

Where is the Paris Agenda heading?

Changing relations in Tanzania, Zambia and Mozambique

Bertil Odén¹ and Lennart Wohlgemuth²

1. Executive summary

In the past five decades, development aid has been provided by international donors under the assumption that it can play a major role in promoting economic growth and alleviate poverty. In recent years, many developing countries and their international partners began emphasising the importance of a clear and agreed framework to guide both the recipient countries and development partners on how to improve the cooperation in addressing development challenges. Drawing lessons from almost 50 years of development cooperation, representatives from ninety-one countries, donors as well as recipients, civil society organizations and private sector came together in 2005 and agreed on a new aid architecture with aid effectiveness in focus, the so called Paris Declaration. The problems facing the effectiveness of aid that were identified included the lack of local ownership; increased fragmentation; high transaction costs as well as parallel systems; and solutions that were not well adapted to local needs and conditions. The measures to be used dealt with improved ownership, alignment, harmonisation, managing for result and mutual accountability. In some countries this work led to developing Joint Assistance Strategies (JAS) or similar country-led plans for managing the development cooperation process. These strategies were expected to guide the harmonisation of individual donor countries' strategies and regulate how ownership, alignment and harmonization should be strengthened over time.

The implementation of the Paris Agenda has now been under way for more than five years and the results are consistently being monitored and evaluated, particularly under the leadership of a special unit within OECD/DAC. Intermediate results were discussed in Accra, Ghana in September 2008 and further progress will be assessed in the fourth high-level forum on aid effectiveness which will take place in Busan, South Korea, from 29 November to 1 December 2011. This study aims to provide complementary analysis and reflections on how the Paris Declaration was translated into action in three of the most engaged countries in Africa: Mozambique, Tanzania and Zambia. The assessments are based on the recent evaluations and

¹ Bertil Odén, Ph.Lic. has worked for Sida, Swedish Ministry for Foreign Affairs, Swedish Parliamentary Commission on Development cooperation and the Nordic Africa Institute. He has been advisor to the Ministry of Planning in Mozambique and Ministry of finance in Tanzania. He has written and contributed to several books on Development Cooperation, with special focus on Africa.

² Lennart Wohlgemuth, PhD h.c. has since 2006 been working at the School of Global Studies, Gothenburg University as Guest Professor of African Studies with special emphasis on Swedish and European Development Cooperation Policies. Before joining the university, he was Director of the Nordic Africa Institute 1993-2005. Prior to this he worked for many years for SIDA, most recently as Assistant Director-General and head of the sector department. He has written and edited numerous books and articles on aid, development and development policy.

analysis of these by the authors, based in turn on primary data and semi-structured interviews with major actors. The interviews in Tanzania were made in the context of the author's activities in 2009 and 2010 as a member of the Independent Monitoring Group, in Mozambique during a visit in April 2010 and in Zambia through telephone and email-based consultations with key experts.

The findings of this paper's analysis points at a number of critical issues that threaten the achievement of the objectives set out in the Paris Agenda, most of them being repeated in all three countries. Although there have been some positive developments, in particular with regards to harmonization, results are far from what had been expected and the dialogue between donor and recipient governments is becoming increasingly difficult. With General Budget Support (GBS) becoming the preferred modality of recipient countries and in principle of a group of donors, the dialogue has become more political in nature as a consequence of donors' stronger interest in governance issues. At the same time the pressure on the donors to show visible results in shortest time possible puts pressure on the donor representatives taking part in the dialogue.

All three countries have in the past years had a major crisis with regard to continued support to GBS leading to either temporarily suspended or permanently stopped payments of agreed funding. A number of major donors have stayed outside the country-led JAS process, instead preferring to keep their own space and autonomy, and their objectives and aid instruments have sometimes competed with or directly undermined the principles agreed upon in the Paris Declaration. In all three countries the dialogue structure developed has become too complex, leading to problems of capacity and to higher than expected transaction costs.

Given the current situation in the three countries, the authors of this paper investigate whether the changing attitude as observed in the three countries is due to:

- normal reactions after a period of time and that the problems and challenges of the real world become more visible;
- the fact that expectations were far too high in 2005;
- real and substantial problems of technical and/or political nature in the implementation of the key features;
- fundamental change in donor behaviour such as lower support to development cooperation from taxpayers in donor countries and in the wake of the financial crisis;
- disregard of unequal power relations between donors and partners in Paris Declaration process.

The authors have found evidence that all these factors are relevant. The result of too high expectations has been that the donors overlooked some underlying problems which were already present at the very start of the introduction of the aid effectiveness objectives. Some of the problems of today are of technical nature and can easily be taken care of; others are of more political nature and require serious efforts and commitment. We also can see that problems of more political nature stem both from the side of the recipient and the donor. These problems in particular affects GBS and has introduced a measure of non-predictability to this modality. Also the impact by those donors choosing not to take part in putting in place the new aid architecture, including the so-called 'emerging donors', has important repercussions on the effective implementation of the Paris Declaration.

Criticism of the new aid architecture has risen in recent years, with different actors questioning the foundation of the Paris Declaration, which negatively affects the legitimacy of its change agenda. The impatience of the donors, the increased pressure for immediate results from their interventions and the many technical flaws and political problems from both the recipient and donor countries seems to reduce the legitimacy of the new system. All this points to a risk that the Paris Agenda could become another short-term fad in the history of aid.

A failure of the Paris Agenda would be a major set-back to aid effectiveness and development in the poorest countries. After 50 years of experience of modern development cooperation it is difficult to see an effective aid without ownership, alignment and harmonization. Going back to increased "donorship" and project aid "bombardment" would be a major set-back and lead to increased political polarisation and deterioration in the prospect for a positive partnership between countries in the North and the South. The limitations of working through projects were acknowledged as early as the 1980s (the so-called 'islands of development'), but what is more important is that in the current much more competitive and crowded development sector and increased budgets there would simply be too many projects to manage.

The upcoming High Level Meeting on Aid Effectiveness in November 2011 provides an opportunity to interrogate the outcome of various ongoing processes intended to improve the effectiveness of aid. The authors of this paper hope that their conclusions will turn out to be too pessimistic, but are convinced that they contain grains of crucial challenges, which should not be swept under the carpet by official rhetoric. Instead they should be tackled head on in an effective and down-to-earth manner.

It is the authors' view that a failure of the Paris Agenda would be a major set-back to aid efficiency. In particular must ownership also in future be taken seriously into consideration, as without it aid will never be sustainable. To save the basic premises of the Paris Declaration a first step will have to be an acceptance that there are inherent contradictions between the partners that need to be dealt with:

1. on the donor side the increasing concentration on short term quantifiable results, continuous tendency for micro-management and overoptimistic expectations on the speed of agreed reforms, and
2. on the receiving side that without visible governance improvements it is not possible to create the necessary trust needed for increased alignment and programme based forms of aid.

2. Introduction and methodology

After almost 50 years of development cooperation, most concerned actors had come to the conclusion that a new architecture for development cooperation was required. To become more effective and sustainable a number of important features had to be taken into account. The problems referred to were among others

- Fragmentation, high transaction costs and parallel systems
- Limited national ownership
- External solutions not suited for local needs and conditions

Work within the development committee of the OECD – The Development Assistance Committee (DAC) – in this area increased during the 1990s and resulted in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. In this declaration, the donors within DAC systematised their experiences and decisions were taken with developing country governments and other key actors to agree on common views on what is meant by an effective assistance in the beginning of the new millennium. The Paris Declaration did not come out of nowhere, as the Declaration included different objectives that were agreed in earlier international declarations, including the Monterrey Consensus of 2002 and the first OECD/DAC High-level Forum meeting that took place in Rome of 2003. Already in early 1990s, an agenda of “best practices for effective aid” was developed (DAC 1992). In 2003 in Rome a first pledging to align development aid with their partners' strategies, to harmonise donor policies and procedures and to apply principles of good practices, was made. While the Millennium Declaration with its Millennium Development Goals has had great impact on the content of development cooperation and the operationalisation of the goal to alleviate poverty, the Paris Declaration has had great importance for not only the content but also for the methodology of development assistance. (Wohlgemuth, 2006).

During the High-Level Forum in March 2005, development officials and ministers from ninety-one countries, twenty-six donor organisations and partner countries, as well as representatives of civil society organizations and the private sector, came together. The issues that were discussed included the lack of local ownership; increased fragmentation of aid; high transaction costs as well as parallel systems; and solutions that were not well adapted to local needs and conditions. Annex 2 to this paper describes the five key principles of the Paris Declaration, which can be considered well-known for the readers of this paper.

The emerging results of the Paris Declaration have since been assessed during a follow-up high level meeting in Accra in 2008. The ministerial declaration adopted during this meeting – the Accra Agenda for Action (AAA) – is based on the agreed commitments from Paris and elaborates further on a few points, including broadening and deepening the dialogue on development, using receiving country systems “as the first option” and further elaborating the division of labour between donors. The discussions in Accra revealed strong differences of interest between donors and recipient countries as well as between donors, as well as a willingness to further involve non-state actors and so-called “emerging donors”. Efforts to engage with emerging donors should take into account that these do not necessarily see themselves as providers of ‘aid’ but rather as partners in south-south cooperation, and therefore be open for other instruments to obtain the objectives of Paris and Accra.

The implementation of key principles featured in the Paris Agenda was already well under way in some countries in 2005 when the Declaration was approved and signed. In these countries the Declaration gave an added incentive for a continued dialogue that did aim at furthering all five key principles of the Declaration. In five countries in Africa (Ghana, Kenya, Tanzania, Uganda and Zambia) this work led to developing Joint Assistance Strategies (JAS) which were supposed to guide and manage the strategies of the individual donor countries and regulate how ownership, alignment and harmonization should be strengthened over time.³

In a more general sense, the principles of the Paris Declaration are not new as the importance of ownership, alignment and harmonization had been agreed upon before, albeit with other terminology and modest implementation results. What was new about the Paris agenda was that a large group of donors, partner countries and non-governmental organisations signed up to a text reflecting these principles.

The three countries Mozambique, Tanzania and Zambia that are analysed in this paper were among those spearheading the development of Joint Assistance Strategies or equivalent MoU in this regard. In all three countries a majority of donors did join in the work and signed up to the respective JAS or equivalent MoU of the country. The JAS was supposed to be based on each country Poverty Reduction Strategy which in turn was supposed to be developed and owned by the host country and regulate how the dialogue structure should be developed in order to support ownership, alignment and harmonization. The JAS in all countries emphasised that General Budget Support (GBS) should be the most preferred modality and that in order to reduce transaction costs the parties would work for a decrease of projects in favour of GBS, basket funding and Sector-wide Approaches (SWAPS).

The enthusiasm and trust between the parties was at its height at this time and documents and reports from that time witness that all parties were really looking forward for an improved aid relationship in the coming years (Wohlgemuth, 2006 and Saasa and Wohlgemuth 2007).

It should however be noted that although most donors had signed the Paris Declaration, and most of them also endorsed the country-based strategies in these three countries, a number of the bigger ones, such as the USA, France, Germany and Japan, as well as many UN agencies, preferred aid management processes and modalities which were far from the principles agreed in the Paris Declaration. For these large donors, issues like partner country ownership, alignment and programme-based approaches, in particular GBS, contradicted the basic approach of their aid delivery systems.

Five years after the adoption of the Paris Declaration and the implementation of the first generation of JAS, it is now time to critically review how the relations and the implementation of the Declaration and the relations between the parties of development cooperation are heading. In the three countries analysed in this paper, it can today be noted that the initial enthusiasm and high expectations have waned and a higher degree of scepticism can be found. The question that has to be investigated is whether this changed attitude is due to:

- normal reactions after a period of time and that the problems and challenges of the real world become more visible;
- the fact that expectations were far too high in 2005;
- whether there have been real and substantial problems of technical and/or political nature in the implementation of the key features;
- fundamental change in donor behaviour such as lower support to development cooperation from taxpayers in donor countries and in the wake of the financial crisis;
- or to disregard in Paris Declaration process of unequal power relations between donors and partners.

This paper provides an assessment on where the Paris Declaration process is heading after reviewing recent developments in Mozambique, Tanzania and Zambia. The assessment of the present status of implementation of the Paris Agenda in the three countries made below is partly based on recent studies made and partly on personal judgement by the authors based on documentation and interviews of major actors. This study does not aim to duplicate existing research findings but rather to make a critical enquiry thereof by means of additional document analysis and interviews conducted in the three countries concerned. By participating as a member of the Independent Monitoring Group in Tanzania one of the authors has been involved in interviewing some 25 donor and Tanzanian representatives both on high level

³ Mozambique has developed a MoU with contents similar to the Joint Assistance Strategies in the other countries.

and middle level. These interviews were structured and formed the major input in the report. In Mozambique some 10 interviews were made and in Zambia 5. Each country presentation has also been reviewed by people close to and with deep knowledge of the process.

For all three countries the implementation status is looked into regularly by all actors. The DAC and its member states have taken many initiatives to study and follow up the implementation of the Paris Agenda and its principles. A major joint evaluation on the Paris Declaration was concluded in 2008 and a second phase of evaluations will be finalised in the summer of 2011⁴. The Synthesis Report on the Evaluation of the Paris Declaration (OECD/DAC 2008) drawing on quite a formidable evidence base has been an important point of departure for this study as well as the country reports prepared for the follow up meeting of the Paris Declaration in Accra 2008.

In addition to these DAC-led assessment processes, each country has developed its own follow up mechanisms for the implementation of the JAS/MoU process. In Tanzania an Independent Monitoring Group is convened every five year to study the implementation of the collaboration between the partners. The latest assessment was made in late 2009 and early 2010 and published in September 2010 (ESRF, 2010). In Mozambique a study is commissioned annually to assess the implementation of the indicators agreed in Paris on the implementation of the Paris Agenda (IIES, 2010). Finally, in Zambia a delayed report originally prepared for Accra Meeting was published in early 2010⁵ and a major international evaluation of JASZ was published later in 2010 (Oxford Policy Management, 2010).

Based on the evidence collected, the next section will present the analysis made of the history and present situation in the development cooperation in Tanzania (3.1), Zambia (3.2) and Mozambique (3.3). Section 4 subsequently makes a comparative analysis of the experiences in the three countries as a basis for drawing some conclusions on the possible ways forward.

3. Recent history and present situation in the three countries

3.1. Tanzania

Tanzania has for a long time been and continues to be one of the most aid-dependent countries in Africa, and has been receiving aid since the early 1960s. Tanzania had a reputation in the 1960 and 1970s for pursuing highly independent policies and actively pushing for ownership of its development efforts. Self-reliance was a driving force in the policies adopted by President Julius Nyerere and one of the main themes in the 1967 Arusha Declaration of Socialism and Self-Reliance, followed by serious efforts to take control of incoming foreign resources.⁶ The many subsequent years of economic crisis alternating with crisis resolution with the support of structural adjustment programmes and policy-related aid conditionality, weakened the spirit of self-reliance. The result was more donorship and less ownership.

When the economy began to pick up again in the mid-1990s, the government revived its interest in assuming control of external resources. This trend coincided partly with the adoption of the Paris Declaration in March 2005. As a result, Tanzania started to pursue a new recipient-led assistance strategy that is piloting a new type of development cooperation partnership. Within a relatively brief period, a large number of Tanzania's many donors have agreed to put Tanzania in the driver's seat, to follow Tanzania's poverty reduction strategy, which had been strongly influenced by donors during its preparation, and to provide part of their development assistance as budget support. Eleven donors subsequently harmonised

⁴ The evaluation of the implementation of the Paris Declaration is an integral part of the Declaration itself. The first phase of the evaluation, which was presented at in Accra, is an early evaluation and focuses on ways of improving and enhancing implementation, rather than giving any definite judgement about effectiveness. The second phase of the evaluation will be more summative and will provide information about the end impacts and effects of increased aid effectiveness (OECD/DAC home page).

⁵ Chigunta, F. and N. Matshalaga, 2010. "Evaluation of the Implementation of the Paris Declaration in Zambia. Final Report." January 2010.

⁶ An English translation of the Declaration is available online:
<http://www.cddc.vt.edu/marxists/subject/africa/nyerere/1967/arusha-declaration.htm>

their budget support to Tanzania in 2003. Among them was Japan (Odén and Tinnes, 2003), which at that time never had been involved in a harmonized budget support exercise before.

3.1.1. Key policies and efforts to manage development cooperation

The Tanzania Assistance Strategy (TAS): a new recipient-led assistance strategy.

Tanzania adopted a Structural Adjustment Programme in 1986, in the wake of the economic crisis in the late 1970s and early 1980s. After the first Economic Recovery Programme, which was based on the principle of 'getting prices right', the reforms revolved around social adjustment in 1989-92 and on institutional reform in the early 1990s. These later stages required more political commitment than the earlier stages. However, the requisite political commitment was not entirely forthcoming and donors began to express concern in the early 1990s. They felt that Tanzania was failing to implement the reform programme with commitment and had not mobilised sufficient domestic resources. The Tanzanian government, on the other hand, claimed that donors were interfering too much and were undermining national ownership of the development agenda (Wangwe, 2010). This stand-off led to deterioration in the aid relationship between the Tanzanian government and foreign donors.

The situation was a cause of concern to many actors in Tanzania. In 1994, the Nordic countries, with Denmark as their driving force, decided to take action to improve the relationship. They launched a process that led to the appointment of a group of independent advisers under the leadership of Professor Gerry Helleiner of the University of Toronto. The independent advisers undertook a study, which was published in 1995.⁷ Subsequent discussions between the government and donors were based on their report. Opening up and strengthening dialogue between the government and donors became a new political priority. The result was the compilation of a set of 'agreed notes' stating, among other things, that there was a need to improve government leadership of development programming, and to secure greater transparency, accountability and efficiency in aid delivery (Wangwe, 2010). Reports assessing the progress made by both parties in relation to the agreed notes were presented to Consultative Group meetings (formal meetings between a partner country and the donor community) held in December 1997, March 1999 and May 2000.

The process of producing a framework for cooperation inspired the parallel preparation of the Tanzania Assistance Strategy (TAS) in 1998-99. This strategy was concluded in 2002, following many rounds of dialogue and refinement.⁸ The TAS was intended to be a framework for partnership that would also define the role of external resources for development in Tanzania. The TAS sought to strengthen donor coordination, harmonisation, partnership and national ownership of the development process. It contained a three-year national strategy covering various aspects of the national development agenda set out in the PRS, a policy framework, best practices in development cooperation, and a framework for monitoring its implementation, and priority areas and interventions. A TAS Action Plan was formulated as part of the Strategy with a view to plotting a practical course of action that the government and donors could take in implementing TAS.

The government and the donors agreed to set up monitoring and evaluation mechanisms that would review the progress made in improving the aid relationship and discuss reports submitted to the Tanzanian government and donors so that agreement could be reached on the next steps. The job of undertaking independent reviews was entrusted to an Independent Monitoring Group (IMG) appointed jointly by the government and donors. The IMG's first report was presented to the Consultative Group meeting held in December 2002.⁹ Thanks to the impartiality of the group and their ability to do their work without interference from donors or government, the report was able to raise a number of sensitive issues for discussion by donors and between the donors and the government (Odén and Tinnes, 2003; ODI, 2006).

The second report was presented in April 2005 and the third in September 2010; they reviewed the status of the government-donor relationship in Tanzania and assessed the progress that had been made towards the principles and objectives set out in the TAS and the JAST respectively. What follows below is to a large extent a summary of the findings of the most recent report (IMG, 2010).

⁷ The Helleiner report is available on this website: <http://www.tzdpq.or.tz/external/dpg-tanzania/about-dpg-in-tanzania.html>

⁸ See http://www.aideffectiveness.org/media/k2/attachments/Joint_Assistance_Strategy_JAST_Tanzania_1.pdf

⁹ The report is available online here: <http://www.tzdpq.or.tz/external/dpg-tanzania/about-dpg-in-tanzania.html>

The government's desire to take control of development assistance became a high priority and the best people were appointed to represent Tanzania in negotiations with the donor community. These efforts were based on the Tanzanian-owned poverty reduction strategy of 2001, which was refined to form the second-generation PRS known as MKUKUTA in 2005.¹⁰ The first poverty reduction strategy had been based on a relatively low level of non-state participation, and had also been put together in some haste in order to meet the HIPC debt relief requirements. Moreover, donors had exerted much more influence than domestic constituencies. The MKUKUTA strategy was clearer, more consultative and more participatory, with greater government leadership than had been the case in the past. The MKUKUTA strategy was much more home-grown than the first PRS, with donor input being restricted to comments on the draft version. These comments were also better coordinated than before. Donors gave strong backing to the result-driven nature of the MKUKUTA strategy, as it included both plans as well as measures on how the fulfilment of these plans would be assessed.

The Joint Assistance Strategy for Tanzania (JAST)

Succeeding the TAS was the Joint Assistance Strategy for Tanzania (JAST), which was signed in 2005 and covered the period of 2006-2010. Based on the experiences made thus far in implementing a new aid relationship in Tanzania it was designed to take the TAS to a higher stage of national ownership and leadership, and to reduce transaction costs by enhancing harmonisation and alignment with national priorities and national systems. The JAST aimed to align each donor's country assistance strategy with the government's long-term outlook for the period up to 2025 and the MKUKUTA strategy. The JAST states that donor funds should be used collectively for implementing the MKUKUTA strategy. The JAST was formulated in a consultative process involving the government, donors, non-state actors and parliamentarians. Key issues addressed in the strategy include the division of labour based on comparative advantage, the use of technical assistance for capacity development, and recommendations for the increased use of general budget support. It was signed by 19 donors¹¹, some of which had never participated in similar ventures before.

A focus on harmonisation and alignment

The strong lead taken by the government of Tanzania, as well as the fact that the donor community was keen to 'pilot' and honour the commitments made in the Paris Declaration, led to a situation in which assistance to Tanzania become more aligned and harmonised at the time of the implementation of JAST than at any previous time. The second-generation PRS (known as the MKUKUTA strategy) forms the point of departure for most development cooperation. It requires donors to get together with the Tanzanian government to discuss priority areas and sectors for each intervention, an exercise that has contributed to reducing the number of donor-funded projects and interventions. The donors operating in each sector are also working together more closely. For each joint activity, a special group is created under government leadership that agrees on all the necessary details from content to reporting procedures. Disbursements are generally triggered by a set of quantifiable indicators that are based as far as possible on the MKUKUTA strategy. Moreover, the interventions in question are channelled through the government budget system and are reported jointly, in accordance with the reporting and accounting system adopted by the Tanzanian government.

Investments made for the purpose of increasing harmonisation are reflected by increased proliferation of donor working groups, individual donor being involved in fewer sectors and increases in general budget support, with as many as 14 donors agreeing to a common procedure. The prominence of new aid modalities such as budget support and basket funds, including SWAPS, has made it more important for donors to participate in the Public Expenditure Review (PER), since this gives them an insight into and a degree of informal influence on the budget process and PRSP implementation. It also means they have access to substantial information on the effectiveness of public funds in PRSP priority sectors.

The objective of the Public Expenditure Review (PER) is to provide input for the preparation of the government budget and enable an assessment to be made of its implementation. The PER assesses overall fiscal discipline, analyses government resources and spending on key priority areas, and acts as a check on whether the government's strategic priorities outlined in the PRS are in line with the country's overall macroeconomic and fiscal situation (Odén and Tinnes, 2003).

¹⁰ See http://www.povertymonitoring.go.tz/Mkukuta/MKUKUTA_MAIN_ENGLISH.pdf

¹¹ African Development Bank, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Japan, Netherlands, Norway, Sweden, Spain, Switzerland, United Kingdom, United Nations, United States and the World Bank.

Budget support and basket funding

Through the JAST, the Tanzanian government has made very clear that it finds project support the most challenging modality in terms of management, as it tends to create parallel systems, raise transaction costs and drain government capacity. General budget support (GBS), on the other hand, is the preferred aid modality as it can enhance the predictability of resources, national planning, the use of government systems, national ownership, accountability and transparency. GBS first started to be used in its present form in 2001 and was facilitated by a common performance assessment framework whose reviews are undertaken annually prior to each financial year (Odén and Tinnes, 2003). Eleven bilateral and three multilateral donors were in 2008 providing GBS¹². According to oral information from the joint GBS group two of the bilaterals (Switzerland and Netherlands) have left the group as of January 2011.

Basket funding, which also had increased substantially in the past few years, is based on the principle of donors and the Tanzanian government pooling resources for a specific sector or thematic area which is normally specified in a Memorandum of Understanding. These Memoranda describes the procedures for approval, disbursing funds, procurement, accounting, reporting, auditing, assessment, monitoring and evaluation. There are currently 13 such funds operating in various areas and sectors, such as the Primary School Programme and Legal Sector Reform Programme. The Tanzanian Government considers basket funding as a transitional modality that can be used until such time as all assistance is provided in the form of budget support (Ministry of Finance, 2006).

3.1.2. Actual Implementation

Aid Dependency

The volume of Official Development Assistance (ODA) flows to Tanzania has continued to increase. OECD/DAC statistics show that aid disbursements increased from US dollar 1, 498 million in 2005 to US dollar 2,331 million in 2008¹³. More recent data is available at the Ministry for Finance but the statistics on aid continue to be uncertain with many sources not yet fully reconciled with each other or otherwise verified. In spite of the fact that Government has made GBS its preferred modality, GBS still has not reached the desired 40 % of total aid flow and seems to be decreasing in the past two years (IMG, 2010). Program aid (including basket funding) is fluctuating under 18 % and project aid above 40 %. With the increased engagement of emerging donors such as China and India and with the resurgence of global or vertical funds (which by the way are not all covered by the DAC statistics referred to above), project aid is increasing again.

External funding to Tanzania has been playing and will for the foreseeable future continue to play a significant role in supporting government expenditure, particularly in funding national poverty reduction efforts and implementation plans. On average, aid funds have accounted for around 40% of the national budget during 1994/95-2009/10. In recent years, however, government statistics show that while total ODA is increasing in absolute terms its share of total expenditure and development expenditure finance shows a declining trend. The decline is an indication of increased internal resource mobilization. While internal revenue has increased the country's tax base is however still too low to generate domestic revenue that is consistent with a commitment to graduate from aid dependency (IMG 2010).

Ownership, Alignment and Harmonization

Increased ownership is the centrepiece of the Paris Declaration. It is commonly held that there will be no sustainable development results in the absence of ownership. This point is also strongly emphasised in the JAST. History has shown that this widely accepted conviction is very difficult to uphold in practice. It requires on the one hand that government is prepared and has the capacity to take the lead at every opportunity given to them, and on the other that the donor is prepared not to take the lead as soon as this is possible for them. After five years of JAST implementation we can see that serious breaches to this principle is being made and that ownership is not as it was five years ago. Both parties show less commitment to ownership leading to an increased distrust between the parties. On the government side efforts to take leadership in the different dialogue fora are increasingly being weakened and enforcement of certain important agreements such as the requirement of including aid funded projects in the budget not

¹² African Development Bank, Canada, Denmark, European commission, Finland, Ireland, Japan, Germany, Netherlands, Norway, Sweden, Switzerland, United Kingdom and World Bank (Tanzania Country Report, 2008).

¹³ OECD/DAC Developing Cooperation Report 2010, table 25.

implemented. On the donor side one can see growing impatience with government's behaviour. The time required to implement what has been agreed has resulted in increased micro management from their side. Of all five principles of the Paris Agenda, it was agreed in Accra in 2008 that the one on alignment has been the most difficult to adhere to. The experiences from Tanzania in the past five years confirm this conclusion (IMG, 2010). Government sources indicate that only 20 per cent of the project aid to Tanzania is recorded in the government budget, in spite of this being stipulated in national legislation. Alignment in other important areas such as procurements has even been more difficult. The relatively high share of GBS (compared to other aid dependent countries) which is better placed to be aligned to Tanzanian systems makes the situation less bleak.

Harmonisation is probably the area where the best achievements have been reached in Tanzania. Donors are today operating in fewer sectors and prepare themselves jointly before any discussion is taken up with the government. Donors also have their own internal meeting structure to prepare for their dialogue with the government. Harmonisation or coordination between donors has been an important topic on the agenda for decades without any reasonable results until now.

There are a number of important concerns in relation to harmonisation which must be looked into further. Development Partners (DPs) do find that much more could be done both on the frequency and on the substance of these meetings. Another problem is that serious preparation and collusion on the donor side including the fact that only few donors represent the others makes it more difficult to be open for compromises in the discussion with government. Another challenge is that donors feel that the government representatives they meet with do not have the required level of authority they believe is necessary to address the problems on the table. Finally, it is found that many donors bypass the agreed dialogue structure and in addition to the regular procedures also try to go straight to top government officials with their questions in particular when they are not happy with the compromise struck with the other donors or with their regular contact counterparts in government.

Dialogue structure and transaction costs

The overall dialogue structure already developed during the implementation of TAS has been further developed and refined during the first years of implementing JAST and was again revised in 2009. The dialogue structure encompasses a large number of meeting groups on different levels and different areas of competence. The structure as a whole is difficult to overlook and most people interviewed for the IMG report do not have the full picture of its overall functioning. The meetings on the donor side seem to function although with some major criticism of them being too many and too much concentrated on process to the detriment of discussions on substance (IMG; 2010). On certain levels and in certain areas the joint meetings seem to have ceased to function. Other meeting platforms have also increasingly been questioned. The reasons for the problems cited seem manifold and rest on both sides. For government available capacities not being able to take on the proper ownership seem to be the most commonly cited reason. DPs also find that the level of representation of government is not always the right for the questions to be discussed, e.g. the government tendency to send low level civil servants to meetings where political matters are discussed. At the same time there is serious criticism of the lack of higher level meetings particularly on the issues relating to the JAST as a whole. The dialogue on GBS is rather good and a similar dialogue needs to be going on also with the inclusion of all other modalities. A serious investigation must be made of all these allegations with the view of coming up with a leaner and more efficiently working dialogue structure that meet the major request to of all parties concerned.

On the issue of transaction costs, all actors are of the opinion that these are high and must be lowered. This is particular so on the government side in particular for the Ministry of Finance. There exists no study which has compared transaction cost over time and in particular with the period before the TAS and the introduction of GBS. Although the transaction cost seems to be higher than had been expected after all these years of harmonisation and alignment and the increased share of program aid, it seems clear that transaction costs have gone down during the period when project aid was decreasing. If however fewer actors are involved in the dialogue it is felt as if the costs have increased in particular for them. At the same time the absolute amount of aid has increased substantially, new actors have entered the scene and lately the percentage of projects as part of total aid has gone up again which when taken together compromises the savings made.

Aid modalities

Effectiveness of GBS – including its predictability. GBS has been the most favoured modality for Tanzania for more than five years and has been carefully managed by a considerable number of donors in Tanzania compared with most other countries. It changes the government/donor relation and working habits considerably from detailed project discussions to a macro dialogue on economic and political matters. After a few years of implementation major question marks are raised both on procedural matters and on the dialogue as such. On procedural matters, the way the annual review process is implemented is questioned on both sides (IMG, 2010). On the dialogue the question of the dialogue structure, the level of participation by Government and the content being more process-oriented than result-oriented are all raised.

The predictability of funding via the GBS is not as good as one would have hoped for. Both parties - the DPs as well as the Government – are blamed for this. A major problem on the DP side is the different criteria used in finally releasing funds and in particular the variable tranches after the joint decision has been taken in the annual review process. The reasons for this are manifold but most of them based on the fact that GBS in the donor countries is seen with some scepticism and open for discussions in the national media. On the Government side the handling of difficult political questions related to the political and economical development is complicating the dialogue, which is vulnerable to critique of government policy in any area if it is observed by media in the DPs. Serious cases of corruption is a case in point.

Effectiveness of Basket and SWAP funding. A possible decline of GBS funds in the short-term necessitates that special attention is put on questions regarding effectiveness of basket funding including SWAPS. It appears that donor interventions in this modality have rather increased than decreased in the past few years. Again the reasons cited can be related to both the DPs and the government behaviour. Risks for a possible projectisation of this modality, leading back to the project bombardment period, have been cited in particular with the many new actors involved and in particular the new Vertical Funds (health sector).

A second issue brought up relates to the budget and basket funding including SWAPS. It appears that the joint working groups set up to overview the implementation of the baskets after the agreements are reached work so slowly and end up being so detailed that they often have not agreed on the actual annual budget in time for being included in the government budget. This has lead to difficulties in implementation of important reform measures when finally agreements are reached.

Effectiveness of project assistance. In the expectation of project aid being phased out over the coming years very little thoughts have been developed to make project aid more effective and in line with the Paris Agenda. Very little was said about this in the discussion held so far with the parties. However by reaching around 40 per cent of the total ODA to which should be added much of the financing flows from new actors and vertical funds, this state of the affairs is not satisfactory. Efforts need to be made to coordinate inputs from all different donors whether they are part of the JAST or not.

Capacity

The capacity of the Tanzanian government will be a key condition for an effective implementation of the JAST process. Increased ownership, harmonisation and alignment plus the emergence of new aid modalities, budget support in particular, will boost the importance of effective institutions and regulations in the country. It is clear that the staff responsible for implementing and coordinating the budget, including external resources, accounting and reporting, must be sufficiently competent to comply with all the new obligations and live up to all expectations. This is an issue that has to be clearly expressed and must exercise all the parties involved in the process. As aid becomes more aligned to the internal system of Tanzania, the rules and regulation on how aid is handled concern the citizen of that country as much as or even more than the external actors. Much has been done to improve the financial management system, budget system, procurement system, to fight corruption etc. etc. but much more must be done.

Thus, in order to capture the possibilities that follow from the introduction of the new aid policy, priority must be given to ongoing capacity development in order to improve accountability and transparency and so as to restrict the opportunities for corruption. However, in order for these developments to really benefit the citizens in the country and not only please the donor community, the underlying policies must be based in a democratic and participatory climate in the country. This should also include such areas as domestic resource mobilisation, the increase in free press in Tanzania, and possible increases in domestic accountability. The consultation processes which have been developed must also incorporate the political institutions and individuals. Parliament has a crucial role to play in the implementation of the JAST, which

so far has been underestimated. The political will to stick firmly to national objectives and priorities presented and approved in democratic elections is furthermore essential.

Capacity on the DP side is also essential. The most difficult problem here is the lack of continuity of staff responsible for upholding the dialogue and the conflicts between field and home offices. Just to give one example from the interviews made of donor representatives in Tanzania. Out of 14 donors interviewed only one interviewee still remained who had participated in the discussions with the earlier IMG group five years before.

3.2. Zambia

During the first decade after independence, Zambia's copper export earnings financed a large part of the government's development expenditure and aid served as a supplement to support government-initiated projects. This aid was to a large extent provided in the form of technical assistance. External shocks and unsuccessful economic policy changed this situation in the mid-1970s and since then the Zambian government's budget has been highly dependent on aid. During many years around half of the budget expenditure was aid funded. The ODA/GNI ratio has oscillated between 8 and 23 per cent in recent years (See table 1.) During the decades of the 1980s and 1990s IMF and World Bank backed – or imposed – structural adjustment programmes were implemented – often without the intended results. In recent years government revenue has increased as a result of much higher world market prices on copper. A significant inflow of capital from China has further reduced the relative importance of aid from the DAC countries.

External debt rose from USD 700 million in 1970 to over USD 7 billion around 1990. Negotiations and special international initiatives in which a few likeminded countries “bailed out” outstanding debt to the IMF and the World Bank reduced the debt by 1996 to around USD 1.4 billion, but by the end of the 1990s total external debt had returned to over USD 7 billion. In year 2000 the country became eligible for HIPC debt relief. In 2005 it had reached the completion point and its foreign debt was then reduced from 7.1 to 4.0 billion USD. The following year Zambia became eligible also for cancellation of its debt to the IMF, World Bank and African Development Bank under the Multilateral Debt Relief Initiative (MDRI) which reduced the foreign debt to about 500 million USD¹⁴. Finance policy reforms have contributed to an improved macro economic situation and the inflow of aid have stabilised at a level over one billion USD per year, with the peak so far occurring in 2006 when the ODA inflow according to DAC statistics corresponded to 1419 million USD. During the period 2000-2005 aid accounted for an average 43 per cent of the total state budget. In 2006 and 2007 it dropped below 30 per cent.¹⁵

Table 2.1. Total ODA inflow to Zambia 2002-2008 (USD million)

Year	ODA (m USD)	ODA/GNI (%)
2002	639	18.1 %
2003	589	13.9 %
2004	1 130	22.5 %
2005	1 166	17.2 %
2006	1 419	14.9 %
2007	998	10.0 %
2008	1 086	8.4 %
2009		

Source: DAC annual reports.

¹⁴ Lennart Wohlgemuth and Oliver Sasaa (2007), p. 2 and IOB/BMZ-E/Sida (2010). “Evaluation of budget support to Zambia. Terms of Reference,” p.9.

¹⁵ Lennart Wohlgemuth and Oliver Sasaa (2007), p. 3.

Table 2. Largest aid donors to Zambia 2006-2008 (gross disbursements, million USD)

Donor	2006	2007	2008
1. USA	429.9	165.3	226.5
2. European Commission	105.9	87.4	135.9
3. Global Fund	25.7	41.3	102.9
4. United Kingdom	85.9	74.0	83.9
5. Norway	66.2	74.4	73.3
6. Netherlands	56.7	71.5	65.0
7. IDA	2 396.3	70.9	59.1
8. Sweden	46.9	53.7	51.5
9. ADF	262.0	19.2	46.3
10. Germany	287.4	40.5	45.5
Total from all donors	4 045.9	926.0	1 098.4

Source: OECD.statExtracts CRS.

The figures for IDA and ADF in 2006 contain large debt relief in accordance with the MDRI.

3.2.1. Key policies and efforts to manage development cooperation

Over the years the relations between the Government of Zambia and its main donors have had its ups and downs, and the number of non-fulfilled agreements is high. The coordination of aid to Zambia had lingered on for decades without much progress when the global drive to make external assistance more effective gradually emerged in the late 1990s. After preparatory work within DAC, followed by the Rome Declaration on Harmonization in 2003, it resulted in a document of mutual commitment in 2005 – *The Paris Declaration on Aid Effectiveness*. This affected the situation also in Zambia. The Government was a party to the global initiatives in Monterrey 2002, Rome 2003 and Paris 2005 and has been involved in discussions with a group of donors since the year 2000 on how to improve coordination and cooperation both with the Government of Zambia and among themselves.

Zambia has experienced a number of challenges in donor-recipient relations, including uncoordinated aid projects, high transaction costs related to aid management, lack of country ownership, disappointing record of sustainability and weak predictability of aid flows. This has posed challenges to the government's efforts to manage the development cooperation, burdening the government staff with tasks far beyond its capacity. The multiplicity of donor requirements drained government capacity and became a threat to local ownership of Zambia's own development plans and policies.

The other side of this process was that the Government systems in Zambia increasingly became part of the problem. Effective aid management and donor harmonisation require a functioning institutional framework within which external resources could be utilised in ways that safeguarded the country's priorities. This was not the case in Zambia in early years of 2000. There was a lack of cooperation and coordination. Government bodies, including the Ministry of Finance and National Planning (MFNP) and the Bank of Zambia (BoZ) functioned poorly. Sector ministries received large volumes of aid directly with only rudimentary reporting to the MFNP.

At the macro level there were serious capacity limitations in the early 2000, including poor financial management and accounting systems. This gave incentives to donors to bypass the government system by creating parallel project management and implementation structures. The policy dialogue between donors and the government was fragmented and it was difficult to integrate external aid and national development planning and budgeting. Transparency both for donors and the government was low. (OPM 2010, p.6)

The Zambian government implemented an interim poverty reduction strategy in 2001, followed by the drafting of a more comprehensive PRSP, covering 2002-2005. At the end of the first PRSP, the government developed its Fifth National Development Plan (FNDP), covering 2006-2010. These plans were increasingly domestically developed with the inclusion of Zambian stakeholders. They emphasised sound economic management and strong institutions with reducing poverty as the ultimate objective. With the FNDP, Zambia returned to a state-planning regime. It was also a sign of the Zambian government's efforts to retake the lead of the domestic development process. Key committees were established at lower levels and detailed district plans were developed. The FNDP formulation process was more extended and

more inclusive than that for PRSP, although civil society representatives and academics did raise the criticism that political parties were left out of the process.¹⁶

Already before the FNDP process and in response to this development on the side of the Zambian government and to the Rome Declaration on Harmonisation in 2003, seven donors in Zambia¹⁷, in close cooperation with the GRZ agreed to jointly support coordination, harmonisation and alignment. This became the beginning of the Harmonisation in Practice (HIP) Initiative. A study on aid harmonisation was commissioned. It defined eleven “Quick Wins” that became the first step in a process and subsequently led to the Joint Assistance Strategy for Zambia, JASZ.

The HIP study formed the basis of the *Joint Statement of Commitment by Donors and Government to increase aid effectiveness and reduce transaction costs for Zambia*, signed in March 2003. The parties of the joint statement agreed to 1) harmonise their aid support and processes, including procurement; 2) increase the share of budget support; and 3) coordinate their policy inputs.

The HIP initiative was expanded to more partners in 2004 and involved into the Wider Harmonisation in Practice initiative (WHIP). A WHIP Memorandum of Understanding was signed in April 2004 between GRZ and the major cooperating partners to Zambia.¹⁸ HIP and WHIP laid the groundwork for the development of the Aid Policy and Strategy for Zambia as well as the setting up of a Donor Assistance Database for Zambia (Z-DAD), although the latter is still not operational.

A draft of a government *Aid Policy and Strategy* was discussed at a national conference in September 2005. This document lists the principles that according to the Zambian government should guide the development cooperation. It had been developed in a series of consultations both within the government and with other internal stakeholders as well as the donors. The Strategy was finally approved by the government in May 2007. It emphasises Zambian sovereignty, including the government’s right to refuse aid that does not conform to its priorities and modalities. The strategy if pursued can have a significant impact on Zambia’s aid relationships. It offers seven guiding principles for aid policy as a frame of reference for the interactions between the government and the donors:

- Country ownership
- Promotion of justice and equity
- Enhancement of true partnership through dialogue, coordination, harmonisation, alignment and information-sharing
- Simplification of processes and procedures
- Grants as preferred form of aid
- Capacity-building components in all aid activities
- Promotion of strong partnerships with non-state actors.¹⁹

General budget support is the Government’s preferred mode of aid delivery, and the MoU on a Poverty Reduction Budget Support (PRBS) was signed in April 2005. By 2009, nine cooperating partners had signed up to this MoU, namely the European commission, UK, Germany, Norway, Sweden, Finland, the Netherlands, the World Bank and the African Development Bank. An agreed Performance Assessment Framework (PAF) with indicators on policy measures and results was put in place. The current PAF covers the period of 2008-10. The dialogue mechanism of the PRBS includes a Joint Steering Committee, which opens up for donor involvement in the monitoring and follow up of the policy commitments made through the GBS. A multi-donor review process is also part of the PRBS agreement, with annual and semi-annual reviews.

The Joint Assistance Strategy for Zambia (JASZ) was a further step to improve the relations between the cooperating partners and GRZ. It relates to the Paris Declaration in emphasising local ownership of the development process and enhancing aid effectiveness and mutual accountability. Ideally the JASZ will substitute for all country strategies of individual cooperating partners. The signatories are 12 bilateral donors together with the EC, the UN, the World Bank and the ADB. Five of the bilateral donors (Germany, Ireland, Norway, Sweden and the UK) committed themselves to replace their bilateral country strategy for

¹⁶ Lennart Wohlgemuth and Oliver Sasaa (2007), p. 2-5.

¹⁷ Sweden, Denmark, Norway, Finland, United Kingdom, the Netherlands and Ireland.

¹⁸ The HIP signatories plus Canada, The EC, France, Germany, Italy, Japan, USA, UN system and the World Bank. Emerging donors such as China and so called Vertical funds have remained outside.

¹⁹ Government of Zambia, 2005.

Zambia by the JASZ.²⁰ This has however not materialised. Three countries, including Sweden decided to write national cooperation strategies, although based on the JASZ.²¹ This probably reflected hesitance to fully commit support to a strategy, prepared outside the donors' own national planning processes.

The JASZ states seven key objectives:

1. Establish a shared vision and guiding principles for donors support.
2. Articulate priorities for support during the FNDP period.
3. Replace or better align donors' country strategies with national priorities, targets and systems.
4. Improve aid delivery through more effective division of labour and allocation of aid resources.
5. Deepen the results focus of the assistance programmes.
6. Simplify aid management and improve aid predictability.
7. Reduce transaction costs for the Zambian government.

The seven key objectives are closely related to the commitments of the Paris Declaration. Objectives 1-3 and 6 are related to the commitments to ownership and alignment, objective 4 and 7 address the commitment to harmonisation and objective 5 relates to the commitment to managing for results.²²

In accordance with the Zambian Aid Policy and Strategy, the JASZ gives major responsibilities to the Government of Zambia, positioning it to take on ownership and aligning aid with well-established and functioning Zambian systems. It requests the donors to collaborate to improve funding predictability and alignment with Zambia's own financial management systems.

When the JASZ was introduced it was extensively discussed whether its introduction would lead to an increase or decrease in transaction costs. Some actors argued that they very well may increase during the first years of implementation as a result of the required consultations and reorientation of systems, but that the costs would be reduced in the middle and long term perspective.

3.2.2. Actual Implementation

The JASZ can be considered as the main instrument to promote the Paris Declaration agenda in Zambia. Two major evaluations of JASZ have been carried out. The first one was part of the evaluation of the Paris Declaration as part of the preparation for the Accra High Level Meeting in Accra, Ghana in 2008. It was however delayed and only published by the end of 2009.²³ The second international evaluation of the JASZ, was carried out by Oxford Policy Management, and published in June 2010²⁴. The report contains a number of important conclusions and recommendations based on the implementation and experiences of the JASZ up to early 2010.

According to the OPM report the JASZ addresses all five commitments under the Paris Declaration (PD), but mostly emphasises actions to be taken in relation to harmonisation and alignment. The report notes considerable progress on harmonisation, and some on alignment, while there has been lower progress on mutual accountability and on management for development results (OPM, 2010, p. v).

A general comment is that as an instrument for advancing the Paris Declaration, the JASZ is critically dependent on the efforts made by government. In particular the Ministry of Finance and National Planning, shows institutional weaknesses in its approach to aid management. Beside capacity problems this may reflect that JASZ as a document is only signed by the donors. The OPM report suggests that the "*JASZ is perhaps better seen as an instrument for implementing the Paris Declaration, rather than the FNDP.*" (OPM 2010, p.16) The dialogue architecture which has emerged over the period of the JASZ in response to these weaknesses, often does not respect government processes and its consultative mechanisms are driven and developed by the donors. (OPM, 2010, p. iii)

²⁰ It should be noted that the GRZ is not a signatory to the JASZ, as it is seen to be a tool that assist donors to better support the country, being the response to the FNDP and the Aid Policy and Strategy.

²¹ OPM, 2010, p. 16.

²² ToR. for evaluation of the Joint Assistance Strategy for Zambia (JASZ) 2007-2010. Evaluation Department, Danida, Evaluation and Audit, Irish Aid (January 12, 2010)

²³ The evaluation report is available here: <http://www.oecd.org/dataoecd/13/18/44549817.pdf>

²⁴ Oxford Policy Management (2010). *Evaluation of the Joint Assistance Strategy for Zambia (JASZ) 2007-2010*.

The report's conclusions on the main five commitments under the Paris Declaration can be summarised as follows:

1. Ownership

There is little evidence that the JASZ has promoted greater country ownership at national level. There is quite a substantial question mark over the leadership of the Zambian government and its capability to influence the decisions of the donors. The weakness of GRZ has also hindered mutual progress in the donors' using country systems in financial reporting and addressing fiduciary risks (p. iv) On the basis of a survey carried out the donor country representatives are not very convinced that the ownership of the Zambian government has increased. At both central and sector level, some informants suggested that the JASZ has allowed donors to "gang up" against the government over continuing policy disagreements in the agriculture sector. There are however differences between the sectors. In education, the relations between the CPs and GRZ are particularly collegial and productive. Pooled-funding has increased GRZ ownership. In health this has been less consistently the case, although the health sector has also made considerable progress on harmonisation and alignment in the JASZ period up to the point when a serious corruption affair in the health administration was revealed in 2009.

2. Harmonisation

The Division of Labour has been a major instrument of the JASZ for rationalising donor sector level engagement. According to the report, the government has progressed further than most of its neighbouring countries in agreeing and implementing a division of labour strategy with its international donors. However in the end it more closely reflects the current commitments and preferences of the donors than the Government's of Zambia preferences for its National Development Plan (pp iii-iv).

Sector management and coordination has improved amongst the donors, but the Sector Advisory Groups, the main channel for the donor-government engagement at sector level, vary considerably in their performance. Where there are well-established SWAPs, for instance in education, the JASZ has built on previous experience to consolidate. In new sectors for cooperation, such as environment and governance, the JASZ appears to be providing a model for greater sector-level coordination. (OPM, 2010, p. iii)

3. Alignment

The weakness of the Government's systems has hindered mutual progress in CPs using country systems, in for example financial reporting and addressing fiduciary risk. However there have been improvements in reporting on development outcomes and the most recent PAFs includes three to four indicators on PRBS donor performance (OPM, 2010, p 43).

According to the report, donors agree that for the future, alignment to the upcoming Sixth National Development Plan (SNDP) is important, and should be made more effective, for example by reviewing the division of labour between the donors in the light of the SNDP.

Experience shows, however, that in general it is difficult to get donors to accept the preferences of the government regarding the division of labour among the donors. Too often their own perception on their comparative advantages differs from that of the recipient government. And too often the donors want to be in those sectors and policy areas that are fashionable in the donor community at a particular moment in time.

4. Managing for results

According to the OPM report (p. 5) there has been little progress on management for development results. There is a danger that the focus on joint processes and commitments may have diverted attention away from concerns about the approach of particular donors, with less interest in joint monitoring and assessment. There is also a lack of capacity for this in both the government of Zambia and some of the donors.

5. Mutual accountability

Performance in the area of mutual accountability is seen as weak by a majority of the donors, and there has been little progress under the JASZ in developing a mutual accountability framework. The establishment of an independent monitoring group has been postponed and a government proposal for a donor monitoring framework has not been taken forward. Robust information on resource flows from donors is difficult to come by and the government's efforts to develop a database have not yet been effective. The JASZ has been more effective in the area of improved processes than at the level of

improved development outcomes (p. iii). Health and education are two sectors in which the consultative architecture have been functioning fairly well. In the health sector the necessary trust, however, was significantly reduced in 2009 following disclosed cases of corruption.

General budget support

GBS is potentially one of the most powerful instruments when it comes to improved donor harmonisation, alignment and increased ownership. In absolute terms the GBS to Zambia more than doubled between 2005 and 2008 – from 72 to 155 million USD²⁵. Its share of total net ODA inflow was in the range of 16-18 per cent during 2007 and 2008, historically the highest level up to that point (See table 3.) The largest GBS providers in 2008 were the UK, EC and Norway²⁶. The largest donor in Zambia, the USA, does not use this aid modality.

The GBS modality is vulnerable to incidents reducing the trust between the partners, for instance corruption incidents. In Zambia the highly publicised affair of corruption within the Ministry of Health in 2009 is one example. It had an impact both on the relations between the Government and within the group of GBS donors, although it was only one of many issues triggering the formal dialogue on underlying principles which was launched by the donors in June 2009. In mid 2010 new governance concerns by the donors, related to the new role of former president Chiluba, returned the issue of the volume of the GBS to the surface and made some donors, including Sweden, reluctant to disburse already committed GBS. Later in the year Sweden decided not to disburse its GBS.

Aid dependence

Quantitatively Zambia's aid dependence has decreased in recent years. Wohlgemuth and Saasa report that while aid accounted on average for 43 per cent of the total state budget in the period 2000-2005, this share dropped to around 25 per cent in 2006 and 2007. The share of GBS increased rapidly from 2006 to 2007 and increased slightly 2008.²⁷

It should be noted that programme aid, and in particular GBS, creates a different type of dependence for the receiving government than project aid. The obvious advantage of GBS for the government is the increased ownership and the need for alignment into the national budget system. The potential disadvantage is increased short term vulnerability, should one or more major donors change their mind and freeze already committed GBS funds due to political issues²⁸ that the donor government finds difficult to handle vis-à-vis its own citizens and tax payers. The corruption affair in the Ministry of Health has already been mentioned. The effects for the Zambian government of this case were however limited, as only a few donors (Sweden, the Netherlands, Canada and the Global Fund) suspended their disbursements. Should instead the UK and the EU Commission freeze their disbursements, the GBS inflow would have been reduced by half. The Zambian government would then face a sudden and significant liquidity shortage. Should the disbursement of a similar amount be delayed in a major infrastructure project or other parallel development intervention, then this would create a development obstacle, but not a dilemma for budget liquidity and need for immediate funding from other sources.

Donors outside JASZ

Recent years have also seen a number of so called emerging donors becoming important players, primarily not within the ODA sphere, but providing significant amounts of capital for infrastructure and loans for mining, energy and industrial projects. In Zambia, China, in particular, has been a visible and influential player. The average annual capital inflow from China during recent years has been substantial, although no reliable figures are available. Only a small part of the flow from China can be compared to ODA, as significant amounts are made available for the Government of Zambia for investments, without any policy dialogue over issues like governance, corruption, media policy and poverty reduction.²⁹

²⁵ IOB/BMZ-E/Sida. Evaluation of budget support to Zambia. Terms of Reference. Final version. February 2010.

²⁶ Saasa, O. (2010) *Political Economy of Budget support in Zambia*. PremierConsult Limited, table 6

²⁷ OECD CSR online database, see table 2 in annex 1.

²⁸ It is of course also possible to freeze disbursements of committed project funds, but normally the effect of this is that one project is grinding to a halt, which seldom has serious effect at the macro level. Freezing of GBS funds creates an immediate financial gap in public finances, which has to be rapidly filled from other sources, in order to avoid problems in the delivery of key public services.

²⁹ Reliable statistics on the inflow of capital from China is difficult to obtain. Recent media reports indicate that total inflow in 2010 was around 1 billion USD, after a sharp increase during previous years. This is almost of the same magnitude as the total ODA inflow in 2008. Chinese investments are focused on mining, with significant amounts also to infrastructure, manufacturing (export processing zones).

Another category of donors outside JASZ are the so called 'vertical funds', which typically come with their own planning, operation and monitoring systems, making it difficult to further advance the Paris Declaration principles. Globally, the HIV/AIDS funds are the largest but it can be expected that funds related to climate adaptation will increase their profile in many developing countries, including Zambia. While providing highly needed resources for important purposes, the flip side of the coin is that they in some cases erode the Paris Declaration principles, creating new administrative and financial channels. It should also be noted that it is possible to design special funds in such a way that they are integrated in national systems in receiving countries, provided the donor partner is prepared to accept such a design. Issues related to this complex of problems with cases from Malawi, Mozambique, Tanzania and Zambia are discussed in Saasa (2007).

3.3. Mozambique

Shortly after independence in 1975, the large majority of Portuguese settlers left the country and the formal economy, which had been under their control, collapsed. The liberation movement FRELIMO reconstituted itself into the Marxist-Leninist Frelimo Party in 1977, which to a large extent determined that while extensive support was received from the Soviet Union and the Eastern European bloc, few of the large Western development agencies provided more than humanitarian support to Mozambique in the next decade. In the mid-1980's Frelimo negotiated membership of the World Bank and the IMF which led to the application of a strict structural adjustment programme in the late 1980's, during the course of a brutal internal conflict with the dimensions of both civil war and regional destabilisation.

After the 1980s, Eastern European support successively dried up. After the Peace Accords of Rome in 1992 and particularly the fall of the Berlin Wall, most of the world's donor agencies established themselves in Maputo. By 2004 some 280 international agencies were active in Mozambique. At this point the Mozambican economy was at its lowest level ever, huge numbers of the population were refugees and the country's economic and social infrastructure lay in ruins. The level of aid reached well beyond half of the state budget and a quarter of GDP. On the one hand, the aid provided to Mozambique had been entirely unsustainable; but on the other, it had probably been key to maintaining a minimum level of stability and governance over the years of war and thus averted total social collapse and a failed state situation.

At independence Mozambique inherited a rudimentary, de-staffed and authoritarian colonial bureaucracy, along with one of the least educated populations in the world. Less than 100 Mozambicans had university degrees and around 93% of the population was functionally illiterate. The government has since been building a national public administration and made huge investments into education. Even today the public administration staff is relatively small in number and lacking in capacity. In particular, the administration's capacity to manage hundreds of individual aid interventions has been far from sufficient, and the task of doing this has deprived the administration of qualified staff to do the work of providing services to the Mozambican public. Even prior to the Paris Declaration, the donor community recognized the problem and made efforts to find more effective and less costly ways of delivering aid.

3.3.1. Key policies and efforts to manage development cooperation

After years of negotiations on how to improve aid effectiveness in Mozambique a number of donors signed up to a first Memorandum of Understanding with the Government of Mozambique in 2004 (Mozambique has never had a JAS but the MoU can be compared to this). The MoU particularly aims at regulating the modality of General Budget Support (GBS). The fifteen signatories, Belgium, Denmark, European Commission, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, UK, and the World Bank, were known as the Programme Aid Partners (PAP). In the following years, four additional donors joined, namely Canada, Spain, AfDB and Austria. The MoU detailed the rules and regulations as well as the timing for how GBS should be dealt with in Mozambique. It built on a Performance Assessment Framework, PAF, itself built on the PRS document of the country named PARPA (see below). It was an ambitious attempt to improve aid effectiveness and showed very close coherence with the Paris Declaration of 2005. The IMF was assigned a special role as regards assessing the quality of the country's economic policy. Other donors were entitled to participate in some of the proceedings as non-signatory observers.

The MoU was assessed and renewed in 2009. The new MoU continued to focus on GBS but attempted also to formalise the signatories' sector programme support along the same lines. The US and the UN family joined as associate members to the group, which today goes under the name of G19. Japan also follows the work of the group but without a formal association.

Shortly after MoU signature in 2004, the signatory agencies agreed along the lines of the principle of mutual accountability to adhere to a PAPs PAF (Programme Aid Partners Performance Assessment Framework). All participating donors are assessed annually by an external body on their performance against 20 indicators worked out within the Paris Declaration framework. Most of the indicators build on the Declaration indicators as developed by DAC but some are specific and/or reworked for Mozambique. An indicator that weighs strongly but is not included among the DAC ones is the level of each donor's budget support compared to its total aid to Mozambique. These so called PAPs PAF assessments were started in 2005 and have been implemented for five years. The first was done by an international team under the leadership of Tony Killick. The following four assessments were made under the guidance of a local consultant, Director Castel-Branco of IESE, a well renowned Mozambican economist (IIES 2006-2010).³⁰

All five studies each score the individual donors against the PAF indicators as adapted to the special context of Mozambique, which are tougher in their demands on donor performance than the original DAC requirements in the Paris Declaration. However over the years the team of Castel-Branco has also found the need to add more data into their report on issues such as the challenges with respect to policy dialogue. The time window given by the government and the G19, who jointly commission the study, does however not permit too much digression from the measuring of the process variables. These measures have, however, been refined very much over the years. The work is done by each donor reporting its data on the PAF indicators, followed by team interviews with all donors of the G19 and the Government, the latter represented by top civil servants from the Ministries of Planning, Finance and Foreign Affairs. Also some representatives of civil society are interviewed.

The so-called 'G19' group is the main engine driving the aid relations between the donors and the government. Of total aid provided by the G19, approx 37 % is in the form of budget support, 27 % programme support and 31% project support. All GBS and programme support is budgeted for in the government budget. The share of GBS in the state budget for 2009 was approximately 20 percent. These figures are however only estimates as the overall aid statistics are poor in Mozambique. An online system is now in place through which the G19 including the associate members provide information on their ODA to Government. There is however no system in place that captures all ODA provided to Mozambique and some of the major donors are still not very transparent. Although the Government says that the proportion has dropped slightly, it is estimated that some 50 % of the Government budget today is still financed through aid (PAPs PAFs 2010).

The MoU also describes in detail how the assessment of the use of GBS is to be made annually. The implementation of GBS is linked to the PARPA - the Poverty Reduction Strategy of Mozambique. The first PARPA was worked out and implemented for the years 2001-2005. The second strategy which was more home-grown and locally owned covered the period 2006-2009 and was extended for one more year. The second PARPA was preceded by a Government five year plan which is a more general planning document on the incoming elected government's programme which had been approved by the parliament. The PARPA can be seen as an operationalisation of the five year plan. Based on the PARPA, a Government PAF has been developed, containing a selection of about 40 indicators from the PARPA on dimensions of Government performance on poverty reduction, which are measured annually and then used for assessing the impact of GBS. These indicators are basically the same year after year but a few are added or subtracted each year. They fall into five major categories, Governance, Financial Management, Social Sector performance, Economic Sector performance, and cross-cutting issues (e.g. gender, environment). The assessment takes place within the dialogue structure of 28 working groups and sub-working groups, in which active sector donors and Government senior officials participate along with civil society participation in some. Each indicator is discussed in the relevant group and an agreement is reached within the group on whether the indicator has been satisfactorily fulfilled or not. When found negative it is assessed whether progress has been made in spite of the results not being fully satisfactory. The groups usually agree and recommend a rating. If not, the issue is brought to the political dialogue later in the process.

In 2008-2009 performance on around 50 per cent of the indicators has been found to be satisfactory.

³⁰ The assessments can be found through <http://www.pap.org.mz/>

Based on the findings of the working groups an Aide Memoire is worked out by the Government-G19 Joint Steering Committee, which is jointly chaired by the government and the chairman of the donor troika plus dealing with the GBS³¹. Issues related to government observance of the underlying principles of the MoU may be included in the aide memoire, when relevant. These issues are:

- safeguarding peace and promoting free, credible and democratic political processes, independence of the judiciary, rule of law, respect for human rights, good governance and probity in public life, including the fight against corruption;
- prioritising fighting poverty through its policies and plans and in its patterns of public expenditure; and
- pursuing sound macro-economic policies and public financial management;

A full-day joint technical meeting regularly takes place each year to discuss and agree on the final draft aide memoire, which includes the full assessment of the GBS cooperation programme and the performance of the respective sides and a recommendation on issues for higher level political dialogue as well as the continuation (or not) of GBS. This meeting is preceded by a meeting between the Government and the Civil Society in which the donors are present as observers. In this meeting civil society organisations are requested to participate and give their views on the aide memoire and the implementation of the GBS. While the civil society is welcome to participate they mostly lack the capacity and financial as well as human resources to fully contribute to the process.

After the technical meeting, the final aide memoire is then presented at a meeting between the parties where the donors are represented by their troika plus ambassadors and the Mozambican Government by the Ministers of Planning, Finance and Foreign Affairs, as well as by relevant sector Ministers. Areas on which no agreement could be reached in previous meetings and tougher political questions are then tackled, usually resulting in an assessment acceptable to both sides and an action plan on the way forward.

The donors then have three weeks to make their final commitments for the coming year. They meet during this time to discuss finally their commitments of both GBS and sector programme support, and to ensure a coherent response to various problems of performance. (It is not good for one donor to increase its GBS commitment because it considers government performance to have been good while another reduces its GBS because it considers performance to have been unsatisfactory). They also discuss their own PAF performance. It has not been simple to keep the donors together through this process. The group of 19 countries and organisation have shown to be guided by very different agendas, with for example Portugal being very protective due to its old colonial ties to Mozambique and the World Bank which often prefers to act bilaterally (IIES, 2010).

3.3.2. Actual Implementation³²

According to the donor respondents, the implementation of the Paris principles in Mozambique is, positive and going in the right direction. In the PAPs PAF assessments made during the past four years most donors are improving their performance in accordance with the Paris principles. Last year three countries Spain, Ireland and Canada made considerable improvements. The expectations by both donors and the government were rather high when the first MOU was approved in 2004 and many of these expectations have not been implemented so far. However the improvements made were enough for the trust between the parties to continue at a rather high but decreasing level.

The most visible improvements have been with regard to harmonization. A special donor group for improving the dialogue structure (*the task force on working groups and division of Labour*) has supervised the implementation of how the dialogue should be working and how harmonization should be further developed. Efforts have been successfully made to concentrate donors into fewer sectors, to regulate the number and type of participants in working groups and to work out guidelines on how to implement dialogue in these groups. The respondents seem to agree that progress has been remarkable in this field.

³¹ The donors are represented by a so-called Troika plus, constituted by three annually rotating bilateral donors, one of whom chairs, and the EU and the World Bank as permanent members.

³² This section draws on the latest IIES report (IIES, 2010), annual reports on the implementation of the MoU supplemented by interviews by both donors and government officials.

On alignment improvements have been made but many problems remain. After many years of major problems, financial management is now slowly developing towards more accountability and openness. Reforms in public financial management are being implemented and budgeting, reporting, accounting and auditing has substantially improved. The SISTAFE budgeting and accounting reform is steadily progressing and several advancements have been observed, including technical achievements. The FMS has now more coverage at provincial level and within short all government activities will be taken account of within the new system. The same is true with regards to internal and external audit, an area where Sweden is actively engaged. Procurement is the problem area and was included in the areas where further improvements are to be made, in accordance with the recent agreement based on donor demands.

As regards ownership the major problems still seems to be the capacity and availability of human resources within the Government. The many working groups under the dialogue structure put a very high demand on the Government to find people to chair and attend the many meetings that are supposed to take place. Another problem is the hierarchical structure within the administration and government of Mozambique, leaving very little room for civil servants on middle level to strike compromises with donors without prior approval by the political leadership. This sets limits to what the groups can agree upon and puts pressure on the political leadership to make themselves available at all times.

The collaboration went through its real test in late 2009 when the majority of donors felt that the underlying principles of the MOU were being violated in a number of important areas resulting in difficulties on their side to agreeing on disbursement of GBS funds for 2010. After very protracted and difficult negotiations both within the G19 group and between the Troika plus and the Government a compromise agreement was reached that was accepted by all parties. It is currently estimated that all G19 are meeting their commitments of GBS for 2010. This confrontation is seen as a sign of the dialogue in Mozambique is functioning and both parties being ready to compromise when so needed.

In the PAF assessments, the donor representatives stressed the following five points as important indicators of improved aid effectiveness in Mozambique:

- The annual assessments of the donor implementation of the Paris agenda, through the so-called PAPs PAF
- The increasing numbers of common funds or programme support that follows similar rules as the GBS. Today there are 12-13 such funds covering sectors, reform programs and cross cutting sectors such as HIV/AIDS
- The economist working group that by meeting every two weeks prepares for the dialogue on all levels in an informal atmosphere
- The relatively successful implementation of PFM reforms
- And finally the global and high-level nature of the dialogue structure.

On the last point the Task Force mentioned above has presented a number of important suggestions for continued improvements (e.g. a proposal for good practices for sector working groups). The latest proposal is an action plan which is supposed to lay the ground for continued and improved relations between donors and the government and deals with three important areas:

- Division of labour
- Use of country systems
- Harmonisation of Technical Cooperation for enhanced capacity building.

The proposals which so far have only been supported by 14 donors are radical and if implemented would go a long way to improve the effectiveness of aid as defined in the Paris Declaration.

The PAPs PAF report of 2010

The latest PAPs PAF report was finalized and presented to the donors in early 2010. It contains a large amount of data and concludes that after some years of progress in implementation of the indicators there are presently some worrying signs of problems. In summary the last two years show increased frustrations in the donor-government relationships. In the new MOU agreed upon in 2009 the Government representatives highlight that this document was only agreed after very strong pressure by the donor side. The government was of the opinion that this agreement went too far as regards donor interventions and was only signed after the political level in Mozambique saw the risk of a reduction in the aid flow (PAP, 2010, p 14).

The government representatives further criticised the operation of the working groups. Development partners are sometimes involved in detailed micro management in areas in which they lack expertise and are not qualified, which makes the outcomes very questionable. The result is that expectations are often created of quick results being delivered, not taking into account time constraints and the resources required to reach such results (ibid. p. 14-15). At present any technician at any level feels he/she is expected to engage in policy dialogue which is an impossible situation (ibid. p16). Furthermore the ambassadors of the G19 very often intervene in the dialogue at higher level without consulting their own expertise who participate in the joint working groups. It is therefore most urgent to foster agreement between all the actors on the purpose of the policy dialogue, at what level it should be held and about what.

The reasons for why these questions are very seldom brought up in the high-level political dialogue between donors and government seem to be lack of capacity on the Government side and also because the political level does not accept to risk the flow of aid to the country. The national directors do raise some of these issues and propose measures, but are not supported by the political level. In Mozambique very little power to make decisions is given to civil servants.

The representatives of G19 also emphasised that the purpose and the content of the political dialogue has to be further clarified, particularly as regards what issues should be taken up in the dialogue. They consider it important that this dialogue is based on the same information on all levels. It is also very interesting that in the report the donors are quoted as noting that the biggest achievement during 2009 has been the fact that the donor collaboration had been able to hold together (ibid., p 18).

Thus there are frustrations on both sides as regards how the relationships develop. The world financial crisis has put further strains on the relationship. It is quite clear that donors feel increased pressures from their home offices on performance, results, zero tolerance of corruption etc. However, so far the share of GBS and programme support of the G19 seems not to have decreased, in contrast to many other countries in Africa. However, if the G19 associate countries are added, project aid as a share of total aid has increased, mostly on account of the rapid increase of US assistance which is all project aid. Transaction costs on both sides also seem to have increased in the past two years, though they are still far from where they were before the introduction of GBS. Also on aid predictability the implementation of GBS has had its problems over the years, exemplified by how Denmark in 2005 stopped its payment of GBS completely in contradiction with the MoU because of problems it faced in one of the sectors.

On the question of why frustration is increasing the following conclusions can be drawn:

- Aid increasing fairly steadily over 25 years and still comprising around 50 per cent of the budget has led to a major aid dependence, creating increased strains and conflicts
- While government has made its preference for ownership clear this is not practiced in day to day operations. The government domestically pushes a nationalistic/populistic policy with little respect for liberal democratic rules. This frustrates the donors and makes the dialogues difficult. In this dialogue some of the ambassadors push things sometimes in the wrong direction based on wrong background information. Often the donors have been found to be part of the problems and not of the solutions.
- Political changes in donor countries, among other things leading to less funds available for aid, have led to increased interests in driving pet issues and less willingness to take risks including going for GBS and more ownership.
- The transaction costs are still high and the dialogue structure is complicated and taxing. It is estimated that 400 people from the donors and the government are involved some 45 days annually in the many working groups. Adding to that is that many of these people are not qualified for the dialogue making the discussions not very interesting, and indeed sometimes dangerous.
- As regards TA there are complaints on both sides. There has been a slight change lately towards more ownership, but government (at the political level) has so far shown no interest to take charge of the issue.
- On the political level it seems that the most important question is to see to that the aid flow is kept up at a high level - to get as much aid as possible over as long a period as possible. Aid modalities are an issue which is of much lower importance. At the same time government also wants to reduce dependence and the power of the donor community. These conflicting objectives make for a complicated policy dialogue.
- In spite of the fact that many donors are part of the MoU process still many are outside and not participating in the joint efforts. These donors include the new actors such as China, India and Brazil

and the increasing number of vertical funds. They operate mostly outside the budget and in the form of projects.

- All these issues taken together make one draw the conclusion that life as we have known it so far is coming to an end, and changes both as regards quantity of aid and policy dialogue are to be expected.

Finally, as regards the serious conclusions drawn in the PAPs PAF reports of the latest years, these have not been put on the table and discussed in a systematic way, in particular between the G19 and the government. In the report of 2010 both the government representatives and the donors make it very clear that after the previous report was produced it was not sufficiently studied, nor were any conclusions systematically drawn based on its findings. Some of the issues were brought up in the dialogue but the report as a whole was neither discussed between the G19 and the government nor sufficiently within the donor group. The report is quoted in all kinds of discussions but not really discussed on its own merits. Furthermore no real feedback was received by the donors from the government (ibid, p. 63-64). Therefore a very good and innovative tool to improve performance of the parties as regards aid effectiveness is not used to its full potential. This has been much less so in the past and does to some extent reflect the tough and difficult negotiations which have taken place between the parties in the past year in Mozambique, deriving from the question as to whether the government has been digressing from the underlying principles of the MoU. This has affected the trust between the parties and thus led to a serious deterioration of the foundations of the present donor/Mozambique partnership.

4. Comparative analysis and conclusions

There is no doubt that the implementation of the Paris Agenda in these three countries, by many seen as among the most successful, is far from satisfactory, while differing in scope and form between the countries. The optimism from 2005 has been replaced today by a more fundamental questioning and feelings of pessimism as to whether the Paris Agenda can be carried out in practice. Frustrations seem to linger on all sides and feelings of disappointment have eroded existing feelings of mutual trust. The major problems raised in all the three countries can be summarised as follows:

- Weak willingness and capacity of the host governments to take up its leadership role as agreed in the Paris Declaration
- Expectations and pressure on the donors from their home constituencies to avoid possible delays and mistakes by the recipients that may follow from increased ownership, which in turn promotes increased micro management from the donors
- The dialogue structure becoming too complex and demanding leading to increased transaction costs and capacity problems particularly on the side of the government, but also for many donors due to their harmonization efforts
- Slow progress in untying of aid and technical cooperation continuing to be too donor driven
- The use of GBS in particular having led to the dialogue increasingly becoming political in nature. From project and programme level the discussions are today more and more dealing with issues which are seen by the recipient as questioning its sovereignty and by the donor as dealing with the underlying principles of its cooperation. This in turn has led to reduced willingness by donors to use the GBS, in turn reducing the predictability of this modality for the recipient. All three countries have in the past years had a major crisis with regard to continued support of GBS, leading to either temporarily suspended or permanently stopped payments of agreed GBS funding.
- Many donors do not participate in the JAS/MoU process and thus do not participate fully in the dialogue. Instead they run their own bilateral dialogues with the government. This makes the process more difficult and unpredictable. Vertical funds and emerging donors are important players here. *"There are still too many actors with competing objectives"* (OECD/DAC 2006), leading to high transaction costs.
- Alignment to domestic policies has been very difficult to adhere to, increasingly so with the growing mistrust between the partners. This is particularly so with regard to procurements but also cooperation when it comes to managing for results, budgeting and statistics have not improved as much as expected.
- Harmonisation is the area which has been most successfully implemented. But also here some problems are being encountered. Back to back with improved coordination between donors there is a risk of ganging up by donors making it more difficult for recipient to take on ownership.

- Progress has been made when it comes to the integration of civil society actors into the JAS process, although still much remains to be done. The political community outside the government itself (such as representatives of the opposition and parliamentarians) has to be more integrated.

To come to grips with this deteriorating trend it is important to distinguish the major reasons for the present state of affairs. These reasons are discussed in more detail below.

1) Too high expectations from the outset.

The expectations in 2005 when a deal was struck after years of negotiations were very high. This is understandable. The risk one encounters in such occasions is that the expectations push aside rational thinking and understanding of the underlying problems. These problems do not necessarily change with new agreements on implementation of a JAS/MoU. The fragile democratic forces in the countries, weak governance structure, risks for corruption etc. on the recipient side and the increased requirement of short-term results and low degree of patience on the donor side still remain and have to be dealt with. The programme-based approaches promoted by the Paris Agenda can only introduce new and hopefully better methods to deal with these questions. In discussing with representatives both on the donor and recipient side it seems that the high expectations overlooked these underlying problems. Neither was the inherent power imbalance between the partners sufficiently taken into account. The Paris Agenda needs to be made more operational and it should be looked into further what to do when things go wrong, for example in deteriorating governance situations which may no longer allow for full alignment.

2) Implementation problems of technical nature.

The case studies point to a great number of smaller and bigger problems of implementation. Some of them are of technical nature and could more or less easily be dealt with. Others are more political in nature and require political will and changed attitudes by the parties to make for improvements. The border line between these two is of course difficult to define. The Paris Declaration led to the introduction of a great number of rules and regulations and these have been developed further in each country. There seemed to be no limit to what can and should be regulated and controlled. The dialogue structure is a case in point. For every problem a new working group is created requiring additional capacity from all parties involved. This might be a result sometimes of political problems being perceived as and dealt with as technical problems and leads to lack of focus, problems of coordination and increased transaction costs. The Government in the recipient country cannot allocate enough human resources to all processes and meetings thereby inflicting complaints of not taking its role in the driving seat seriously enough. Rapid turnover of staff in donor administrations further complicates the smooth management of these meetings and requires constant (re-)building of relations. To avoid unnecessary complaints and mistrust it is therefore very important to pick out such problems that are technical in nature and seriously work on how to make necessary changes.

3) Problems of political nature in the recipient countries

Firstly it has again to be emphasised that the underlying problems of bad or weak governance, authoritarian rule, etc. do not necessarily change with the introduction of the JAS/MoU and the new modalities of aid. At best it introduces better conditions and a better environment for improvements. Secondly all three countries have in the past five years seen major incidents of corruption and other major breaches of the underlying principles agreed upon with the donors and other partners. Whether these incidents are more flagrant and/or frequent than before the introduction of the new aid architecture is difficult to assess. Suffice to say that the new relationship is built on the assumption that the democratisation process will consolidate, with positive changes in the areas of freedom of association and of press freedom and human rights. This development is however very slow in all the three countries and according to some recent research signs of increasing authoritarian rule in all three countries (CMI/IEES publication (forthcoming – so far to be found on the two institutions web pages). Representatives from the donor side cite the many incidences that have taken place and seem to be convinced that the situation has deteriorated, although a mixed picture can be seen with progress in some governance areas, for instance an agreed change of the budget year cycle in Zambia.

From the Tanzanian side this view is difficult to accept, which was made very clear in interviews of high level civil servants. According to them more democracy and especially openness has made it possible to expose mal-governance earlier and faster. Outsiders however perceive these developments as if things are getting worse because the government does not come up quickly with effective remedies. One serious concern brought up by representatives of both donors and partner government deals with the local ownership of the aid planning and implementation processes. The Paris Agenda recommends participation

by all kind of societal organizations from the political level (opposition parties, parliament) to the civil society, local NGOs, business community etc. Some progress has, however, been made on improved inclusions of the local level – in particular inclusion of CSOs - but still very much remains to be done.

4) Problems of political nature in the donor countries

Also on the donor side a number of serious problems are discussed and pointed at, in particular by the representatives of the recipients. These problems are partly a consequence of the recent global financial and economic crises and an increased competition for aid in the donor countries dwindling national budgets. They are also partly a result of new ideas being introduced on how development cooperation should be handled, such as inclusion of new priority areas and increased emphasis on short-term results. Finally they are also partly due to the fact that some of the new measures introduced as part of the new aid architecture such as GBS are difficult to digest by the public opinion and governments in the donor countries.

It could be assumed that these questions taken together make donors increasingly more cautious in going into what they perceive to be more risky and anonymous ventures. This might in particular affect GBS, but also other important aspects of the Paris Declaration such as the strong emphasize on ownership. The inherent contradiction between the demand for identifiable results of a specific donor intervention and the GBS modality and alignment of aid into the recipient financial system will always be there. It is important that this is acknowledged by the development partners and that they agree on how the balance between those interests should be handled. Otherwise the lack of predictability for the recipient government may worsen. GBS has also allowed donors to gain further insight into details of partner country policy and resource allocation processes. Their interventions have occasionally been interpreted as interfering in domestic affairs. In other words, what can be seen as important for the donor can be seen as provocative from the point of view of the recipient.

Changes in the overall international development policy trends also affects the individual donor policies in a direction which tends to erode the Paris Declaration principles. One such trend, which has been mentioned briefly in the case studies, is an increasing focus on economic growth as a primary goal for aid and the private sector as a main instrument for this. Thereby an increased share of total aid is channelled outside the recipient government structures for which the Paris Declaration principles mainly were created.

5) Impact from the non-committed actors

Although most donors to the three countries discussed here did participate in the JAS/MoU process some very important ones did from the outset either abstain completely or only participate as observers. The US which is a major donor to the three countries is the most important example, although in Zambia they have been increasingly involved. The UN aid organisations and the IFIs did participate but under their own conditions. In the interviews this was raised by both donor and government representatives with most examples relating to the World Bank. In addition new actors have increasingly come to fore in the period in question.

Most visible has been the increased aid and other capital flows from China, India and Brazil. Also a number of new global or vertical funds have been created and an increasing amount is being channelled through these today - mainly to the health sector but in the foreseeable future also in the area of preventing the effects of climate change. These funds normally act outside the joint dialogue structure and operate mostly through project support, most often outside the government's budget. This development influences the implementation of the JAS/MoU considerably in different ways. Although aid from the donors participating in the JAS/MoU process still is of considerable importance for the recipient, the impact of the dialogue between the parties seems to become less conclusive under the new circumstances. Whether the increasing flows from emerging countries and through vertical funds are eligible as ODA or not, they may reduce the incentives for the recipient governments to adhere to the conditions agreed with the GBS donors. There are also sector interests on both the recipient and donor side that prefer other ways of channelling aid funds than through the domestic budget system, the latter being strongly influenced by the Ministry of Finance.

6) Special problems connected with the GBS

The most serious problems have arisen with regard to the implementation of General Budget Support. In all the three countries under investigation GBS is the preferred modality by the respective government and a number of donors have to a large extent been responsive to this request by allocating a substantial part of

their support under JAS/MoU to GBS. In each country a very sophisticated methodology in handling GBS has been worked out requiring a lot of attention and working time. This is fully understandable taking into account of the central place this particular modality has in the aid discussions.

Most observers are in agreement that GBS is the most owner friendly modality and contains a strong potential for supporting a sustainable development with the government in the driver's seat. If implemented carefully, it also allows for improvements in the financial management structure in the country by the support to and use of the countries own systems. However it contains also risks which if not taken account of in time can lead to great problems in the aid relationship but more importantly in the functioning of the government budget. These risks encompass questions of governance and the development of the democratic process in each country. By going from the project to the GBS level donors become much more involved in the overall political process of the recipient country. Many of the underlying principles of GBS and the required outcomes deal with questions which are highly political in nature.

In all three countries the GBS has been questioned once or more on the implementation of its PAF indicators or the underlying principles that impinge on certain highly problematic issues such as cases of corruption or question of democratic dispensation or HR (press freedom, political association etc.). One or more donors have either temporarily suspended or permanently stopped support to GBS completely or cut down its contribution in one way or another. The predictability of aid has thus been seriously affected. With the still rather high share of the GBS of total aid to the three countries, the government revenue implications of failed disbursements are felt immediately, and the budget liquidity gap has to be urgently closed by the Central Bank or recourse to other means – including short-term loans on the commercial market.

7) Questioning of the basic principles of the Paris Agenda

Following the country-specific reflections, the question remains whether the Paris Agenda itself is under question. More fundamental critiques of the new aid architecture, either put forward through papers or through the public debate, have increased in the past years. Here again it is important to distinguish between criticism that deals with technical problems which can be taken into account and critique which is of a system-wide nature. Some of the more substantial examples of the latter are:

- a. The donors due to the "ganging up" between themselves become too powerful and undermine the notion of country ownership. The NGO-community has strongly emphasised this question of the Paris agenda allowing for increased conditionalities thereby undermining ownership in practice.
- b. Donors increasingly involve themselves into micromanagement and further strengthen their demand for quick results.
- c. Some donors argue that they have found it increasingly difficult to hold the partner government accountable for mismanagement and corruptive practices. They also argue that the Accra Meeting moved too far in the direction of increased influence by the recipient governments. Thereby also the sector competence on the donor side will have less scope to influence the aid supported programmes.
- d. The role of local government not being defined well enough in the Paris Declaration. There is a risk that the central government will be even more strengthened by the implementation of the Paris Agenda thereby undermining participation by the local communities. Increased involvement by the CSOs is therefore recommended in all processes.
- e. Weakening bargaining power for the donors due to the increasing involvement of emerging donors, using different principles to guide their aid and other capital flows.

The increased questioning of the Paris Agenda is partly due to the low degree of patience in the donor community. Everybody wants to see immediate results from their interventions and no one can wait for the often tedious process that is required to make the necessary basic changes that are needed for sustainable development to nurture and take off. The many technical flaws and political problems in both the recipient and the donor countries decrease the legitimacy of the new system even further. The risk is that the Paris Agenda is going to be another short-term fad and confirm the saying that new aid paradigms seldom survive more than eight years (Danielson and Wohlgemuth, 2005).

It is the authors' view that a failure of the Paris Agenda would be a major set-back to aid effectiveness and to sustainable results achieved through development cooperation. After 50 years of experience of modern development cooperation it is difficult to see an effective aid without ownership, alignment and harmonization. Going back to increased donorship and project aid would be a major set-back and lead to increased political polarization and deterioration in the prospect of a positive partnership between countries

in the North and the South. 50 years of experience show that aid, without taking ownership in consideration, very rarely – if ever - is sustainable.

To save the basic premises of the Paris Declaration a first step will have to be an acceptance that there are inherent interest contradictions between the supply and demand sides of development cooperation. This is exacerbated by the increasing concentration on short term quantifiable results, continuous tendency for micro-management and overoptimistic expectations on the speed of agreed reforms on the donor side, and the failure on the recipient side to accept that without visible governance improvements it is not possible to create the necessary trust needed for increased alignment and programme based forms of aid.

5. Final comment

The Principles of the Paris Declaration are considered important for the improvement of aid effectiveness and ultimately for effective development. Implementation problems, differences between the preferred modalities and processes for some of the larger donors and the absence of necessary common values in too many cases have been obstacles to the implementation process from Paris to Accra and up till now. We may therefore in the future see a weakening of the strong support for the Paris Declaration. It might also be that donors and governments become selective in the Paris Agenda, keeping those principles that work and discarding those that don't work. However, this can also be seen as a challenge for the donor community in their preparations for the next follow-up meeting on the Paris Declaration in Busan, South Korea in 2011.

One of the best known commitments which have followed the implementation of the Paris Declaration relates to the increased use of GBS. In some of the countries receiving GBS, the necessary mutual trust between the partners has however been eroded due to factors on both the donor and the recipient side. As GBS is one of the most powerful instruments to support the implementation of the Paris Declaration, this may also contribute to a weakening of its principles. With emerging donors and vertical funds providing a larger share of the total resource flow to many countries, not least in SSA, this trend will be further enhanced. In this situation it is therefore also highly important to harmonise more of the project aid and align more of it in the budget and other partner country institutions.

Another instrument for increased harmonisation and reduced transaction costs is a more effective division of labour between the donors. Decades of experience tell us that this is not easy to operationalise. The most radical and preferred measure is if donors could agree to abstain from involving themselves in more than for instance three sectors in a specific partner country. Sweden has introduced such a policy but due to exemptions for a number of policy areas, the strength of interest lobby groups and foreign policy considerations the implementation of this policy so far has been weak.

Tanzania, Zambia and Mozambique are still well ahead of most other countries in Africa as regards the implementation of the principles of the Paris Declaration and the dialogue between the partners. Expectations have however been extremely high and too little patience on both sides of seeing the results of this process as quickly as possible. The principles of ownership, alignment and harmonization require a long time to develop and so is the process of creating veritable partnership for development. In addition achievements in these areas require humility, patience, and trust. The bottom-line is to create a good and an all inclusive partnership and this partnership must be built on mutual trust. Without mutual trust the Paris Declaration becomes a paper tiger.

Annex 1: Statistical information on ODA in Mozambique, Tanzania and Zambia

The tables below are all based on DAC/OECD statistics to make them comparative. Government data differs in most cases substantially with this data and is therefore only used in the relevant country section above.

Table 1. ODA inflow (net) and ODA/GNI

Year	Mozambique		Tanzania		Zambia	
	ODA (m\$)	ODA/GNI	ODA (m\$)	ODA/GNI	ODA (m\$)	ODA/GNI
2002	2 054	60.3 %	1 233	13.2 %	641	18.1 %
2003	1 039	25.2 %	1 704	16.6 %	581	13.9 %
2004	1 228	n.a.	1 746	n.a.	1 081	n.a.
2005	1 286	20.8 %	1 505	12.5 %	945	14.2 %
2006	1 611	23.3 %	1 825	14.5 %	1 425	14.3 %
2007	1 777	26.3 %	2 811	17.4 %	1 045	10.2 %
2008	1 994	22.9 %	2 331	11.7 %	1 086	8.4 %

Source: Table 25. ODA Receipts and Selected indicators for Developing Countries and Territories, Various Development Co-operation Reports

Table 2. GBS share of total aid inflow (excluding NGOs)

Year	Mozambique	Tanzania	Zambia
2002	6.3 %	13.1 %	11.8 %
2003	13.9 %	20.9 %	4.3 %
2004	15.7 %	14.9 %	6.2 %
2005	16.0 %	23.7 %	4.1 %
2006	8.1 %	7.0 %	2.8 %
2007	18.5 %	20.2 %	15.9 %
2008	23.8 %	20.3 %	17.5 %

Source: OECD Creditor Reporting System

Annex 2: The five key principles of the Paris Declaration

Ownership: this reflects the efforts made by partner countries to exercise effective leadership over their development policies and strategies, and to coordinate development activities. The Declaration commits partner countries to develop and implement their strategies through broad consultative processes, to operationalise these strategies and to take the lead in coordinating development aid in a dialogue with donors, while at the same time encouraging the participation of non-state actors. The Declaration calls upon donors to respect this leadership and strengthen the partner countries' capacity to exercise it.

Harmonisation: efforts aiming at bringing the policies and procedures that govern donor support as much into accord as possible, so as to avoid donors imposing varying and conflicting requirements on partner countries which reduce the effectiveness of the development cooperation efforts. The Declaration emphasises on the need for harmonising, increasing transparency and improving collective effectiveness (through division of labour) of the donors' actions.

Alignment: Donors seek to 'align' their support with priorities and strategies set by partner countries, rather than imposing their own priorities. This also means building up and relying on the partner countries' own mechanisms for implementing projects, rather than putting parallel systems in place. For their own part, partner countries undertake to make greater effort to adopt sound strategies and set sensible priorities, and to strengthen and improve their institutions as well as PFM frameworks.

Managing for results: donors and partner countries jointly undertake to try and manage and implement aid in a way that focuses on the desired results, and to improve evidence-based decision-making. Both

parties undertake to work together on a participatory basis to strengthen the capacity of developing countries and to sharpen the focus on result-based management.

Mutual accountability: finally, both donors and partner countries agree to prioritise mutual accountability and transparency in the use of development resources. The Declaration states that this will (...) *also help to strengthen public support for national policies and development assistance.* Mutual progress towards meeting the commitments on aid effectiveness made in the Declaration will be jointly assessed with the aid of country-level mechanisms. The stress should be on accountability for actions in form of providing information and reporting to those who oversee the process of resource use.

(Paris High Level Forum, 2005)

Bibliography

- Chigunta, F. and N. Matshalaga, 2010. "Evaluation of the Implementation of the Paris Declaration in Zambia. Final Report. January 2010.
- Danielson, A. and L. Wohlgemuth, 2005. "Swedish Development Cooperation in Perspective" in Olav Stokke, Paul Hoebink, eds, *Perspectives on European Development Cooperation. Policy and Performance of Individual Donor Countries and the EU*. Catholic University of Nijmegen.
- Government of the Republic of Zambia, 2005. *Zambia Aid Policy and Strategy*. Lusaka.
- Government of Tanzania. Ministry of Finance, 2006, 'Practical Experience on how Aid works in Tanzania', Dar es Salaam 2006.
- Government of Tanzania, 2008. *Enhancing Aid effectiveness for Achieving Development results*. Tanzania Country Report. Dar es Salaam
- IIES, 2010. *Mozambique: Independent Evaluation of the PAPs' Performance in 2009 and Performance Trends in the Period 2004-2009*. IIES Maputo
- IIES, 2006-2009. *Independent Evaluations of the PAPs' Performance*. <http://www.pap.org.mz/>
- IMG (Independent Monitoring Group), Tanzania, 2010. *Assessment of Effectiveness of Development Cooperation/External Resources and Partnership Principles in Context of the Mkukuta/Mkuza Review*. ESRF, Dar es Salaam
- Institute of Development, Policy and Management, 2010. *Budget Support and Policy/Political Dialogue – Donor Practices in Handling Political Crises (Mozambique and Zambia)*. University of Antwerpen.
- IOB/BMZ-E/Sida (2010). *Evaluation of budget support to Zambia. Terms of Reference*,
- OECD/DAC. *Development Cooperation Reports 2006-2009*. Paris
- OECD/DAC 1992, *Development Assistance Manual: DAC Principles for Effective Aid*, OECD Paris
- OECD/DAC, 2006, *2006 Survey on Monitoring the Paris Declaration; Overview of the Results*, OECD Paris
- OECD/DAC, 2008, *Synthesis Report on the Evaluation of the Paris Declaration*, OECD Paris
- OECD/DAC, 2009 *Working towards more effective collective donor responses to corruption – Background study of how donors have responded to corruption in practice – Synthesis report and recommendations*.
- OECD/ DAC Network on Governance – Anti-Corruption Task Team.
- Odén, B. and Tinnes, T. (2003) 'Tanzania: New aid modalities and donor harmonisation.' Norad Report 8/2003.
- Oxford Policy Management. *Evaluation of the Joint Assistance Strategy for Zambia (JASZ) 2007-10*. June 2010
- Paris High Level Forum (2005) 'Toward Enhanced Aid Effectiveness - High-Level Forum: Harmonisation, Alignment and Results
- Republic of Mocambique, 2010. *Annual Review 2010 Aide Memoire, including 4 annexes and the PAPs final evaluation of the Governments performance in 2009*, Maputo

- Renzio, P. de (2006), Promoting Mutual Accountability in Aid Relationships - Synthesis Note: Overseas Development Institute (ODI)
- Rogerson, A. (2005), 'What if aid harmonisation and alignment occurred exactly as intended? A reality check on the Paris Forum on Aid Effectiveness'.
- Draft paper for the ODI-Development Centre workshop on research perspectives on aid architecture, 4 February 2005.
- Saasa, O. (2007). HIV and Aids Indicators. Monitoring and Evaluating the National Response in the Context of the New Aid Architecture. PremierConsult, Lusaka.
- Saasa, O. (2010). Political Economy of Budget Support in Zambia. PremierConsult, Lusaka
- Sida, 2001. Country Analysis Mozambique September 2001. Sida, Stockholm
- Sida, 2006. Outcomes assessment cooperation strategy 2002 – 2006, Embassy of Sweden, Maputo
- Thomson, Anne et al., 2010. Evaluation of the Joint assistance Strategy for Zambia 2007-2010. Final report. Oxford policy Management.
- Wangwe, S. 'Changing Aid Modalities and Tanzania Development Assistance Partnerships' in: Havnevik, K. and Isinika, A., Tanzania in Transition, 2010.
- Wohlgemuth, Lennart, 2006. Changing aid modalities in Tanzania. Policy Management Brief, ECDPM, Maastricht
- Wohlgemuth, Lennart and Oliver Sasaa (2008). Changing aid relations in Zambia. Policy Management Brief, ECDPM, Maastricht
- The Paris Declaration on Aid Effectiveness may be consulted on line at:
<http://www.oecd.org/dataoecd/11/41/34428351.pdf>

Acknowledgements

The authors would like to thank Professor Oliver Saasa (Zambia), Dr Anthon Johnston (Mozambique) and Mr. Deo Mutalemwa (Tanzania) for reading through and commenting on draft versions of the country sections featured in this Briefing Note. They also gratefully acknowledge comments received on a draft version of this paper from ECDPM's Jan Vanheukelom and Niels Keijzer. Niels Keijzer also provided additional editorial and research support.

ECDPM Briefing Notes

ECDPM Briefing Notes present policy findings and advice, prepared and disseminated by Centre staff in response to specific requests by its partners. The aim is to stimulate broader reflection and debate on key policy questions relating to EU external action, with a focus on relations with countries in the South.

info@ecdpm.org
 www.ecdpm.org
 KvK 41077447

HEAD OFFICE
SIÈGE
 Onze Lieve Vrouweplein 21
 6211 HE Maastricht
 The Netherlands Pays Bas
 Tel +31 (0)43 350 29 00
 Fax +31 (0)43 350 29 02

BRUSSELS OFFICE
BUREAU DE BRUXELLES
 Rue Archimède 5
 1000 Brussels Bruxelles
 Belgium Belgique
 Tel +32 (0)2 237 43 10
 Fax +32 (0)2 237 43 19

