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Towards a Division of Labour in European Development Co-operation: Operational Options

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Preface

This study analyses options to improve the division of labour between the various donors of the European Union: the European Commission and the Member States. It was commissioned by the German Federal Ministry for Economic Co-operation and Development (BMZ). However, it is the responsibility of the German Development Institute (DIE) alone and any conclusions should not be attributed to BMZ.

The study is part of a research project on division of labour in EU development co-operation of DIE, the Centre of International Relations at the University of Ljubljana and the Centre of African and Development Studies at the Technical University of Lisbon. Case studies on the possible roles of the New Member States and Portugal in a division of labour will be published in another DIE discussion paper.

The results of this research project were presented in January 2007 in Brussels as an academic contribution to the ongoing political discussion about a division of labour in EU development co-operation.

Holger Mürle | Bonn, February 2007

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Abbreviations

ADB	African Development Bank
AFD	Agence Française de Développement
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DFID	Department for International Development
DPG	Development Partners Group
DRC	Democratic Republic of Congo
EC	European Commission
EDF	European Development Fund
EU	European Union
GAERC	General Affairs and External Relations Council of the European Union
GNI	Gross National Income
GNP	Gross National Product
IDS	International Development Statistics
JAS	Joint Assistance Strategy
NGOs	Non Governmental Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
USD	US Dollar
WBGU	Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen (German Advisory Council on Global Change)

Executive summary

In October 2006, the General Affairs and External Relations Council of the European Union (EU) adopted "guiding principles" for a division of labour in EU development co-operation and stated its intention to define concrete steps to operationalise them. Based on an analysis of relevant concepts and existing experiences, the present study develops concrete proposals how these principles could be implemented.

Why we need a division of labour between donors

To improve the division of labour between donors is a core challenge for the effectiveness of development co-operation. Because of the high transaction costs of co-ordinating and harmonising a large number of donors, the Paris Declaration can only become a success if a division of labour is implemented. Too many donors are concentrating on the same countries and the same sectors. This problem is particularly relevant in countries which receive high amounts of official development assistance (ODA) in relation to their gross national income (GNI).

The role of the EU for improving the division of labour between donors

Ownership of the partner countries is crucial for any division of labour in development co-operation. However, it is the responsibility of donors to make proposals how to better organise themselves and thus expand the choices of the partner countries. Because the EU accounts for more than half of worldwide ODA, includes 15 of the 22 bilateral donors organised in the Development Assistance Committee (DAC) and has established institutions for joint decision-making, it could become an engine for a donor-wide division of labour. Progress towards a better internal division of labour would increase the visibility and the political influence of the EU in international development co-operation. Any EU initiative for a division of labour should be open and aim at the largest possible participation of other donors. In addition, it should take account of the substantial differences between donors. Every EU donor has specific expertise and can play an active role in a division of labour.

Core principles for a division of labour

1. The main goal of a division of labour is to reduce the number of donors involved in the same kind of activities.

2. While it may take time to change the current patterns of aid delivery, a division of labour should be applied immediately to additional development assistance.

3. Each donor should build on its particular strengths rather than build new competences in areas where other donors already show good performance. While the EU as a whole should be able to provide all forms of thematic, sectoral and instrumental development operations and be active globally, individual donors may specialise in a co-ordinated way on specific countries, themes, sectors and instruments.

4. A division of labour is not a technical exercise of maximising aid effectiveness according to an objective formula, but must take account of the political processes of development co-operation, involving value-judgements, interests and negotiations.

5. A division of labour should find a pragmatic balance between a pluralism of different approaches and a reduction of the number of donors focussing on the same countries and sectors.

6. In the future, the currently limited knowledge about comparative advantage could be improved through comparative evaluations of donor performance.

7. In-country, cross-country and cross-sector division of labour are linked. They should be addressed simultaneously, as progress in one dimension is limited by progress in the other dimensions. A reduction of the overlap of EU donors in the cross-country and cross-sector dimension would simplify and facilitate in-country processes of division of labour.

8. In order to move beyond policy statements and achieve real changes in the practice of development co-operation, the EU should define concrete activities in all three dimensions of a division of labour and monitor their implementation.

How to improve in-country division of labour

Because of the ongoing processes of formulating donor-wide joint assistance strategies and the introduction of EU joint programming, there is a window of opportunity for improving in-country division of labour. However, progress in reducing the number of donors has been slow so far. The EU should advance division of labour exercises as part of these processes by applying good practices specified in a code of conduct:

- limit the number of sectors per donor;
- limit the number of donors active in a sector;
- use lead donor arrangements for sector policy dialogue and donor co-ordination;
- use delegated co-operation outside focal sectors as a tool for quickly moving towards a division of labour.

The EU should select a number of countries where these principles can be applied immediately and monitor the experiences with the implementation of the code of conduct.

How to improve cross-country division of labour

The EU should improve cross-country division of labour through three complementary initiatives:

1. Each EU donor should individually assess its current degree of geographic concentration by benchmarking against other donors of similar size. As the choice of partner countries is highly political, this assessment is mainly a national task. However, the individual reviews should be accompanied by an exchange of views on good practices and a discussion about the appropriate level of concentration. If a EU donor decides to reduce the number of priority countries, a consultation with the other EU donors should take place about their planned presence and allocation as well as about the overall aid level in the countries concerned. Thus, an unintended fall in the overall aid level of a country (possibly leading to new “orphans”) can be avoided.

2. EU donors should develop a joint strategy for the limited number of cases in which there is substantial overlap in their choice of partner countries. There are about 30 EU "darling" countries. EU donors should adopt a learning approach and start with four to six countries with a strong focus on poverty reduction in which the negative effects of the presence of a large number of EU donors are particularly high. As a result, the EU should propose to these countries either an exit of some donors without reducing the total volume of EU aid or a scaling-up of aid by only few donors per country. From the perspective of a donor, the reduction of activities in a specific country could be compensated by increased activities in another country (package solution).

3. The EU should embed a joint strategy for "orphan" countries in the context of the ongoing activities in the DAC fragile states group. The DAC has identified a limited number of "orphan" countries. They should receive more ODA without increasing the number of EU donors. As countries with little aid flows can quickly become "darling" countries in the sense of a large donor presence when the political situation changes, the EU could pay special attention to a joint response strategy for these "new" partner countries.

How to improve cross-sector division of labour

The EU should improve the cross-sector division of labour through two initiatives:

1. Based on an individual assessment by each EU donor of the importance of sectors relative to its entire portfolio and to its political goals as well as compared to other donors, EU donors should discuss a coherent approach of concrete steps towards more sectoral concentration while maintaining the diversity of expertise for the EU as a whole.

2. In new and rapidly growing fields of development co-operation, like for example climate change, EU donors should immediately use a division of labour approach and develop a joint EU strategy. Thus, an inefficient build-up of identical competences by many individual donors could be avoided.

1 Introduction

The division of labour between donors is an important issue on the agenda of the Paris Declaration on Aid Effectiveness. In many developing countries, the number of aid agencies is very high. For example in Tanzania, a country with a population of 37 million, about 40 bi- and multilateral donors are operating; 10 EU countries plus the Commission committed more than 5 million USD of new ODA in 2004 (DPG Tanzania 2006; OECD 2006a).

While most other issues of the aid effectiveness agenda like harmonisation of donor procedures or alignment with partner country strategies are addressed by numerous initiatives, action on division of labour is still very limited. Inconsistencies between previously isolated projects as well as transaction costs for the partner countries resulting from the multitude of different donor procedures could be reduced in many cases, but the transaction costs resulting from the new mechanisms of donor co-ordination like sector-wide approaches are very high because of the large number of donors. In addition to co-ordination mechanisms between the partner country's government and the donors, there is a large number of meetings between donors. For example, in Tanzania 23 donors (including 9 EU aid agencies) meet every month in the "development partner HIV/AIDS group" (DPG Tanzania 2005a). Transaction costs are not only a problem when they are a burden for the partner countries' governance capacities. Administrative costs on the donor side reduce the amount of ODA resources actually available for development programmes benefiting the partner country. The problem of a large number of donors is particularly relevant in countries which receive high amounts of ODA in relation to their GNI. They should be the priority for action towards a division of labour. In sum, it becomes increasingly clear that progress in aid effectiveness depends crucially on a reduction of the number of donors involved in the same kind of activities in one country (Acharya / Fuzzo de Lima / Moore 2006, 15 ff.; Faust / Messner 2007). The Paris Declaration can only become a success if a division of labour between donors is established.

The EU has decided to address the issue of division of labour in development co-operation. On 17 October 2006, the General Affairs and External Relations Council of the EU (GAERC) has adopted "EU guiding principles on complementarity and division of labour". While "complementarity" in the context of the EU refers to the relation between the activities of the European Commission on the one side and of the Member States on the other, "division of labour" is a broader term covering in addition the relation between the activities of the different Member States.[1]

The ownership of the partner countries is crucial for any division of labour in development co-operation, but donors have a responsibility to make proposals how to better organise themselves. The EU could advance substantially the donor-wide division of labour and thereby the implementation of the Paris Declaration, as it includes 15 of the 22 bilateral donors organised in the DAC plus the European Commission. The EU accounted for 52 % of worldwide net ODA in 2004 (EC 2006a, 4). Agreements on a division of labour may be easier to reach in the EU than in discussions with all donors because it is a political entity with established institutions for joint decision-making. In addition, progress towards more internal division of labour would increase the visibility and the political influence of the EU in international develop-

1 Complementarity is an important legal principle of EU development co-operation and has been addressed for example in communications by the Commission and resolutions by the Council in 1995 and 1999, in the development policy statement from 2000 and in the European Consensus on Development from 2005.

ment co-operation. It would strengthen the role of development co-operation in EU external relations and contribute to the construction of a European identity based on the values contained in the European Consensus on Development adopted in December 2005. However, any EU process should be open and aim at the largest possible participation of other donors. The EU could act as an engine for a donor-wide division of labour.

Any strategy for a division of labour within the development co-operation of the EU must take account of the significant differences between EU donors: for example, some countries provide large total volumes of ODA; some countries have a long tradition of allocating a large share of their GNI to ODA (more than the UN target of 0,7%); some countries have maintained strong cultural and political ties from their colonial past; some countries have only recently started their development co-operation. Every EU donor has specific expertise and can play an active role in a division of labour. In addition, it is important to differentiate between the types of activity. For example, the support to local initiatives with small amounts of ODA practised by many embassies does not need to be included in a division of labour. A division of labour should not lead to rigid bureaucratic rules but leave room for flexibility.

The main goal of a division of labour is to reduce the number of donors involved in the same kind of activities through innovative ways of organizing development cooperation. Instead of analysing the activities of a specific donor and making isolated recommendations to improve them, a division of labour perspective requires an analysis of the activities of all donors as a whole, identifying overlaps and unique features of each donor. The overall benefit could be maximised if each donor expanded its particular strengths instead of trying to build new competences or spending scarce resources on overcoming weaknesses in areas where other donors show good performance. While the EU *as a whole* should be able to provide all forms of thematic, sectoral and instrumental development operations and be active globally, individual donors may specialise in a co-ordinated way on specific countries, themes, sectors and instruments. As experience in society and the economy shows, specialisation is a means to improve performance. While it will take time to change the current patterns of aid delivery, a division of labour approach could be immediately applied to additional development assistance.

In fact, the significant increase of ODA planned by the international donor community ("scaling-up") – the EU has committed itself to concrete intermediate targets for reaching collectively the UN goal of 0.7 % until 2015 – should not reinforce the current fragmentation of the aid system. This would have a negative effect on aid effectiveness and the absorption capacities of partner countries. A co-ordinated approach for spending the additional ODA should be based on a division of labour. This perspective is lacking in the current discussions by OECD/DAC and World Bank on "scaling up for results" (OECD 2006b).

On the basis of a conceptual analysis and existing experiences, the study will develop concrete proposals how the GAERC guiding principles could be implemented and how the EU could advance towards a division of labour in development co-operation. First, it provides an overview of the current patterns of EU development co-operation. Second, it discusses key concepts that are relevant for organising a division of labour. Third, the study analyses how the EU could advance processes to improve the division of labour at the level of the partner countries ("in-country division of labour"). Fourth, it discusses how in-country processes can be complemented by a better geographic concentration of donors ("cross-country division of labour"). Fifth, it addresses the issue of a sectoral concentration of donors ("cross-sector division of labour").

For pragmatic reasons, the study focuses on the three dimensions of a division of labour highlighted by the GAERC conclusions of 17 October 2006 ("in-country", "cross-country", "cross-sector") and does not address the two other dimensions of a division of labour mentioned in the GAERC conclusions as points for further discussion ("vertical" and "cross modalities and instruments"). The "vertical" dimension relates to the role of the EU in the international aid architecture. While substantial progress in the in-country, cross-country and cross-sector dimensions can be achieved by the EU in a first step, this wider question should be approached in the future. The EU could, for example, develop joint perspectives on multilateral development organisations like the World Bank, the regional development banks or UNDP.[2] The "cross modalities and instruments" dimension which includes, for example, the issue of loans and grants could be approached within the other dimensions as an issue for further operational refinement of a division of labour.

The approach to a division of labour used in this study starts from the institutional and political realities of current development co-operation and identifies concrete steps that can be immediately implemented. Another approach would be to define a political project that develops a vision of the role the EU wants to play in the world and formulate proposals for a division of labour as an implementation strategy (e.g. Faust / Messner 2004). This would require strong attention to the links between development co-operation and the other fields of foreign policy of the EU. While the second approach is beyond the scope of this study, the two approaches would be complementary.

2 Overview of EU development co-operation

The analysis of options for a division of labour in European Union development co-operation must take account of the differences between the 27 member states and the Commission. There will not be a "one size fits all" solution. Donors differ in many respects, for example in overall volume, geographic and thematic orientation and the use of instruments. However, there is also strong overlap in many areas requiring a better division of labour between EU donors.

2.1 Aid volume

2.1.1 "New" and "old" member states

With respect to the volume of aid, it makes sense to differentiate between the "new" member states that joined the EU since May 2004 (EU-12) and the other member states, which are all members of the DAC (EU-15). While many of the "new" member states have a specific experience of co-operation with developing countries during the cold war period, they are now in the process of building up new structures of development co-operation. A division of la-

2 The study focuses on the activities of public agencies. The activities of non-governmental organisations which play an important role in development co-operation should be included in this wider approach.

bour approach is particularly important in this context. Own experience with bilateral operations is seen as a necessary basis to participate fully in EU and international development policy making. Operational co-operation with "old" member states could be a possibility to accelerate the process of building up this expertise. Geographic and sectoral concentration is equally important for "old" and "new" member states.

As Bulgaria and Romania joined the EU in January 2007, data in this paper can only refer to the new member states that joined in May 2004 (EU-10), while the recommendations are relevant for all "new" member states. The net ODA numbers for 2005 show a strong increase for the EU-10 (see table 1). However, the "new" member states as a group will remain distinct in development co-operation for some time. Within the EU policy for achieving overall a share of ODA in GNI of 0,7 % by 2015, they have a separate target of 0.33 %. Given these differences and the limited availability of data for the "new" member states, an analytic distinction will be made in this paper between the EU-12 / EU-10 and the EU-15 (see annex 1 for a detailed analysis of the EU-10).

Table 1: Net ODA 2004 and 2005 (in order of 2004)[3], USD million[4]

Country		Net ODA 2004 (% GNI)	Net ODA 2005 (% GNI)
EU-15	France	8473 (0,41)	10026 (0,47)
	UK	7883 (0,36)	10767 (0,47)
	Germany	7534 (0,28)	10082 (0,36)
	Netherlands	4204 (0,73)	5115 (0,82)
	Sweden	2722 (0,78)	3362 (0,94)
	Italy	2462 (0,15)	5091 (0,29)
	Spain	2437 (0,24)	3018 (0,27)
	Denmark	2037 (0,85)	2109 (0,81)
	Belgium	1463 (0,41)	1963 (0,53)
	Portugal	1031 (0,63)	377 (0,21)
	Austria	678 (0,23)	1573 (0,52)
	Finland	655 (0,35)	902 (0,46)
	Ireland	607 (0,39)	719 (0,42)
	Greece	465 (0,23)	384 (0,17)
	Luxembourg	236 (0,83)	256 (0,84)
EU-10	Poland	118 (0,05)	205 (0,07)
	Czech Republic	108 (0,11)	135 (0,11)
	Hungary	55 (0,06)	100 (0,11)
	Slovenia	31 (0,10)	*
	Slovak Republic	28 (0,07)	56 (0,12)
	Malta	10 (0,18)	*
	Lithuania	9 (0,04)	*
	Latvia	8 (0,06)	*
	Estonia	5 (0,05)	*
	Cyprus	5 (0,04)	*

*not reported by DAC
Source: EC 2006a (for 2004); OECD 2006c (for 2005)

3 The order of 2004 is used because 2005 data are not available for all countries. The DAC (OECD 2006c) points out that the strong increases in 2005 are for many countries an effect of exceptionally high debt relief.

4 Data in this paper is always expressed in USD because this is the currency used in DAC statistics.

Among the EU-15, two features are particularly outstanding. First, there are four donors that have a long history of spending more than 0.7 % of their GNI to ODA: Denmark, Sweden, the Netherlands and Luxembourg. Second, there are three very large donors in terms of total aid volume (France, UK and Germany), a number of donors with an intermediate size of the overall aid volume (Netherlands, Sweden, Italy, Spain, Denmark, Belgium) and a group of donors with a smaller aid volume (Portugal, Austria, Finland, Ireland, Greece and Luxembourg).

2.1.2 Using the appropriate data for analysing the division of labour

"Net ODA" provides a first overview of the aid volume of donors and is the only data available for all EU member states. However, for the purpose of analysing options for a division of labour, the indicator "net ODA" is not suitable. Net ODA is constructed to capture the mobilisation of new resources from donor countries benefiting developing countries which includes, for example, debt relief, imputed student cost, and support to refugees in donor countries. Interest and principal payments by developing countries for loans are subtracted from new ODA payments. From the perspective of a division of labour, which wants to solve the problem that too many actors are doing the same, one has to consider all donor activities in developing countries. While "net ODA" includes payments to multilaterals, a division of labour approach must focus on the activities that bilateral donors do themselves as aid agencies.

The best data for analysing options for a division of labour would be current and planned bilateral commitments of donors to developing countries. In the Paris Declaration on Aid Effectiveness, donors actually commit to provide developing countries "*indicative commitments of aid over a multi-year framework*" (para. 26). However, despite being addressed by the DAC fragile states group (OECD 2006d) and the "scaling up for results" initiative by the DAC and the World Bank (OECD 2006e), this information is currently not available in a comprehensive way.

In the absence of these data, it is a sufficient approximation for the purpose of this paper to use the data on bilateral commitments collected by the DAC. Commitments are better suited for a forward-looking analysis than disbursements (used for the most widely used indicator "net ODA"), because they are closer to current policies.[5] Disbursements can contain a considerable time lag to the moment when they were allocated during which changes in donor strategy may have occurred.[6] Furthermore, commitments contain new aid activities in developing countries financed by ODA loans (and do not consider financial flows resulting from past activities which are not relevant from the division of labour perspective). In order to focus on aid activities in developing countries, the data used in this paper excludes debt relief, imputed student costs[7], support to refugees and administrative costs. Furthermore, humanitarian aid is

5 While commitments are the best indicator for the purpose of this paper, one should bear in mind that commitments do not represent actual resource flows (which are not the focus of this paper). There may be considerable time lags between a commitment and disbursement. In addition, for interpreting the data it is important to note that commitments may be made for several years and therefore can have strong variations.

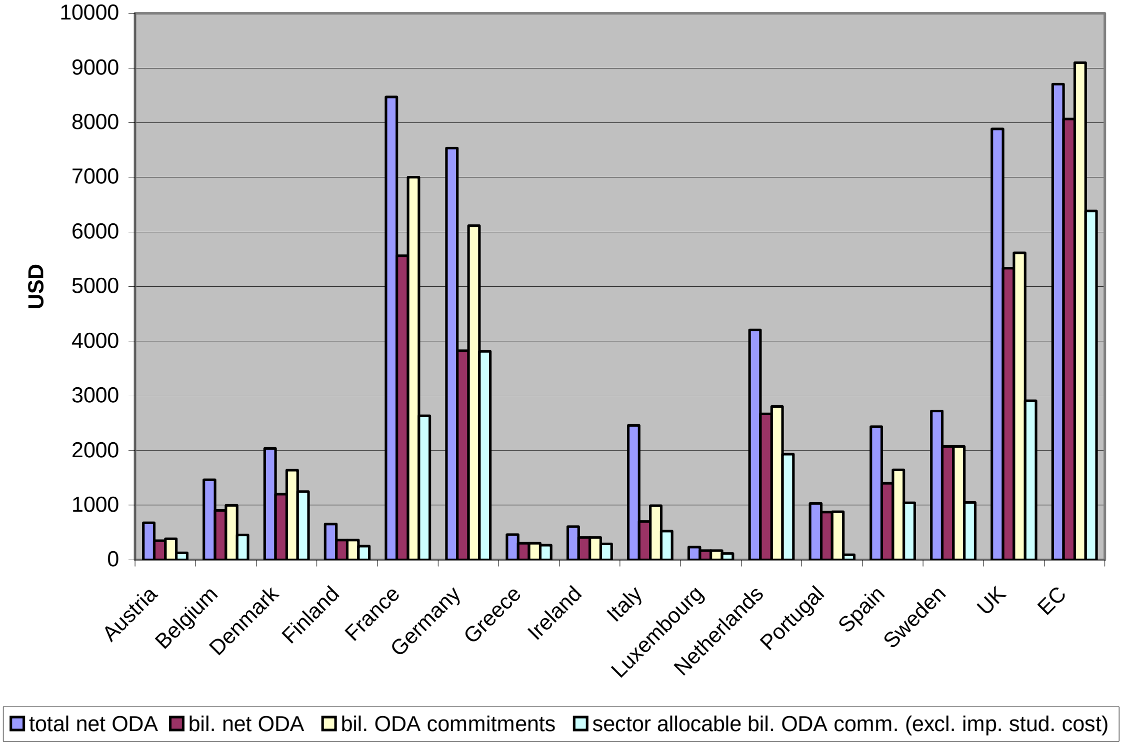
6 This happened for example during the concentration of German aid on fewer countries.

7 Technically, this means: Data were corrected for imputed student cost by excluding the DAC Code 114 (thereby excluding also all other support to post-secondary education).

not taken into account as it is a reaction to humanitarian needs in crisis situations and not part of longer-term strategic aid activities.[8]

The differences between an analysis of aid volume with the total net ODA concept and these adjusted bilateral ODA commitments are particularly high for the large donors (see chart 1). The distance between their total aid volume to the donors with an intermediate total aid volume becomes smaller. France, Germany and the UK all spend high amounts of ODA on debt relief. Net ODA for France and Germany includes substantially high imputed student costs. On the basis of adjusted bilateral ODA commitments, the aid volume of the EC is almost twice as big as the aid volume of the member state with the largest aid volume.

Chart 1: Different measures of ODA (2004)



Source: OECD - IDS online (DAC database)

However, from a division of labour perspective the total aid volume is less important than the geographic and thematic focus of each donor. For example, a high degree of geographic concentration allows the Netherlands to allocate sums to certain countries that equal or exceed those of some of the donors with a larger total aid volume (e.g. in Mozambique, the Netherlands committed in 2003 / 2004 higher volumes than Germany). Another example: Denmark is the largest EU donor in water and sanitation in West Africa (EC 2006b, 15). However, total aid volume plays a certain role. The amounts allocated by the largest donors to their top recipients are not reached by any of the top recipients of smaller donors. For example in 2003 /

8 For each table, the ODA concept will be specified because of variations due to the data sources used.

2004, France committed 330 Mio USD to its largest recipient country Morocco, while Sweden committed 110 Mio USD to its largest recipient country Tanzania (OECD 2006a).[9]

2.2 Geographic orientation

An analysis of donors in the division of labour perspective must pay special attention to the geographic distribution and concentration of aid. The following patterns can be observed:

- The highest presence of EU donors is in Sub-Sahara Africa, the lowest in Latin America.
- The European Commission is present globally.
- Member states, which had colonies, tend to concentrate on these countries (though in general not exclusively).
- Among the three members states with the highest aid volume, France and the UK have relatively complementary priorities because of their focus on former colonies, while Germany is less focussed and has many overlaps with France and the UK.
- The three countries with a high ratio of ODA to GNI and an intermediate size total aid volume (Denmark, Netherlands, Sweden) have a similar focus on countries in East and South Africa and some other countries like Bangladesh, Viet Nam, Bolivia and Nicaragua.
- The New Member States tend to focus aid on their neighbouring countries.

The geographic concentration of donors varies considerably (see tables 5 and 6 on pages 30 f.). In some developing countries, there is strong overlap between EU donors (see tables 7 and 8 on pages 34 f.). This problem relates to all donors present in these countries, independent from their total aid volume and degree of concentration.

For example in Nicaragua, a country with a population of 5,6 million in 2004, 8 EU donors provided more than 5 million USD ODA in 2004, another 5 provided between 1 and 5 million. In addition, the European Commission made substantial commitments (see table 2).

2.3 Thematic and sectoral orientation

EU donors give different weight to the components of the *“primary and overarching objective”* of the European Consensus on Development, the *“eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals”* (European Parliament / Council / Commission 2006, 2). While some donors focus exclusively on poverty reduction, others emphasise in addition sustainable development, peace, human security, democracy, rule of law and human rights, equitable globalisation, integration in the world economy and cultural diversity (EC 2006a, 54 ff.).

9 Average ODA commitments for 2003 / 2004 excluding debt relief and humanitarian assistance.

Table 2: Nicaragua: ODA commitments excluding debt relief and hum. ass. (USD million)[1]			
	2002	2003	2004
Austria	5,4	4,9	7,4
Belgium	1,6	2,2	2,3
Denmark	3,2	27,1	128
Finland	9,2	20,2	24,6
France	0,5	1	1,3
Germany	15,4	13,2	29,7
Greece	0	0	0,5
Ireland	0,4	0,9	1
Italy	2	2,8	1,3
Luxembourg	7	10,8	5,3
Netherlands	17,5	17,9	27,6
Portugal	0	0	0
Spain	30,5	41,8	29,9
Sweden	22,7	16,9	72,4
United Kingdom	0,2	2,5	3,5
EC	15,3	55,5	49,8

[1] Table covers three years to take account of multi-annual commitments (for EC: total ODA comm.)
Source: calculations based on OECD 2006a

The Commission used to focus on the following six sectors defined in the development policy statement from 2000: trade and development; regional integration and co-operation; support for macro-economic policies and promotion of equitable access to social services; transport; food security and rural development; institutional capacity-building. The European Consensus on Development from December 2005 enlarged the mandate of the Commission to cover in fact all sectors (European Parliament / Council / Commission 2006).[10]

While EU donors emphasise sectors differently, there is in many developing countries a strong overlap of EU donors in some sectors, in particular in health, education, governance and macro-economics/budget support. For example, in Tanzania 8 EU donors participated in 2005 in the donor working group on education and 7 EU donors in the donor working group on health (DPG Tanzania 2005a).

For an overview of the sectoral allocation by the different EU donors, see charts 3 and 4 on pages 38 f.

10 The European Consensus states that the Commission should focus on areas where it has *"comparative advantage"* and mentions eight areas in which the Commission will be *"active primarily"* responding to the *"needs expressed by partner countries"* (European Parliament / Council / Commission 2006, 11 ff.). These areas cover all sectors: trade and regional integration; environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states. Thus, there is a potential tension between the request for complementarity of the Commission's activities (comparative advantage) and its mandate to cover all activities.

3 Concepts for organising a division of labour

The following concepts are used prominently in the debate about a division of labour (GAERC 2006; De Renzio / Rogerson 2005; Rocha Menocal / Rogerson 2006; Klein / Harford 2005):

- *ownership of the partner country*: the partner countries should decide who they want to work with, the donors should not impose a division of labour negotiated amongst themselves;
- *comparative advantage:* the future role of each donor should be determined by the specific value they can add;
- *competition:* a division of labour should not lead to monopolistic structures that leave no choice to partner countries.

This chapter discusses the potential of these concepts for organising a division of labour.

3.1 Ownership of the partner country

A core principle of the Paris Declaration on Aid Effectiveness is ownership of the partner countries. It means that *"partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development action"* (para. 14). The GAERC underlined the importance of this principle in its "guiding principles on complementarity and division of labour" from 17 October 2006 (GAERC 2006, 2).

For organising a division of labour between donors, ownership would mean that the partner country expresses its perception of comparative advantage (see chapter 3.2) of each donor and states who they want to work with – either generally (as the government of India did) or sectorally (as the government of Zambia did, see chapter 4.1.1). The donors would then adapt their activities accordingly (de Renzio / Rogerson 2005; Rocha Menocal / Rogerson 2006, 9).

Applying the concept of ownership to the reality of development co-operation is, however, more difficult than this normative ideal might suggest. Development co-operation is not a technical exercise with the aim of maximising effectiveness on the basis of a model agreed upon by all actors but a political process based on value-judgements, interests and negotiation. Nobody – neither a partner country government nor a donor country government – can claim to know the "objectively right" development strategy (Kanbur / Sandler / Morrison 1999). Donors do not simply align to a partner country strategy, they assess it from their point of view and influence its substance by negotiating with the partner country government how it is implemented. In addition to different views about the "right" development strategy, both partner country governments and donors often have other interests besides the goal of maximising development effectiveness.

First, bilateral development co-operation is always part of the general relations between a partner country and a donor country, so foreign policy and economic interests may interfere on both sides with the intention to advance a division of labour. For example, even if from a technical point of view some donors may not add significant value for a partner country, both sides may want to maintain their aid relations for foreign policy objectives (Kanbur / Sandler / Morrison 1999).

Second, both partner country governments and donors may pursue selfish interests that make an agreement on a division of labour difficult. For example, a partner country may wish donors to stay engaged that are the least demanding in terms of quality of policies. This may not be acceptable to the majority of the other donors as the main function of donors is to ensure that their funds are used to produce (in their perspective) "good" quality results. Another example: a donor may wish to continue existing activities because they correspond to its institutional goals and incentives (which are not necessarily identical with the partner country's goals) or the personal interests of field staff (Easterly 2002; Moss / Pettersson / van de Walle 2006, 8 f.).

As a consequence, using the concept of ownership for organising a division of labour requires two qualifications:

1. Both partner country government and donors should provide arguments in terms of aid effectiveness to justify their preferences. This dialogue should take place in a transparent way, giving different stakeholders a chance to challenge the views expressed. In combination with the normative commitment of donors to partner country ownership, this could reduce the influence of selfish interests.

2. Negotiations about a division of labour led by a partner country (in-country division of labour) should be complemented by reflections on the donor side about their overall aid activities (cross-country and cross-sector division of labour). This will facilitate in-country processes for two reasons. First, the presence of a large number of donors in a country is the result of decisions by these donors. It is not easy for partner countries to challenge these reasons. As aid recipients they are not in a very strong position to solve the problems resulting from a lack of overall donor co-ordination. Donors themselves should review the reasons for their decisions and propose to the partner country new options for delivering the same aid volume with less donors. This would expand the choices of the partner country and increase its ownership. Second, if a division of labour is only based on in-country processes, a new co-ordination problem arises for donors. If a donor is asked by several partner countries to exit from certain sectors or even totally from the country, the aggregate impact on its overall aid activities may become an obstacle to agree on proposals for in-country division of labour.

3.2 Comparative advantage

Comparative advantage is a concept widely used in debates about a division of labour in development co-operation. In the Paris Declaration on Aid Effectiveness, partner countries commit to *"provide clear views on donors' comparative advantage"* and donors commit to *"make full use of their respective comparative advantage"* (para. 34 f.). The GAERC guidelines on complementarity and division of labour from 17 October 2006 state: "*Comparative advantage is not based primarily on financial resources available but also on a wide range of issues such as geographic or thematic expertise. Therefore, each Member State has a role to play."* (GAERC 2006, 3)

The general idea of comparative advantage as an organising principle for a division of labour is that each donor should concentrate on countries and sectors / themes where they have a strength. Beyond this general statement, however, the concept lacks clarity.

First, the concept is used with different meanings. For some, it means what a donor does best relative to its own activities. Comparative advantage in this sense is different from an absolute or "competitive" advantage meaning that a donor does something better than the other donors (DPG Tanzania 2005b). Others use comparative advantage rather in the sense of absolute advantage, as something a donor can provide that other donors cannot (Rocha Menocal / Rogerson 2006, 9). From a division of labour point of view, it would already be a progress if donors focussed on what they do best within their own portfolio of aid activities. However, a concentration based on absolute advantages – eventually implying the exit of some agencies if they do not have any – would be preferable.

Second, comparative advantage is difficult to determine. There are no comparative assessments of donor performance (Klein / Harford 2005; de Renzio / Rogerson 2005). Instead, there are attempts to define lists of criteria for comparative advantage (see annex 3). They include experience in a country or sector, technical expertise, presence in the field / human resources, trust by the partner country and other donors, volume and efficiency of procedures (de Renzio / Rogerson 2005; Nordic Plus Donors 2005; Finland / EC 2006).[11] The validity of claims donors make about their own comparative advantage in a specific country can be checked through peer-reviews and discussions between donors and the partner country. In practice, there is some subjective agreement on the quality of the work of different donors expressed for example, in scoring exercises (Burall / Maxwell / Rocha Menocal 2006). General claims about comparative advantage on a country or sector level are often not explained. In some cases, their validity seems, however, obvious - for example when many new member states claim to have a comparative advantage in assisting countries in the same region in the transition towards EU standards.

Third, comparative advantage is a dynamic concept. If it is used to organise a future division of labour, a credible commitment of a donor about its future activities is key. While past experience can be a basis for comparative advantage, it is neither a necessary nor a sufficient condition. If a donor decides to invest substantially in a new activity it could develop a comparative advantage over time. The ongoing division of labour exercise in Uganda is not based on "comparative advantage", but on the future plans of donors.

In sum, the concept of comparative advantage does not provide a clear and objective yardstick to judge where a donor has a strength and where not. It should not be understood as a technical concept, but can be used as a normative reference point in discussions about the strength of donors and a division of labour. Clear statements of donors about their future plans are important as well as a discourse of justification where they perceive their individual strengths. In the future, independent comparative evaluations of donor performance should provide a more objective basis for organising a division of labour.

11 Often, these criteria are linked to a donor's qualification for a lead donor role (e.g. Nordic Plus Donors 2005).

3.3 Competition

The concept of competition is relevant for the following questions about a division of labour: What kind of competition is useful? How many donors would be an appropriate number? Could there be a market-style organisation of development assistance?

In a market, there is no need to reflect a priori about a division of labour. It would be the result of competition and a large number of actors would actually be good as it increases competition (and an organised division of labour between donors, a “cartel”, would be a bad thing). While there is wide agreement that development assistance is currently not organised as a market, views differ in how far this could be possible (Easterly 2002; Klein / Harford 2005; Messner / Faust 2007).

It is useful to distinguish between different types of activities in development co-operation to discuss the possible role of competition:

- general political dialogue (overall development strategy);
- sectoral policy dialogue;
- programme and project appraisal and monitoring;
- programme and project implementation.

All donors currently perform the first three types of activities, some are also active in the implementation of technical assistance. General political dialogue and sectoral policy dialogue are essentially political in nature and cannot be organised as a market (see chapter 3.1). The appraisal and monitoring of the use of public funds is less political, but still a public function that cannot be privatised or organised as a market (this is particularly evident in the case of budget support). The implementation of programmes and projects is already partially organised in a market way, with public tenders for infrastructure construction or consultancy work. The debate about the untying of financial and technical assistance aims at increasing competition in this type of activity.

In the political parts of development co-operation, market-style competition between donors is not a useful concept. However, there are different views about the “right” development policies, and democratic politics is essentially a process of coming to decisions in a world of different views. Therefore, a plurality of donors is desirable in principle (and “pluralism” would be the appropriate concept in this context, not “competition”). However, there is a limit to the use of pluralism when negotiation processes become too time-consuming and difficult because of a large number of actors. Theory cannot prescribe an optimal number of actors (Acharya / Fuzzo de Lima / Moore 2006, 14), but partner countries and donors could agree on a number of actors they perceive as effective based on common sense. It seems obvious that 20 donors discussing a sectoral policy are too many, but it is a political decision to limit this number to, for example, 5 donors.

3.4 Conclusion: Combining a technical and a political approach

The search for a division of labour aims at a more “rational” organisation of development activities. There is, however, no technical solution for a division of labour because it involves essentially political processes. Normative concepts like ownership, comparative advantage and competition / pluralism can give an orientation and structure the political process, but not replace it. Therefore, a division of labour should not be approached by a long search for precisely defined concepts or for a blueprint solution. Rather, a well-structured political process should be initiated. First steps towards a division of labour should be done quickly and these experiences should be fed-back in the process.

The conceptual analysis leads to the following recommendations for structuring this process:

1. *Link in-country processes based on the principle of ownership with cross-country/ cross-sector donor-initiatives*: Donors should expand the options available to partner countries for organising a division of labour and not leave it to them to find a solution to the current situation donors are responsible for.

2. *Make clear political statements about future plans and the reasons for the planned activities* (making explicit reference to what other donors do and having a dialogue with partner countries and other donors about these arguments) and increase knowledge about comparative advantage through *comparative evaluations of donor performance.*

3. *Find a pragmatic balance between pluralism and a reduction of the number of donors* (linked with procedures for increased donor accountability).

4 In-country division of labour

In many developing countries, the number of donors per sector is very large. Co-ordination meetings between donors themselves and between donors and the partner country's government are intended to increase the coherence and alignment of different donor activities. However, because of the large number of actors they have created high transaction cost.

At the GAERC on 17 October 2006, the EU member states committed themselves *"to focus their participation only in a limited number of sectors or themes in each partner country"* and to discuss how this should be implemented (GAERC 2006, 3 f.).

An analysis of the following processes (chapter 4.1) is particularly relevant for developing proposals (chapter 4.2) how EU donors could reduce the number of sectors in which they are active and increase the in-country division of labour:

— In some countries, formal "division of labour exercises" are implemented in the context of donor-wide joint assistance strategies with the aim of reducing the number of donors per sector and assigning sector lead donor roles.[12]

— The EU has started to implement a framework for joint programming requiring a division of labour between EU donors as part of a joint response strategy.

— Delegated co-operation is used to support sectors and countries by using the capacities of other donors.

12 The "division of labour exercises" are the most comprehensive and explicit practice of addressing the problem of the large number of donors. However, there are many other initiatives to improve donor co-ordination and complementarity. For example, lead donor arrangements are also used in the context of general budget support.

4.1 Ongoing processes

4.1.1 Division of labour exercises in the context of joint assistance strategies

Since 2004, donor-wide processes to formulate a joint assistance strategy (JAS) have been initiated in a number of countries.[13] Joint assistance strategies are medium-term strategies which contain an analysis of the situation in the partner country and a joint donor response outlining how donors will support the partner country's development strategy, including ways how donors will work together.[14] The first joint assistance strategy was adopted in Uganda in October 2005. For many donors, it became the official strategy document replacing the own format for country strategy papers (e.g. World Bank, Germany, UK). In Tanzania, a joint assistance strategy was launched officially in December 2006. JAS are currently drafted in Zambia, Ghana and Kenia. In some other countries, similar processes were launched.[15]

The division of labour between donors is mentioned in the joint assistance strategy documents as an important task, but the elaboration of concrete proposals is part of a separate "division of labour exercise". In Zambia, it preceded the drafting of the JAS and has already been completed. In Uganda, it follows the formulation of the JAS and is currently ongoing (results are expected in March 2007). In Tanzania, it was started in parallel to the JAS process and is still ongoing. Thus, the empirical evidence about these processes is still very limited. However, bearing in mind this limitation, the following observations are possible.

The division of labour exercise has two objectives:

- reduce the number of donors per sector;
- improve the ways donors and the partner country government interact at sector level (through sector lead donors).

While the first objective is a general statement which is not further specified (*"the number… will be limited to an appropriate level, depending on the needs and capacity of the sector/thematic area"* United Republic of Tanzania 2006, 13), the second objective is approached in Zambia, Tanzania and Uganda through the assignment of different roles donors can play, in particular the lead donor approach (for details see annex 3):

1. lead donor (for sector or sub-sectors): focal point for partner country government, coordinates and speaks on behalf of donors;

13 In Uganda, the process was started by a limited number of donors and later joined by others. In other countries, there is already initially a large number of donors.

14 There are some differences between countries. In Tanzania, the analysis is not part of the document called "Joint Assistance Strategy for Tanzania" which focuses on the ways the different actors (domestic institutions and donors) should work together. The analysis and a joint donor response are part of a "Tanzania Joint Program Document". The two documents together *"constitute the joint assistance strategy"* (Embassy of Denmark Dar es Salaam 2006).

15 The issues paper from the Presidency and the Commission on Complementarity and Division of Labour from September 2006 names the following countries: Gabon, Guinea Bissau, Haiti, India, Kenya, Kyrgyzstan, Mali, Morocco, Mozambique, Samoa, Sudan, South-Africa, Tanzania, Uganda and Zambia – referring to the Status Report of Local Process on Aid Effectiveness presented by the Commission services, doc. no 65/06 DEVGEN (Finland / EC 2006, 3)

2. active donors: participate in sector policy dialogue and administer own sector activities;

3. delegating (also called "background" or "silent") donors: contribute only financially to sector activities administered by other donors or to sector baskets / budgets;

4. donors phasing-out: withdraw from the sector.

According to the Tanzanian joint assistance strategy, the lead donor role can rotate (United Republic of Tanzania 2006, 13). In Zambia, a longer-term commitment is emphasised which should correspond to the period of the national strategy or the joint assistance strategy (JASZ Working Group 2005, 5).

The division of labour exercise is organised in the following way (the process varies slightly in the different countries):

- First, there is a questionnaire in which donors state what they are currently doing and in which sectors they want to engage in the future (and which they intend to leave) – without making a binding commitment.[16] This includes the question what role they want to play in the sectors chosen (lead, active, delegating), including an explanation why the donors think they have the necessary qualifications - in particular for a lead donor role. In Zambia, the qualifications for the lead donor were defined in the questionnaire; in Uganda, donors were invited to express their views on a number of possible criteria for lead and active donors (see annex 3). In Zambia, the number of possible lead donor roles was limited to three per donor.
- Second, the donor statements are subject to discussion and validation, which may include peer-reviews and comments from the partner government.[17]
- Third, on the basis of possibly revised donor statements, a first proposal for the future roles of donors in each sector is compiled. In Zambia, this was done by the ministry of finance. In Uganda, the elaboration of this proposal is planned to take place in the sector working groups.
- Fourth, the proposal is discussed between the government and the donors. As result, a final division of labour matrix is agreed upon.[18]

The "Nordic Plus" Donors (Denmark, Finland, Norway, Sweden, Ireland, Netherlands and UK) adopted "complementarity principles" that should guide their participation in the division of labour exercises in Tanzania, Uganda and Zambia, including for example a commitment to limit the active involvement of each donor to a maximum of three sectors (see annex 4)

16 In Tanzania, there was no questionnaire but statements of interest in donor working groups.

17 A peer review process was only formalized in Uganda. The processes in Zambia and Tanzania were less structured.

18 The division of labour matrix has similarities with Comprehensive Development Framework matrices or donor matrices contained in country strategy papers of many donors (e.g. European Commission). The differences are: it is a picture of future activities agreed by all partners and it specifies the roles of the donors.

At present, the division of labour exercise has only been completed in Zambia. In Tanzania, a division of labour matrix reflecting the donor statements was included in the joint program document, but it is only an intermediate result.[19]

Both matrices show only incremental progress in the reduction of the number of donors as a result of the division of labour exercises (see table 3 for Zambia and annex 3 for Tanzania). The number of donors per sector was barely reduced. Even if the questionnaire in Zambia did not explicitly ask for a reduction of sectors and focussed on the interest of donors to take a lead function in a maximum of three sectors, there was a clear understanding that the number of donors should be reduced. In addition, there is a large number of lead donors in Zambia. This is partly due to sub-sector leads and the amount of co-ordination work resulting from the remaining large number of donors. Over time, the number of lead donors per sector could be reduced if trust in the lead donor concept is established, the number of donors per sector is reduced further and regular peer reviews of lead donor performance are established. It seems fair to conclude that the willingness of donors to withdraw from sectors they are currently engaged in is limited. The division of labour exercises should focus more on a real reduction of the number of donors. Otherwise, the transaction costs of donor co-ordination remain very high.

A systematic assessment of experiences with lead donor roles is not possible in this paper. In Zambia, general terms of reference were formulated and their specification for each sector is currently under way. However, sector lead donor arrangements exist already in some countries in sector working groups or in general budget support groups. Practices vary strongly in terms of duration and mandate. From a division of labour point of view, arrangements are preferable that assure a sufficient continuity for a lead donor to build up and exercise expertise and that go beyond mere administrative function ("secretarial" tasks like convening meetings and spreading information), reducing not only the transaction cost of partner country governments by having only one contact point, but also of donors by delegating tasks from sector policy dialogue.

4.1.2 EU joint programming

The GAERC agreed at its meeting on 10 and 11 April 2006 *"to develop a two-step approach towards joint multi-annual programming, consisting in a joint analysis of the country situation and, gradually, a joint response strategy, duly taking into account the competences of the Community and of Member States"* (Council of the European Union 2006, 35). This approach is based on the "Common Format for Country Strategy Papers" (EC 2006c). At the GAERC on 17 October 2006, the Member States and the Commission repeated their commitment to implement the joint programming framework (GAERC 2006, 4).

Implementation of the joint response strategy will include a division of labour between EU donors, documented in a prospective donor matrix. The common format does not give guidance, however, how such a division of labour can be achieved.

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19 Unlike previous versions, this matrix includes only the intention of donors to remain in a sector, delegate cooperation or phase-out, not the attribution of lead roles. Lead donor arrangements are currently under review in order to make them more consistent across sectors.

Table 3: Results of the division of labour exercise in Zambia					
Sector	Number of donors before the exercise (total / EU)	Number of active donors, incl. lead donors (total / EU)	Number of lead donors (total / EU)	Number of background donors (total / EU)	Number of donors phasing-out (total / EU)
Agriculture	10 (4)	8 (3)	3 (1)	1 (-)	1 (1)
Decentralisation	9 (5)	6 (3)	3 (1)	3 (2)	2 (1)
Education	14 (6)	10 (5)	2 (2)	2 (-)	2 (1)
Energy	6 (2)	4 (1)	1 (-)	2 (-)	-
Gender	4 (1)	4 (1)	1 (-)	-	-
Governance	12 (8)	10 (6)	3 (1)	1 (1)	1 (1)
Health	11 (6)	9 (4)	3 (1)	-	2 (2)
Housing	3 (1)	2 (-)	- (-)	(-)	1 (1)
HIV/AIDS	9 (3)	7 (2)	3 (1)	2 (1)	1 (1)
Macro-economics	13 (8)	9 (6)	3 (2)	4 (2)	-
Private sector development	11 (5)	7 (3)	3 (2)	3 (2)	1 (1)
Social protection	5 (2)	4 (2)	2 (2)	1 (-)	-
Science and technology	1 (-)	-	-	-	1 (-)
Tourism	4 (-)	4 (-)	2 (-)	-	-
Water	9 (5)	7 (3)	2 (2)	2 (2)	-
Transport	9 (3)	7 (2)	1 (1)	1 (-)	1 (1)
Environment	5 (2)	4 (1)	1 (1)	1 (1)	-
Source: Zambia Donor Matrix 13 June 2006, see annex 3 (20 donors, of which 9 from EU-15)					

The Commission and Member States have agreed to advance joint programming in selected countries through joint missions between November 2006 and January 2007 (Ethiopia, Somalia, Mali, Haiti, Tanzania; joint programming for DRC should be discussed at a seminar in Brussels).

EU joint programming is very similar to JAS processes. Therefore, the GAERC highlighted in April 2006 that EU joint programming should not lead to *"parallel processes"* to donor-wide initiatives (Council of the European Union 2006, 35). Joint programming can be merged with JAS processes. The structure of the common format could be a reference point for a donor-wide strategy process. The EU could initiate donor-wide strategy processes by starting to implement EU joint programming and inviting other donors to participate.

4.1.3 Delegated co-operation

The 2003 DAC compendium on "harmonising donor practices for effective aid delivery" identified delegated co-operation as a good practice to improve aid effectiveness through *"greater use of the comparative advantage of individual donors"*. It defines: *"Delegated co-operation occurs when one donor (a "lead" donor) acts on behalf of one or more other donors (the "delegating" donors or "silent partners"). The level and form of delegation vary, ranging from responsibility for one element of the project cycle for a specific project (e.g. a* *particular review) to a complete sector programme or even country programme.*" (OECD 2003, 89)

Delegation can relate to the administration of financial support, but also to sector policy dialogue. The different roles of donors defined in the JAS division of labour exercises (sector lead donors, active donors and delegating donors) are a special case of delegated co-operation. "Silent partnership" is also a form of delegated co-operation, relating to the role of the delegating partner.

There are many cases of delegated co-operation (OECD 2003; Koopman 2005; British High Commission South Africa 2006), e.g.:

- In Malawi, Sweden delegated its country programme to Norway, meaning that Norway plans the programme together with the government of Malawi and Sweden contributes money and expertise. In Mali, Norway delegated its programme to Sweden.
- In South Africa, DFID delegated the implementation of its support to land reform to Belgium.
- In Rwanda, Sweden delegated the monitoring and auditing of funds in support to the education sector to DFID, which is providing general budget support.

The DAC (OECD 2003) and the Nordic Plus Donors (2006) formulated guiding principles for the implementation of delegated co-operation (see annex 5). While the benefits of delegated co-operation in form of reduced transaction costs for the partner country and the delegating donor are undisputed, there can be substantial costs for preparing a delegated co-operation arrangement (Koopman 2005, 6; Nordic Plus Donors 2006, 9). The delegating donor has to verify the adequacy of the policies and procedures of the donor it wants to entrust to act on its behalf. By recognizing each other as potential partners after a joint assessment, the Nordic Plus donors reduced this initial transaction cost. They invited other donors to join their group after a similar assessment (Nordic Plus Donors 2006, 4 f.). Furthermore, delegated co-operation arrangements require a clear definition of the roles and duties of both sides. In particular, it is the responsibility of the lead donor to inform the delegating donor; and it is the responsibility of the delegating donor to remain silent vis-à-vis the partner country (Nordic Plus Donors 2006, 14).

In sum, delegated co-operation is a form of division of labour with transaction costs that can be lowered when it becomes more frequently used. It is an intermediate option between being present in a country or sector through own activities and not engaging / withdrawing from a sector or country. It allows a donor to demonstrate visibly its support for certain activities while reducing transaction costs. Compared to a division of labour agreement where one donor takes responsibility for one sector and another donor takes responsibility for another sector, it is a less advanced form of division of labour. However, it is a useful instrument to increase the division of labour in the short run.

4.2 Recommendation for the EU: A code of conduct for in-country division of labour

Co-ordinated concentration processes like donor-wide "division of labour exercises" are most important for increasing the sectoral division of labour at the partner country level. In countries where donor-wide strategy initiatives do not exist, EU joint programming could be used to initiate such processes by inviting other donors to participate. Division of labour exercises should become part of EU joint programming. They should focus on political statements of interest and a well-structured discussion between donors and the partner country's government about the role of each donor.

First experiences with donor-wide division of labour exercises show that the willingness of donors to focus their activities is key to success. Therefore, the EU could advance these processes by applying good practices specified in a code of conduct (as the Nordic Plus countries have done for the joint assistance strategy processes in Tanzania, Uganda and Zambia). The code of conduct would be relevant both for joint assistance strategies and EU joint programming. It could contain in particular the following aspects, which have a high potential for advancing in-country division of labour:

— limited number of sectors per donor;
— limited number of donors per sector;
— using lead donor arrangements for sector policy dialogue;
— using delegated co-operation arrangements outside focal sectors.

To ensure the implementation of the code of conduct and to learn from the experiences in the field, the EU should select countries where these principles can be applied immediately and monitor progress.

4.2.1 Limited number of sectors per donor

EU donors should define a limited number of sectors for the activities of each donor in a partner country.

Some EU donors have already adopted policies limiting the number of sectors they are active in (see table 4). The policies vary considerably, however, and foresee between 1 and 5 sectors. Some donors allow for additional activities in politically important fields. The Nordic Plus Donors (2005) committed to focus on a maximum of three sectors following the partner country's definition of sectors (general budget support is not considered as a sector).

In order to provide significant support, it seems important to relate the number of sectors to the actual volume of the activities of the donor as the EC does.[20]

In addition to limiting the number of sectors, it seems important that the donor's definition of sectors matches with the definition of sectors of the partner country. Otherwise, a sector concentration will not contribute to the reduction of transaction costs of donor co-ordination which is organised following the sector definitions of the partner country. If a donor has broader definitions in order to use them in all its partner countries,[21] it should focus within this broader category on only one sector as defined by the partner country. If a donor has defined

20 The EC criterion of 40m Euro is, of course, too high for bilateral donors.

21 Germany has for example defined 10 sector categories applied globally.

Table 4: Maximum number of sectors per partner country	
Country	*Number of Sectors*
Belgium	5 sectors
Denmark	3 sectors + budget support
EC	If > 40m EUR: 2 sectors + budget support, if < 40m EUR: 1 sector + budget support
Finland	3 sectors
Germany	3 sectors + budget support
Luxembourg	4 sectors
Netherlands	3 sectors
Portugal	3-4 sectors
Slovak Republic	3 sectors
Spain	3 sectors (on average)
Source: Migliorisi 2005, 14; updated for policy changes in Germany and Portugal in 2006	

cross-cutting areas in addition to focal sectors, they should be considered as a "normal" sector if they coincide with a sector as defined by the partner country.

A limitation to, for example, a maximum of 3 sectors (depending of the total volume of aid provided by the donor) as defined by the partner country would substantially increase the current sectoral concentration. The division of labour matrices for Zambia and Tanzania (see annex 3) show that there is room for improvement even for donors which have already defined a maximum number of sectors. In Zambia, EU donors are – after the division of labour exercise – active in 3 to 6 sectors (excluding general budget support / macroeconomics).

However, there should be some flexibility to account for the differences in sector definitions between the partner countries: some use very narrow definitions, others use broad definitions.

4.2.2 Limited number of donors per sector

EU donors should limit the number of EU donors active in a sector. The Nordic Plus donors (7 countries) want to be present with a maximum of 3 of them per sector.

The experience with the division of labour exercises in Zambia and Tanzania shows that the process of reducing the number of actors is slow and that there is still a large number of donors in some sectors. In Zambia, 6 out of 10 donors remaining in the sectors macroeconomics and governance and 5 out of 10 in the education sector are from the EU.

The optimal number of donors is difficult to determine and depends on the size of the country, the needs of the sector and the kind of activities of donors. While the first two aspects vary from case to case, the kind of activities of donors is of particular relevance for formulating a policy about the appropriate number of donors. A large number of donors creates particularly high costs in sector policy dialogue and co-ordination meetings. If donors are active in a sector with own projects and programmes that are aligned with the partner country's strategy and use harmonised procedures, but delegate participation in sector policy dialogue and co-ordination meetings to another donor, their presence in the sector does not create problems.

In many cases, the EU could significantly reduce transaction costs by limiting the number of EU donors active in sector policy dialogue and donor co-ordination to, for example, three. This number should, however, be adapted to the concrete situation in each country. As an alternative to fixing an absolute number, the EU could also use the more case specific target of reducing the current number of donors by a certain percentage, for example, 40 %.

4.2.3 Using lead donor arrangements for sector policy dialogue

EU donors should support lead donor arrangements for sector policy dialogue (see chapter 4.1.1 and annex 3).

The mandate of a lead donor can vary from a rather administrative, secretarial function to a substantial leadership role within a mandate given by the other donors. From a division of labour perspective, preference should be given to a substantial delegation of tasks to the lead donor who should act transparently and be held accountable, for example, through regular peer reviews.

The length of the mandate can vary from an annual rotation to the period of a national strategy. It can also be linked to the period a specific person is assigned to a country. From a division of labour perspective, rotation should be limited in order to allow the build-up of institutional know-how.

In Zambia, there are three lead donors in many sectors as a result of the division of labour exercise. In part, this is due to a sub-sector division of labour between lead donors. However, to reduce transaction costs it would be preferable to have only one lead donor. The EU could commit that at maximum one EU donor will take a lead donor role in a sector.

The role of a lead donor can be taken by any EU donor with sufficient expertise, long-term commitment, staff capacity and trust by the partner country and other donors – independent from its aggregate size. For example in Zambia, Ireland is a lead donor in the education sector.

4.2.4 Using delegated co-operation arrangements outside focal sectors

EU donors should use delegated co-operation in the sense of entrusting another donor with the administration and implementation of its funds if they want to support activities outside their own sector of concentration.

Delegated co-operation can be particularly useful in the process of increasing sector concentration. It allows withdrawing from a sector on the operational level while visibly demonstrating continuous financial support. It should be clearly communicated that using delegated co-operation is not a support of less quality, but actually increases aid effectiveness.

The delegation of authority to other EU donors could be facilitated by a mutual recognition of EU donors as potential partners for delegated co-operation. EU donors could, for example, expand the Nordic plus initiative of a joint assessment of policies and procedures.

5 Cross-country division of labour

The presence of donors in developing countries varies considerably. In a number of countries, a large number of donors leads to high transaction costs (see in-country division of labour). In addition, the amounts of aid received by developing countries vary considerably. Although there is no necessary link between the number of actors and the amount of aid provided (in fact, a few well focussed donors could provide substantial amounts of aid), the two aspects of donor presence and amounts allocated are closely related and should be analysed together.

The GAERC (2006) specified the following tasks for a cross-country division of labour:

- reinforce the geographical focus of member states and avoid spreading resources too thinly based on a dialogue within the EU and taking into account the broader donor engagement, discuss responsible strategies for reducing activities in non-focal countries;
- address the current imbalance in resources provided to aid *"darlings"* and *"orphans"* and avoid the creation of new imbalances based on an assessment of aid levels using relevant, forward-looking data and a dialogue with other donors and relevant international bodies.

Because the goal of division of labour is to reduce the number of donors doing the same, the focus in the cross-country dimension should be to reduce the number of donors per country. Therefore, the starting point for operationalising the GAERC tasks is the analysis of options to increase the geographic focus of EU donors. A consideration of aid levels has to be part of these options, but aid “orphans” and “darlings” could also be the subject of specific strategies.

An analysis of the following processes (chapter 5.1) is particularly relevant for developing proposals (chapter 5.2) how the GAERC conclusions can be implemented:

- All donors have procedures for selecting priority countries and allocating aid that in some cases have already led to substantial geographic concentration.
- There is an academic debate about selectivity and optimal aid allocation discussing how aid levels can be assessed and how much aid should be given to each developing country.
- The DAC fragile states group analyses and addresses the problem of aid “orphans” that are fragile states.

5.1 Ongoing processes

5.1.1 Selection of partner countries by EU donors

All bilateral EU donors have procedures for selecting partner countries that could be a basis for further geographic concentration. Criteria used for this purpose include the economic and social situation (in particular the degree of poverty), the potential for promoting democracy and good governance, the experience with past co-operation in this country, the presence of an embassy, the relevance for global public goods and historical or cultural ties (Migliorisi 2005, 75). Some donors also take into account the level of ODA from other countries.

In addition to these criteria, the selection of partner countries also implies political considerations. In countries with separate ministries for development co-operation, this includes negotiations with the ministry of foreign affairs. The decision-making process also includes parliaments and domestic interest groups. In the end, the selection of partner countries is *prepared* on the basis of criteria, but *decided* politically.

The same applies to the allocation of funds to the selected countries. The Netherlands, the United Kingdom and the EC (for the EDF) use formal allocation models to support decision-making,[22] but the actual levels of aid are decided politically (OECD 2005a, 13; Migliorisi 2005, 13).

To conclude, the existing procedures are a starting point for unilateral action towards increasing geographic concentration. In this context, it is good practice for a division of labour to take into account the activities of other donors. Because of the political nature of decision-making and different emphasis on the objectives of development co-operation, there is little potential for joint criteria and joint decision-making in the short run.

5.1.2 The debate about selectivity and optimal aid allocation

The academic debate about selectivity and optimal aid allocation is relevant for the issue of aid “darlings” and “orphans” because it attempts to provide a yardstick for assessing aid levels. It aims at directing aid to countries where it is most effective and is based on the same logic as the allocation formulas used by some aid agencies as an orientation for decision-making: maximising poverty reduction by focussing on the quality of a country’s policies (Wood 2006, 13 and 18).[23]

There is, however, little explicit analysis of “darling” and “orphan” countries in the literature on selectivity and optimal aid allocation. Generally, the definition of “darlings” and “orphans” is based on deviations from the optimal aid level predicted by a model. In a study of aid flows to fragile states, Dollar / Levin (2005, 17) define “darlings” (respectively “orphans“) as countries that receive more (respectively less) than 2.50 USD of aid per capita than their statistical model would predict. As a general observation, the Human Development Report 2005 notes that the use of simplistic allocation models can even contribute to the creation of aid darlings and orphans *“based on flimsy evidence about their capacity to make good use of aid”*. It sees an *“overconcentration of donor darlings in Anglophone Sub-Saharan Africa (and Mozambique and Ethiopia) and an overrepresentation of donor orphans in Francophone Africa and Latin America”*, but does not explain the method behind this observation (UNDP 2005, 92).

The debate about aid allocation models reflects the methodological difficulties with assessing aid levels. Simple models are proposed to determine how much aid should be allocated to each country in order to maximise poverty reduction, for example using the current poverty

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22 For a description of these allocation models see OECD 2005a.

23 In addition to the normative approach, there are also empirical analyses about the actual allocation by donors showing a range of objectives in addition to poverty reduction (OECD 2005a, 25)

level (measured by GNP/capita) and the quality of governance (measured by the CPIA) as allocation criteria. The appropriateness of these models is strongly criticised. First, GNP/capita is not a sufficient indicator for poverty and the needs of the developing country. Second, poverty reduction is not the only objective of donors. Third, important variables of aid effectiveness like absorption capacity are not taken into account. Fourth, the assumed relations between aid, growth and poverty reduction are too simplistic (OECD 2005a; McGillivray 2006; Amprou / Guillaumont / Guillaumont Jeannery 2006)

While it is possible to construct sophisticated models taking into account these criticisms (e.g. Amprou / Guillaumont / Guillaumont Jeannery 2006; Wood 2006), the use of these models for policy making is limited because they become very difficult to interpret and explain. In addition, it would be difficult to reach agreement between donors on allocation criteria and their relative weight in a model (Wood 2006, 13).

Given the complex reality of development and development co-operation, formal allocation models (as used by academia and by some aid agencies) can serve as an orientation for decision-making, but not replace country-specific analysis and the political setting of priorities. They are a tool for approaching cross-country allocation on a global scale, but are not sufficient to assess what amounts of aid are appropriate for the needs and absorptive capacities of specific countries. The debate about selectivity and optimal aid allocation does not provide easy answers to identifying “darling” and “orphan” countries.

5.1.3 Aid “orphans” in the DAC fragile states group

Since 2005, the DAC fragile states group monitors on an annual basis the resource flows to fragile states. In this context, “orphan” countries are identified that should receive more ODA because of their needs (GNI/capita) and the quality of their policies (CPIA).[24]

In its 2006 report, the following countries are identified as aid “orphans” (the DAC calls them *“marginalised countries”*): Burundi, Democratic Republic of Congo, Guinea, Nigeria, Uzbekistan and Yemen.

In addition, the DAC identified a second group of countries with low levels of aid linked with poor quality of institutions and policies: Central African Republic, Cote d’Ivoire, Liberia, Myanmar, Somalia, Sudan, Togo, Zimbabwe. A last group of countries has low, but increasing aid levels: Gambia, Guinea-Bissau, Sierra Leone, Chad, Niger, Cambodia, Tajikistan and Eritrea. (OECD 2006d)

The distinction between these groups expresses that the issue of “orphans” should not be equalled to countries receiving little aid. In some cases of the second group, low aid is the result of explicit political decisions by donors in reaction to bad policies. The DAC neither calls them “orphans” nor recommends higher aid volumes for these countries. It stresses that they require nevertheless specific attention and a coherent international strategy (OECD 2006d, 4).

24 The DAC fragile states group focuses mainly on aid “orphans” because low levels of external support are a particularly important problem for fragile states. There are, however, also a few aid “darlings” in the fragile states group, e.g. Afghanistan (Dollar / Levin 2005).

The DAC fragile states group recommends to discuss for each country in donor-wide forums like consultative group meetings whether the analysis is correct and how donors could respond to the situation. [25] In addition, the DAC recommends to improve at the global level the co-ordination of aid allocation to fragile states, in particular through information sharing on planned aid allocations. A senior level meeting on these issues is planned for 2007/2008 (OECD 2006d, 5).

5.2 Recommendations for the EU

Because the decisions about country selection and aid allocation have a strong political component, they should not be approached by a purely technical approach as in the debate on optimal aid allocation. The following options for implementing the GAERC conclusions combine technical goals (concentration, optimal allocation) with political realities:

- review of current degree of geographic concentration by each EU donor;
- joint analysis and strategy for EU “darling” countries;
- joint EU response strategy for “orphan” countries in the context of the DAC fragile states group.

The two goals of increasing geographic concentration and avoiding the creation of “darling” and “orphan” countries are linked. The proposed options are complementary and should be implemented simultaneously.

5.2.1 Review of geographic concentration by each member state and co-ordinated reduction of priority countries

Each EU donor should individually assess its current degree of geographic concentration by benchmarking against other donors of similar size. As the choice of partner countries is highly political, this assessment is mainly a national task. However, the individual reviews should be accompanied by an exchange of views on good practices and a discussion about the appropriate level of concentration.

All EU donors have focussed their aid on a limited number of priority partner countries (see tables 5 and 6 and annex 2). Many donors distinguish between core priority countries and other priority countries they co-operate with. In addition, all donors have small aid activities (below 1 million USD) in a much larger number of countries. If these small activities do not involve high administrative cost for the partner countries, they could be left out of further efforts of geographic concentration.

25 There is a need for clarification of the role of additional aid in relation to other forms of foreign and security policy which could be very costly (OECD 2005a, 25).

Table 5: Geographic concentration of EU-15 donors
(average ODA commitments 2003/2004 excluding debt relief and humanitarian assistance)

	Bilateral ODA volume[1] (USD mio)	Number of priority countries (core priority countries)	Number of countries receiving ODA comm. >0 Mio USD	Number of countries receiving ODA comm. >1 Mio USD	Number of countries receiving ODA comm. >5 Mio USD	Number of countries receiving ODA comm. >10 Mio USD	Aid allocated to first / second / tenth largest recipient (USD Mio)
Austria	131	29 (12)	85	33	8	4	20 / 20 / 5
Belgium	460	18	100	61	27	16	75 / 21 / 13
Denmark	1249	28 (16)	57	38	26	21	117 / 108 / 31
Finland	254	8	87	27	15	7	27 / 24 / 7
France	2637	54	128	101	68	54	330 / 263 / 74
Germany	3815	83 (40)	125	101	88	73	407 / 150 / 76
Greece	267	18	42[2]	15	4	2	79 / 36 / 3
Ireland	291	8	87	31	10	7	46 / 41 / 5
Italy	525		107	69	32	26	76 / 70 / 26
Luxembourg	115	10	47	13	8	4	14 / 12 / 4
Netherlands	1931	36	91	59	38	28	110 / 97 / 40
Portugal	93	6	35	11	8	7	62 / 38 / 4
Spain	1043	54 (23)	98	58	39	26	93 / 63 / 38
Sweden	1049	28	73	50	34	24	110 / 64 / 30
UK	2913	68 (20)	106	67	45	36	671 / 253 / 101
EC	6384	n.a.	140	134	112	95	440 / 299 / 162[3]

[1] Sector allocable ODA commitments 2004 (excl. imputed student cost), source: OECD - IDS online (DAC database)
[2] ODA commitments 2003 excluding debt relief and humanitarian assistance
[3] Including debt relief and humanitarian assistance

Source: calculations based on AFD 2006 and OECD 2006a

However, the number of priority countries in relation to the aid volume and the amounts actually allocated to them vary considerably. A comparison with other donors of similar size could help to identify room for improvement. This could be done on the basis of agreed-upon indicators like the number of priority countries in relation to the total bilateral aid volume, the percentage of bilateral aid spent on core priority countries or the mean allocation per priority country.

If an EU donor decides to reduce its number of priority countries, a consultation with the other EU donors should take place about their planned presence and allocation as well as the overall aid level in the countries concerned. Thus, an unintended fall in the overall aid level of a country (possibly leading to new “orphans”) can be avoided.

Table 6: Geographic concentration of EU-10 donors		
	ODA 2004 (USD mio)	Number of Priority Countries
Cyprus	5	5
Czech Republic	108	8
Estonia	5	4
Hungary	55	5
Latvia	8	3
Lithuania	9	6
Malta	10	6
Poland	118	6
Slovak Republic	28	7
Slovenia	31	6
Source: Bucar / Plibersek / Mesic 2006 (see annex 1)		

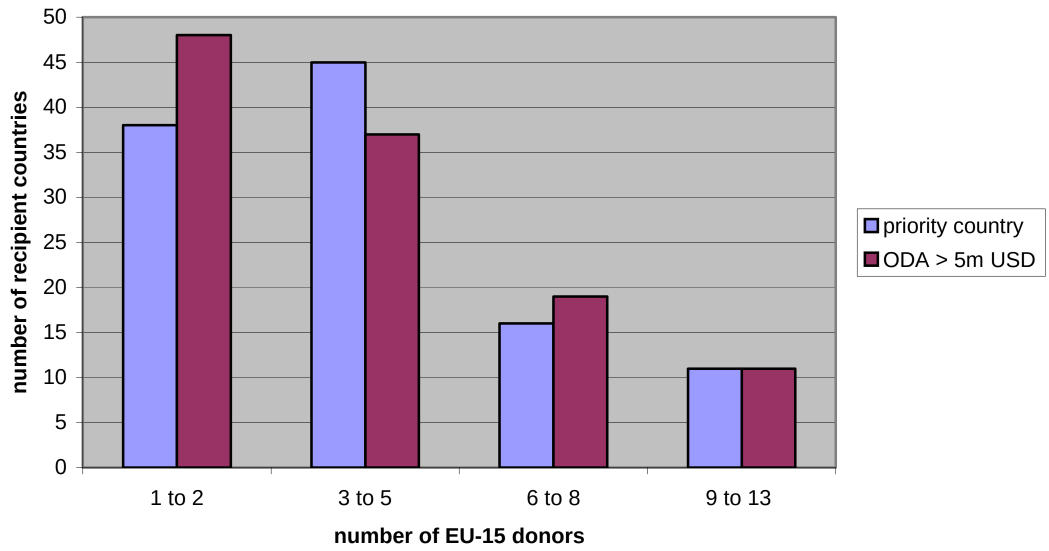
Such a discussion would not be necessary if forward information about each others plans for new aid activities was available. As some donors have still difficulty in providing these data (OECD 2006e), a case by case approach may be more practical at present. In the longer run, a database on planned aid allocations could be envisaged.

5.2.2 Joint analysis and strategy for EU "darling" countries

In addition to the general assessment of individual geographic concentration, EU donors should specifically address the limited number of cases in which there is substantial overlap in their choice of partner countries (see tables 7 and 8). These countries can be called EU "darling" countries.

As the aim of a better division of labour is the reduction of the number of donors doing the same, it is most appropriate in this context to define "darling" countries as countries with a high presence of donors. The alternative definition of "darlings" used in the context of the optimal aid allocation debate is less useful for a division of labour. As it defines "darlings" as countries receiving a higher volume of external assistance than prescribed by an allocation model, donors would first have to agree on such a model. While this would be a difficult and time-consuming task, the resulting list would not even address the question of donor presence which is crucial for a division of labour. Furthermore, the aid allocation debate emphasises that some countries receive high volumes of aid because they perform well which does not imply that they should receive less aid. In fact, the World Bank / OECD proposal for early scaling-up even focuses on the "darling" countries Mozambique, Tanzania, Rwanda, Ghana and Burkina Faso (OECD 2006b). Therefore, an EU strategy for "darling" countries should start with an analysis of overlapping EU donor presence. An analysis of the appropriate aid level could be part of a country-specific analysis in a later stage.

Chart 2: Geographic overlap of EU-15



Source: calculations based on OECD 2006a; AFD 2006

Chart 2 shows that the number of countries with many EU donors is limited, whether one looks at the priority countries according to the political statements of a donor or the countries in which a donor commits more than 5 million USD annually as an indicator for substantial aid activities.[26] While it is difficult to say precisely how many donors would actually be a reasonable number (this may vary by country), it seems obvious that the presence of six and more EU donors in relatively small developing countries is not an optimal number (in particular when keeping in mind the number of other bi- and multilateral donors).

While a large number of donors leads to high transaction costs in all countries, the relative importance of the problem depends on the size of the country, the capacity of the government and the modalities how aid is delivered. For example, a large number of donors is less of a problem in Viet Nam, a country with a population of 82 million and a low proportion of ODA to GNI and to government expenditure, than in Mozambique, a country with a population of 19 million where ODA is a high proportion of GNI and government expenditure.

As the choice of partner countries is based on a range of political considerations, it may be difficult to start a process to reduce the number of donors simultaneously in all 36 countries listed in table 7. It seems more feasible to adopt a learning approach starting with a small number of countries (for example, four to six), in which relatively quick agreement seems possible. This might be the case for countries in which donors have little other motivations than poverty reduction and in which the cost of the presence of a large number of EU donors

26 However, in a few cases the countries receiving more than 5 million USD of annual ODA commitments from many EU donors are not identical with the countries many EU donors consider as priority countries. They are included in table 7 in italics. Possible reasons are recent changes in priorities or specific political motivations.

is particularly high (high ratio of ODA to GNI, of ODA to government expenditure and of EU ODA to total ODA received by the country).

A pilot strategy for a small number of "darling" countries could be elaborated in the following steps:

1. Agreement on procedure and selection of countries.

2. Discussion if the total amount of aid allocated by all donors is appropriate for these countries.

3. Each EU donor should analyse its interests in these countries and state whether it would prefer to maintain, reduce (including offer to exit completely) or increase its involvement in the country (in terms of amounts allocated).

4. Co-ordinated action: In a joint meeting, possibilities for co-ordinated action should be discussed. A certain target amount of EU aid could be met with a reduced number of donors if, for example, a donor reduces its activities in partner country A and increases its activities in partner country B while another donor increases its activities in A and reduces B (package solution).[27] Another possibility would be to focus additional aid amounts resulting from the scaling-up process: donors could concentrate additional funds on a few countries in a co-ordinated way. Any such strategy should be discussed with the partner countries concerned and be clearly communicated to the public as an exercise of improving the division of labour within the EU, not as a withdrawal of individual donors.

The Commission should participate in this process, even if its policy of global presence precludes an exit from a country. It could adapt the amount of funding and the type of activities as part of a joint EU strategy.

27 This option takes the current practice of Sweden and Norway of delegating the country programmes in Malawi and Mali a step further.

Table 7: Indicators for EU-15 "darling" countries (presence of 6 or more EU-15 donors)

	Priority country for x EU-15 donors[1]	Core prio. country[1]	Number of EU-15 with ODA > 5 m USD (aver. 2003/4)[2]	ODA/ capita 2004 (USD)[3]	ODA/ GNI 2004 (%)[3]	ODA/ gov. expenditure 2004 (%)[4]	EU-15 + EC / total ODA 2004 (%)[5]	Population 2004 (Mio)[6]	GNI per capita 2004 (USD)[6]
Mozambique	**13**	13	12	63	21	88	47	19	250
Palestinian Adm. Areas	**12**	8	10	324*	n.a.*		58	4	1120*
Ethiopia	**11**	10	9	19	17	79	37	70	110
Viet Nam	**11**	10	10	22	4	17	30	82	550
Tanzania	**10**	10	10	42	14	77	44	37	330
Uganda	**10**	9	9	37	15	64	37	26	270
Kenya	**9**	8	8	15	3	14	47	32	460
Rwanda	**9**	7	7	48	23	78	33	8	220
South Africa	**9**	7	10	14*	0,3*	1*	77	46	3630
Nicaragua	**9**	6	8	124	15	103	63	6	790
Albania	**9**	5	4	115	5		69	3	2080
Mali	**8**	6	4	43	12	49	50	12	360
Senegal	**8**	5	6	59	9	29	64	10	670
Burkina Faso	**7**	7	6	46	12	49	52	12	360
Eritrea	**7**	7	2	37	17	53	31	4	180
Zambia	**7**	6	7	61	14	48	60	11	450
Bolivia	**7**	4	8	85	9	32*	32	9	960
Afghanistan	**7**	4	10	67	32	289*	31	n.a.	212
Bosnia and Herzegovina	**7**	3	8	161	7	20*	46	4	2040
Egypt	**6**	5	6	20*	2*		37	69	1310
Burundi	**6**	5	3	22	25	88	65	7	90
Cape Verde	**6**	4	3	263	14		65	0.5	1770
Namibia	**6**	4	5	89*	3*		80	2	2370
Sudan	**6**	3	5	6	1	18	45	34	530
Bangladesh	**6**	3	5	9	2	19	29	140	440
Cambodia	**6**	3	6	34	10	67	25	14	320
Serbia and Montenegro	**6**	3	11	129	4		62	8	2620
China	4	2	**10**	1*	0.1		40	1296	1500
India	3	2	**9**	1	0	1	31	1080	620
Angola	4	3	**7**	18	2	10	84	15	930
Iraq	5	2	**6**	n.a.	n.a.		6	n.a.	n.a.
Congo DR	3	3	**6**	14	12	592	62	56	110
Colombia	3	0	**6**	11*	0.5	2*	19	45	2020
Indonesia	4	2	**6**	0	0	0.2*	18	218	1140
Sri Lanka	5	2	**6**	25	3		17	19	1010
Phillipines	2	2	**6**	6*	0.5		24	82	1170

[1] Source: calculations based on AFD 2006
[2] ODA commitments excl. debt and humanitarian assist. (source: calculations based on OECD 2006a)
[3] Net ODA excl. debt and hum. ass. (source: OECD 2006f)
[4] Total net ODA (source: Moss / Subramanian 2005)
[5] Total ODA commitments (source: calculations based on OECD 2006a)
[6] Source: OECD 2006a
* Source: World Development Indicators 2006 (total net ODA)

Table 8: Priority countries of EU-10 (presence of 3 or more EU-10 donors)		
	EU-10	EU-15
Moldova	6	4
Palestinian Adm. Areas	4	12
Serbia and Montenegro	4	6
Ukraine	4	2
Afghanistan	3	7
Bosnia and Herzegovina	3	7
Viet Nam	3	11
Georgia	3	5

In *italics*: EU-10 priority countries with an additional presence of 6 or more EU-15 donors
Source: Bucar / Plibersek / Mesic 2006 (see annex 1)

5.2.3 Joint EU strategy for “orphan” countries in the context of the DAC fragile states group

The EU should embed any initiative on “orphan” countries in the context of the work in the DAC fragile states group and not start a parallel process. It could participate in donor-wide meetings with a joint response strategy.

The DAC fragile states group has identified a limited number of aid “orphans” that should receive more ODA (see table 9). In some of these countries, the EU is of particular importance in terms of its share in total aid provided and its presence. The DAC defines “orphans” in terms of volume of aid. As these countries have weak governance capacities, it would be difficult for them to deal with a large number of donors (OECD 2006f).[28] The number of EU donors in these countries varies and should not be increased. EU donors could discuss for individual countries whether the Commission or a specific member state should play a key role in these “orphan” countries.

As countries with little aid flows can quickly become “darling” countries in the sense of a large donor presence when the political situation changes (e.g. DRC), the EU could pay particular attention to a joint response strategy for “new” partner countries based on a limited number of donors.

28 On the other hand, if there are few donors, the predictability of their aid is important in order to reduce the volatility of aid flows currently experienced by these countries (OECD 2006d).

Table 9: EU presence in “orphan” countries identified by the DAC				
	Priority country for x EU-15 donors	EU-15 donors > 5m (average ODA com-mitments 2003/4 excl. hum. and debt)	EU (EU-15 + EC) / total ODA commit-ments 2004 (%)	EC / total ODA commitments 2004
Burundi	6	3	65	30
DRC	3	6	62	10
Guinea	2	2	48	4
Nigeria	4	3	64	43
Uzbekistan	1	1	11	5
Yemen	4	4	44	6
Source: calculations based on AFD 2006; OECD 2006a				

6 Cross-sector division of labour

Even though it is undisputed that the sectoral allocation of aid should ultimately be determined by the development strategy of each partner country, this does not imply that every donor has to be able to offer the same sectoral expertise. A stronger concentration of donors on certain sectors could reduce administrative costs and improve sectoral expertise through “economies of scale”. Therefore, the GAERC (2006, 5) recommended that for cross-sector division of labour, *“Member States and the Commission should deepen the self-assessments of their comparative advantages and relative strengths”*. Whereas in the past donors have often concentrated on the same sectors, it would be important that the services offered by them as a whole actually correspond to the variety of needs.

It should be a guiding principle for a cross-sector division of labour that the EU *as a whole* should be able to provide all kinds of thematic, sectoral and instrumental development operations but individual donors may specialise on specific expertise. For example, poverty reduction requires not only basic social services, but also measures to improve the productive capacities of the poor and their access to infrastructure. Furthermore, without protection of the environment, poverty reduction will not be sustainable. Thus, calls from NGOs to focus on basic social services (education, health) should be applied to the EU as a whole and not to each individual donor because a high focus of all EU donors on basic social services would not be an efficient approach to poverty reduction. Another example for this principle would be new fields of activities like general budget support. Even if this instrument has many advantages, this does not imply that all EU donors should focus on it, as other kinds of aid are also important to promote development. If the EU is perceived as a whole, inefficient pressures on individual donors to specialise along the same lines will be reduced.

The cross-sector division of labour among EU donors could be improved through a co-ordinated concentration process. As this will take time, a division of labour approach could be applied immediately for new and rapidly growing fields of development co-operation, like, for example, adjustment to climate change.[29] Thus, an inefficient build-up of identical competences can be avoided.

6.1 Recommendation for the EU: Analyse and expand areas of strength in a co-ordinated way

Each EU donor should analyse individually the relative importance of sectors compared to its commitments to other sectors and to its political goals[30] as well as in comparison to other European donors in the same sector. They should identify sectors in which they would like to expand and sectors where they might be willing to reduce their own activities. Each donor should build on its particular strengths rather than build new competences in areas where other donors already show good performance. On this basis, EU donors should discuss a coherent approach of concrete steps towards more sectoral concentration while maintaining the diversity of expertise for the EU as a whole. Such an approach could include delegated co-operation and a clear communication strategy to ensure that this concentration is not misunderstood as a decreased political importance of certain sectors for an individual donor.

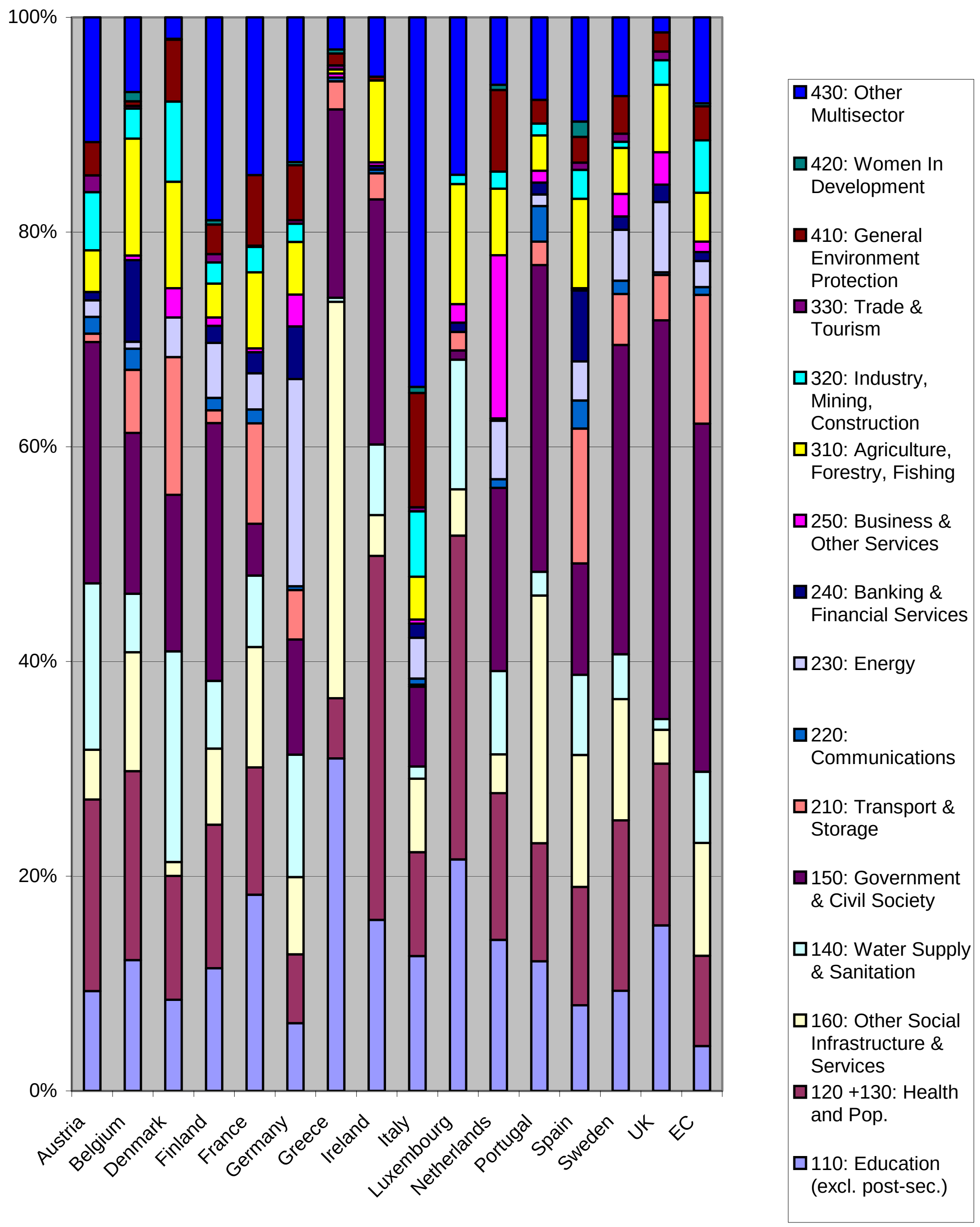
An improvement of the sectoral division of labour can be addressed in parallel to in-country processes of sectoral specialisation. These processes will over time lead to some concentration, but are not co-ordinated and are therefore not a sufficient approach to achieve "economies of scale" on the donor side. An analysis of the aggregated sectoral priorities of each donor leading to some co-ordinated regional or global specialisation could speed up in-country concentration processes by reducing the overlap in the offers made by donors to partner countries.

The data on the sectoral distribution of ODA commitments show that the relative importance of sectors varies for each donor (see chart 3). There seems to be room to build on these patterns to further increase sectoral concentration. However, an assessment of possibilities for sectoral specialisation should be more detailed than the data used in chart 3 and 4 (three-digit DAC code), which can serve as a first step to identify sectors for further analysis. Within a sector, attention should be paid to specific types of intervention (e.g. using the five-digit CRS code).

29 Another example could be migration.

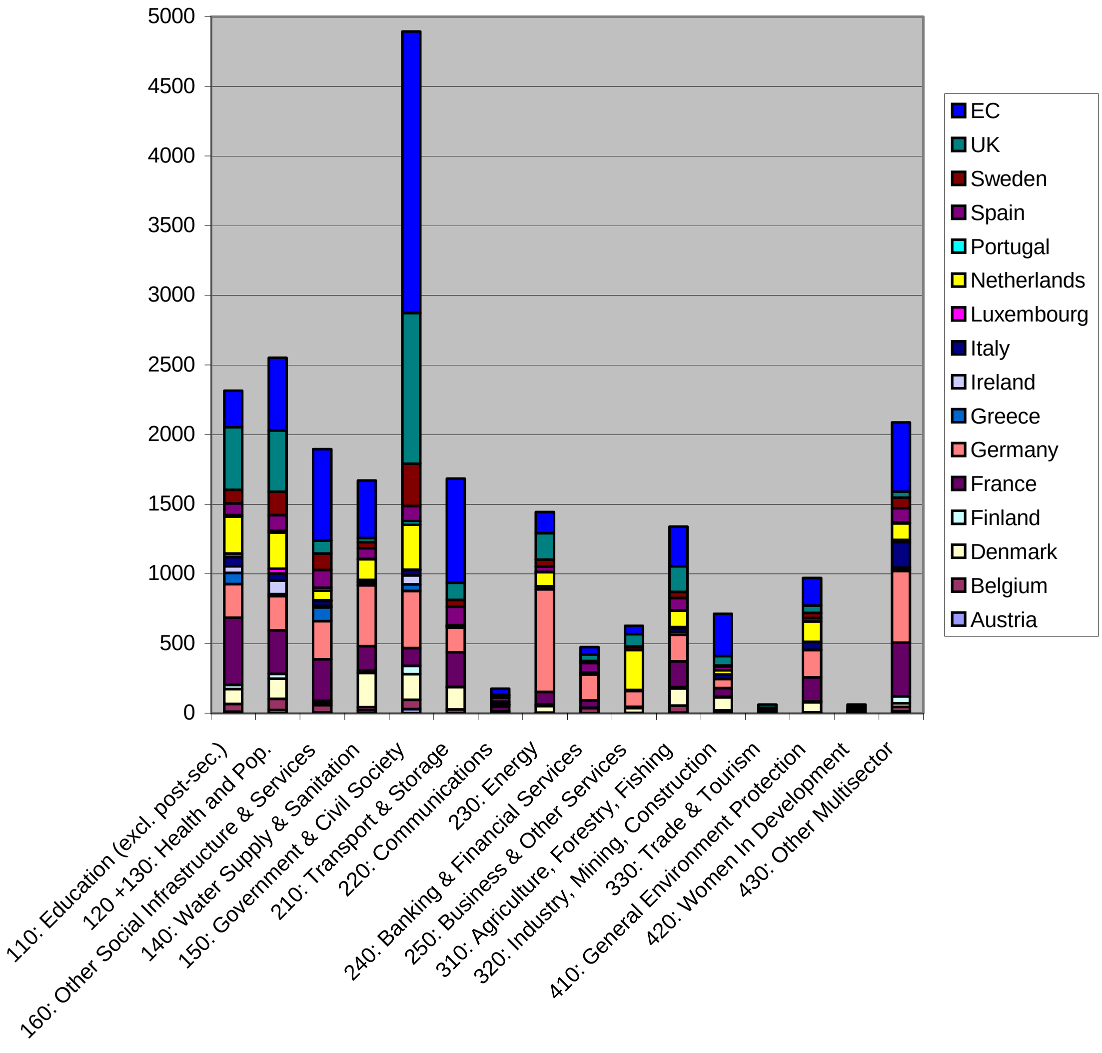
30 The sectoral analysis focusses on inputs, not on impacts. For example, the water sector can contribute to improving health.

Chart 3: ODA commitments 2004 by sectors as a percentage of total sector-allocable ODA of each donor (EU-15 and EC)



Source: OECD - IDS online (DAC database)

Chart 4: ODA commitments 2004 by sector (EU-15 and EC)



Source: OECD - IDS online (DAC database)

6.2 Recommendation for the EU: Joint strategy for new fields of development co-operation – the example of climate change

Adaptation to climate change is a new field of development co-operation in which a division of labour approach should be applied from the start on. The issue has not yet received sufficient attention in the field of development co-operation although it jeopardises progress in poverty reduction. Least developed countries will carry a disproportionate large share of the costs occasioned by the impacts of climate change. An increasing proportion of world emissions of greenhouse gases will come from dynamic emerging economies such as China and India. A strategy for adjustment to climate change should be combined with a strategy for mitigation of climate change. ODA funds are currently concentrated on mitigation activities, including the promotion of energy efficiency and renewable energies as well as creating an enabling environment for projects under the Clean Development Mechanism.

In the area of adaptation to climate change, basic conceptual and strategic work has been elaborated by a group of multi- and bilateral donors as well as by the OECD (ADB et al. 2003; OECD 2005b), but still needs to be refined substantially for many sectors (e.g. agriculture/rural development, water, disaster risk management, health and infrastructure) and regions (WBGU 2007). As this is an enormous challenge due to the complexity of the issues, a division of labour between all interested donors could significantly enhance the impact of the scarce intellectual and financial resources in this field.

Mitigation includes the promotion of energy efficiency, renewable energies, as well as the reduction of emissions due to land use change and deforestation. Activities in the first two areas of work are most effective in countries with a large and growing energy demand, e.g. India and China. These countries are most likely to be interested in cooperating with donors which have a strong domestic and international profile in these two areas, with regard to policy regulations, research and development and technological solutions. The third area of work is particularly important in developing countries with tropical forest areas, especially from Latin America and Africa. Donors with a strong profile regarding biodiversity protection, sustainable forestry and agriculture could engage here.

7 Conclusion

The study developed proposals how the GAERC guiding principles could be implemented and how the EU could advance towards a division of labour in development co-operation. These recommendations refer to in-country, cross-country and cross-sector division of labour.

For in-country division of labour:

- use division of labour exercises as part of EU joint programming;
- implement good practices specified in a code of conduct.

For cross-country division of labour:

- review geographic concentration individually by benchmarking against other donors of similar size, exchange views on good practices and appropriate levels of concentration and consult other donors before leaving a country (to avoid the creation of new "orphans");

- develop a joint strategy for “darling” countries where many EU donors are present, aiming at a reduction of the number of EU donors;
- develop a joint strategy for “orphan” countries to increase ODA levels without increasing the number of EU donors.

For cross-sector division of labour:

- analyse and expand areas of strength in a co-ordinated way;
- use a division of labour approach in new fields of development co-operation.

It would be best to address these dimensions of division of labour simultaneously, as they are linked and progress in one dimension is limited by progress in the other dimensions. Because of the ongoing joint assistance strategy and EU joint programming processes, there is a window of opportunity to achieve quick progress in the dimension of in-country division of labour. Nevertheless, a reduction of the overlap of EU donors in the cross-country and cross-sector dimension will simplify and facilitate in-country processes of division of labour. The ownership of the partner countries is not reduced if EU donors – being part of a political entity – make proposals how they could reorganise their aid activities.

This integrated approach to division of labour could be applied immediately to additional resources (scaling-up) and then be expanded over time to the current aid activities.

In order to move beyond policy statements and achieve real progress on the ground, the EU should agree on concrete activities in all three dimensions of a division of labour and monitor their implementation.

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Annexes

Annex 1:

Development Policies of New Member States and their Participation in European Union Development Co-operation (Summary)[1]

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Approach

Until the accession to the EU, many of the new member states (NMS) were themselves recipients of donor funds (some still are) and therefore less involved in development cooperation policies. Their new status requires a different attitude in this area. To participate fully in the activities at the level of the European Commission and to contribute to the effectiveness of EU aid, these countries first have to develop their development policies and strategies, raise the awareness among their citizens and engage in different development cooperation projects. In order to answer the question of optimal division of labour within development cooperation in a country and cross-country from the viewpoint of new member states, one needs to examine closely the current state of affairs in these countries.

The study analysed the current development policies of the 10 new member states, which joined the EU in May 2004: the legal and institutional framework, the setting of development cooperation priorities and statistical information. It is based on available official documents and to some extent on interviews with experts in the countries themselves.

The limitations of the research were several. The short time frame available contributed to the fact that little information was obtained directly from the contacts in the countries. Another common observation is the lack of systematic monitoring of development policies in these countries, resulting from the fact that this is a new area of activity, which by itself is going through development period as well, both in terms of institutions as well as personnel. In addition, our preliminary search shows serious problems with data in English (there would be documentation available in national language, which could not be used). More conclusive assumptions would therefore require additional work and verification of findings within the countries. Therefore, this analysis should be treated as preliminary work in this rather complex field, focusing as much on the content as on identification of the problems of doing such research.

Findings

The data available reflects an intensified activity in the area of development cooperation within all of the new member states. Even though in financial terms, the budget allocations are still far below the desired level of 0.17% (the goal for 2010), we can observe intensified activity in institutionalisation of development cooperation, in setting a functioning

1 The full version will be published separately.
2 We gratefully acknowledge the support of Maja Gracar and Marjan Huc in collecting relevant information.

legal framework and developing a set of criteria for the selection of recipient countries as well as channels through which to execute development aid programmes.

New member states have an interesting list of main recipient countries, with pronounced priority given to neighbouring non-EU member countries or ex-Soviet countries, where they have comparative advantage in better comprehension of state of affairs due to their own historical experience. This, in combination with their own learning process, experienced during the accession period, gives them ample opportunity to provide these countries with training and consultancy in the area of democratisation, market liberalisation, adjusting legal, institutional and regulatory framework to the EU standards – in short, transition expertise. The available evidence suggests that several of the on-going development projects are of this nature.

More difficult for the NMS is the development cooperation with developing countries, especially with the least developed ones. Here, the assistance of the EU in designing the instruments, which would help donor countries to develop their policies, would be beneficial. The EU should provide capacity building support to enable the NMS to play an active role within the EU aid. From the programmes and strategies it is obvious that NMS are committed to increase the financial allocation as well. However, they are lacking the experience in some areas of development aid implementation.

With respect to the in-country division of labour, we can observe in the cases of NMS that they have so far limited number of sectors or themes in each partner country. Further, several countries are already discussing further concentration of development cooperation due to limited resources available. On the other hand, several countries mention expansion of bilateral aid in the future. The first increase in the resources dedicated to development cooperation was in many instances the result of contribution to the overall EU budget and thus considered as multilateral aid. The NMS strategies seem to indicate a desire to channel some of the required and planned increase in allocation of resources towards bilateral aid. Here we notice some controversy between more selectivity and concentration on one hand and increased bilateral activity on the other.

A timely division of labour approach at the EU level could be valuable in preventing spreading of the planned increased aid coming from NMS too thinly. On the other hand, one of the specific sector priorities, which is high priority in NMS and is based on their comparative advantages (due to their own recent historical experience), is the regulative and institutional transition process from centralised planned economy to market economy and *acquis communautaire*: here there is no doubt that NMS could provide a lead.

Within the available policy documents the use of delegated co-operation arrangements is not yet mentioned, neither in the sense of participating in an arrangement like this or offering to coordinate one. In fact, the cooperation issue is more present in some countries in relation to non-EU countries (Canada, Norway) than with other EU members. The very novelty of acting as a donor country could be one of the explanations.

Looking at the priority countries, we can observe that while some countries overlap with the priorities of the "old" member states (Palestinian Adm. Areas, Albania, Bosnia & Herzegovina, Afghanistan, Iraq), NMS channel their development aid to several other countries in their neighbourhood or with similar historic experience, yet still seriously lagging in development (Kyrgyzstan, Kazakhstan, Tajikistan, Moldova, Georgia, for example). With this in mind, the cooperation of NMS and an eventual joint strategy for these countries may be one of the options within the context of division of labour.

In further discussions and design of policies on the division of labour between donors one needs to clearly observe the principles of equal participation in the policy making for all, old and new donors. The fact that current level of development cooperation is relatively low should not be taken on board as a reason not to involve NMS in the planning of future strategies at the EU level. A careful assessment of potential advantages of NMS being a donor in a particular sector/ country is required on one hand, and the options of cooperation arrangements on equal footing in certain cases promoted.

Since the role of a donor country is a relatively new experience for NMS, one should not underestimate the need for awareness-raising on the development issues in these countries. The EU vision on development with key objectives, values and principles of development cooperation should be promoted through proper media to the citizens of NMS, and wider participation of development NGOs in these countries encouraged. Only wider public support to development cooperation will enable the governments to allocate increased financial and human resources to these issues.

An overview of the current state of affairs in the area of development cooperation in new member states is presented in the following table.

	ODA Statistics		Country priorities	Sector priorities	Comparative advantages	Coordination of ODA	Implementation
Slovak Republic	2004	2005	Serbia and Montenegro, Kenya, Sudan, Kyrgyzstan, Kazakhstan, Ukraine and Belarus	Democratic institutions, infrastructure, agriculture	Institutional framework, know-how, experience and capacities	MFA	Ministries (FA, Environment, Education, Agriculture), NGOs
	0.072% 25.935 million EUR	0. 12% 49.533 million EUR					
Poland	2004	2005	Afghanistan, Georgia, Iraq, Moldova, Viet Nam, the Palestinian Autonomy	Sustainable development, poverty, health, education	health sector, education, access to potable water, environment, capacity building, democratic institutions, public administra-tion efficiency, cross-border cooperation, reconstruction of the economy sector	MFA	MFA, MF, M of Education
	0. 05% 91.748.633 EUR	0.068% 159.953.160 EUR					
Hungary	2004	2005	Serbia and Montenegro, BiH, Viet Nam, Palestinian National Authority, Macedonia	Knowledge transfer, education, technical training, agriculture		MFA	implementing agency, NGOs
	0.07% 54 million EUR	0.09% 74 million EUR					
Czech Republic	2004	2005	Angola, Bosnia and Herzegovina, Moldova, Mongolia, Serbia and Montenegro, Viet Nam, Yemen and Zambia	health care, education, energy production	health care, education, energy production	MFA	Ministry of Interior, Development Centre
	0.106% 81.591 million EUR	0.114% 101.927 million EUR					
Estonia	2004	2005	Georgia, Moldova, Ukraine, Afghanistan	(1) Good governance and democratisation; (2) Education; (3) Economic development and trade liberalisation; (4) Environment; (5) Information and communications technologies.	Development of the ICT-sector and e-governance.	Development Co-operation Division within the MFA	Ministries, NGOs, private companies
	0.08% 6 million EUR	0.08% 8 million EUR					

Latvia	2004	2005	Georgia, Moldova, Ukraine	(1) Political and economic reform process; (2) European and Transatlantic integration process; (3) Development of democratic and civil society; (4) Education, culture, social development, health, environmental protection.	Good governance; Institutional transformation and capacity building; Harmonisation with the acquis. * Forensic psychiatry and medicine.	Development Co-operation Policy Department within the MFA	Ministries, NGOs, private companies
	0. 06% 6.7 million EUR	0. 07% 9 million EUR					
Lithuania	2004	2005	Kaliningrad Region, Ukraine, Belarus, Moldova, Afghanistan and Iraq. Future: South Caucasus and the Balkans.	(1) Good governance; (2) Economic reform process and transport; (3) Euro-integration process; (4) Security; (5) Environment; (5) Health and social security; (6) Culture and education.	Transition management.	Development Assistance Division of the Depart-ment of Mul-tilateral Rela-tions within the MFA, the Ministry of Finance	/
	0.042% 7.66 million EUR	/					
Cyprus	2004	2005	(1) Egypt, Mali, Lesotho, Yemen and Palestine;	Infrastructure development; Social and services sectors; Environment.	Infrastructure development; Social and services sectors; Environment.	Coordination Body (CB)	Planning Bureau No cooperation with NGOs yet.
	0.04% 4.2 million EUR	No data. (The Strategy: 5-6 million EUR)					
Malta	2004	2005	(1) Sudan, Eritrea, Ethiopia and Somalia; (2) Palestine; (3) Sri Lanka.	(1) Poverty reduction; (2) Health; (3) Education and recreational formation; (4) ICTs; (5) Good govern-ance; (6) Children.	(1) ICTs in e-governance; (2) Education; (3) Health; (4) Desalinization; (5) Maritime Law; (6) Research on ageing; and (7) Capacity-building initiatives.	Development Policy Unit within the MFA	Other govern-mental and non-governmental institutions, private companies.
	0. 18% 7 million EUR	0. 18% /					

Slovenia	2004	2005	Albania, BIH, Serbia, Montenegro, FYR of Macedonia and Moldova.	(1) Euro-integration process: administrative reform; (2) Trade, investment, financial institution capacity building; (3) Integrated environmental planning and management, agricultural and forestry management; (4) Post-secondary education; (5) de-mining and treating of war-affected children.	(1) Euro-integration process: administrative reform; (2) Trade, investment, financial institution capacity building; (3) Integrated environmental planning and management, agricultural and forestry management; (4) Post-secondary education; (5) de-mining and treating of war-affected children.	Department of International Development Cooperation and Humanitarian Assistance within the MFA	Other governmental institutions, NGOs and private companies.
	0. 10% 17.4 million EUR						

Annex 2: Priority Countries of EU-15

Priority Countries of EU-15 (1 = core priority country, 2 = other priority country)

	Aus	Bel	Den	Fin	Fra	Ger	Gre	Ire	Ita	Lux	Net	Por	Spa	Swe	UK	Sum 1	Sum 2	Total
AFRICA																		
NORTH OF SAHARA																		
Algeria		1			1	2							1			3	1	4
Egypt			1			1			1		2		2		2	3	3	6
Morocco		1			1	1				2			1			4	1	5
Tunisia					1	2			1	2			1			3	2	5
SOUTH OF SAHARA																		
Angola					1							1	1		2	3	1	4
Benin		1	1		1	1					1					5	0	5
Botswana																0	0	0
Burkina Faso	1		1		1	1				1	1			1		7	0	7
Burundi	2	1			1	2			1	2						3	3	6
Cameroon					1	1									2	2	1	3
Cape Verde	1				1					1	2	1	1			5	1	6
Central African Rep.					1											1	0	1
Chad					1	2										1	1	2
Comoros					1											1	0	1
Congo, Dem. Rep.		1			1										1	3	0	3
Congo, Rep.					1								2			1	1	2
Côte d'Ivoire					1	2									2	1	2	3
Djibouti					1											1	0	1
Equatorial Guinea					1								2			1	1	2
Eritrea			2		1	2	1		1		1				2	4	3	7
Ethiopia	1			1	1	1	1	1	1		1		2	1	1	10	1	11
Gabon					1											1	0	1
Gambia					1										2	1	1	2
Ghana			1		1	1					1				1	5	0	5
Guinea					1	2										1	1	2
Guinea-Bissau					1							1	2			2	1	3
Kenya	2		1	1	1	1			1		2			1	1	7	2	9
Lesotho						2		1							1	2	1	3
Liberia					1										2	1	1	2
Madagascar					1	2										1	1	2
Malawi						1								1	1	3	0	3
Mali		1			1	1				1	1		2	1	2	6	2	8
Mauritania					1	2							1			2	1	3
Mauritius																0	0	0
Mayotte																0	0	0
Mozambique	1	1	1	1	1	1		1	1		1	1	1	1	1	13	0	13
Namibia	2				1	1				1			1		2	4	2	6
Niger		1			1	2				1			2			3	2	5
Nigeria			2		1	2									1	2	2	4
Rwanda	2	1			1	1			1	2	1			1	1	7	2	9
Sao Tome & Principe					1					2		1	2			2	2	4
Senegal	2	1			1	1				1	2		1		2	5	3	8
Seychelles																0	0	0
Sierra Leone					1										1	2	0	2
Somalia									1						2	1	1	2
South Africa	1	1	2		1	1		2			1		2		1	6	3	9
St. Helena																0	0	0
Sudan			2		1		1		1				2		1	4	2	6
Swaziland																0	0	0
Tanzania	2	1	1	1	1	1		1			1			1	1	9	1	10
Togo					1											1	0	1
Uganda	1	1	1		1	1		1	1		1			1	1	10	0	10
Zambia			1	1		1		1			1			1	1	7	0	7
Zimbabwe	2				1			2							1	2	2	4

	Aus	Bel	Den	Fin	Fra	Ger	Gre	Ire	Ita	Lux	Net	Por	Spa	Swe	UK	Sum 1	Sum 2	Total
AMERICA																		
NORTH AND CENTRAL AMERICA																		
Anguilla																0	0	0
Antigua and Barbuda																0	0	0
Barbados																0	0	0
Belize															2	0	1	1
Costa Rica						2							2			0	2	2
Cuba					1	2							2			1	2	3
Dominica																0	0	0
Dominican Republic					1	2							1			2	1	3
El Salvador	2					1				1			1			3	1	4
Grenada																0	0	0
Guatemala	2					2					2		1			1	3	4
Haiti					1								1			2	0	2
Honduras						1							1	1	2	3	1	4
Jamaica															2	0	1	1
Mexico						2							2			0	2	2
Montserrat																0	0	0
Nicaragua	1		1	1		1				1	1		1	1	2	8	1	9
Panama													2			0	1	1
St. Kitts-Nevis																0	0	0
St. Lucia																0	0	0
St. Vincent and Grenadines																0	0	0
Trinidad & Tobago																0	0	0
Turks & Caicos Islands																0	0	0
SOUTH AMERICA																		
Argentina													2			0	1	1
Bolivia		1	1			1					1		1	1	2	6	1	7
Brazil						2							2		2	0	3	3
Chile						2							2			0	2	2
Colombia						2					2		2			0	3	3
Ecuador		1				2				2			1			2	2	4
Guyana															2	0	1	1
Paraguay						2							1			1	1	2
Peru		1				1				2			1		2	3	2	5
Suriname					1						1					2	0	2
Uruguay													2			0	1	1
Venezuela													2			0	1	1

	Aus	Bel	Den	Fin	Fra	Ger	Gre	Ire	Ita	Lux	Net	Por	Spa	Swe	UK	Sum 1	Sum 2	Total
ASIA																		
MIDDLE EAST																		
Bahrain																0	0	0
Iran																0	0	0
Iraq			2				1		1				2		2	2	3	5
Jordan						2	1						2		2	1	3	4
Lebanon					1		1						2			2	1	3
Oman																0	0	0
Palestinian Adm. Areas	1	1	2		1	1	1	2	1		2		1	1	2	8	4	12
Saudi Arabia																0	0	0
Syria						2	1						2			1	2	3
Yemen					1	1					1				2	3	1	4
SOUTH AND CENTRAL ASIA																		
Afghanistan			2			1	1				2		2	1	2	3	4	7
Armenia						2	1				2				2	1	3	4
Azerbaijan						2										0	1	1
Bangladesh			1			1					1		2	1	1	5	1	6
Bhutan	1		1													2	0	2
Georgia						1	1				2			1	2	3	2	5
India			2			1									1	2	1	3
Kazakhstan						2									2	0	2	2
Kyrgyz Rep.						2								1	2	1	2	3
Maldives																0	0	0
Myanmar															2	0	1	1
Nepal	2		1	1		1									2	3	2	5
Pakistan	2					1					2				1	2	2	4
Sri Lanka			2			2					1			1	2	2	3	5
Tajikistan						2								1	2	1	2	3
Turkmenistan																0	0	0
Uzbekistan						2										0	1	1
FAR EAST ASIA																		
Cambodia			2		1	1							2	1	2	3	3	6
China						1				2			2		1	2	2	4
Indonesia			2			1					1				2	2	2	4
Korea, Dem.Rep.																0	0	0
Laos					1	2				1				1		3	1	4
Malaysia																0	0	0
Mongolia						2					2					0	2	2
Philippines						1							1			2	0	2
Thailand			2			2										0	2	2
Timor-Leste						2		1				1	2		2	2	3	5
Viet Nam		1	1	1	1	1		1		1	1		1	1	2	10	1	11

	Aus	Bel	Den	Fin	Fra	Ger	Gre	Ire	Ita	Lux	Net	Por	Spa	Swe	UK	Sum 1	Sum 2	Total
EUROPE																		
Albania	1					1	1		1	2	2		2	1	2	5	4	9
Bosnia and Herzegovina	1					1	1				2		2	1	2	4	3	7
Croatia	1														2	1	1	2
Macedonia/FYROM	1					1	1				1				2	4	1	5
Moldova	1										2			1	2	2	2	4
Serbia & Montenegro	1					2	1		1	2					2	3	3	6
Turkey						1	1									2	0	2
OCEANIA																		
Cook Islands																0	0	0
Fiji																0	0	0
Kiribati																0	0	0
Marshall Islands																0	0	0
Micronesia, Fed. States																0	0	0
Nauru																0	0	0
Niue																0	0	0
Palau																0	0	0
Papua New Guinea																0	0	0
Samoa																0	0	0
Solomon Islands																0	0	0
Tokelau																0	0	0
Tonga																0	0	0
Tuvalu																0	0	0
Vanuatu					1											1	0	1
Wallis & Futuna																0	0	0

Source: AFD 2006, EC 2006a: 67

Annex 3: Division of Labour Exercises in the Context of JAS (Documents)

1. Tasks of Lead Donors (and Active/Delegating Donors)

a) Zambia

Envisioned Lead CP tasks

On behalf of all the CPs interested in the given sector the Lead CP will:

Vis-à-vis the lead sector ministry:

Act as interface for policy dialogue between GRZ and CPs

— On a day-to-day basis, keep track of key developments in the sector[3], and support as appropriate the Government in driving the sector dialogue on the policy implications of these. This includes representing the CPs in the Sector Advisory Groups and in any other fora, where the sector development is discussed and planned;

— Provide in-country advocacy in support of agreed international development goals relevant to the specific sector;

— Together with GRZ plan and coordinate reviews and evaluations in the sector aligned to the GRZ planning and budget cycle;

— With the GRZ organise and facilitate annual sector performance and policy discussions with the CPs that have an interest in the sector. These discussions will review the sector performance, key policy and implementation challenges;

Facilitate government management of financial and technical assistance.

— Assist GRZ in developing, establishing and/or managing appropriate joint aid mechanisms in the sector including for example SWAps, basket funding, and pools for TA etc. This includes planning of any new aid interventions;

— Act as channel of funds (silent partnerships) for other CPs as agreed and appropriate;

— Ensure that MoUs, formats and formal descriptions of joint procedures are available as appropriate in the sector;

— Assist GRZ in assessing the need for donor support in the sector and in facilitating appropriate division of labour (among CPs) in the sector. This includes facilitating that the work of CPs is aligned with the NDP and GRZ sector plans and that CPs complement rather than duplicate each other;

Vis-à-vis the other cooperating partners interested in the sector:

— Provide coordination services including convening, preparing and recording CP coordination meetings;

— Build consensus around, finalise and submit joint CP positions for the appropriate sector dialogue mechanisms (including SAGs);

3 This does not mean that the Lead CP should duplicate the National Development Plan monitoring system. Instead the Lead CP should be on a day-to-day basis closely follow the outcomes of the NDP monitoring system and respond to the monitoring results as appropriate.

— Ensure alignment of CP activities (including external reviews and missions) to GRZ planning and budgeting cycle;

— Information management. This includes ensuring (in cooperation with GRZ) that all relevant information concerning the sector is readily available, updated and communicated to other CPs both regularly and on request;

Monitor harmonisation performance

— Report annually to the CPs and GRZ about the Lead CP activities carried out and the performance of the CP community in the sector in terms of following an aligned and harmonised approach[4], as defined by the so-called Paris indicators. This includes presenting recommendations for revised division of labour, aid modalities, approach of CPs, and any needed revisions of the ToR.

(…)

The role of non-lead CPs

Some of the non-lead CPs will provide aid in the sector in question and will do so in alignment with GRZ plans and in co-ordination with the Lead CPs. As the Lead CPs will be acting on behalf of the non-lead CPs in the sector the non-leads will aim to be as "silent" as at all possible and delegate the management of their aid intervention to the lead CPs to the extent possible.

This includes that there are a number of tasks that the non-lead CPs should refrain from doing:

— The non-lead CPs should not initiate project or aid interventions in the sector without co-ordinating with the lead CPs.

— The non-lead CPs should not approach or engage GRZ in discussions about sector related issues without co-ordinating with the lead CPs.

— The non-lead CPs should not initiate or plan reviews, evaluations, assessments or other studies in the sector without co-ordinating with the lead CPs.

(*Source:* JASZ Working Group 2005, 3ff)

<u>b) Tanzania</u>

In order to achieve a more even engagement of Development Partners in sectors and thematic areas and reduce transaction costs for both the Government and Development Partners, Development Partners will rationalise the number of sectors or cross-cutting/thematic areas that they engage in. At the same time, the number of Development Partners that are ‘active’ in a sector or thematic area will be limited to an appropriate level, depending on the needs and capacity of the sector/thematic area. Development Partners outside a particular sector/thematic area will be represented by those Partners that are ‘active’ in the area of concern and will assume the role of ‘delegating partners’. They can nevertheless provide assistance to any sector/thematic area within a framework of delegated co-operation, as

4 Parts of the monitoring could be left to an independent monitoring unit as discussed in the JASZ roadmap.

division of labour does not concern the amount or distribution of Development Partner support.

At a second level of division of labour, 'lead partners' will be appointed in each sector, thematic area and, where necessary, sub-sector to lead and coordinate other Partners that are active in that area in all matters. Depending on the case, the role of 'lead partner' may be rotated among different Partners that engage in a particular sector/thematic area. In addition, responsibility can be delegated to different Partners for administering or carrying out specific activities (e.g. analytic work, monitoring and evaluation) or guiding specific aspects of dialogue within the area of concern.

'Active' Development Partners in a sector/thematic area will represent others in sector/thematic dialogue with the Government, whereby 'lead partners' will act as focal point in communication with the Government. They will timely share all relevant information among each other and with 'delegating' Development Partners and assure that the views of 'delegating partners' are equally heard and reflected in the position presented to the Government. Development Partners aim to reach a consensus among themselves and present consolidated views to the Government, but also report existing divergent opinions where consensus cannot be attained.

Within and across sectors and thematic areas, Development Partners harmonise their activities, funding decisions, requirements, analytic work, meetings, missions, reviews and other processes and align them to Government strategies, systems and processes. As part of division of labour arrangements, terms of reference including a code of conduct for delegated co-operation and harmonisation arrangements will specify the roles and responsibilities of 'lead', 'active' and 'delegating' partners.

(*Source:* United Republic of Tanzania 2006, 13)

c) Uganda

Leading Development Partner: In any given sector/area, there are ranges of leadership functions that can be taken on by DPs. This may be undertaken by one or more partners. Functions include acting as the main liaison with Government in policy dialogue and advocacy. The role of the lead development partner will depend on the agreements reached with government and other development partners in the sector/area, but may include the following: acting as the main liaison with Government in policy dialogue and advocacy, facilitating funds and aid management, ensuring that joint reviews, monitoring and reporting take place following agreed formats, providing services to other development partners (information, communication and technical advice) and/or monitoring development partners' performance. Some of these functions are currently managed by the Chairs of DP sector/thematic groups.

Actively Engaged Development Partner: A Development Partner that continues active involvement in some areas, such as reporting or financing, in a given sector. Engaged development partners in a sector/thematic area can represent others in sector/thematic dialogue with the Government. They share all relevant information among each other and with "delegating" DPs and assure that the views of "delegating partners" are equally heard and reflected in the positions presented to the Government. (See *Leading Development Partner*).

Delegated partnership: An arrangement where one development partner (DP) devolves responsibilities to another DP. This can be across a range of aspects of sectoral activity but particularly in terms of financing and/or dialogue functions.

(*Source:* Overseas Development Institute: Uganda Development Partner, Division of Labour Exercise, Aid Information Map, Introduction and Instructions for DP Questionnaire, 28 July 2006, p. 3 f.)

2. Criteria for Lead Donors (and Active Donors)

a) Zambia

Qualifications and capabilities of the Lead CPs

The qualifications and capabilities required to be a Lead CP will depend on the sector but are generally expected to include:

— Available human resources at mission level with a) high level specialist expertise, b) in-depth knowledge of the local Zambian conditions in the sector, c) negotiation and process management skills, d) understanding of the aid modalities (to be) used in the sector, and e) experiences with joint working relationships, moderation of inter-institutional arrangements and managing networks. Actual staffing requirements for lead CPs will have to be specified within the sector context and may depend on the nature and scope of CP involvement in the sector, the number of lead CPs involved as well as the capacity constraints and institutional development needs of the sector.
— Trust and credibility with key stakeholders**,** particularly GRZ, other cooperating partners, and sector specific stakeholders.
— Commitment and support at HQ level.
— Decentralised authority enabling the field office to make decisions.
— Other resources, including long-term financial commitment, procedural ability/-mandate to represent others and co-ordinate wider resources.
— Interpersonal competences of the lead CP team: communicator, convenor and facilitator skills

(*Source:* JASZ Working Group 2005, 4 f.)

b) Tanzania

The selection of the areas of focus for individual Development Partners and their roles as lead or delegating partners will be based on their comparative and, where applicable, competitive advantage. This is determined by a Development Partner's established international and field office expertise, based on past successful experience, in a particular sector, thematic area or sub-sector. It also includes in-depth knowledge of local conditions at mission level. It does not depend on a Development Partner's funding capacity.
Other selection criteria to be taken into account for Development Partners' engagement in sectors or thematic areas are:

— Development Partner organisational capacity;
— The appropriate total number of Development Partners in a sector or thematic area, taking into account the size, nature, needs in line with Government policies, and capacity of the sector or thematic area of concern;
— Established relationships with Government, other Development Partners and non-state actors;
— Development Partners' willingness to cooperate with each other in a particular sector or thematic area;
— Development Partner headquarter mandate;
— The extent of decentralised authority enabling field offices to make decisions; and
— Willingness to sustain support and invest in the agency's competencies in the long-term.

With regards to taking on a leading role, factors to consider in addition to the above are:

— Development Partner organisational capacity to assume leadership;
— Other Development Partners' willingness to recognise and trust a Development Partner as leader; and
— The distribution of lead responsibilities among Development Partners so as to facilitate equitable sharing of work.

(*Source:* United Republic of Tanzania 2006, 13 f.)

c) Uganda

Questionnaire: Characteristics of Development Partner: Leading DP and actively engaged DP (but not leading partner), Ranking: 1=very important, 5=not at all important

1. Headquarter/Decentralisation Issues

— Decision making is decentralised, enabling country office to make decisions on financial, operational and programming issues
— Country office can make decisions on Policy Issues
— There is strong Commitment and support from HQ

2. Financing and Systems Alignment

— Level of funding
— Use of joint funding modalities (baskets or BS)
— Disbursement record (predictability and timeliness)
— Flexibility of resources allocation
— Experience of managing other development partners funds
— Alignment of DP instruments with GOU Sector policies and strategies
— Ability to undertake multi-year commitments in line with MTEF
— Use of GOU Sector/Area reporting mechanisms and national systems

3. Dialogue, Credibility and Historical Record

— Dialogue skills (agency internal technical capacity)
— Experience of joint development partner negotiation / representing other development partners
— Development partner characteristics (e.g. proactive, troubleshooting approach; able to build bridges and create/generating consensus)
— Credibility with MFPED
— Credibility with line ministry
— Credibility with other development partners
— Credibility with other key stakeholders
— Number of years in Sector/Area

4. Staffing and Capacity

— Sectoral expertise in-country
— Sectoral expertise across different countries
— Negotiation and process management skills
— Understanding aid modalities to be used in the Sector/Area
— Experiences with joint working relationships
— Moderation of inter-institutional arrangements
— Managing networks
— Technical Support from HQ

5. Please specify any other resources or characteristics of a DP you consider relevant for this role? (Such as long-term financial commitment, procedural ability/mandate to represent others and coordinate wider resources)

(*Source*: Overseas Development Institute: Uganda Development Partner, Division of Labour Exercise, Aid information map, Development Partner Questionnaire, 24th August 2006, revised version, p. 11 f.)

3. Division of Labour Matrices

a) Zambia

Proposed Sector CP Presence by GRZ version June 13th 2006

Sector from NDP	Lead Ministry	China (proposed)	ADB	BADEA	EC (excl. EIB)	IMF	KUWAIT FUND	OPEC	UN SYSTEMS	WB	CANADA	DENMARK	FINLAND	FRANCE	GERMANY	IRELAND	JAPAN	NETHERLANDS	NORWAY	SWEDEN	UK	USA	Total lead/active
Agriculture	MACO		●		●				●	■			●				●	⊕	○	■		■	8
Decentralization	MLGH								●	■		○			■	●	■	○			●	○	6
Education	MoE		○	○	●				●	●	⊕	●	⊕			■	●	■	●		●	●	10
Energy	MEWD				○				○	■							●		●	●			4
Gender	CO-GIDD								■									●	●			●	4
Governance	MOJ				●				■	●		●	○		●	●		●	■	⊕	■	●	10
Health	MOH				●				■	●	●	⊕				⊕	●	●		■	■	●	9
Housing	MLGH, MOL									●										⊕		●	2
HIV/Aids	MOH								■	●	○					○	●	●	●		■	■	7
Macro-economics	MOFNP				■	●			○	■		○	●		●	○		●	●	●	■	○	9
Private Sector Dev.	CO-DSC/MCTI				■				●	■	○		●			○	●	■		⊕	○	●	7
Social Protection	MCDSS		●						●	○					■						■		4
Science and Tech.	MTEVT									⊕													0
Tourism	MTENR									■							●		■			●	4
Water (WR and WSS)	MEWD/MLGH		●		○				●	●		■			■	●	●	○					7
Transport	MWS/MCT		●		■		●	●		●		●			⊕		●		○				7
Environment	MTENR								●	●		○	■						●				4
Total lead responsibilities					3				4	6		1	1		2	1	1	2	2	2	5	2	

■ Non-signature to the WHIP MoU. (ADB, BADEA, KUWAIT FUND, OPEC and USA columns shaded)
■ Lead CP
● Active CP
○ Background CP
⊕ Phasing out

b) Tanzania

DPG Division of labour -Tanzania

Note: Sector classification is still pending - MoF expressed its proposal to classify sector classification according to MKUKUTA/Budget, but this classification is still pending.

	GBS	Cluster 1: Growth and Income Poverty								Cluster 2: Quality of Life and Social Well Being						Cluster 3: Governance and Accountability								Total	
	PRBS	Macroeconomics	Agriculture	Nat. Resource, Environment, Tourism(1)	Food Security	Private Sector-Trade	Transport	Energy	ICT	Education	Water	Health	HIV/AIDS	Gender	Humanitarian/ Refugee	Governance thematic	Legal Sector	Local Government Reform	Public Service Reform	Anti-corruption (2)	Public Financial Management	Poverty monitoring	ZANZIBAR	Entering JAS	End of first JAS term
Belgium (3)																								11	11
Canada (4)	X																							10	10
Denmark	X		Exit 08				Exit 10																	12	9
Finland	X																							6	4
France (5)																								6	5
Germany	X			Exit 07												Eixt 07	Eixt 08							6	5
Ireland	X									Exit Jul08														8	7
Italy																								0	0
Japan	X																							12	12
Netherlands	X																							8	9
Norway	X																							9	9
Poland																								0	0
Spain																								0	0
Sweden (6)	X																							13	6
Switzerland	X						Exit 07																	9	9
UK/DfID	X																							10	
USA (7)			Exit 06																					8	8
AfDB	X																							7	7
EC	X																							8	7
WB (8)	X																							19	19
IMF (9)																								6	6
UNICEF (10)																								10	10
UNFPA (11)																								5	5
UNDP (12)																								14	14
WFP (13)																								9	9
FAO (14)																								9	9
WHO (15)																								5	5
ILO (16)																								8	8
UNESCO (17)																								8	8
UNIDO																								5	5
IFAD																								4	4
UNHCR																								6	6
UNAIDS (18)																								8	8
UN-HABITAT																								4	4
Entering JAS		12	13	13	5	16	7	7	5	17	13	17	21	14	11	17	10	11	5	5	12	13	20		
End of First JAS term		12	12	12	5	16	6	7	5	17	13	17	21	14	11	17	8	11	5	5	12	13	20		

Coding:

Active donor marked by:

Delegated sector marked by:

Sector/s to withdraw from marked by:

Note on Definitions:

"*Active*" DPs in a sector/thematic area will represent others in sector/thematic dialogue with the GOT, whereby communicating with the GoT. They will timely share all relevant information among each other and with "delegat "delegating partners" are equally heard and reflected in the position presented to the GoT.

"*Delegating partners*": DPs outside a particular sector/thematic area will be represented by those Partners tha will assume the role of "delegating partners". They can nevertheless provide financial assistance to any sector/t delegated cooperation, as DoL does not concern the amount of distribution of DP funding.

Notes

DPG working group reflection, review, and negotiation continues. Entries reviewed and proposed by DPG working groups are incorporated only when the entries are negotiated with Agencies in question.

(1) Tourisms, Natural Resources, Environment: Sector classification identified as mixture of themes, ministries and sectors by DPG-E. Because of its mixture of themes, ministries and sectors difficult to identify active DPs according to the current structure. It does not only belong to Cluster 1 but to all clusters. Planning a retreat in October to deepen the DoL exercise at sector

(2) Anti-corruption: No existing dialogue architecture in place, and the issue currently is dealt in the Governance thematic

(3) Belgium: As of 2008 a new multi year bilateral program with Tanzania will be concluded with maximum 2 sectors. The implementation of the ongoing programme (2003-2007) will continue as foreseen.

(4) CIDA: Private Sector (active in FSDT only)

(5) France: Other Areas: cultural development (Active); Higher education (active).

(6) Sweden also withdrawing from culture, and urban sector. Considers Gender as a Cross-Cutting Theme

(7) USA: Active in education and health in Zanzibar. Envisions reducing the number of sectors to six (possibly five) by the end of the JAST period

(8) WB - other sectors: Minerals and Mining (Active). Rationalization of portfolio is under internal discussion.

(9) IMF: Includes IMF East AFRITAC and IMF Resident

(10) UNICEF: Other areas: Social Protection; Youth Development; Social Welfare; HIV/AIDS - PMTCT; Paediatric AIDS; Food Security-Nutrition

(11) UNFPA: Health - Reproductive Health sub-sector

(12) UNDP: Other areas: Employment

(13) WFP: Food Security - Nutrition sub-sector

(14) FAO: Food Security - Nutrition sub-sector

(15) WHO: Health Systems (Human Resources, Information Systems, Health promotion, Essential Drugs, competency in Health Financing), technical competency and sectoral lead in Reproductive, Women Child and Adolescent Health, and Disease control)

(16) ILO: Other Areas: Employment, Social Protection

(17) UNESCO: Active in culture

(18) UNAIDS: Health - Nutrition sub-sector (active); Disease Control (active); Health systems (active); youth development (active)

Source: Development Partners Group Tanzania: Tanzania Joint Program Document, December 2006, Annex B

Annex 4: Nordic Plus Complementarity Principles

- Each Nordic Plus donor will aim in principle at focusing its active involvement with partner governments in a maximum of three sectors which meet the following criteria:
  - The partner government has formally identified the sector as a priority in its poverty reduction strategy (or equivalent)
  - The Nordic Plus donor has a comparative advantage, i.e.: long experience in the sector and knowledge of the sector institutions; possesses technical expertise; has the ability and capacity to take on a lead donor role, and is trusted by the government and the other donors
- The Nordic Plus donors will seek to be represented in all strategic sectors as defined by the partner government by a minimum of one and a maximum of three donors.
- In each priority sector, the Nordic Plus donors will seek arrangements among all donors to the sector on a lead donor arrangement between active donors that combines regular rotation of responsibilities with the need for continuity. Troika or similar shared lead donor models could be considered, with a rotation period that corresponds to the length of the assignment of the responsible officer of the lead donor. The lead donorship role might differ due to the varying need and situation in a sector.
- The Nordic Plus donors will be guided by the partner countries in the selection of sectors and division of labour. The partner countries will be encouraged to map donor involvement in each sector and to identify on the basis of this and their poverty reduction strategies areas for increased support and areas that could be given lower priority. The partner countries will also be encouraged to indicate their preferences as to which donors should be actively involved in each sector.
- If the sector is strategic and/or there is a financing gap the donor may enter into a delegated cooperation agreement with another donor and hereby delegate authority to the other donor to act on its behalf towards the partner government. A delegated cooperation role in a sector can be additional to the maximum of three sectors where the Nordic Plus donor is engaged.
- Nordic Plus donors will consider issues of staffing requirements as a consequence of a division of labour and strive to reach complementary arrangements also regarding staffing. Under the leadership of the partner country, field offices and headquarters of each of the Nordic Plus donors will work together to identify sectors in which to remain and propose exits from sectors from which they shall withdraw. The Principles should in no way lead to a reduction of the level of aid from any of Nordic Plus donor to the partner country. Increased budget support, or increased level of funding to a priority sector should make up for the reduction in aid to a particular sector from which a Nordic Plus donor exits.
- The headquarters of the Nordic Plus donors are committed to provide endorsement during the process of establishment of the division of labour in order for final negotiations to be concluded successfully at country level.
- Nordic Plus donors shall aim at a long term perspective with a minimum of 5–7 years, or a minimum of two periods of a national poverty reduction strategy, in its active engagement in a sector

(*Source:* Nordic Plus Donors 2005)

Annex 5: Delegated Co-operation

1. DAC - Code of conduct

For a lead donor**:**

— Enable delegating donors to review policies, procedures and systems relevant to the delegated co-operation arrangement.

— Ensure that the expectations of the delegated donors are clearly understood.

— Assess whether it is feasible to meet the reasonable expectations of the delegating donors.

— Take all opportunities to be flexible, within external constraints, to adopt partner country procedures, or, where this is not possible, to adopt relevant common procedures.

— Consult partner governments on the proposed delegated co-operation arrangements.

— Share the details of delegated co-operation arrangements with partner governments and other interested parties, including other donors.

— Adhere to agreements reached and, in particular, fulfil any agreed consultation reporting requirements with other donors.

For a delegating donor**:**

— Assess the policies, systems and procedures of the lead donor where these are important to the success of the delegated co-operation arrangement.

— State clear and realistic expectations of the lead donor in terms of its role in dialogue, reporting, monitoring and consultation.

— Take all opportunities to be flexible, within external constraints, to adopt partner country procedures, or, where this is not possible, to adopt relevant common procedures.

— Consult partner governments on the proposed delegated co-operation arrangements.

— Share the details of delegated co-operation arrangements with partner governments and other interested parties, including other donors.

— Adhere to agreements reached and, in particular, communicate with a partner government through the lead donor in the areas of responsibility delegated.

(*Source*: OECD 2003, 92)

2. Nordic Plus Principles for Delegated Co-operation

The Nordic Plus countries will (…) strive to work according to the following principles:

1) Follow the advice in the “Practical Guide” and “Template for Arrangements” on formal requirements and practical arrangements that need to be in place in each case of delegated co-operation.

2) When embarking on delegated co-operation arrangements among Nordic Plus donors or with any joining donor, use these documents as common tools to facilitate the implementation.
3) Base the arrangements on the following key principles, as reflected in the two documents;

   a) *The Lead Donor of the delegated co-operation arrangement will act with authority on behalf of one or more Co-Donors in all aspects and all phases of the programme or project in question, if no limitations to this is explicitly agreed,*
   b) *The Lead Donor's general principles, guidelines and formats for development co-operation will be used in the follow-up of the programme/project and in the management of the contributions of the Co-Donor(s),*
   c) *The Co-Donor(s) will remain "silent" in relation to Partner Government,*
   d) *The Lead Donor will be responsible for keeping the Co-Donor(s) informed about the progress and results of the programme/project. The Co-Donor(s) will in principle remain "silent". However the exact arrangement on communication between the Lead Donor and the Co-donor(s) will be agreed on a case-by-case basis.*
   e) *Regarding audit requirements reference is made to the Good Practice Paper developed by DAC on Financial Reporting and Audit reflecting good practice, responsibilities and roles with regard to audit arrangements. Details on these requirements will have to be agreed on a case-by-case basis*.
   f) *Delegated co-operation arrangements will not involve charging of administrative fees, but secondment of staff may be used as an option for sharing the administrative burden of managing delegated cooperation arrangement.*

4) Endeavour to enter into delegated co-operation arrangements with other donors outside the Nordic Plus group. This can be done either as a bilateral arrangement between one Nordic Plus donor and a new donor, or by an approval by all Nordic Plus donors to accept a new partner for delegated co-operation arrangements generally. Before entering into such arrangement with a new donor on an individual or collective basis the Nordic Plus donor(s) will:

   a) *Invite the "joining donor" to make an assessment of its policies, administrative procedures and financial management requirements, based on the criteria used in the "Assessment Matrix" in the "Practical Guide", annex I and II. The result of this assessment should be shared with all Nordic Plus donors.*
   b) *Based on the assessment of the "joining donor" the Nordic Plus donor or group of donors may approve the "joining donor" as a potential partner for delegated co-operation arrangements.*

5) Encourage donors outside the Nordic Plus group to make use of the delegated co-operation arrangements, the "practical Guide" with "Assessments Matrix" and the "Template for Arrangements" developed by the Nordic Plus donors.

(*Source*: Nordic Plus Donors 2006)

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