

June 2009

EU Toolkit

**for the implementation of complementarity
and division of labour in development policy**



EUROPEAN UNION IN THE WORLD

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and division of labour in development policy**

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This document has been coordinated by the European Commission (DG.DEV.C1).
It will be updated regularly.
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1. INTRODUCTION

1.1 The objectives of this EU Toolkit

- ✓ *To speed up the complementarity and division of labour process, with a view to complying with international commitments and the general principles in the EU Code of Conduct.*
- ✓ *Scope limited to in-country complementarity and division of labour. It does not seek to address wider issues of aid effectiveness.*
- ✓ *It is not a formal EU document — not a policy document or a procedure. It brings together current experience on the division of labour on the ground. It provides practical information and examples and gives answers to frequently asked questions. Where needed, information is given on the context.*
- ✓ *It is a living document that will be updated regularly on the basis of best practices.*
- ✓ *It provides guidance on elements that are common to Member States and the Commission. The Toolkit may be complemented by Member States' own specific internal procedures.*
- ✓ *It is written for use by EC Delegations, Member States' agencies and diplomatic missions as well as EC and Member States' headquarters. It could be shared with partner countries.*

1.2 Definitions

Complementarity is the result of an optimum division of labour (DoL) between various actors in order to achieve optimum use of human and financial resources for enhanced aid effectiveness, i.e. to attain country strategy objectives and achieve better results in poverty reduction.

Complementarity goes much further than just coordination. It means each donor focusing its assistance on areas where it has the most added value, and complementing the activities of others. It involves complex decisions on DoL, on concentration on a limited number of sectors, on defining the role a donor wishes to play in a particular partner country. Division of labour is particularly important in the context of scaling up of aid as it enhances absorptive capacity.

In-country complementarity seeks to address a situation where aid fragmentation in a sector or country leads to increased administrative burden and transaction costs for both partner countries and donors, blurs policy dialogue, and may lead to a situation where some politically attractive sectors receive increased funding while other areas of development priority remain under-funded. It concerns all aid modalities and instruments.

It may interact with other dimensions of complementarity:

- *Cross-sector complementarity*: refers to a situation at country level where some sectors receive much more donor attention than others, leading to congestion and/or under-funding.
- *Cross-country complementarity*: refers to a situation at the global level where some countries receive in relative terms much more donor support (“aid darlings”) than others (“aid orphans”).
- *Vertical complementarity*: relates to global aid initiatives concentrating on one particular sector worldwide, adding more complexity to the existing aid architecture.
- *Cross-modalities and instruments complementarity*: whether at the sector, country or global level, looks at strengthening synergies between, say, budget support and projects, or grants and loans.

1.3 Rationale

The harmonisation commitments of the *Paris Declaration on Aid Effectiveness* (2005, annex 2) were translated into the *EU Code of Conduct on Division of Labour* (2007, annex 3), which aims to address the problem of aid fragmentation, donor congestion, and high transaction costs. The use of its approach is voluntary. Partner countries should decide whether they have this problem, see a need to solve it, and how far they wish to go, with donor support.

The *Council Conclusions of 27 May 2008* state “the Council calls for further efforts of the Commission (COM) and Member States (MS) to speed up DoL in partner countries. It takes positive note of the activities already ongoing, like the EU fast-track initiative. It also looks forward to the intention of the COM to give priority to the operationalisation of principles 3 and 4 of the Code of Conduct on DoL including delegated cooperation and lead donor arrangements. The Council calls upon the Commission to immediately develop a Toolkit for implementation of DoL together with MS”.

The EU fast-track initiative seeks to speed up DoL, with the EC or a MS playing a facilitating role on the ground in a number of selected countries¹.

Division of labour was one of the prominent issues discussed, among others, in one of the special Roundtables at the 3rd High Level Forum on Aid Effectiveness held in Accra from 2-4 September 2008. The Ministerial Declaration, the *Accra Agenda for Action* agreed by the international community, calls for fast action on DoL (annex 1).

Division of labour in the Accra Agenda for Action (AAA):

The effectiveness of aid is reduced when there are too many duplicating initiatives, especially at country and sector levels. We will reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries.

To this end:

- a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.
- b) Donors and developing countries will work together with the Working Party on Aid effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.
- c) We will start dialogue on international division of labour across countries by June 2009.
- d) We will work to address the issue of countries that receive insufficient aid.

The EU's work on division of labour helps to inform the broader work by the OECD/DAC on aid effectiveness, such as the international Good Practice Principles on In-country Division of Labour, adopted in March 2009, demonstrating to other donors the importance of this work and encouraging their participation in country level exercises.

¹ Commissioner Michel, in a letter to Development Ministers of 21 May 2008, invited MS to explore possibilities for delegated cooperation, indicating the potential in fast-track countries.

Recalling the 11 principles of the EU Code of Conduct:

On in-country complementarity:

1. Increase donor concentration: a maximum of three sectors in country + general budget support + support to Non-State Actors + plus research and education schemes, based on:
 - Comparative advantage of each donor, self-assessed, endorsed by partner government and recognised by other donors,
 - Partner countries to identify areas for increased or reduced support and identify donors remaining engaged in the sector,
 - Donors to work with governments to identify sectors in which to remain and propose sectors from which they will withdraw,
 - Assure long term engagement in sectors by remaining donors.
2. Redeploy funds for other in-country activities, based on local negotiations.
Where donors are in more than three sectors, either use delegated cooperation or exit, responsibly redeploying funds in three priority sectors or into general budget support, avoiding any gaps in aid.
3. Lead donor arrangements for each sector to reduce transaction costs.
4. Delegated cooperation/partnership arrangements.
5. Ensure adequate donor support to sectors of key priority for poverty reduction.
At least one active EU donor per sector, maximum 3-5 active EU donors per sector.

On other dimensions of complementarity:

6. Replicate these practices at regional level.
7. MS opt for limited number of priority countries; in non-priority countries consider delegation.
8. Address the “orphans” gap, often countries in situation of fragility.
9. Analyse and expand global areas of strength: the Commission to further develop expertise in areas of comparative advantage, at country level, in line with deconcentration and ownership.
10. Progress on other dimensions of complementarity (vertical and cross-cutting instruments).
11. *General principle*: Deepen the reform of aid systems: decentralised structure, institutional incentives and redeployment of financial and human resources.

Constraints: avoid negative impact of DoL on global aid volumes and predictability.

1.4 The structure of the EU Toolkit

This EU Toolkit can be used in different ways: as a practical manual with different entry points, either on specific issues or as a general introduction to the concept of division of labour.

Chapter 2 paints a broad picture of the starting position for division of labour processes.

Chapter 3 focuses on the steps in the division of labour process. Although these are presented in a particular order, it does not mean that steps always need to be taken in that order.

Chapter 4 presents specific issues that will come up during any of these steps.

Chapter 5 addresses the monitoring and reporting on the division of labour process.

Throughout the various chapters brief examples are presented in boxes. More extensive information on examples from around the world, including actions by non-EU donors, is presented in the EC and OECD/DAC (2008) Compendium of best practises of division of labour.

2. THE CURRENT SITUATION

Generally speaking, the efforts to enhance complementarity and division of labour start, or have started, from a sound basis of donor coordination, although coordination practices vary between partner countries and sectors. Information sharing is widely practised. Coordination of programming, monitoring and evaluation in donor working groups at the (sub)sectoral level is increasingly becoming common practice. More and more Sector Wide Approaches (SWAPs), basket financing mechanisms, Trust Funds, joint country strategies and multi donor frameworks (e.g. for budget support) are emerging. In many countries donor coordination mechanism involving wider donor coordination are already in place. Division of labour processes should build on those existing mechanism, aiming at involving non EU-donors.

Even so, in many countries *donor congestion* continues to be a major cause of *fragmentation* and duplication and of a heavy organisational and administrative burden, leading to high transaction costs, for both partner countries and donors. In some countries as many as 10-20 donors operate in the same sector (not counting Non-Governmental Organisations), each with their own specific programming and reporting requirements and conditionalities. The time and energy spent on organisation and administration (“the transaction costs”) means there is less capacity available to implement aid, and to get development results.

Division of Labour seeks to reduce that burden by rationalising aid flows and creating economies of scale. It goes beyond information sharing, consultation and coordination. It looks for joint agenda setting, joint decision making, work sharing, working in a complementary way according to each donor’s comparative advantage. Several examples of (steps towards) DoL have already emerged in the shape of EU joint programming exercises, donor-wide Joint Assistance Strategies, silent partnerships, etc. These initiatives have in varying degrees and ways been coordinated by partner countries, sometimes with considerable donor support.

The picture is different in the “donor orphan” countries, which are countries often in a state of fragility or conflict or just emerging from that state. In these countries dialogue and coordination between donors is often less organised, and/or the partner country involvement in coordination is limited or absent. The challenge there is to prepare for a coordinated influx of new donors.

The situation for European Neighbourhood countries is quite specific. The European Neighbourhood & Partnership Policy (ENP) and the relevant financing instruments contain specific provisions for programming EU support, for dialogue, for the mobilisation of particular strengths of the Member States (e.g. through twinning programmes), and for coordination by the Commission. In the application of the Code, appropriate account will be taken of the broader political framework and the nature of the ENP.

Wherever efforts for more Division of Labour are being made, one has to bear in mind that it is not an end in itself: *the goal of Division of Labour is to achieve improved development results.*

3. THE IMPLEMENTATION PROCESS OF DIVISION OF LABOUR

3.1 Starting work on division of labour

Experience to date shows that there is no optimum time for starting preparations for DoL. Good practice cases show that various opportunities have been used:

- Concurrent with the formulation of a national development plan or similar strategic plan, a new Poverty Reduction Strategy Paper (PRSP), and related financing plan (Medium Term Expenditure Framework). Drafting the strategic plan and working on division of labour could even take place simultaneously.
- Just before Round Tables or Consultative groups, where governments present their strategic plans and solicit donor support.
- During implementation of the strategic plan.
- At the start of a new strategic programming period or a review process of a number of important donors.
- With the development of a joint assistance strategy where (some) donors already have a multi-annual strategy in place.
- When, in situations of fragility, ad hoc humanitarian aid is being succeeded by more structured programmatic aid and more donors come in.

Whatever the starting moment, the leading role and ownership of the partner country is crucial. This aspect is discussed in detail in para. 4.1.

The start of the division of labour process in Mali:

- Started with a joint analysis of the political, economic, social, and environmental situation during preparations for the 10th EDF Country Strategy Paper, including the joint EU governance profile and a joint donor matrix of aid programmes per sector.
- Existing coordination (for budget support, education and health sector), and silent partnerships between some EU donors, as well as the joint donor/government harmonisation action plan proved to be a sound basis for further work.
- A seminar was organised with donors, various levels of government and civil society to explain the concept of DoL and to develop a common view on how to get there. The preparation of decisions on DoL is now taking place.

3.2 Preparing for division of labour

As practice shows, preparation for DoL usually means going through the following steps:

Assessing the present situation

- Assessing or reviewing the basis for greater aid effectiveness, for instance in the shape of a strengthened harmonisation action plan, roadmap or Blue Book that sets out the planned steps towards more donor harmonisation, coordination and alignment. New efforts for complementarity and division of labour should fit into ongoing donor wide processes.
- Consultations with government on how it will lead and shape the process, the government being involved in all steps.
- Mapping of existing donor financial participation, and projection of (estimated) donor commitments for the medium term at the country level, across sectors as well as through general budget support.

The EU Road Map for Increased Aid Effectiveness in Cambodia

- Regular Coordination meetings led to the adoption of the “EU Road Map for Increased Aid Effectiveness” which was shared with the Government and other Development Partners (DPs).
- Annual retreats helped to cement the EU Donors’ network and commitment.
- The EU Code of Conduct was reflected in the revised Road Map (with Government), with three sectors per EU DP and others redeploying into ‘silent’ partnerships, delegated cooperation, and/or towards budget support. At least one EU DP in each strategic sector; others will redeploy based on comparative advantage.
- Then the EU Code of Conduct was used as the basis for discussion among EU donors about their respective lead roles and responsibilities for coordination in the different sectors.

Working on Division of Labour improvements

- An agreed timetable for the various steps may be useful to monitor progress and to keep the momentum going (it could be part of an updated harmonisation action plan/roadmap).
- Self-assessment by donors of their comparative advantage per sector.
- Comparing and reconciling each donor’s self-assessment of comparative advantages per sector with that by the partner country and other donors.
- Exploration by donors and partner country of possibilities for (further) sector concentration.
- Identification of criteria for selecting lead donor(s) per sector.
- Definition of donor roles.
- Projection of donor roles in a sector as preferred by each donor and by partner country.
- Negotiations between donors on sector concentration and roles.
- Involvement of donor headquarters in the decision making process.
- Discussion with the government (Ministry in charge of aid coordination, Ministry of Finance, sector ministries) on preferences for sector concentration and donor roles.
- Involving other stakeholders (civil society, local authorities, Parliament).

Starting to work on Division of Labour in Ethiopia:

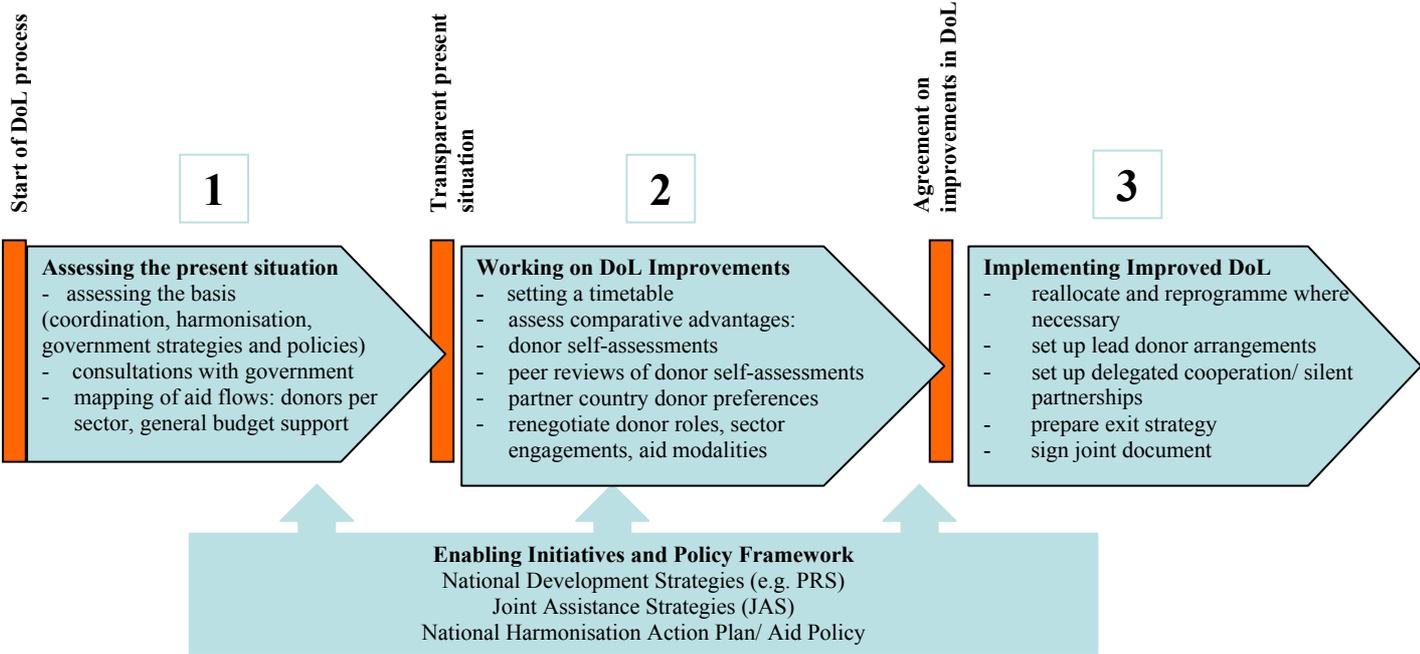
- Awareness raising by EC Delegation of other donors and Government through a series of briefings and presentations.
- Mandate requested by EC Delegation from the Development Assistance Group (made up of Heads of Agencies of all major donors) to establish a small Division of Labour Team to take the issue forward.
- Division of Labour Team (EC, Irish Aid, USAID) sets out to research other experiences, donor policies and existing analyses on the subject.
- Executive briefs on the research, proposals for possible roles and criteria for lead donors, ways forward and potential challenges posted on a dedicated website (www.deleth.ec.europa.eu), and presented to donor heads of agency.
- Design and circulation of a questionnaire to identify comparative advantage and lead donors.

Implementation

- Draft a joint country context analysis (making use of existing material where available).
- Draft a joint donor response to the priorities and needs of the partner country, based on the proposed division of labour.
- Reach a pragmatic and workable agreement between government and donors on DoL.
- Reach agreement on a responsible exit strategy (phasing out of sectors outside the concentration areas), without creating a financing gap.
- Seek partners for delegated cooperation/co-financing.
- Reach agreement on the final texts of the joint country analysis and joint donor response.
- Possible formalisation of agreement on DoL through a joint document by government and participating donors (Joint Assistance Strategy, DoL document, sometimes a MoU).

These steps need not necessarily be taken in the above chronological order. Some may be carried out simultaneously and/or may be combined. Experience shows that implementation of DoL tends to be incremental. The involvement of the partner country government is an intrinsic part of all steps, although the expected role of government may be more active in some steps than in others. That also applies to the involvement of other stakeholders, which may vary according to the steps and local context (see paragraphs 4.1, 4.3 and 4.4).

The figure below, based on GTZ (2008), presents a summary of the general stages and elements for drawing up and implementing Division of Labour agreements.



3.3 Mapping exercises

Usually a mapping exercise is one of the first steps in the DoL process, to provide insights into how aid is allocated within the country, by donors, sectors, regions, etc. The earlier versions in hard copy that donors in some countries produced were good, but difficult to keep up to date. One helpful tool might be an electronic, publicly accessible and frequently updated database, as in Mozambique (www.odamoz.org.mz, see box), Nicaragua (www.odadata.eu/odanic) and Ethiopia (www.deleth.ec.europa.eu).

Mapping aid flows in Mozambique
 “ODAmoz is a new EC-funded electronic tool that provides information on Official Development Assistance (ODA) to Mozambique. ODAmoz provides a detailed inventory of current and future aid flows. It is a user-friendly database, accessible to all through the internet. Its “Design your own report” function makes it easy to search for specific information through a set of predefined criteria (donor, sector, location, project status, funding type and MDGs). It offers tables and geographic maps, provides insights into the complementarity of aid activities, and promotes predictability of aid flows. It is now managed by the Government of Mozambique.

Other examples are the aid fragmentation study of the OECD/DAC, supported by the EC (www.oecd.org/dac), and the in-country IT systems set up by the Development Gateway

Foundation (www.dgfoundation.org) with the World Bank and the UNDP. (www.aida.developmentgateway.org). Some partner countries may have their own mapping system, which could be used and improved.

The exercise is very important for understanding the current situation before deciding on how to plan future aid flows. The mapping information should as far as possible be forward looking so that donors can plan DoL (financial support and donor roles) on the basis of expected next 3-5 year fund flows.

See also paragraph 3.7 on the related issue of sector definitions.

3.4 Analysis of comparative advantages

The EU Code of Conduct mentions that “*the comparative advantage of a given donor should be self assessed, endorsed by the partner government, and recognised by other donors*”. It also states the need to avoid orphan sectors and for a long term (minimum 5-7 years) engagement.

The Code also mentions a number of general criteria for the analysis of comparative advantages:

- presence in the country,
- experience in the country, the sector or the area,
- trust and confidence of the partner government and of other donors,
- technical expertise and specialisation,
- aid volume at the country or sector level,
- capacity to enter into new or forward looking policies or sectors,
- capacity to react rapidly and/or long term predictability,
- efficiency of working methods, procedures, quality of human resources,
- relatively better results,
- relatively low cost compared to other donors for satisfactory level of quality,
- acquiring experience and new capacity as an emerging donor.

To this non-exhaustive list could be added specific criteria of particular importance in the partner country, such as the length of the engagement in a sector, and very specific expertise. Small/emerging donors should have the opportunity to build up experience (see also para. 3.5).

There is no commonly agreed framework to determine donors’ comparative advantages. At country level donors have sometimes developed an assessment tool.

Assessment of comparative advantages in Uganda, Zambia and Ethiopia

In Uganda a *questionnaire* was used to ask each prospective participant in the Uganda Joint Assistance Strategy (UJAS) to assess its own comparative advantages against a list of criteria. As a next step the replies were discussed in sector working groups and with the sector ministries.

In Zambia donors were also asked to self-evaluate their comparative advantages and position themselves in the sectors. Results were not satisfactory, so donors agreed to rethink the answers. Sector ministries were asked to give their visions as well.

In Ethiopia donors also used a self-assessment questionnaire (www.deleth.ec.europa.eu) as a step in preparing division of labour.

This self assessment could be followed by a discussion among donors on how they perceive each others’ comparative advantages. Also the government, the aid coordinating ministry as well as the sector ministries could be asked to give their views, basing them not only on aid volumes (as they tend to do) but on all the above criteria. Overcrowding of popular sectors should be avoided, while making sure that no gaps appear in “difficult” sectors.

3.5. Donor roles

The EU Code of Conduct mentions the various donor roles: lead, active, delegating, withdrawing or redeploying donor. The precise roles may vary according to local needs. But from practice so far, at the sector level for each donor role a number of common characteristics have emerged:

a) The lead donor

- Is the main liaison with government in policy dialogue and advocacy.
- Speaks on behalf of other (active and delegating) donors in a sector (or theme).
- Can act on behalf of another donor (the delegating donor).
- Shares relevant information with other donors.
- Builds consensus among donors and/or reports on divergent positions and views in its dialogue with the government.
- Coordinates joint analytical work, reporting, monitoring and evaluation among donors.
- Will have a role that is tailored to specific local needs and circumstances.
- Has a substantial mandate and the trust of partner government and other donors.
- May find specific terms of reference on lead donor role useful.
- May in some cases find it practical to share the work load.
- May be assisted by donors with expertise in a certain niche.
- Has to ensure that there is sufficient time and staff capacity for the task.
- Is not necessarily the donor providing the largest aid volume.

For practical organisational aspects see paragraph 3.6.

b) The active donor

- Participates in the policy dialogue in the sector (among donors to agree on the line to take with the government).
- Is represented by the lead donor in the dialogue with the government.
- Manages its own activities in the sector.
- Can act on behalf of another donor (the delegating donor).
- Can have a coordinating role on specific themes (cross-cutting issues, niche, sub-sector) that are important in the sector, thus acting as an assistant to the lead donor.

c) The delegating donor (or background donor or silent partner)

- Provides only financial support to sector activities.
- Does not usually participate in dialogue and monitoring except perhaps at strategic moments (such as annual meetings on PRSP performance). A background donor may sometimes be somewhat more visible in the partner country.
- Delegates authority to another donor (active or lead) to act on its behalf for the administration of funds and sector policy dialogue with the government.
- May choose to become a delegating donor in a transitional period as part of its exit strategy.

d) The withdrawing/redeploying donor

- Will phase out its support to the sector.
- Might redeploy to another sector.
- In both cases this may entail changes in staffing requirements. (see also paragraph 3.10)

A useful tool for making an inventory of donor roles could be a matrix, based on an inventory of aid flows (see para. 3.3).

3.6 Selection criteria for the lead donor

There are no clearly defined selection criteria for a lead donor in a sector. In principle the lead donor will have a comparative advantage in that particular sector, with a commitment to maintain its presence over the medium term (see paragraph 3.4), and will be well placed to fulfil the role (see paragraph 3.5). The lead donor may be a single donor, or might share the task with one or two active supporting donors.

A donor may be “lead donor” for a limited period of time: a system of annual rotation could be put in place, but for the sake of continuity and specialisation it seems preferable to retain the lead donor role for a longer period, ideally even the entire period of the partner country’s poverty reduction or similar strategy. A rotation system could use a “troika” model of outgoing, current and incoming lead donors.

On the one hand the “lead donor” role carries prestige and visibility, and can enhance reputations if the job is well done. On the other hand if the tasks are not done well, reputations can be harmed. So donors that put themselves forward as candidate for a “lead donor” role should be aware that the role carries considerable extra work and responsibility, and is not without risks. Acquiring the status of “lead donor” is an important commitment and responsibility that places heavy demands on policy staff in the sector concerned, and on Heads of Delegation/Mission and support staff. Having sufficient capacity available, in-house, and where needed supplemented with outsourced capacity, is therefore crucial (see also para 3.5).

3.7 Sector definitions

According to the EU Code of Conduct “the appreciation of what constitutes a sector, being intuitive or informed, should be done in a flexible manner, at partner country level and match the definition of the recipient country”, adding that splitting up of sectors should be avoided as much as possible.

National sector definitions vary depending on the sectors defined by the government in its development or poverty reduction strategy. Sector definitions may be *very wide*, covering a vast area (“human development”). In this case concentrating on a limited number of sectors will be relatively easy. But it will not have much effect on aid effectiveness as aid will remain scattered across a wide variety of activities, and complementarity will only be considered at a highly aggregated level. Sector definitions may also be *very narrow*, covering virtually the same area as a project (“support for elections”). This will make concentration on only three sectors complicated and may leave some sectors not sufficiently supported.

Donors can suggest fine tuning government-defined sectors. It may be useful to break up very large sectors into smaller sectors, or to group very small sectors into one larger one in order to make discussions on sector concentration more manageable. Criteria could be the presence of a sector strategy, a functional division for a sector budget and a sector ministry².

As regards what may be considered a reasonable scope for a sector, it may be helpful to refer to the OECD/DAC common standard (3-digit code) already in use by donors and partner countries for reporting on aid flows (www.oecd.org/dac). (The ODAmoz database, see paragraph 3.3, provides an example of the use of OECD/DAC definitions).

² For more information on the sector wide approach, see OECD/DAC (2005b).

3.8 Cross-cutting areas

In some partner countries' strategies, cross-cutting areas are defined as a sector, and should be recognised as such. In others they are considered as a cross-cutting issue with the intention to be mainstreamed. The question is how to ensure that cross-cutting areas like gender, environmental sustainability, human rights and HIV/Aids are adequately covered in the DoL exercise.

Some suggestions are given in Irish Aid (2008):

- ✓ Rename these issues "policy priority issues" to avoid their marginalisation.
- ✓ Ensure adequate analysis of the relevance of each policy priority issue in all sectors/pillars/clusters of the partner country poverty reduction strategy, including economic growth.
- ✓ Improve the coverage of these policy priority issues in analysis, monitoring and performance assessment frameworks, focusing also on results for these issues.
- ✓ Share innovations and promising approaches to policy priority issues under division of labour.
- ✓ Join forces with other stakeholders.

Mainstreaming could be assured by appointing a lead donor for a particular policy priority area throughout all sectors, briefing the lead donor for each sector on the cross-cutting aspects.

3.9 Working on more sector concentration

In efforts to achieve more concentration the reduction of sectors of individual donor involvement is a first priority in seeking a structural solution for donor congestion and aid fragmentation. Delegated co-operation/co-financing could be part of a short term solution (see paragraph 4.6).

A maximum of three sectors

The EU Code of Conduct asks EU donors to concentrate their active support to a partner country on a maximum of three sectors, based on the donor's comparative advantage in a sector, whereby the sector definition is based on that of the partner country. General budget support, support for civil society and programmes for research and education, specifically scholarships, are considered additional and do not count as sectors.

The EU Code of Conduct also mentions that "in a limited number of cases, when donors are confronted with a significant reduction of sector coverage, they may engage in more sectors taking into account partner country views, neglected and important issues, as well as a realistic timetable to authorise changes in their country programmes". This could for instance be the case in countries which are supported by very few donors and which have a variety of needs spread across numerous sectors, such as countries in or just leaving a situation of fragility.

During programming

Sector concentration is a programming matter. Currently donor programming periods differ both in starting dates and in length. This means that talks on more sector concentration will often be held at the moment when some donors are working on their strategic programming for the next period, while others are already in the implementing stage. Flexibility on adapting multi-annual strategies during implementation already helps considerably. A timetable of programming periods per donor could help.

Working on sector concentration in Zambia

The Zambia JAS (JASZ) is aligned with the Fifth National Development Plan (FNDP) 2006-2010 and its Medium Term Expenditure Framework (MTEF). The Country Strategy Paper for the 10th EDF (2008-2013) is aligned with the priorities and needs as identified in the FNDP and JASZ.

During the implementation of Country Strategy Papers

Using EC procedures, current multi-annual programming shows concentration on two focal areas, and a non-focal area covering various activities, and calls for further concentration on one or two sectors within each area. There is scope for further concentration and more DoL, particularly in countries with a high level of donor congestion in sectors. Depending on the scope of the concentration proposals, these can be put forward during the Annual Operational Review (AOR) or the Mid Term Review (MTR)³. A proposal to enter into a delegated co-operation partnership with a Member State will need to be mentioned in the Annual Action Plan (AAP).

Apart from considerations of aid effectiveness, considerations of internal efficiency (procedures, staff capacity, presence in the country etc.) may play a role too.

3.10 A responsible exit strategy

Obviously the donor should consult the government and other donors about its intentions. Following DoL, support should not be withdrawn overnight, but projects and programmes will be phased out as they reach the end of the contract period or at any other date agreed by the contract partners. The withdrawing donor should ascertain that where country needs for external aid have not diminished, its total volume of aid to the country does not diminish, so that any resources freed by withdrawing from a sector will be used to increase support to its concentration sectors, or where circumstances permit, to increase General Budget Support (GBS). Alternatively the withdrawing donor may withdraw from an active role in monitoring and dialogue, but may wish to carry on funding for the sector. In that case co-financing or a silent partnership or delegated cooperation with a donor who remains active in the sector may be a useful solution (see paragraph 4.6).

The essence is that when a donor is phasing out of a sector and the needs of the sector have not diminished, the support to a specific sector does not decrease, i.e. another donor and/or GBS compensates.

4. SPECIFIC ISSUES WHEN IMPLEMENTING DIVISION OF LABOUR

4.1 The role of the partner country government

The leadership of the partner country government, ownership of and alignment with government policies, planning process and budget cycle are key elements of the EU Code of Conduct. In particular the partner country government is expected to:

- Define national priorities (in a Poverty Reduction Strategy and Medium Term Expenditure Framework or similar development strategy and budget),
- Ensure relevant stakeholders are involved, such as non state actors (NGO's, private sector), local authorities, parliament etc.

³ Further details will be given in the respective drafting guidelines.

But for partner governments themselves ownership and leadership of a DoL process may be less evident. They may have had less time to internalise the objectives, and its implications. Therefore, in cases where the partner country is not yet in the lead, or ready to take the lead, it should be taken on board as early as possible in any DoL process started by donors.

Enabling conditions

ODI (2006) mentions five enabling conditions -facilitating factors not preconditions- for recipient governments taking a lead in their relationships with donors:

- A supportive macro-economic and growth environment.
- A history of open and frank engagement between donors and recipients that promotes mutual trust and confidence.
- Commitment to reform and/or strengthen public institutions (especially Public Finance Management).
- Strong political will and commitment by the recipient government to lead on the development agenda and to own the development process.
- Mutual accountability mechanisms (donors monitoring country performance, the government monitoring donor behaviour).

Respect for human rights and the rule of law also form part of the enabling conditions.

Perceived benefits for partner countries

Benefits for partner countries will vary from country to country. A partner government at the beginning of its term, when it can also expect to reap the benefits, may show more interest than at the end of its term, when any benefits will be for its successors. The benefits will also be related to institutional capacity, to political will, and to levels of aid dependency and aid flows. For heavily aid dependent, less developed and lower income countries, cutting the transaction costs of aid can make a large difference. For middle income countries not dependent on donor support, it may be of relatively less importance. For partner countries that do not receive sufficient donor support, diversification of donor flows may take priority over rationalisation of donor support; even so, complementarity remains an important issue.

At a DoL conference in Pretoria, organised by Germany on behalf of the OECD/DAC Task team in February 2008, Uganda, Senegal, Burkina Faso, Zambia, and Bangladesh stated that achieving more aid effectiveness and DoL (on partner countries' terms) was their first priority.

Examples of possible benefits for the partner country government:

- Lower transaction costs: reduction of the burden on administrations caused by the extremely complex organisational and administrative donor demands, with a multitude of conditionalities and reporting requirements, will leave more time available for implementing aid, getting development results.
- Donor engagement with partner countries on DoL offers opportunities for greater alignment.
- A more rational link between donor support and country priorities and needs per sector.
- Improved planning and results orientation, moving away from traditional conditionality to mutually agreed development outcomes and broadly agreed principles, consistent with national development strategies.
- Simplified procedures (joint partner country/donor analysis, monitoring and evaluation).
- Better coordinated technical assistance for capacity development support, consistent with national development strategies.

- More predictability on aid flows and more transparency on funded/underfunded sectors.
- Better utilisation of resources, avoiding duplication and conflicting efforts of donors.
- Fewer interactions between individual donors and partners.
- A more strategic orientation of the policy dialogue.
- Economies of scale.

Perceived risks

Partner countries may be apprehensive about:

- ✓ A joint approach by donors, leading to donors “ganging up”, and thus stronger imposition of donor views, thus reducing flexibility and in fact increasing conditionality.
- ✓ Stronger donor coordination and more alignment, bringing more influence to the Ministry that coordinates foreign aid (often the Ministry of Finance), at the expense of sector ministries.
- ✓ Perceived advantages or disadvantages at central and decentralised government levels, such as loss of interface with individual donors.
- ✓ Risk of loss of aid for the country or a particular sector.
- ✓ The capacity required to lead a division of labour process.

These particular aspects can be addressed in various types of frank and open dialogue with the government, at the technical level, and at the political level. An inclusive approach with the early involvement of the various government stakeholders may help to overcome this apprehension. A seminar with donors and government (Ministry of Finance, sectoral ministries, at central and decentralised levels) can be a useful way of exchanging views and developing a common vision.

Capacity support to the partner country government

As government capacity to lead the process is sometimes limited, it may, depending on the country context, be useful to provide technical support. The EU Code of Conduct says that donors can encourage and support the partner country to assume its responsibility for donor coordination and preparation of DoL. Support may help the government to progressively assume more ownership and leadership of the process. Technical Assistance (TA) can be given for specific tasks or for general support during the whole DoL process. Working in tandem with the government can also help to build mutual trust.

Capacity support in Mali

In Mali donors created a "Pool Technique" with TA in order to organise meetings and carry out a mapping study of aid flows, of donor presence per sector, of donor's programming systems, thus providing valuable support to the recently created Government Secretariat for donor coordination.

Partner countries' aid policies

Some partner countries have written down their wishes on the delivery of foreign aid in an aid policy document. This is a useful means of clarifying the expectations of the government towards donors. Other partner countries may have included this aspect in their development plan or Poverty Reduction Strategy. Still other partner countries may express their expectations about aid delivery during the DoL process.

Aid policies by the Governments of Tanzania and Zambia

The Joint Assistance Strategy for Tanzania 2006 (JAST) is a medium term framework for managing development co-operation between the Government and the Development Partners (DPs). Subjects include DPs' alignment with national strategies and processes, national capacity development, role of non-state actors, expectations on DoL, financing instruments and arrangements, and dialogue.

The Zambia Aid Policy and Strategy 2005 is a similar document, covering additional areas like procurement and financial oversight and accountability strategies.

4.2 Division of labour in a situation of fragility

Situations of fragility form a major challenge to sustainable development and peace. The EU should make more effective use of the full range of existing EU policy tools and external action instruments to address, in a coherent and timely manner, situations of fragility in partner countries. This requires an appropriate response in the context of aid effectiveness.

DoL can be effective in countries supported by many donors. It can also be effective in countries in a conflict situation or countries just coming out of that state. With few EU donors present, it is important for EU aid to be visible, and for EU donors to be well coordinated and to speak with one voice. This may help to attract other donors to the country; it will also help to achieve complementarity of support from the newly arriving donors, thus avoiding the need to rationalise aid programmes during the implementation stage. Moreover in fragile states the capacity of the government to manage aid is usually quite limited, so the argument of reducing the burden on the government is even more pressing than for other aid recipient countries.

Pilot schemes have been started in a number of countries⁴, aimed at achieving more coherence between the various donor instruments, as well as improving donor coordination and complementarity of donor actions. This includes joint donor assessments on the causes of conflict, fragility and insecurity, a coordinated donor response strategy in line with partner country needs and priorities, better use of existing financial instruments and finding more flexible ways of funding the early recovery phase.

The OECD/DAC (2007) Principles for Good International Engagement in Fragile States and Situations and EU (2007) Council Conclusions provide a key framework for aid effectiveness in these challenging environments.

The Accra Agenda for Action (2008) commits donors to make funding modalities more flexible and rapid, and to conduct joint assessments of governance and fragility in situations of fragility and conflict.

Aid coordination in a situation of fragility — Burundi

The EU (2007b) Council Conclusions on fragility requested the EC to acquire experience by testing the EU response to situations of fragility in pilot cases. Burundi is one of these pilots. The aim is to contribute more effectively to maintaining the ceasefire and to transform it into a situation of durable peace, which will make it easier to address the development needs of the country. It seeks higher visibility of EU action, and its translation into a “peace dividend” through a more structured EU response in the field and a more efficient use of limited donor capacity. This EU aid coordination could also act as a catalyst for other donors.

⁴ Burundi, Guinea, Haiti, Sierra Leone, Timor-Leste, and Yemen.

4.3 Involving other stakeholders

The partner country government should also ensure that all relevant stakeholders are included, such as Non-State Actors, NGOs, parliament, private sector, employers' organisations, trade unions, the academic world, and Local Authorities (LAs), as these play a major role in achieving the MDGs by supporting social infrastructure and social services and by improving dialogue among citizens, their communities, civil society and the private sector. As an active part of the international aid architecture, Civil Society Organisations (CSOs) have to be engaged in general discussions on aid effectiveness and at country level in the framework of the DoL process. Donors can encourage and support that process.

4.4 Outreach to other donors

The approach proposed in the EU Code of Conduct is not restricted to EU donors. Other donors may wish to use the same approach, contributing to the process. *Inclusiveness* is an important aspect. For DoL to have a real impact on the transaction costs of the partner country, a critical mass of donors is required. Where many EU donors are present, an EU process can already make the difference, but in general the larger the number of donors the better. This does not have to mean that the lowest common denominator determines the pace of the process. The more ambitious donors can move ahead while other donors commit themselves to following at their own pace. For instance, these latter donors may be able to participate in joint monitoring missions but may not yet be ready to withdraw from one or more sectors.

A DoL process with a small number of (like-minded) donors will be easier to organise. The drawback is that there will be less impact on the reduction of transaction costs, and other important non-participating donors will bypass the DoL arrangements.

A challenge is how to get new donors, such as China, Brazil, Indonesia, Arab Funds, as well as private foundations and vertical funds — donors often not locally represented — to participate in these exercises, especially as some of these aid flows are quite significant.

The 3rd High Level Forum on Aid Effectiveness held in Accra helped to raise awareness among non-traditional donors. Draft principles on in-country division of labour were prepared for a Roundtable at the Accra meeting by an OECD/DAC Task Team on Rationalising Aid Delivery and Fostering Complementarity jointly with a number of partner countries.

<p>The Joint Assistance Strategies in Zambia, Tanzania, Kenya, Uganda, Ghana and Mali are examples of multi donor exercises, including the Commission, EU Member States, Norway, the World Bank, UN organisations, the African Development Bank. Others are for the moment more restricted, for instance in Sierra Leone (EC and DFID — looking to expand and take in other donors).</p>
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In this context it is worth noting that to date a total of 162 countries and organisations have signed up to the Paris Declaration on aid effectiveness (see annex 2).

EU joint programming and donor-wide initiatives

The key objective of EU joint programming (by way of multi-annual Country Strategy Papers, as envisaged by the Common Framework for Country Strategy Papers⁵) is to improve aid effectiveness by taking a more focused and collaborative approach to EU strategy programming, thus reducing transaction costs for the government. Donor-wide Joint Assistance Strategies (JAS) likewise seek a joint response to the partner countries' needs and priorities, each donor focusing on specific sectors where it has a comparative advantage.

A JAS may vary in scope, form and size from one country to another. The extent of donor collaboration ranges from common analysis and diagnosis of country issues to the adoption of a joint document that includes joint analysis, joint response - with DoL, or DoL in preparation - joint results frameworks and joint monitoring.

EU Joint programming and Joint Assistance Strategies (JAS)

Some Joint Assistance Strategies involving the EC and MS: Ghana (GJAS), Kenya (KJAS), Mali (Stratégie Commune d'Assistance Pays), Tanzania (JAST/Development Partners Joint Programming Document), Uganda (UJAS), Vietnam, Zambia (JASZ).

Joint EU Programming Frameworks were used in South Africa, Somalia and Haiti.

Donor-wide support for a national development plan (JAS) and multi-annual joint programming for drafting Country Strategy Papers (CSP) at EU level are meant to be complementary. JAS and CSP are not competing systems but processes that can mutually reinforce each other. These processes may not be synchronised. The JAS process will feed into the EU programming or, if the EU programming is earlier or at the same time, it should enrich a donor-wide exercise for drafting a JAS.

Mainstreaming of JAS in EDF programming

The CSP for the 10th EDF for Tanzania includes in the country diagnostic part a summary of the country analysis of the JAS, with the complete JAS document attached as an annex. Thus the Common Format for Country Strategy Papers was used in a flexible way, which enhanced donor complementarity.

4.5 Drivers and challenges for donors

As the EC and OECD/DAC (2008) Compendium on Good Practices on Division of Labour mentions, some EU MS have already been practising in-country DoL in various forms, and at various levels. While there are good examples at the project level too, the real efficiency gains in-country will be made at sector level. The most important drivers and challenges are summarised below.

Drivers

- ✓ Partner country ownership, pro-active attitude, clear political will.
- ✓ Genuine concerns about the real transaction costs to partner countries from a multiplicity of donors, trust funds, global funds etc in international development.
- ✓ Quest for policy coherence.

⁵ The CFCSPP was first applied in ACP-countries for programming the 10th EDF (2008-2013). Non-ACP countries funded from the EC budget under the development Cooperation Instrument (2007-2013) started their programming before the adoption of the CFCSPP but worked according to the same main principles. The Mid Term Review offers further prospects for joint programming.

- ✓ Donors' solid political will at the highest levels and like-mindedness (EU, Nordics).
- ✓ Quality of management of public finance.
- ✓ Increasing returns to scale.
- ✓ Flexibility, adherence to DoL in an incremental way.
- ✓ Offers the option for a minimalist approach by donors that wish to support a country/sector, but have limited capacity and/or wish to reduce risks.
- ✓ Being part of a larger donor group offers more leverage and visibility.
- ✓ Need for more efficiency in aid delivery (because of increasing aid budgets that are not paired with increasing staff numbers).

Challenges

- ✓ Acquire partner country government's leadership.
- ✓ Doubts about benefits DoL will bring to the partner country.
- ✓ Need for all partners to analyse, explain and understand the gains of DoL.
- ✓ Donors' alignment with partner country strategy and budget.
- ✓ Donors' decision making capacity on the ground.
- ✓ Legal and financial procedures may need to be adapted.
- ✓ Donor predictability.
- ✓ Clear communication.
- ✓ Coordinated aid modalities.
- ✓ Visibility of individual donor action.
- ✓ Emphasis on a bureaucratic process may slow the momentum significantly.
- ✓ Transitional increased transaction costs.

Addressing the challenges

One pitfall to watch out for is that DoL does not take over as a central and bureaucratic exercise at the cost of overall aid effectiveness, i.e. at the cost of tangible development results. Setting a timetable and monitoring progress will help. A step-by-step approach and a lean process in order to build on country systems and not to overburden partner country systems are recommended.

It is clear from what has been said that implementing DoL is not a quick and easy process. It needs political will, long term preparation and time to bring everyone on board and to work together. It requires specific staff skills (such as negotiation skills and openness to change), changes in donor aid procedures, and procedures for joint monitoring and reporting at sector and country level.

As far as legal aspects are concerned, the EC revised its financial regulations in 2007, making them more flexible and allowing co-financing (see paragraph 4.6). The Nordic Plus group has addressed some of the challenges by a strategic decision not to make DoL legally binding. They are able to delegate cooperation among themselves through non-legally-binding MoUs. This flexibility has allowed them to simplify the process of applying DoL (see paragraph 4.7).

Division of labour concerns all modalities. Projects and programmes can be part of division of labour arrangements. DoL is not an automatic move towards more general budget support.

Development cooperation is one of a donor's external actions. Donors may be reluctant to give up cooperation in a given sector or country, as it may lead to reduced *visibility* for their action. Visibility also has a domestic dimension, e.g. vis-à-vis Parliaments and the public. However it is now widely accepted that small and scattered projects reduce impact and visibility. Joint co-financing with one or more other Member State(s) will make joint EU action and the role of the

lead partner in the delegated cooperation partnership more visible. For the silent partner its contribution can be ‘visibly’ acknowledged⁶, and the very act of ‘delegation’ can be portrayed positively as contributing to efficiency gains so that ‘more children can go to school’ or ‘more children can be immunised’, etc. (see also paragraph 4.6).

4.6 Partners for delegated cooperation/co-financing

Co-financing with one or more EU MS is an important instrument for division of labour and for boosting the efficiency, visibility and impact of EU action. The added value in promoting common European values is an important criterion in promoting joint co-financing.

EU MS which do not have sufficient capacity on the ground in a country or particular sector, or which do not have a local presence, may find co-financing an attractive option for nevertheless providing financial support to that country or sector.

Forms of co-financing:

- *Parallel co-financing:* the project or, programme is split into a number of clearly identifiable components, each of which is financed by the different partners providing co-financing, in such a way that the end-use of the financing can always be identified.
- *Joint co-financing:* the total cost of a project or programme is shared between the partners providing co-financing and the resources are pooled in such a way that it is no longer possible to identify the source of financing for any activity undertaken as part of the project or programme.
- *Delegated cooperation:* when one *fund managing donor* acts with the authority of one or more other donors, applying the fund managing donor’s rules and procedures.

EU donors may enter into a delegated cooperation/partnership arrangement with another EU donor, and thereby delegate authority to the other EU donor to act on its behalf in terms of administration of funds and/or sector policy dialogue with the partner government. Partner governments should be consulted on the donors’ delegating agreements. Delegating donors should be able to review policies and procedures of the receiving donor under their delegation agreements. A delegated cooperation/partnership role in a sector will be considered to be in addition to the maximum of three sectors in which a given donor is engaged.

The legal basis for the delegation of cooperation from the Commission to other donors is the financial and implementation regulations of the Community Budget and of the EDF. The regulations have been translated into a practical Guidance Note for EC Delegations.

The legal framework consists of templates for:

- (1) Transfer Agreements for programmes where the EC will manage funds of other donors/MS, and
- (2) Delegation Agreements to be used in case of indirect centralised management, by which the EC delegates its funding to a Delegatee body to implement an Action.

In the case of delegation agreements, a generic ex ante assessment is required of the donor the EC would like to delegate its funds to. The purpose is to verify compliance with EC financial regulations on i) procurement and grant-award procedures, ii) internal control system, iii) accounting system, iv) independent external audit, v) public access to information, vi) annual ex-

⁶ And retained a the delegation agreement.

post publication of beneficiaries. The assessment will lead to a report with recommendations, subject to contradictory procedure, and then approval by the EC. This approval enables the EC to sign a delegation agreement with this donor⁷.

4.7 Legal and procedural aspects

At the local level the Commission and Member States sometimes feel the need to jointly sign a document to confirm their joint programming work. Several forms are possible: an exchange of letters at the local level between Heads of Agencies/Missions and the EC Delegation, or the signature of a Memorandum of Understanding (MoU) type of document (such as a Joint Assistance Strategy document). What is important is that these documents are not legally binding⁸.

Neither the Cotonou Agreement nor the 10th EDF Implementing Regulation provide for co-signature of Country Strategy Papers by Member States (and/or any other donor)⁹. Member States can express their final opinion on Country Strategy Papers in the EDF Committee before their adoption by the Commission, but do not sign the Country Strategy Papers as such.

For specific aspects of joint co-financing with Member States and other donors see paragraph 4.6.

4.8 Support from headquarters and communication

Headquarters are expected to support the DoL process at country level in various ways. Some provide staff training, websites and written guidance. Some have funds available for technical assistance to the partner country government for coordinating and leading the DoL process (see paragraph 4.1).

The EC has a dedicated training programme in Brussels which is open to MS. The AIDCO website on aid effectiveness has a specific section on DoL with documentation and information on processes in partner countries. Problem-solving workshops in partner countries involve MS and all other donors together with government. Where required, staff is available to answer specific questions and/or provide ad hoc support¹⁰. Communication between the country level and headquarters is important.

7 See www.cc.cec/dgintranet/europeaid/contracts_finances/fin_and_cont_rules/co-financing_with_nb/index_en.htm

8 For ACP countries the legally binding document is the ACP-EU Partnership Agreement signed in Cotonou in 2000, subsequently revised in 2005, and the resulting Country Strategy Paper/National Indicative Programme signed by the partner country and the Commission on behalf of the EC.

9 Article 4(6) of the 10th EDF Implementing Regulation [(EC) No 617/2007, OJ L 152, 13.6.2007, p 1] in line with the Cotonou Agreement, annex IV, art 4(3).

10 Any suggestions, comments, questions and examples of best practices on division of labour may be addressed to the Commission's dedicated e-mail address DEV-TOOLKIT@ec.europa.eu.

5. MONITORING AND REPORTING

The OECD/DAC Survey measures donor and partner country behaviour against the indicators of the Paris Declaration. Division of Labour forms part of the indicators on harmonisation, and at the same time affects all the other indicators.

The EU reports on progress in aid effectiveness in the annual Monterrey Report. For the 3rd High Level Forum on aid effectiveness in Accra (September 2008), a Staff Working Paper was presented to the Council in April 2008¹¹.

EC Delegations are requested to report on progress in aid effectiveness, including division of labour. Reporting in the Joint Annual Reports (JAR) for 2008 and 2009 and for the Mid Term Review (MTR) in 2009/2010 will be used to monitor progress towards achievement of the Paris indicators for 2010.

Mutual accountability includes monitoring country performance jointly by the partner country and donors. Such monitoring should increasingly be based on alignment with partner country systems, and supported by capacity building for data collection. The common approach in DoL can potentially reinforce mutual accountability and the focus on development results. At the same time performance monitoring also includes monitoring of donor behaviour by the partner country.

Monitoring donor behaviour in Mozambique

At the country level some partner countries do their own monitoring of donor behaviour. Mozambique for example does so through its annual PARPA (the Mozambican Poverty Reduction Strategy) Partners - Performance Assessment Framework, in brief the "PAPS-PAF". This monitoring of the donor behaviour coincides with the joint Mozambique/donors monitoring of the PARPA development results. Both systems are country monitoring systems, based on mutual accountability between donors and the government of Mozambique.

¹¹ Commission Staff Working Paper, accompanying COM (2008)177, An EU Aid Effectiveness Roadmap to Accra and beyond: from rhetoric to action, hastening the pace of reforms, SEC (2008) 435/2 of 9.4.2008.

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Useful websites

www.deleth.ec.europa.eu

www.odamoz.org

www.odadata.eu/odanic

www.oecd.org/dac

www.dgfoundation.org

www.aida.developmentgateway.org

<http://ec.europa.eu/europeaid> (or www.cc.cec/dgintranet/europeaid - for EC internal users)

List of acronyms and abbreviations

AAP	Annual Action Plan
ACP	African, Caribbean and Pacific States
AOR	Annual Operational Review
CAS	Country Assistance Strategy (World Bank)
CC	Council Conclusions
CFCSP	Common Framework for Country Strategy Papers
COM	European Commission
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee (of the OECD)
DFID	Department for International Development
DoL	Division of Labour
DP	Development Partner
EAMR	External Aid Management Report
EC	European Community
EDF	European Development Fund
EU	European Union
GAERC	General Affairs and External Relations Council
GBS	General Budget Support
GJAS	Ghana Joint Assistance Strategy
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
KJAS	Kenya Joint Assistance Strategy
JAR	Joint Annual Report
JAS	Joint Assistance Strategy
JAST	Joint Assistance Strategy Tanzania
JASZ	Joint Assistance Strategy Zambia
JFA	Joint Financing Arrangement
LA	Local Authority
MDG	Millennium Development Goal
MoU	Memorandum of Understanding
MS	Member State(s)
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NSA	Non State Actor
NGO	Non-Governmental Organisation
ODA	Official Development Aid
ODI	Overseas development Institute
OECD	Organisation for Economic Cooperation and Development
PAF	Performance Assessment Framework
PAP	PARPA — partner
PARPA	Poverty Reduction Strategy of Mozambique
PFM	Public Finance Management
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SBS	Sectoral Budget Support
SCAP	Stratégie Commune d'Assistance Pays
SP	Silent Partnership
SWAP	Sector Wide Approach
TA	Technical Assistance
UK	United Kingdom
JAS	Uganda Joint Assistance Strategy



SEPTEMBER 2-4, 2008 ACCRA GHANA

ACCRA AGENDA FOR ACTION

Ministers of developing and donor countries responsible for promoting development and Heads of multilateral and bilateral development institutions endorsed the following statement in Accra, Ghana, on 4 September 2008 to accelerate and deepen implementation of the Paris Declaration on Aid Effectiveness (2 March 2005).

This is a moment of opportunity

1. We are committed to eradicating poverty and promoting peace and prosperity by building stronger, more effective partnerships that enable developing countries to realise their development goals.
2. There has been progress. Fifteen years ago, two out of five people lived in extreme poverty; today, that figure has been reduced to one in four. However, 1.4 billion people—most of them women and girls—still live in extreme poverty,¹ and access to safe drinking water and health care remains a major issue in many parts of the world. In addition, new global challenges—rising food and fuel prices and climate change—threaten the advances against poverty many countries have made.
3. We need to achieve much more if all countries are to meet the Millennium Development Goals (MDGs). Aid is only one part of the development picture. Democracy, economic growth, social progress, and care for the environment are the prime engines of development in all countries. Addressing inequalities of income and opportunity within countries and between states is essential to global progress. Gender equality, respect for human rights, and environmental sustainability are cornerstones for achieving enduring impact on the lives and potential of poor women, men, and children. It is vital that all our policies address these issues in a more systematic and coherent way.
4. In 2008, three international conferences will help us accelerate the pace of change: the Accra High Level Forum on Aid Effectiveness, the United Nations High Level Event on the MDGs in New York, and the Financing for Development follow-up meeting in Doha. Today at Accra, we are leading the way, united in a common objective: to unlock the full potential of aid in achieving lasting development results.

We are making progress, but not enough

5. Learning from our past successes and failures in development co-operation and building on the 2003 Rome Declaration on Harmonisation, in March 2005 we adopted an ambitious set of reforms: the Paris Declaration on Aid Effectiveness. In the Paris Declaration, we agreed to develop a genuine partnership, with developing countries clearly in charge of their own development processes. We also agreed to hold each other accountable for achieving concrete development results. Three and one-half years later, we are reconvening in Accra to review progress and address the challenges that now face us.
6. Evidence shows we are making progress, but not enough. A recent evaluation shows that the Paris Declaration has created powerful momentum to change the way developing countries and donors work together on the ground. According to the 2008 Monitoring Survey, a large number of developing countries have improved their management of public funds. Donors, in turn, are increasingly improving their co-ordination at country level. Yet the pace of progress is too slow. Without further reform and faster action we will not meet our 2010 commitments and targets for improving the quality of aid.

We will take action to accelerate progress

7. Evidence shows that we will need to address three major challenges to accelerate progress on aid effectiveness:
8. *Country ownership is key.* Developing country governments will take stronger leadership of their own development policies, and will engage with their parliaments and citizens in shaping those policies. Donors will support them by respecting countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.
9. *Building more effective and inclusive partnerships.* In recent years, more development actors—middle-income countries, global funds, the private sector, civil society organisations—have been increasing their contributions and bringing valuable experience to the table. This also creates management and co-ordination challenges. Together, all development actors will work in more inclusive partnerships so that all our efforts have greater impact on reducing poverty.

¹ These figures are based on a recent World Bank study that found the poverty line to be \$1.25 a day in 2005 prices.

10. *Achieving development results—and openly accounting for them—must be at the heart of all we do.* More than ever, citizens and taxpayers of all countries expect to see the tangible results of development efforts. We will demonstrate that our actions translate into positive impacts on people's lives. We will be accountable to each other and to our respective parliaments and governing bodies for these outcomes.

11. Without addressing these obstacles to faster progress, we will fall short of our commitments and miss opportunities to improve the livelihoods of the most vulnerable people in the world. Therefore, we are reaffirming the commitments we made in the Paris Declaration and, in this Accra Agenda for Action, are agreeing on concrete and monitorable actions to accelerate progress to meet those commitments by 2010. We commit to continuing efforts in monitoring and evaluation that will assess whether we have achieved the commitments we agreed in the Paris Declaration and the Accra Agenda for Action, and to what extent aid effectiveness is improving and generating greater development impact.

Strengthening Country Ownership over Development

12. Developing countries determine and implement their development policies to achieve their own economic, social and environmental goals. We agreed in the Paris Declaration that this would be our first priority. Today, we are taking additional steps to turn this resolution into a reality.

We will broaden country-level policy dialogue on development

13. We will engage in open and inclusive dialogue on development policies. We acknowledge the critical role and responsibility of parliaments in ensuring country ownership of development processes. To further this objective we will take the following actions:

- a) Developing country governments will work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans. They will also engage with civil society organisations (CSOs).
- b) Donors will support efforts to increase the capacity of all development actors—parliaments, central and local governments, CSOs, research institutes, media and the private sector—to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives.
- c) Developing countries and donors will ensure that their respective development policies and programmes are designed and implemented in ways consistent with their agreed international commitments on gender equality, human rights, disability and environmental sustainability.

Developing countries will strengthen their capacity to lead and manage development

14. Without robust capacity—strong institutions, systems, and local expertise—developing countries cannot fully own and manage their development processes. We agreed in the Paris Declaration that capacity development is the responsibility of developing countries, with donors playing a supportive role, and that technical co-operation is one means among others to develop capacity. Together, developing countries and donors will take the following actions to strengthen capacity development:

- a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries' needs.
- b) Donors' support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.
- c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.

We will strengthen and use developing country systems to the maximum extent possible

15. Successful development depends to a large extent on a government's capacity to implement its policies and manage public resources through its own institutions and systems. In the Paris Declaration, developing countries

committed to strengthen their systems² and donors committed to use those systems to the maximum extent possible. Evidence shows, however, that developing countries and donors are not on track to meet these commitments. Progress in improving the quality of country systems varies considerably among countries; and even when there are good-quality country systems, donors often do not use them. Yet it is recognised that using country systems promotes their development. To strengthen and increase the use of country systems, we will take the following actions:

- a) Donors agree to use country systems as the first option for aid programmes in support of activities managed by the public sector.
- b) Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will transparently state the rationale for this and will review their positions at regular intervals. Where use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.
- c) Developing countries and donors will jointly assess the quality of country systems in a country-led process using mutually agreed diagnostic tools. Where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities. Donors will support these reforms and provide capacity development assistance.
- d) Donors will immediately start working on and sharing transparent plans for undertaking their Paris commitments on using country systems in all forms of development assistance; provide staff guidance on how these systems can be used; and ensure that internal incentives encourage their use. They will finalise these plans as a matter of urgency.
- e) Donors recollect and reaffirm their Paris Declaration commitment to provide 66% of aid as programme-based approaches. In addition, donors will aim to channel 50% or more of government-to-government assistance through country fiduciary systems, including by increasing the percentage of assistance provided through programme based approaches.

Building More Effective and Inclusive Partnerships for Development

16. Aid is about building partnerships for development. Such partnerships are most effective when they fully harness the energy, skills and experience of all development actors—bilateral and multilateral donors, global funds, CSOs, and the private sector. To support developing countries' efforts to build for the future, we resolve to create partnerships that will include all these actors.

We will reduce costly fragmentation of aid

17. The effectiveness of aid is reduced when there are too many duplicating initiatives, especially at country and sector levels. We will reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries. To this end:

- a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.
- b) Donors and developing countries will work together with the Working Party on Aid Effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.
- c) We will start dialogue on international division of labour across countries by June 2009.
- d) We will work to address the issue of countries that receive insufficient aid.

² These include, but are not limited to, systems for public financial management, procurement, audit, monitoring and evaluation, and social and environmental assessment.

We will increase aid's value for money

18. Since the Paris Declaration was agreed in 2005, OECD-DAC donors have made progress in untying their aid. A number of donors have already fully untied their aid, and we encourage others to do so. We will pursue, and accelerate, these efforts by taking the following actions:

- a) OECD-DAC donors will extend coverage of the 2001 DAC Recommendation on Untying Aid to non-LDC HIPC³ and will improve their reporting on the 2001 DAC Recommendation.
- b) Donors will elaborate individual plans to further untie their aid to the maximum extent.
- c) Donors will promote the use of local and regional procurement by ensuring that their procurement procedures are transparent and allow local and regional firms to compete. We will build on examples of good practice to help improve local firms' capacity to compete successfully for aid-funded procurement.
- d) We will respect our international agreements on corporate social responsibility.

We welcome and will work with all development actors

19. The contributions of all development actors are more effective when developing countries are in a position to manage and co-ordinate them. We welcome the role of new contributors and will improve the way all development actors work together by taking the following actions:

- a) We encourage all development actors, including those engaged in South-South co-operation, to use the Paris Declaration principles as a point of reference in providing development co-operation.
- b) We acknowledge the contributions made by all development actors, and in particular the role of middle-income countries as both providers and recipients of aid. We recognise the importance and particularities of South-South cooperation and acknowledge that we can learn from the experience of developing countries. We encourage further development of triangular co-operation.
- c) Global funds and programmes make an important contribution to development. The programmes they fund are most effective in conjunction with complementary efforts to improve the policy environment and to strengthen the institutions in the sectors in which they operate. We call upon all global funds to support country ownership, to align and harmonise their assistance proactively, and to make good use of mutual accountability frameworks, while continuing their emphasis on achieving results. As new global challenges emerge, donors will ensure that existing channels for aid delivery are used and, if necessary, strengthened before creating separate new channels that risk further fragmentation and complicate co-ordination at country level. We encourage developing countries to mobilise, manage and evaluate their international cooperation initiatives for the benefit of other developing countries.
- d) South-South co-operation on development aims to observe the principle of non-interference in internal affairs, equality among developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development co-operation and is a valuable complement to North-South co-operation.

We will deepen our engagement with civil society organisations

20. We will deepen our engagement with CSOs as independent development actors in their own right whose efforts complement those of governments and the private sector. We share an interest in ensuring that CSO contributions to development reach their full potential. To this end:

- a) We invite CSOs to reflect on how they can apply the Paris principles of aid effectiveness from a CSO perspective.
- b) We welcome the CSOs' proposal to engage with them in a CSO-led multistakeholder process to promote CSO development effectiveness. As part of that process, we will seek to i) improve co-ordination of CSO efforts with government programmes, ii) enhance CSO accountability for results, and iii) improve information on CSO activities.
- c) We will work with CSOs to provide an enabling environment that maximises their contributions to development.

³ The 2001 DAC recommendation on Untying ODA to the Least Developed Countries (LDCs) covers 31 so-called Heavily Indebted Poor Countries (HIPCs). The OECD Development Assistance Committee (DAC) at its 2008 High Level Meeting agreed to extend the 2001 Recommendation to cover the remaining eight countries that are part of the HIPC initiative: Bolivia, Cameroon, Côte d'Ivoire, Ghana, Guyana, Honduras, Nicaragua and Republic of Congo.

We will adapt aid policies for countries in fragile situations

21. In the Paris Declaration, we agreed that aid effectiveness principles apply equally to development co-operation in situations of fragility, including countries emerging from conflict, but that these principles need to be adapted to environments of weak ownership or capacity. Since then, Principles for Good International Engagement in Fragile States and Situations have been agreed. To further improve aid effectiveness in these environments, we will take the following actions:

- a) Donors will conduct joint assessments of governance and capacity and examine the causes of conflict, fragility and insecurity, engaging developing country authorities and other relevant stakeholders to the maximum extent possible.
- b) At country level, donors and developing countries will work and agree on a set of realistic peace- and state-building objectives that address the root causes of conflict and fragility and help ensure the protection and participation of women. This process will be informed by international dialogue between partners and donors on these objectives as prerequisites for development.
- c) Donors will provide demand-driven, tailored and co-ordinated capacity-development support for core state functions and for early and sustained recovery. They will work with developing countries to design interim measures that are appropriately sequenced and that lead to sustainable local institutions.
- d) Donors will work on flexible, rapid and long-term funding modalities, on a pooled basis where appropriate, to i) bridge humanitarian, recovery and longer-term development phases, and ii) support stabilisation, inclusive peace building, and the building of capable, accountable and responsive states. In collaboration with developing countries, donors will foster partnerships with the UN System, international financial institutions and other donors.
- e) At country level and on a voluntary basis, donors and developing countries will monitor implementation of the Principles for Good International Engagement in Fragile States and Situations, and will share results as part of progress reports on implementing the Paris Declaration.

Delivering and Accounting for Development Results

22. We will be judged by the impacts that our collective efforts have on the lives of poor people. We recognise that greater transparency and accountability for the use of development resources—domestic as well as external—are powerful drivers of progress.

We will focus on delivering results

23. We will improve our management for results by taking the following actions:

- a) Developing countries will strengthen the quality of policy design, implementation and assessment by improving information systems, including, as appropriate, disaggregating data by sex, region and socioeconomic status.
- b) Developing countries and donors will work to develop cost-effective results management instruments to assess the impact of development policies and adjust them as necessary. We will better co-ordinate and link the various sources of information, including national statistical systems, budgeting, planning, monitoring and country-led evaluations of policy performance.
- c) Donors will align their monitoring with country information systems. They will support, and invest in strengthening, developing countries' national statistical capacity and information systems, including those for managing aid.
- d) We will strengthen incentives to improve aid effectiveness. We will systematically review and address legal or administrative impediments to implementing international commitments on aid effectiveness. Donors will pay more attention to delegating sufficient authority to country offices and to changing organisational and staff incentives to promote behaviour in line with aid effectiveness principles.

We will be more accountable and transparent to our publics for results

24. Transparency and accountability are essential elements for development results. They lie at the heart of the Paris Declaration, in which we agreed that countries and donors would become more accountable to each other and to their citizens. We will pursue these efforts by taking the following actions:

- a) We will make aid more transparent. Developing countries will facilitate parliamentary oversight by implementing greater transparency in public financial management, including public disclosure of revenues,

budgets, expenditures, procurement and audits. Donors will publicly disclose regular, detailed and timely information on volume, allocation and, when available, results of development expenditure to enable more accurate budget, accounting and audit by developing countries.

b) We will step up our efforts to ensure that—as agreed in the Paris Declaration—mutual assessment reviews are in place by 2010 in all countries that have endorsed the Declaration. These reviews will be based on country results reporting and information systems complemented with available donor data and credible independent evidence. They will draw on emerging good practice with stronger parliamentary scrutiny and citizen engagement. With them we will hold each other accountable for mutually agreed results in keeping with country development and aid policies.

c) To complement mutual assessment reviews at country level and drive better performance, developing countries and donors will jointly review and strengthen existing international accountability mechanisms, including peer review with participation of developing countries. We will review proposals for strengthening the mechanisms by end 2009.

d) Effective and efficient use of development financing requires both donors and partner countries to do their utmost to fight corruption. Donors and developing countries will respect the principles to which they have agreed, including those under the UN Convention against Corruption. Developing countries will address corruption by improving systems of investigation, legal redress, accountability and transparency in the use of public funds. Donors will take steps in their own countries to combat corruption by individuals or corporations and to track, freeze, and recover illegally acquired assets.

We will continue to change the nature of conditionality to support ownership

25. To strengthen country ownership and improve the predictability of aid flows, donors agreed in the Paris Declaration that, whenever possible, they would draw their conditions from developing countries' own development policies. We reaffirm our commitment to this principle and will continue to change the nature of conditionality by taking the following actions:

a) Donors will work with developing countries to agree on a limited set of mutually agreed conditions based on national development strategies. We will jointly assess donor and developing country performance in meeting commitments.

b) Beginning now, donors and developing countries will regularly make public all conditions linked to disbursements.

c) Developing countries and donors will work together at the international level to review, document and disseminate good practices on conditionality with a view to reinforcing country ownership and other Paris Declaration Principles by increasing emphasis on harmonised, results-based conditionality. They will be receptive to contributions from civil society.

We will increase the medium-term predictability of aid

26. In the Paris Declaration, we agreed that greater predictability in the provision of aid flows is needed to enable developing countries to effectively plan and manage their development programmes over the short and medium term. As a matter of priority, we will take the following actions to improve the predictability of aid:

a) Developing countries will strengthen budget planning processes for managing domestic and external resources and will improve the linkages between expenditures and results over the medium term.

b) Beginning now, donors will provide full and timely information on annual commitments and actual disbursements so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems.

c) Beginning now, donors will provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate in their medium-term planning and macroeconomic frameworks. Donors will address any constraints to providing such information.

d) Developing countries and donors will work together at the international level on ways of further improving the medium-term predictability of aid, including by developing tools to measure it.

Looking Forward

27. The reforms we agree on today in Accra will require continued high level political support, peer pressure, and coordinated action at global, regional, and country levels. To achieve these reforms, we renew our commitment to the principles and targets established in the Paris Declaration, and will continue to assess progress in implementing them.

28. The commitments we agree today will need to be adapted to different country circumstances—including in middle-income countries, small states and countries in situations of fragility. To this end, we encourage developing countries to design—with active support from donors—country-based action plans that set out time-bound and monitorable proposals to implement the Paris Declaration and the Accra Agenda for Action.

29. We agree that, by 2010, each of us should meet the commitments we made on aid effectiveness in Paris and today in Accra, and to reach beyond these commitments where we can. We agree to reflect and draw upon the many valuable ideas and initiatives that have been presented at this High Level Forum. We agree that challenges such as climate change and rising food and fuel prices underline the importance of applying aid effectiveness principles. In response to the food crisis, we will develop and implement the global partnership on agriculture and food swiftly, efficiently and flexibly.

30. We ask the Working Party on Aid Effectiveness to continue monitoring progress on implementing the Paris Declaration and the Accra Agenda for Action and to report back to the Fourth High Level Forum on Aid Effectiveness in 2011. We recognise that additional work will be required to improve the methodology and indicators of progress of aid effectiveness. In 2011, we will undertake the third round of monitoring that will tell us whether we have achieved the targets for 2010 agreed in Paris in 2005.⁴ To carry forward this work, we will need to develop institutionalised processes for the joint and equal partnership of developing countries and the engagement of stakeholders.

31. We recognise that aid effectiveness is an integral part of the broader financing for development agenda. To achieve development outcomes and the MDGs we need to meet our commitments on both aid quality and aid volumes. We ask the Secretary General of the United Nations to transmit the conclusions of the Third High Level Forum on Aid Effectiveness to the High Level Event on the MDGs in New York later this month and the Financing for Development Review meeting in Doha in November 2008. We welcome the contribution that the ECOSOC Development Co-operation Forum is making to the international dialogue and to mutual accountability on aid issues. We call upon the UN development system to further support the capacities of developing countries for effective management of development assistance.

32. Today, more than ever, we resolve to work together to help countries across the world build the successful future all of us want to see—a future based on a shared commitment to overcome poverty, a future in which no countries will depend on aid.

⁴ We will have that information available for the Fourth High Level Forum on Aid Effectiveness in 2011, along with comprehensive second phase evaluations of the implementation of the Paris Declaration and the Accra Agenda for Action as of 2010. Attention will also be paid to improving and developing communications on aid effectiveness for long-term development success and broad-based public support.

Joint Progress
Toward Enhanced
Aid Effectiveness



Harmonisation,
Alignment,
Results

High Level Forum
Paris ■ February 28 - March 2, 2005

PARIS DECLARATION ON AID EFFECTIVENESS

Ownership, Harmonisation, Alignment, Results and Mutual Accountability

I. Statement of Resolve

1. We, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year. As in Monterrey, we recognise that while the volumes of aid and other development resources must increase to achieve these goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid.

2. At this High-Level Forum on Aid Effectiveness, we followed up on the Declaration adopted at the High-Level Forum on Harmonisation in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004) because we believe they will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

Scale up for more effective aid

3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

- i. Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
- ii. Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- iii. Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- iv. Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
- v. Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
- vi. Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.

4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:

- i. Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.

- ii. Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.
- iii. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
- iv. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
- v. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.

5. We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.

6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels.

Adapt and apply to differing country situations

7. Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004. In such situations, worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness.

Specify indicators, timetable and targets

8. We accept that the reforms suggested in this Declaration will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. We commit to accelerate the pace of change by implementing, in a spirit of mutual accountability, the Partnership Commitments presented in Section II and to measure progress against 12 specific indicators that we have agreed today and that are set out in Section III of this Declaration.

9. As a further spur to progress, we will set targets for the year 2010. These targets, which will involve action by both donors and partner countries, are designed to track and encourage progress at the global level among the countries and agencies that have agreed to this Declaration. They are not intended to prejudice or substitute for any targets that individual partner countries may wish to set. We have agreed today to set five preliminary targets against indicators as shown in Section III. We agree to review these preliminary targets and to adopt targets against the remaining indicators as shown in Section III before the UNGA Summit in September 2005; and we ask the partnership of donors and partner countries hosted by the DAC to prepare for this urgently¹. Meanwhile, we welcome initiatives by partner countries and donors to establish their own targets for

¹ In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

improved aid effectiveness within the framework of the agreed Partnership Commitments and Indicators of Progress. For example, a number of partner countries have presented action plans, and a large number of donors have announced important new commitments. We invite all participants who wish to provide information on such initiatives to submit it by 4 April 2005 for subsequent publication.

Monitor and evaluate implementation

10. Because demonstrating real progress at country level is critical, under the leadership of the partner country we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms.

11. At the international level, we call on the partnership of donors and partner countries hosted by the DAC to broaden partner country participation and, by the end of 2005, to propose arrangements for the medium term monitoring of the commitments in this Declaration. In the meantime, we ask the partnership to co-ordinate the international monitoring of the Indicators of Progress included in Section III; to refine targets as necessary; to provide appropriate guidance to establish baselines; and to enable consistent aggregation of information across a range of countries to be summed up in a periodic report. We will also use existing peer review mechanisms and regional reviews to support progress in this agenda. We will, in addition, explore independent cross-country monitoring and evaluation processes – which should be applied without imposing additional burdens on partners – to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives.

12. Consistent with the focus on implementation, we plan to meet again in 2008 in a developing country and conduct two rounds of monitoring before then to review progress in implementing this Declaration.

II. Partnership Commitments

13. Developed in a spirit of mutual accountability, these Partnership Commitments are based on the lessons of experience. We recognise that commitments need to be interpreted in the light of the specific situation of each partner country.

OWNERSHIP

Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions

14. **Partner countries** commit to:

- Exercise leadership in developing and implementing their national development strategies² through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets (Indicator 1).
- Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

15. **Donors** commit to:

- Respect partner country leadership and help strengthen their capacity to exercise it.

² The term 'national development strategies' includes poverty reduction and similar overarching strategies as well as sector and thematic strategies.

ALIGNMENT

Donors base their overall support on partner countries' national development strategies, institutions and procedures

Donors align with partners' strategies

16. Donors commit to:

- Base their overall support — country strategies, policy dialogues and development co-operation programmes — on partners' national development strategies and periodic reviews of progress in implementing these strategies³ (Indicator 3).
- Draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close consultation with other donors and stakeholders.
- Link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy. This does not mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

Donors use strengthened country systems

17. Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

18. Diagnostic reviews are an important — and growing — source of information to governments and donors on the state of country systems in partner countries. Partner countries and donors have a shared interest in being able to monitor progress over time in improving country systems. They are assisted by performance assessment frameworks, and an associated set of reform measures, that build on the information set out in diagnostic reviews and related analytical work.

19. Partner countries and donors jointly commit to:

- Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems (Indicator 2).
- Integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

20. Partner countries commit to:

- Carry out diagnostic reviews that provide reliable assessments of country systems and procedures.
- On the basis of such diagnostic reviews, undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
- Undertake reforms, such as public management reform, that may be necessary to launch and fuel sustainable capacity development processes.

21. Donors commit to:

- Use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures (Indicator 5).

³ This includes for example the Annual Progress Review of the Poverty Reduction Strategies (APR).

- Avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes (Indicator 6).
- Adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets.

Partner countries strengthen development capacity with support from donors

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives — from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

23. **Partner countries** commit to:

- Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed.

24. **Donors** commit to:

- Align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly (Indicator 4).

Strengthen public financial management capacity

25. **Partner countries** commit to:

- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Publish timely, transparent and reliable reporting on budget execution.
- Take leadership of the public financial management reform process.

26. **Donors** commit to:

- Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules (Indicator 7).
- Rely to the maximum extent possible on transparent partner government budget and accounting mechanisms (Indicator 5).

27. **Partner countries and donors** jointly commit to:

- Implement harmonised diagnostic reviews and performance assessment frameworks in public financial management.

Strengthen national procurement systems

28. **Partner countries and donors** jointly commit to:

- Use mutually agreed standards and processes⁴ to carry out diagnostics, develop sustainable reforms and monitor implementation.
- Commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development.
- Share feedback at the country level on recommended approaches so they can be improved over time.

⁴ Such as the processes developed by the joint OECD-DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries.

29. **Partner countries** commit to take leadership and implement the procurement reform process.
30. **Donors** commit to:
- Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (**Indicator 5**).
 - Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.

Untie aid: getting better value for money

31. Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. **DAC Donors** will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (**Indicator 8**).

HARMONISATION

Donors' actions are more harmonised, transparent and collectively effective

Donors implement common arrangements and simplify procedures

32. **Donors** commit to:
- Implement the donor action plans that they have developed as part of the follow-up to the Rome High-Level Forum.
 - Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort (**Indicator 9**).
 - Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (**Indicator 10**); and promote joint training to share lessons learnt and build a community of practice.

Complementarity: more effective division of labour

33. Excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.

34. **Partner countries** commit to:
- Provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country or sector level.
35. **Donors** commit to:
- Make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks.
 - Work together to harmonise separate procedures.

Incentives for collaborative behaviour

36. **Donors and partner countries** jointly commit to:
- Reform procedures and strengthen incentives—including for recruitment, appraisal and training—for management and staff to work towards harmonisation, alignment and results.

Delivering effective aid in fragile states⁵

37. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions. While the guiding principles of effective aid apply equally to fragile states, they need to be adapted to environments of weak ownership and capacity and to immediate needs for basic service delivery.

38. **Partner countries** commit to:

- Make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens.
- Engage in dialogue with donors on developing simple planning tools, such as the transitional results matrix, where national development strategies are not yet in place.
- Encourage broad participation of a range of national actors in setting development priorities.

39. **Donors** commit to:

- Harmonise their activities. Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis, joint assessments, joint strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
- Align to the maximum extent possible behind central government-led strategies or, if that is not possible, donors should make maximum use of country, regional, sector or non-government systems.
- Avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.
- Use an appropriate mix of aid instruments, including support for recurrent financing, particularly for countries in promising but high-risk transitions.

Promoting a harmonised approach to environmental assessments

40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.

41. **Donors and partner countries** jointly commit to:

- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.

MANAGING FOR RESULTS

Managing resources and improving decision-making for results

43. Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.

⁵ The following section draws on the draft Principles for Good International Engagement in Fragile States, which emerged from the Senior Level Forum on Development Effectiveness in Fragile States (London, January 2005).

44. **Partner countries** commit to:
- Strengthen the linkages between national development strategies and annual and multi-annual budget processes.
 - Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available (Indicator 11).
45. **Donors** commit to:
- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners' national development strategies.
 - Work with partner countries to rely, as far as possible, on partner countries' results-oriented reporting and monitoring frameworks.
 - Harmonise their monitoring and reporting requirements, and, until they can rely more extensively on partner countries' statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.
46. **Partner countries and donors** jointly commit to:
- Work together in a participatory approach to strengthen country capacities and demand for results based management.

MUTUAL ACCOUNTABILITY

Donors and partners are accountable for development results

47. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.
48. **Partner countries** commit to:
- Strengthen as appropriate the parliamentary role in national development strategies and/or budgets.
 - Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.
49. **Donors** commit to:
- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.
50. **Partner countries and donors** commit to:
- Jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments. (Indicator 12).

III. Indicators of Progress

To be measured nationally and monitored internationally

OWNERSHIP		TARGET FOR 2010	
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.	
ALIGNMENT		TARGETS FOR 2010	
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p>(a) Public financial management — Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.</p> <p>(b) Procurement — One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.</p>	
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.	
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		5+	All donors use partner countries' PFM systems.
		3.5 to 4.5	90% of donors use partner countries' PFM systems.
		PERCENT OF AID FLOWS	
		Score*	Target
5+	A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.		
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		A	All donors use partner countries' procurement systems.
		B	90% of donors use partner countries' procurement systems.
		PERCENT OF AID FLOWS	
		Score*	Target
A	A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.		
B	A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.		
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress over time.	

HARMONISATION		TARGETS FOR 2010
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.	66% of aid flows are provided in the context of programme-based approaches.
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	(a) 40% of donor missions to the field are joint. (b) 66% of country analytic work is joint.
MANAGING FOR RESULTS		TARGET FOR 2010
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	Reduce the gap by one-third — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
MUTUAL ACCOUNTABILITY		TARGET FOR 2010
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	All partner countries have mutual assessment reviews in place.

Important Note: In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

***Note on Indicator 5:** Scores for Indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above.

Appendix A: Methodological Notes on the Indicators of Progress

The Indicators of Progress provides a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. This framework draws selectively from the Partnership Commitments presented in Section II of this Declaration.

Purpose — The Indicators of Progress provide a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. They measure principally **collective behaviour at the country level**.

Country level vs. global level — The indicators are to be **measured at the country level** in close collaboration between partner countries and donors. Values of country level indicators can then be statistically aggregated at the **regional or global level**. This global aggregation would be done both for the country panel mentioned below, for purposes of statistical comparability, and more broadly for all partner countries for which relevant data are available.

Donor / Partner country performance — The indicators of progress also provide a **benchmark against which individual donor agencies or partner countries can measure their performance** at the country, regional, or global level. In measuring individual donor performance, the indicators should be applied with flexibility in the recognition that donors have different institutional mandates.

Targets — The targets are set at the global level. Progress against these targets is to be measured by aggregating data measured at the country level. In addition to global targets, partner countries and donors in a given country might agree on country-level targets.

Baseline — A baseline will be established for 2005 in a panel of self-selected countries. The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to establish this panel.

Definitions and criteria — The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to provide specific guidance on definitions, scope of application, criteria and methodologies to assure that results can be aggregated across countries and across time.

Note on Indicator 9 — Programme based approaches are defined in Volume 2 of Harmonising Donor Practices for Effective Aid Delivery (OECD, 2005) in Box 3.1 as a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. For the purpose of indicator 9 performance will be measured separately across the aid modalities that contribute to programme-based approaches.

APPENDIX B:

List of Participating Countries and Organisations

Participating Countries

Albania	Australia	Austria
Bangladesh	Belgium	Benin
Bolivia	Botswana	[Brazil]*
Burkina Faso	Burundi	Cambodia
Cameroon	Canada	China
Congo D.R.	Czech Republic	Denmark
Dominican Republic	Egypt	Ethiopia
European Commission	Fiji	Finland
France	Gambia, The	Germany
Ghana	Greece	Guatemala
Guinea	Honduras	Iceland
Indonesia	Ireland	Italy
Jamaica	Japan	Jordan
Kenya	Korea	Kuwait
Kyrgyz Republic	Lao PDR	Luxembourg
Madagascar	Malawi	Malaysia
Mali	Mauritania	Mexico
Mongolia	Morocco	Mozambique
Nepal	Netherlands	New Zealand
Nicaragua	Niger	Norway
Pakistan	Papua New Guinea	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Saudi Arabia
Senegal	Serbia and Montenegro	Slovak Republic
Solomon Islands	South Africa	Spain
Sri Lanka	Sweden	Switzerland
Tajikistan	Tanzania	Thailand
Timor-Leste	Tunisia	Turkey
Uganda	United Kingdom	United States of America
Vanuatu	Vietnam	Yemen
Zambia		

* To be confirmed.

More countries than listed here have endorsed the Paris Declaration. For a full and up to date list please consult www.oecd.org/dac/effectiveness/parisdeclaration/members.

Participating Organisations

African Development Bank	Arab Bank for Economic Development in Africa
Asian Development Bank	Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)	Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)	Education for All Fast Track Initiative (EFA-FTI)
European Bank for Reconstruction and Development (EBRD)	European Investment Bank (EIB)
Global Fund to Fight Aids, Tuberculosis and Malaria	G24
Inter-American Development Bank	International Fund for Agricultural Development (IFAD)
International Monetary Fund (IMF)	International Organisation of the Francophonie
Islamic Development Bank	Millennium Campaign
New Partnership for Africa's Development (NEPAD)	Nordic Development Fund
Organisation for Economic Co-operation and Development (OECD)	Organisation of Eastern Caribbean States (OECS)
OPEC Fund for International Development	Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)	World Bank

Civil Society Organisations

Africa Humanitarian Action	AFRODAD
Bill and Melinda Gates Foundations	Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)	Coopération Internationale pour le Développement et la Solidarité (CIDSE)
Comisión Económica (Nicaragua)	ENDA Tiers Monde
EURODAD	International Union for Conservation of Nature and Natural Resources (IUCN)
Japan NGO Center for International Cooperation (JANIC)	Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)	UK Aid Network



Countries and Organisations Adhering to the Paris Declaration

Countries adhering to the Paris Declaration

Afghanistan	Albania	Argentina
Australia	Austria	Bangladesh
Belgium	Benin	Bolivia
Botswana	Brazil*	Burkina Faso
Burundi	Cambodia	Cameroon
Canada	Cape Verde	Central African Republic
Chad	China	Colombia
Congo D. R.	Cook Islands	Czech Republic
Denmark	Djibouti	Dominican Republic
Egypt	Estonia*	
	Ethiopia	European Commission
Fiji	Finland	France
Gabon	Gambia, The	Germany
Ghana	Greece	Guatemala
Guinea	Guyana	Haiti
Honduras	Hungary	Iceland
India	Indonesia	Iraq
Ireland	Israel	Italy
Ivory Coast	Jamaica	Japan
Jordan	Kenya	Korea
Kuwait	Kyrgyz Republic	Lao PDR
Lesotho	Luxembourg	Madagascar
Malawi	Malaysia	Mali
Mauritania	Mexico	Moldova
Mongolia	Morocco	Mozambique
Namibia	Nepal	The Netherlands
New Zealand	Nicaragua	Niger
Nigeria	Norway	Pakistan
Papua New Guinea	Peru	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Samoa
Sao Tomé & Príncipe	Saudi Arabia	Senegal
Serbia and Montenegro	Sierra Leone	Slovak Republic
Slovenia	Solomon Islands	South Africa
Spain	Sri Lanka	Sudan
Swaziland	Sweden	Switzerland
Syria	Tajikistan	Tanzania
Thailand	Timor-Leste	Togo
Tonga	Tunisia	Turkey
Uganda	Ukraine	United Kindgom
United States of America	Vanuatu	Vietnam
Yemen	Zambia	

* to be confirmed

International Organisations adhering to the Paris Declaration

African Development Bank	Arab Bank for Economic Development in Africa
Asian Development Bank	Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)	Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)	Education for All Fast Track Initiative (EFA-FTI)
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Organisation for Economic Cooperation and Development (OECD)	Organisation of Eastern Caribbean States (OECS)
OPEC Fund for International Development	Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)	World Bank
GAVI Alliance	

***Civil Society Organisations present at the High Level Forum, Paris
2006***

Africa Humanitarian Action	AFRODAD
Bill and Melinda Gates Foundation	Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)	Coopération Internationale pour le Développement et la Solidarité (CIDSE)
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Japan NGO Center for International Cooperation (JANIC)	Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)	UK Aid Network

Also available:

*Pays et organisations qui adhèrent à la Déclaration de Paris (French)

Related documents:

*The Paris Declaration (English)

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**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 15 May 2007

9558/07

**DEVGEN 89
ACP 94
RELEX 347**

NOTE

from : General Secretariat
on : 15 May 2007

No. prev. doc. : 9090/07

Subject : EU Code of Conduct on Complementarity and Division of Labour in
Development Policy
- Conclusions of the Council and of the Representatives of the Governments of
the Member States meeting within the Council

At its meeting on 15 May 2007, the General Affairs and External Relations Council and the Representatives of the Governments of the Member States meeting within the Council, adopted the Conclusions set out in the Annex to this note.

**CONCLUSIONS OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE
GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL
ON**

EU Code of Conduct on Complementarity and Division of Labour in Development Policy¹

Political Commitment

1. The Council recognises that reinforcing the complementarity of donor activities is of paramount importance for increasing aid effectiveness, and thus for a more effective and efficient development assistance. It is one of the necessary conditions for the eradication of poverty in the context of sustainable development, including for timely achievement of the Millennium Development Goals (MDGs).
2. The Council underlines that EU initiatives on a better division of labour will aim at reinforcing the objective of strengthening the partner country ownership and capacities to take over responsibility for donor coordination processes.
3. The Council agrees that the EU should act as a driving force for complementarity and division of labour within the international harmonisation and alignment process, and that the EU should follow an inclusive approach that is open to all donors, and whenever possible build on existing processes.

¹ In adopting these conclusions, the Council refers to certain previous conclusions and statements (see Annex).

4. Therefore, the Member States and the Commission commit themselves to implement the principles set out in the attached EU Code of Conduct on Complementarity and Division of Labour in Development Policy. The Code of Conduct is voluntary and flexible, and should be implemented with a country-based approach, taking into account the specific situation of the partner countries.
- The Code of Conduct will guide policy and actions of the Member States and the Commission, and is embedded in the principles of ownership, alignment, harmonisation and management for results and mutual accountability of the Paris Declaration on Aid Effectiveness as well as the EU commitments set out in the European Consensus on Development.
 - Member States and the Commission will base their engagement in all developing countries on the principles set out in the Code of Conduct. The primary leadership and ownership in in-country division of labour should first and foremost lie in the partner country government. If such leadership and ownership need strengthening, the EU should promote such a process. In any case, the EU should always play an active role in promoting complementarity and division of labour. All initiatives need to be open for other donors, build on existing processes whenever possible, and be readily transferred to the government whenever appropriate.
5. Simultaneously with the implementation of the Code of Conduct, the Member States and the Commission will promote wide discussions with partner countries and other donors on complementarity and division of labour, based on the EU code of Conduct which will be complemented by first experiences in the field. The outcome of these discussions would constitute an input to the OECD/DAC partnership and the High Level Forum on Aid Effectiveness III that will take place in Accra, Ghana in 2008. The Council invites the incoming Presidencies to actively support such a process, in close cooperation with the Member States and the Commission.

6. The division of labour among donors should also enhance the coherence of EU external assistance. In this regard, attention shall be given to the activities of the European Investment Bank and EU Trust Funds.

Implementation

In-country complementarity

7. The Member States and the Commission will start to use the Code of Conduct immediately and in all developing countries in a pragmatic way. Specific attention shall be paid to aid orphans and fragile states. The Code of Conduct is applicable to present and future engagements as well as additional development assistance in the context of scaling-up, and will therefore gradually change the current pattern of aid delivery without prejudice to existing obligations. To that effect, the Member States and the Commission will use existing co-ordination mechanisms in the field to render operational implementation of the Code of Conduct, with the primary leadership and ownership lying with the partner country government.
8. The Member States and the Commission commit themselves to increase their participation in joint multi-annual programming based on partner countries' development strategies and use the EU joint programming framework gradually and voluntary as a pragmatic tool to advance division of labour. Whenever the development of common strategies is already under way, such as Joint Assistance Strategies or similar processes, EU joint programming should complement, strengthen, and whenever possible be part of these existing processes, in order to avoid unnecessary parallel processes. A medium to long-term perspective is needed including special efforts to synchronise programming schedules with the partner countries' national planning and budget cycles (e.g. PRSs).

Cross-country complementarity

9. While acknowledging the Commission's added value provided through its global presence, the Member States and the Commission should address the current imbalance in resources provided to aid "darlings" and "orphans" and avoid the creation of new imbalances. They should assess aid levels using relevant, forward-looking data to establish a basis for well informed and evidence-based decisions. This needs to be done in dialogue with other donors and relevant international bodies. The Council invites the Member States and the Commission to conduct an EU-dialogue about future engagement and on strategic planning concerning their geographic concentration and country priorities, while recognising that Member States decisions on this issue are sovereign national decisions. This dialogue will take place in the framework of the annual Monterrey follow-up debate. In this regard, every Member State has a role to play. This discussion will be prepared by the Presidency in office, based on information compiled by the Commission, and take into account global aid allocations.
10. With a view to informing what are, in the case of Member States development assistance, sovereign national decisions, the Council invites the Member States and the Commission to initiate an exchange of information to prepare this dialogue process in 2007, in order to:
- a. identify countries in which there are substantial overlaps ("darling countries") or gaps ("aid orphans") in terms of donor activity and / or in the level of aid allocations;
 - b. address the issue of aid orphans, and where appropriate aid darlings, and address specific sectoral issues;
 - c. develop specific response strategies for fragile states, which among other things will serve as an input to the ongoing OECD/DAC initiative and initiatives of other international fora;
 - d. examine how all aid, i.e. existing and additional aid ("scaling up") could be allocated in a complementary way.

11. The Council recognises that national decisions on sector and country choices should be based on reliable and forward-looking data, while underscoring the importance of the predictability of aid flows. Therefore the Council calls on the Member States and the Commission to strive for more transparency in their strategic planning and encourages the Member States and the Commission to share forward-looking data on commitments. Those Member States concerned and the Commission should set a good example by providing these data to the OECD/DAC survey on donors forward looking spending plans in a timely manner.

Cross-sector complementarity

12. Concerning the analysis of areas of strength, the Council invites the Member States and the Commission to review the state of the self-assessments of their respective areas of strength, in a first instance before the Accra High Level Forum in 2008, and on a regular basis thereafter. The Council regards the diversity of expertise in the EU as a whole as an added value that should be maintained. The Member States will, within the existing competences and as national decisions, address the issue of improving cross-sector complementarity. The Council fully respects the decision of many Member States that they will not seek to become specialised at headquarters level but work based on the needs of the partner countries. EU Member States that joined the EU in 2004 or in 2007 will undertake work to assess their respective areas of strength at a realistic pace which reflects their own circumstances as emerging donors.

Community assistance

13. The Council recalls that Community policy in the sphere of development cooperation shall be complementary to the policies pursued by the Member States.

14. The Council invites the Commission to outline Community implementation of the Code of Conduct in its annual report on development cooperation, including:

- a. consistent implementation of the Code of Conduct in Community aid financed under the EDF and the Community budget, including aid allocation criteria and how the implementation of already finalised country programmes can take into account the principles in the Code of Conduct;
- b. a self-assessment in its potential areas of comparative advantage as referred to in the joint Development Policy Statement (DPS);
- c. status for follow-up on the endorsed recommendation of the Ad Hoc Working Party on Harmonisation regarding decentralisation;
- d. a forward looking analysis on the intended Community aid implementation of the Code of Conduct before the High Level Forum on Aid Effectiveness III in Accra, Ghana.

Follow-up and review

15. The Council will, in the framework of the political dialogue, discuss progress and lessons learned in the implementation process for the Code of Conduct. The Council calls the Commission to facilitate this process by submitting a report, based on information provided by Headquarters and the field in the framework of the OECD/DAC survey and the Monterrey report. This report should also include lessons learned and state of play as regards a limited number of case studies for aid darlings, aid orphans and cross-sectoral issues, joint programming processes wherever they exist, including donor-wide processes, and highlighting cross-country and cross-sectoral complementarity.

16. The Council invites the Member States and the Commission to strengthen communication on development co-operation contributions of the EU as a whole for information of their domestic audiences. This will contribute towards legitimising the decisions for individual donors to concentrate further on fewer sectors and countries. The Member States and the Commission will communicate their commitments to division of labour and the Code of Conduct in a coherent manner throughout their organisations. Communication on division of labour shall focus on the value added and results of the initiative. For advancing complementarity and implementation of the Paris Agenda within international fora, EU donors will increasingly use joint statements where appropriate, without prejudice to their bilateral ones.
17. The Code of Conduct is a dynamic document that will be reviewed periodically and in any case before 2010, on the basis of lessons learned from its implementation and the monitoring of progress.

In adopting these conclusions, the Council refers to the following conclusions and statements:

- Report of the Ad Hoc Working Party on Harmonisation – Advancing Coordination, Harmonisation and Alignment: the contribution of the EU. November 2004;
- Paris Declaration on Aid Effectiveness¹ of March 2005;
- Joint Development Policy Statement ‘The European Consensus on Development’ (DPS), 2005, paragraphs 30-34, OJ C 46, 24.2.2006, p. 6²;
- 2005 EU Strategy on Africa (The EU and Africa: Towards a Strategic Partnership);³
- Council and Member States Conclusions of April 2006 on Financing for Development and Aid Effectiveness: Delivering more, better and faster;⁴
- Council and Member States Conclusions of October 2006 on Complementarity and Division of Labour: Orientation Debate on Aid Effectiveness;⁵
- Commission Communication on an EU Code of Conduct on Division of labour in Development Policy.⁶

¹ paragraphs 33-35 - <http://www.oecd.org/dataoecd/53/38/34579826.pdf>.
² doc. 14820/2/05.
³ doc. 15961/05, paragraph 6(f), p. 4.
⁴ doc. 8388/06, paragraphs 55-57, p. 14.
⁵ doc. 14029/06.
⁶ doc. 7124/07.

EU Code of Conduct on Complementarity and Division of Labour in Development Policy

This Code of Conduct presents operational principles for EU donors regarding complementarity in development cooperation. Their aim is to enhance effectiveness by improving overall development results and impact for poverty reduction and reducing the transaction costs, through a division of labour between donors.

The Code proposes an inclusive approach that is open to all donors.

The Code is embedded in the principles of ownership, alignment, harmonisation and management for results and mutual accountability of the Paris Declaration as well as the additional objectives and values highlighted by the European Consensus.

The Code is voluntary, flexible and self-policing. It is a dynamic document that establishes principles and targets towards which EU donors will strive to work progressively and accordingly.

The partner country should be responsible for coordinating donors. EU Donors will encourage and support the partner country to assume that responsibility while structuring themselves, in an appropriate manner, using – where appropriate – good existing practices as inspiration.

EU donors will base their engagement on the below outlined principles. These principles have to be approached in a pragmatic and flexible manner. It is hoped that other donors will want to commit themselves to abiding by it and are invited to participate and base their activities on similar principles as those outlined in this Code of conduct.

General principles

EU donors (the Member States and the Commission) commit themselves to further progress on complementarity and division of labour, including closer cooperation among them, in line with the following general principles:

1. The primary leadership and ownership in in-country division of labour should first and foremost lie in the partner country government. If such leadership and ownership do not exist, the EU should promote such a process. In any case, the EU should always play an active role in promoting complementarity and division of labour. All initiatives need to be open for other donors, build on existing processes whenever possible, and be readily transferred to the government whenever appropriate. The EU should provide capacity building support to the partner countries to enable them to take on this responsibility.
2. It is crucial that the division of labour is not implemented at the expense of global aid volumes or predictability of aid flows and is carried out in collaboration with the partner countries.
3. Implementation needs to be based on (i) country-level priorities and needs, (ii) a long-term perspective, as well as (iii) a pragmatic and well-sequenced approach.
4. It is recognised that the EU donors share common development objectives, vision, values and principles. When limiting the involvement of Member States or the Commission in a partner country or sector, situations where all EU donors are absent from a strategic sector for poverty reduction should be avoided.
5. While implementation needs to be based at field-level, political commitment and adequate support and impetus need to be made both in headquarters and in the field. It is also important to improve coordination between the field-level and the headquarters to ensure a coherent approach. This should not, however, undermine the partner country leadership and ownership.

6. Comparative advantage is not primarily based 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.

Guiding Principle 1 – Concentrate on a limited number of sectors in-country

EU donors will aim at focussing their active involvement in a partner country on a maximum of three sectors¹, based on the following criteria:

- Each donor will act ambitiously to reduce transaction costs on partner governments and streamline their sector presence according to their comparative advantage as recognised by the partner country government and other donors.
- The appreciation of what constitutes a sector, being intuitive or informed, should be done in a flexible manner, at partner country level and match the definition of the partner country, that should have identified the sector as a priority in its poverty reduction strategy or equivalent. In agreement with the partner country, the partitioning of sectors should be avoided as much as possible.

In addition to the three sectors, donors can provide general budget support, where conditions permit to do so, support to civil society, and research and education schemes including scholarships. In their selected sectors donors should mainstream crosscutting issues.

A donor's comparative advantage can be determined by, inter alia, any of the following criteria:

- presence in the field,
- experience in the country, sector or context,
- trust and confidence of partner governments and other donors,

¹ In limited cases, where donors face a significant reduction in sector coverage, this target may be increased to engage in more than three sectors, taking full account of partner country views, neglected issues of particular importance and a realistic timeframe to support any change in their country programmes.

- technical expertise and specialization of the donor,
- volume of aid, at country or sector level,
- capacity to enter into new or forward looking policies or sectors,
- capacity to react quickly and/or long term predictability,
- efficiency of working methodologies, procedures, and quality of human resources,
- relatively better performance - without necessarily absolute advantage,
- lower cost compared to other donors with adequate standards of quality,
- building new experience and capacities as a emerging donor.

The comparative advantage of a given donor should be self assessed, endorsed by the partner government, and recognized by other donors. The EU encourages partner countries to provide clear views on donors' comparative advantage.

The partner countries will be encouraged to identify the areas for increased or reduced support and to indicate their preferences as to which donors should remain actively involved in each sector.

EU donors will work together with the partner country to identify sectors in which to remain, and propose exits from sectors from which they shall withdraw. The creation of orphan sectors should be avoided in this process.

EU donors will aim at a long term engagement in a given sector (i.e. minimum of 5-7 years, or a minimum of one period of a national poverty reduction strategy).

Guiding Principle 2 – Redeployment for other in-country activities

A redeployment process should be based on local negotiations and will very much depend on the situation in the country. It is recommended that headquarters offers field offices/delegations a flexible enough mandate with room for negotiation and capacity to adapt.

EU donors that are active in sectors other than the three concentration sectors should pursue one of the following options:

- stay financially engaged in the sector through the use of delegated cooperation/partnership arrangement,
- redeploy the freed-up resources into general budget support - where conditions permit to do so - while still being engaged in developments in the additional sector through the structures, dialogue and capacity building processes surrounding general budget support,
- exit from the sector in a responsible manner while using the freed-up resources in scaling-up support for the sectors in which they will remain.

Responsible exit from a sector entails a well planned and managed process with the full participation of the partner country and with the change/redeployment process being well communicated to all stakeholders.

Guiding Principle 3 – Lead donor arrangement

In each priority sector, EU donors will work towards and support the establishment of a lead donor arrangement in charge of all donor coordination in the sector thereby reducing the transaction costs for both partner countries and donors. The lead donor model might differ from one case to another. Burden sharing arrangements, for instance through a team of supporting donors, could be envisaged where relevant. The important objective is to ensure that the partner country is faced with a structured donor set-up.

The lead donor(s) should be given a substantial mandate for specific aspects of sector policy dialogue and have an obligation to regularly consult with other donors in the sector. In order to allow for efficient specialisation and continuity, rotation of lead donor responsibility should be limited (for example sequenced on national planning cycles if applicable).

Guiding Principle 4 – Delegated cooperation/partnership

If a given sector is considered strategic for the partner country or the donor, EU donors may enter into a delegated cooperation/partnership arrangement with another donor, and thereby delegate authority to the other donor to act on its behalf in terms of administration of funds and/or sector policy dialogue with the partner government. Partner governments should be consulted on the donors' delegating agreements. Delegating donors should be enabled to review policies and procedures of the lead donor relevant to their delegating agreements. A delegated cooperation/partnership role in a sector will be considered additional to the maximum of three sectors in which a given donor is engaged.

The delegation of cooperation from the Commission to other donors will follow the provisions of financial and implementation regulations of Community Budget and the EDF.

Guiding Principle 5 – Ensure an adequate donor support

When implementing sector concentration, the EU should ensure that at least one donor with appropriate comparative advantage and sharing similar values and principles, is actively involved in each sector considered relevant for poverty reduction.

EU donors, with full participation and ownership of the partner country, will seek to limit the number of active donors to a maximum of 3-5 per sector, based on their comparative advantage. Other donors can still take part in sector activities by means of delegated cooperation modalities.

Guiding Principle 6 – Replicate practices at regional level

While adhering to the general principles of aid effectiveness also at regional level, EU donors will apply the above principles of in-country division of labour also in their work with partner regional institutions.

Guiding Principle 7 – Establish priority countries

EU donors agree to reinforce the geographical focus of their assistance to avoid spreading their resources too thinly. They will strive to establish a limited number of priority countries.

This process will be informed by a dialogue within the EU, taking into account the broader donor engagement, and be carried out in dialogue with partner countries and with other donors.

Discussions should be based on:

- transparent information on EU donors' activities and plans and, as much as possible, on the activities and plans of other donors;
- self-assessments conducted by each donor;
- regular EU-wide exchange of information when Member States modify their list of priority countries, as well as exchange of information with partner countries and other donors in order to prevent at an early stage the creation of orphan countries.

In non-priority countries, EU donors may provide their support *inter alia* through delegated cooperation arrangements or by redeploying on the basis of responsible exit strategies prepared with the partner country. EU donors will share information on good practices.

The European Consensus recognises its global presence as an added value for the EC.

Guiding Principle 8 – Address the "orphans" gap

Committed to avoiding imbalances, EU donors will address the problem of "orphaned" or neglected countries, based on needs and performances, taking into account all financing flows from ODA and other aid flows. The specificity of those neglected countries calls for a redeployment of resources in their favour.

"Orphaned" or neglected countries are often 'fragile states' whose stabilisation would have a positive spill-over effect on the wider region. Addressing this issue should be done amongst other things as an input for the ongoing OECD/DAC initiative and initiatives of other international fora.

Adequate attention and financing need to be given to linking relief and rehabilitation to long term development.

Guiding Principle 9 – Analyse and expand areas of strength

EU donors, taking into account the views of partner countries, will deepen the self-assessment of their comparative advantages as regards sectors and modalities with the aim to identify those in which they would like to expand, as well as those where they might be willing to reduce their own activities.

The Commission will further develop its expertise and capacities in the areas where it has comparative advantages, paying particular attention to building the necessary capacity and expertise at the country level, in line with the deconcentration process and ownership of partner countries.

Guiding Principle 10 – Pursue progress on other dimensions of complementarity

EU donors commit themselves to advancing on the other dimensions of complementarity. On vertical complementarity, primarily in the context of relevant international fora and ongoing discussion on the rationalisation of the international aid architecture, and to further discuss cross-modalities and instruments, in the context of specific partnership and the implementation of joint/coordinated programmes.

Guiding Principle 11 – Deepen the reforms

EU donors recognize that in order to achieve a coherent division of labour between individual donors, strong political commitment and adequate support is needed both in headquarters and in the field, implementation needs to be based at field-level and a close coordination between the headquarter and field level is necessary. Member States may consider in this regard decentralised structures to facilitate complementarity and coordination on the ground, institutional incentives to staff and redeployment of financial and human resources.



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