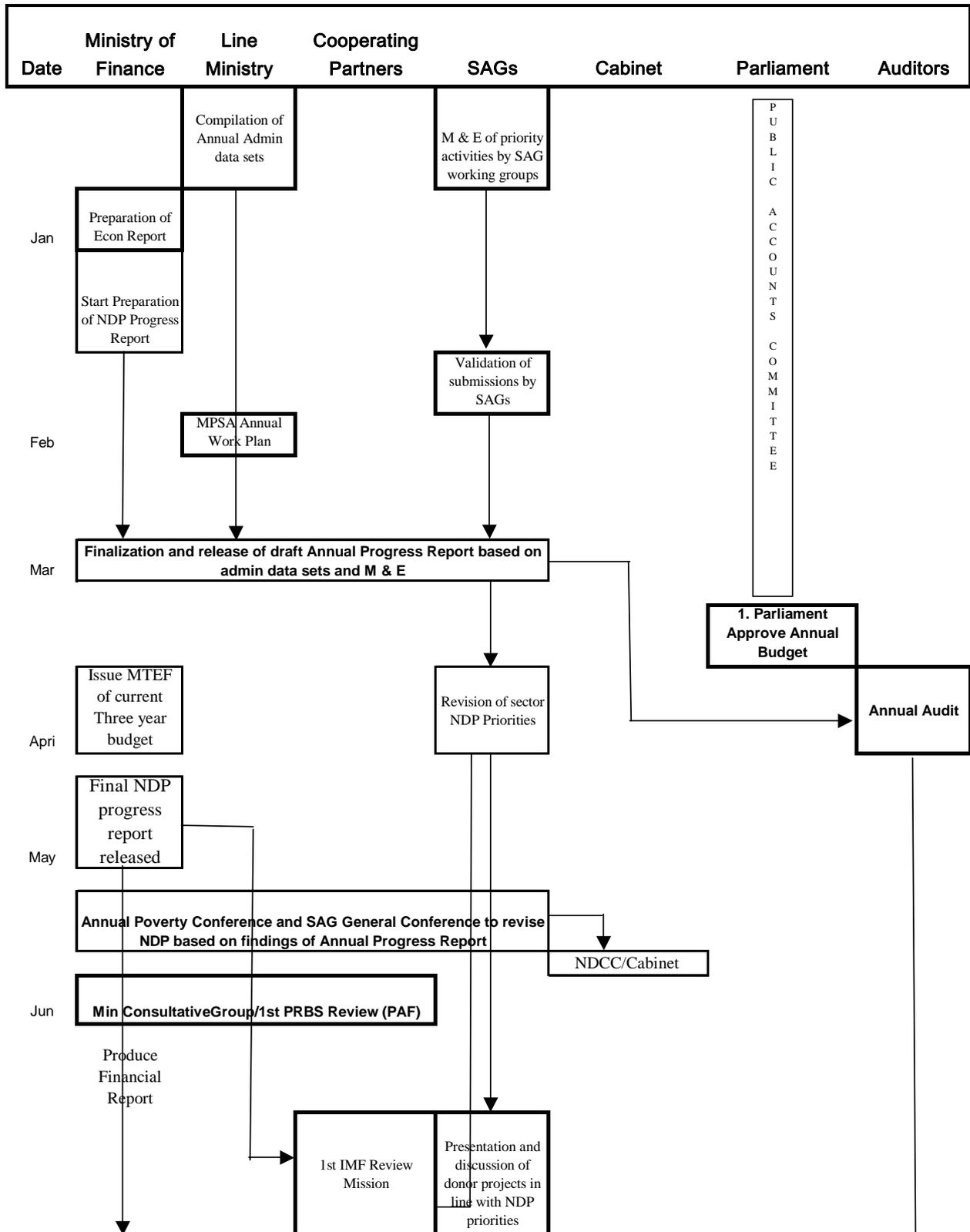
circulation of the issue papers but also sending out the invitations earlier – both points were made several times. Another critical point in the preparation is the participation of relevant government actors, of line ministries in particular. Looking at the overall course, linkages to other processes have been proposed (involvement of SAG, incorporation of PAF etc.).

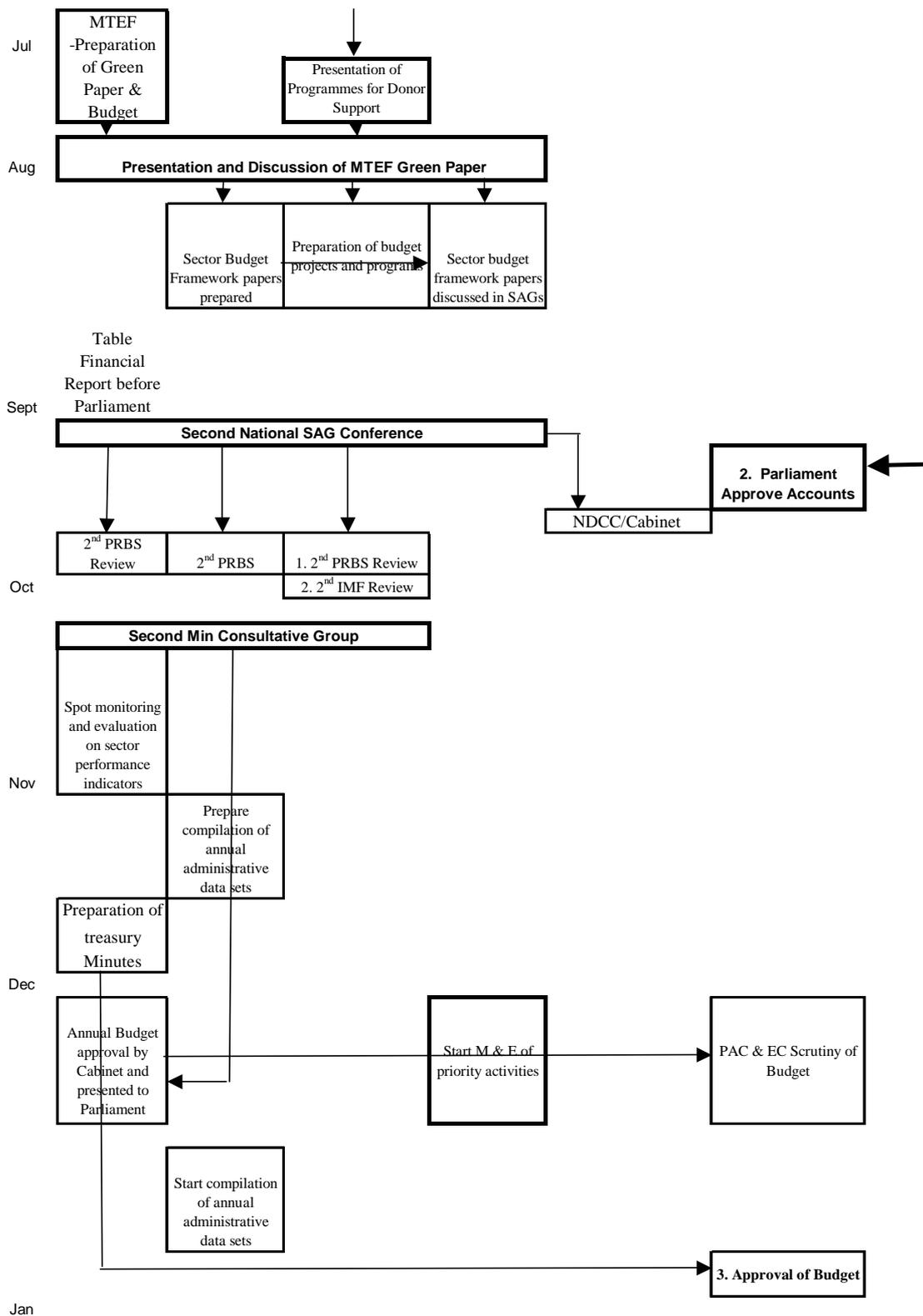
In accordance with the criticism about the **attendance** and diversity of participants, another group of suggestions concerned the invitations to civil society groups, as well as others (parliament and private sector etc.). Furthermore, it was suggested that government should ensure the participation of key actors and ministers at a higher level as well as to ensure their participation for the full meeting.

Similarly, in accordance with the weakness found in the area of results, an increased focus on action points and follow-up was mentioned several times. There were also some proposals on the improvement of the **content**, e.g. including other service provision areas or the MDGs. Another issue it was proposed to address at the meeting was an assessment of the donors' performance.

As an implication of the lack of clarity felt by a number of participants, it was suggested that the JAR should come up with a clear **roadmap** on how CPs and GRZ will move forward in order to meet their targets. An indirect indicator for the usefulness and positive overall appreciation of the events is the fact that there were several suggestions for conducting such meetings more frequently and linking them to SAG processes in terms of findings and recommendations.

### 8.3 Annex 3: National Economic Management Cycle





**KEY**

- IMF: International Monetary Fund
- NDCC: National Development and Coordinating Committee
- MPSA: Ministries, Provinces and other Spending Agencies
- MTEF: Medium Term Expenditure Framework
- NDP: National Development Plan
- PAFs: Performance Assessment Framework
- PAC: Public Accounts Committee
- SAG: Sector Advisory Group
- M&E: Monitoring and Evaluation
- PRBS: Poverty Reduction Budget Support

#### 8.4 Annex 4: List of interviews

<b>Name</b>	<b>Position, Institution</b>
Birgir Arnason	Resident Representative, IMF
Kayula Chimfwembwe	Budget Office, MoFNP
Nicholas Chitwenya	Principal Planner & Donor Coordinator, Ministry of Health
Philip Graf von Schwerin	Director Special Programmes, German Development Cooperation (KfW)
Lawrence Hansingo	Chief Corruption prevention Officer, Anti-Corruption Commission
Sari Jormanainen	Counsellor, Embassy of Finland
Edmond Kangamungazi	Programme Manager, Economics Association of Zambia
Christopher A. Katundu	Chief Planning Officer, Ministry of Education
Chasiya V. Kazembe	Acting Chief Economist, Bilateral Unit in the Economic & Technical Cooperation Department, MoFNP
Olav Lundstol	Country Economist, Royal Norwegian Embassy
Francesca Di Mauro	Head of Economic and Trade-related Cooperation, European Commission
Muteteka Maxwell	Treatment Care and Support Specialist, National HIV/AIDS/STI/TB Council
Savior Mwambwa	Programme Officer, Civil Society for Poverty Reduction (CSPR)
David Ndopu Ndopu	Director, Economic & Technical Cooperation Department, MoFNP
Kerry Nelson	Economist, DFID
Joseph Ngulube	Finance Manager, National HIV/AIDS/STI/TB Council
Rosewin M. Wandu	Deputy Director-General, Anti-Corruption Commission
Jos Verbeek	Economist, World Bank, Washington

The number of interviews was limited due to the availability of interviewees and time constraints.

## **Annex 5: Bibliography**

- ActionAid/Care: Where to now? Implications of changing relations between DFID, recipient governments and NGOs in Malawi, Tanzania and Uganda, Discussion Copy, London June 22, 2006
- Bulir Ales/Hamann Javier A.: Volatility of Development Aid. From the Frying Pan into the Fire? Paper presented in Maputo 2005,  
[www.imf.org/external/np/seminars/eng/2005/famm/pdf/hamann.pdf](http://www.imf.org/external/np/seminars/eng/2005/famm/pdf/hamann.pdf)
- Cooperating Partners, Joint Assistance Strategy for Zambia (JASZ) 2007 – 2010, Lusaka April 2007
- DAC: Budget Support, Sector-Wide Approaches and Capacity Development in Public Financial Management, OECD, Paris 2005,  
<http://www.oecd.org/dataoecd/53/7/34583142.pdf#search=%22DAC%20Budget%20support%20Good%20Practices%22>
- European Commission DG Development: EC Budget Support: An Innovative Approach to Conditionality, Brussels 2005,  
[http://spa.synisys.com/resources/2005/EC\\_GBS\\_VT\\_Review.pdf](http://spa.synisys.com/resources/2005/EC_GBS_VT_Review.pdf)
- EURODAD, Open NGO Letter on Budget Support Aid, Brussels 22 May 2006,  
<http://www.eurodad.org/articles/default.aspx?id=706>
- Gerster Richard/Mutakyahwa Ruta G., Annual Review 2006 of GBS in Tanzania: Learning Assessment, Final Report for the GoT and the Development Partners' Group, Dar-es-Salaam 2006  
[http://www.gersterconsulting.ch/docs/LA\\_Tanzania\\_Report.pdf](http://www.gersterconsulting.ch/docs/LA_Tanzania_Report.pdf)
- Gerster Richard: Risks of General Budget Support: A Tale of Experience, International Symposium „New Paths for Development Cooperation”, Berne 29 June 2006, [http://www.gersterconsulting.ch/fs/fs\\_main.asp?kt=2](http://www.gersterconsulting.ch/fs/fs_main.asp?kt=2)
- Harding Alan/Gerster Richard: Learning Assessment of Joint Review 2004,  
[http://www.gersterconsulting.ch/docs/LA\\_Report.pdf](http://www.gersterconsulting.ch/docs/LA_Report.pdf)
- IDD and Associates: Evaluation of General Budget Support: Synthesis Report, OECD/DAC, Birmingham 2006,  
<http://www.oecd.org/dataoecd/42/38/36685401.pdf>
- IMF: The Policy Support Instrument. A Factsheet, August 2006,  
<http://www.imf.org/external/np/exr/facts/psi.htm>
- IMF/IDA: Joint Staff Advisory Note, Washington 2 March 2005,  
[http://siteresources.worldbank.org/INTPRS1/Resources/Zambia\\_APR2-JSAN\(Mar2-2005\).pdf](http://siteresources.worldbank.org/INTPRS1/Resources/Zambia_APR2-JSAN(Mar2-2005).pdf)
- International Budget Project, Open Budget Initiative 2006, Country Summary Zambia,  
<http://www.openbudgetindex.org/CountrySummaryZambia.pdf>

- Killick Tony/Castel-Branco Carlos N./Gerster Richard: Perfect Partners? The Performance of Programme Aid Partners in Mozambique 2004, May 2005, [http://www.gersterconsulting.ch/docs/Report\\_PAPPA\\_2005.pdf](http://www.gersterconsulting.ch/docs/Report_PAPPA_2005.pdf)
- Lawson Andrew et al.: Joint Evaluation of General Budget support. Tanzania 1995 – 2004, Revised Final Report, ODI & Daima Associates Ltd., April 2005, [http://www.odi.org.uk/pppg/publications/papers\\_reports/TzGBSEval\\_Revised\\_FullReport.pdf](http://www.odi.org.uk/pppg/publications/papers_reports/TzGBSEval_Revised_FullReport.pdf)
- Lawson Andrew/Gerster Richard/Hoole David: Learning from Experience with Performance Assessment Frameworks (PAFs) for General Budget Support, synthesis report, Oxford/Berne 2005, [http://www.gersterconsulting.ch/docs/Synthesis\\_PAF\\_Report.pdf](http://www.gersterconsulting.ch/docs/Synthesis_PAF_Report.pdf)
- Matter Konrad/Francisco Antonio, Poverty Observatory in Mozambique, Maputo 2007, [http://www.gersterconsulting.ch/fs/fs\\_main.asp?kt=2&skt=1](http://www.gersterconsulting.ch/fs/fs_main.asp?kt=2&skt=1)
- Ministry of Finance & National Planning of the Republic of Zambia, Economic Report 2006, Lusaka 2007
- Republic of Zambia, Fifth National Development Plan (FNDP) 2006 - 2010, Lusaka, December 2006
- SPA: Survey of Budget Support, 2006. Vol. I Main Findings; Vol. II Detailed Findings, final draft 4 April 2007
- SPA: Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes 2005, [http://spa.synisys.com/resources/2005/BSWG\\_2004\\_survey\\_Main%20Reportfinal.pdf](http://spa.synisys.com/resources/2005/BSWG_2004_survey_Main%20Reportfinal.pdf)
- United Nations, United Nations Development Assistance Framework for the Republic of Zambia 2007 – 2010, Lusaka draft May 2006,
- United Nations Conference for Trade and Development (UNCTAD): Trade and Development Report 2006, <http://www.unctad.org/Templates/webflyer.asp?docid=7183&intItemID=2508&lang=1&mode=toc>