

This document is not to be considered as an official EC document and has no formal status

# **EU Toolkit**

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

October 2008

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

Any suggestions, comments, questions and examples of best practices may be addressed to  
[margarita-maria.kooleman@ec.europa.eu](mailto:margarita-maria.kooleman@ec.europa.eu)  
tel. 0032-2-298.48.01.

Contents	page
1. Introduction	
1.1 The objectives of the EU Toolkit	3
1.2 Definitions	3
1.3 Rationale	4
1.4 The structure of the EU Toolkit	5
2. The current situation	6
3. The implementation process of division of labour	
3.1 Starting work on division of labour	7
3.2 Principal steps involved in starting to prepare for division of labour	7
3.3 Mapping exercises	9
3.4 Analysis of comparative advantages	10
3.5 Donor roles	11
3.6 Selection criteria for the lead donor	12
3.7 Sector definitions	12
3.8 Cross cutting areas	13
3.9 Working on more sector concentration	13
3.10 A responsible exit strategy	14
4. Specific issues when implementing division of labour	
4.1 The role of the partner country government	14
4.2 Division of labour in a situation of fragility	17
4.3 Involving other stakeholders	17
4.4 Outreach to other donors	18
4.5 Drivers and challenges for donors	19
4.6 Partners for delegated cooperation/co-financing	20
4.7 Legal and procedural aspects	21
4.8 Support from headquarters and communication	22
5. Monitoring and reporting	22

**Annexes:**

1. Ministerial Declaration at the High Level Forum on Aid Effectiveness in Accra 2-4 September 2008: Accra Agenda for Action
2. Paris Declaration on Harmonisation and Aid Effectiveness, March 2005, and list of countries and organisations adhering to the Paris Declaration, 2008
3. EU Code of Conduct on complementarity and division of labour in development policy
4. List of fast tracking countries
5. Donor Mapping – Assessment of the Status Quo
6. Note on Lead, active and passive donors in division of labour arrangements

List of Source Documents

Useful websites

List of acronyms and abbreviations

## 1. INTRODUCTION

### 1.1 The objectives of this EU Toolkit

- ✓ *It aims at accelerating the complementarity and division of labour process*, in order to implement the international commitments taken, as well as the general principles presented in the EU Code of Conduct.
- ✓ *Its scope is limited to issues related to in-country complementarity and division of labour*. It does not have the ambition to address wider issues related to aid effectiveness.
- ✓ *It is not a formal EU-document, it is not a policy document nor a procedure. It assembles various current experiences on the concrete application of division of labour on the ground. By providing practical information and examples, giving answers to frequently asked questions, it helps to translate policy into practical application*. Where needed information is given on the context. It aims at facilitating the process that should be primarily driven on the ground.
- ✓ It is a living document that will be regularly updated 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 with elements for their own use related to their 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 will be available on the Commission's Intranet and on the Europa website. It could be shared with partner countries.

### 1.2 Definitions

***Complementarity is a result of an optimal 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 is focussing 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 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, diffuses policy dialogue and may lead to allocation of resources such that some politically attractive sectors receive increased funding while other areas of development priority remain under-funded. It concerns all aid modalities and instruments.

This complementarity interacts 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 underfunding.
- *Cross-country complementarity*: refers to a situation at the global level where some countries receive 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 the synergies between e.g. 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 Complementarity and Division of Labour*** (2007- annex 3). It tries 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, how far they wish to go, with donor support.

The ***Council Conclusions (CC) of 27<sup>th</sup> May 2008*** state "the Council calls for further efforts of the COM and 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*** aims at accelerating DoL, with the EC or a MS playing a facilitating role on the ground in a number of selected countries (annex 4)<sup>1</sup>.

The ministerial declaration of the High Level Forum on Aid Effectiveness held in Accra from 2-4 September, the ***Accra Agenda for Action*** (September 2008) 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 duplication 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:

- 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.
- 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.
- We will start dialogue on international division of labour across countries by June 2009.
- We will work to address the issue of countries that receive insufficient aid.

---

<sup>1</sup> Commissioner Michel, in a letter to Development Ministers of 21<sup>st</sup> May 2008, has invited MS to explore possibilities for delegated cooperation, indicating the potential in fast tracking countries.

### **Recalling the 11 principles of the EU Code of Conduct:**

*On in-country complementarity:*

1. Increase donor concentration: A maximum of 3 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 3 sectors, either use delegated cooperation or exit, responsibly redeploying funds in 3 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 1 active EU donor per sector, maximum 3-5 active EU donors per sector

*On other dimensions of complementarity:*

6. Replicate these practises 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 this Toolkit**

This EU Toolkit can be used in different ways: as a practical manual with different entry points, allowing the reader to read up on specific issues in paragraphs that can be read independently of the rest of the text, 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 steps 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. Therefore when reading up on the steps it is useful to refer each time to the relevant specific issues as well.

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

## **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 per partner country and per sector for each partner country. 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.

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, each with their own specific programming and reporting requirements, and conditionalities. The time and energy spent on organisation and administration ("the transactions costs") means there is less capacity available to implement aid, 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 so called "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 mobilization 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.

### **3. THE IMPLEMENTATION PROCESS OF DIVISION OF LABOUR**

#### **3.1 Starting work on division of labour**

Experience to date shows that there is no particular best time that stands out to start preparations for DoL. Good practice cases show that various opportunities were used:

- At the time of 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). The drafting of the strategic plan and working out 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.
- In the context of 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 of the division of labour process, the leading role and ownership of the partner country is crucial. This aspect is discussed in detail in par. 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 the preparation of the 10<sup>th</sup> EDF Country Strategy Paper, including the joint 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 participation from donors, various levels of government and civil society to explain the concept of DoL and to develop a common view on the steps to be taken towards DoL. The preparation of decisions on DoL is now taking place.

#### **3.2 Principal steps involved in starting to prepare for division of labour**

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

##### *Assessing the present situation*

- Assessing or reviewing the presence of a basis towards more 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 processes.
- Consultations with the government on how they will lead and shape the process, the government being involved in all steps.
- A mapping of existing donor financial participation, and a projection of (estimated) donor commitments for the medium term at the country level, across sectors as well as 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 3 sectors per EU DP and others redeploying into ‘silent’ partnerships, delegated cooperation, and 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*

- Agreeing a timetable for the various steps may be useful to monitor progress and to keep the momentum going (it could be part of an updated the 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.
- The identification of criteria for the selection of the lead donor(s) per sector.
- A definition of all various donor roles.
- A 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:**

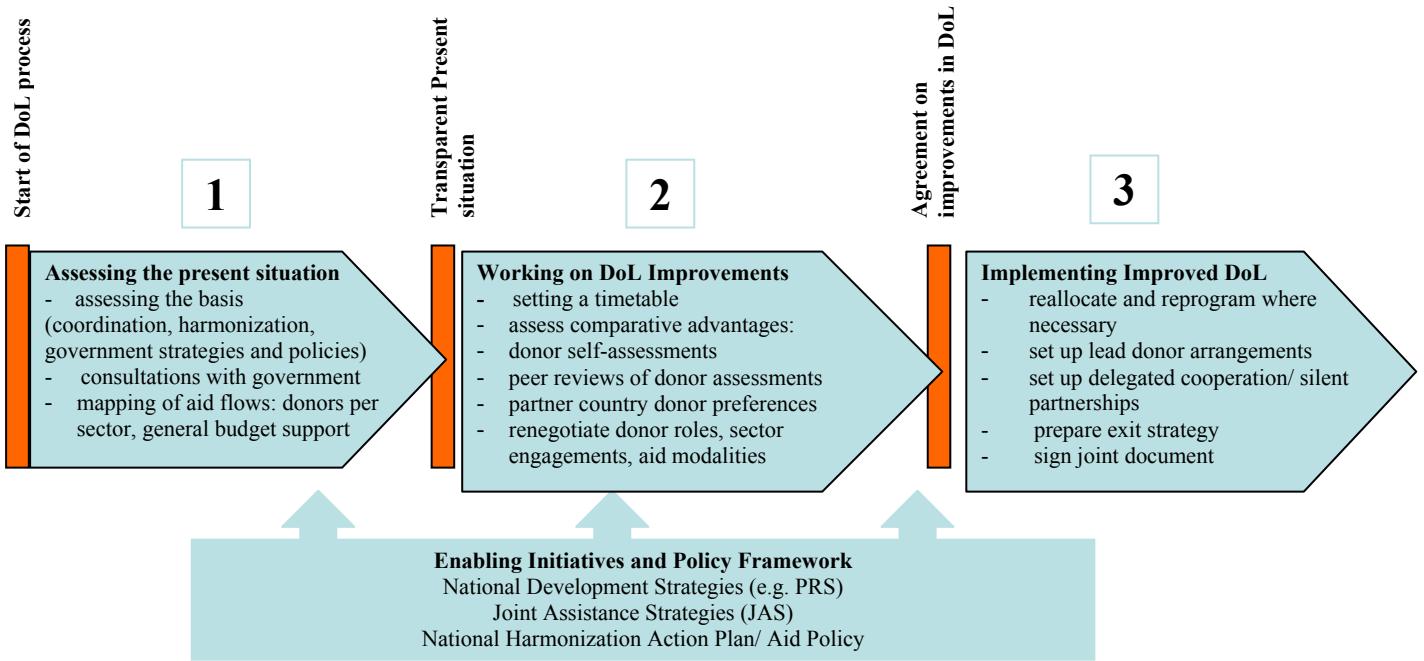
- Awareness raising by EC Delegation of other donors and Government through a series of briefings and presentations.
- Request of mandate by EC Delegation from the Development Assistance Group (made up of Heads of Agencies of all major donors) to establish a small Division of Labour Team to take the issue forward.
- Division of Labour Team (EC, Irish Aid, USAID) sets out to research other experiences, donor policies and existing analysis on the subject.
- Production of executive briefs on the research carried out, proposals of possible roles and criteria for lead donors, ways forward and potential challenges - posted on a dedicated website at: [http://www.deleth.ec.europa.eu/en/aid\\_effectiveness/dol.html](http://www.deleth.ec.europa.eu/en/aid_effectiveness/dol.html), presented to donor heads of agency.
- Design and circulation of a questionnaire to identify comparative advantage and lead donors.

### *Implementation*

- Drafting a joint country context analysis (making use of existing material where available).
- Drafting a joint donor response to the priorities and needs of the partner country, based on the proposed division of labour.
- Reaching a pragmatic and workable agreement between government and donors on DoL.
- Reaching agreement on a responsible exit strategy (phasing out of sectors outside the concentration areas).
- Seeking partners for delegated cooperation/co-financing.
- Reaching 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 with 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 is carried out in an incremental manner. The involvement of the partner country government is an intrinsic part of all steps, although the expected role of the government in some steps may be more active than in others. That also applies to the involvement of other stakeholders which may vary according to the steps and local context (see par points 4.1, 4.2 and 4.3).

The figure below, based on GTZ (2008), presents a summary of the general stages and elements for the elaboration and implementation of 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. A helpful tool could be the development of an electronic, publicly accessible and frequently updated database, as in Mozambique ([www.odamoz.org.mz](http://www.odamoz.org.mz), see box), Nicaragua ([www.odadata.eu/odanic](http://www.odadata.eu/odanic)) and Ethiopia ([www.deleth.ec.europa.eu/en/](http://www.deleth.ec.europa.eu/en/) aid\_effectiveness\_knowledgebase\_strategy.html).

#### 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 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 EC ([www.oecd.org/dac](http://www.oecd.org/dac)) and the in country IT systems set up by the Development Gateway

Foundation ([www.dgfoundation.org](http://www.dgfoundation.org)) -with the World Bank and UNDP. ([www.aida.developmentgateway.org](http://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 with aid flows before deciding on how to plan future aid flows. The mapping information should as much as possible be forward looking so that donors can plan DoL on the basis of next 3-5 year fund flows. See also point 3.7 on the related issue of sector definitions, and annex 5 on mapping methods.

### 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 for the avoidance of orphan sectors and the need 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 point 3.5).

There is no commonly agreed framework to determine donors' comparative advantages. At country level donors have sometimes developed a tool to carry out the assessment.

#### **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 also 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 are also used a questionnaire for self assessment of their comparative advantage ([www.deleth.ec.europa.eu](http://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 mentioned criteria. Overcrowding of popular sectors should be avoided, at the same time it should be assured 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 practise 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 on 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 his role as lead donor 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 it has sufficient time and staff capacity available for the task.
- Is not necessarily the donor providing the largest aid volume.

For practical organisational aspects see point 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 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 (cross cutting) themes 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 usually not 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.
- 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 chose 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.
- Could possibly redeploy to another sector.
- In both cases this may entail changes in staffing requirements.

A useful tool to make an inventory of donor roles could be a matrix, based on an inventory of aid flows database (see par. 3.3). For examples of donor matrices see annex 4.

For more information on the various donor roles see annex 6.

### **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 par 3.4) - , and will be well placed to fulfil the role (see par 3.5). The lead donor may be one single donor, or he could share the task with one or two active donors who support him in his tasks.

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 fulfil the lead donor role during 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 donor.

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 well performed reputations can be harmed as well. 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 place heavy demands on policy staff in the sector concerned, but also on Heads of Delegation/Mission and support staff. Having sufficient capacity available, either in-house or outsourced is therefore crucial. (See also par 3.5 and annex 6).

### **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 local level and match the definition of the recipient country". The Council Conclusions add that splitting up of sectors should be avoided.

Country sector definitions vary according to the sectors defined by the government in its development or poverty reduction strategy. Sector definitions may be *very wide*, covering a vast area of development ("human development"). In this case concentration on such 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 aggregate level. Sector definitions may also be *very narrow*, virtually covering the same area as a project ("support to elections"). This will make concentration on only 3 sectors complicated and may leave some sectors not sufficiently supported.

Donors can suggest fine tuning of government defined sectors. It may be useful to either virtually 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 sector ministry<sup>2</sup>.

As a reference for what may be considered as a reasonable scope for a sector, it may be helpful to refer to the OECD/DAC common standard (3 figure code) already in use by donors and partner countries for reporting on aid flows ([www.oecd.org](http://www.oecd.org)). (The ODAmoz database, see par. 3.3, provides an example of the use of OECD/DAC definitions).

---

<sup>2</sup> For more information on the sector wide approach, see DAC Guidelines and Reference Series, volume 2: Budget support, sector wide approaches and capacity development in public financial management.

### **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 mainstreaming. 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 an Irish Aid document (2008):

- ✓ Rename these issues "policy priority issues" to avoid their marginalisation.
- ✓ Ensure adequate analysis on the relevance of each policy priority issue in all sectors/pillars/clusters of the partner country poverty reduction strategy, including in economic growth.
- ✓ Improve the capture of these policy priority issues also in analysis, monitoring and performance assessment frameworks also focussing on results for these issues.
- ✓ Share innovations and promising approaches to addressing 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**

#### *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 to 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 sectors, such as countries in or just leaving a situation of fragility".

#### *During programming*

Sector concentration can be achieved through programming. Currently donor programming periods differ both in starting dates and in length. This means that often talks on more sector concentration will be held at the moment when some donors are elaborating their strategic programming for the next period, while at the same time others are already in the implementing stage. The flexibility to adapt multi-annual strategies during their implementation already helps considerably. A calendar of programming periods per donor could help.

#### **Working on sector concentration in Zambia**

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

### *During the implementation of Country Strategy Papers*

Using EC procedures, current multi annual programming in general 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 DoL, particularly in countries with a high level of donor congestion in sectors. Depending on the scope of the concentration proposal these can be put forward during the Annual Operational Review (AOR) or the Mid Term Review (MTR)<sup>3</sup>. 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, also considerations of internal efficiency (procedures, staff capacity, presence in the country etc.) may play a role.

### **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 have not diminished its total volume of aid to the country does not diminish, so the 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. 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 par 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 ODA in a specific sector does not decrease, i.e. another donor takes over.

## **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 as well as 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.

But for partner governments themselves ownership and leadership of a DoL process may be less evident. They 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.

<sup>3</sup> Further details will be given in the respective drafting guidelines. Also refer to AIDCO Guidance on delegated co-operation.

### *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 and within that the Budget).
- 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, 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 benefits will be for its successors. The benefits will also be related to institutional capacity, to political will, as well as to levels of aid dependency and aid flows. For heavily aid dependent, less developed and lower income countries, reduction of transaction costs of aid can make a large difference. For middle income countries not dependent on donor support reduction of transaction costs 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 to obtain more aid effectiveness DoL (on partner countries' terms) was their first priority.

Examples of possible benefits for the partner country government:

- Less transaction costs: reduced burden on administrations caused by the extremely complex organisational and administrative demands from various donors, with a multitude of conditionalities and reporting requirements, so less time needed to organise aid means more time available for implementing aid, getting development results.
- 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.
- Reduced number of 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 may lead to donors "ganging up", and thus stronger imposition by donors, 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,
- ✓ A possible 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 an early involvement of the various government stakeholders may help to overcome this apprehension. A seminar with participation of donors and government (Ministry of Finance, sectoral ministries – central and decentralised levels) can be useful to exchange views and to develop 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 contribute to building mutual trust.

#### **Capacity support in Mali**

In Mali donors created a Pool Technique with TA in order to organise meetings, 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. These policies are useful to clarify 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 also 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 that EU aid is visible, and that EU donors are well coordinated and speak with one voice. This may help to attract other donors to the country, it will also help to achieve complementarity of support by 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, thus the argument of reduction of the burden on the government is even more pressing than for other aid recipient countries.

Pilots have been started in a number of countries<sup>4</sup>, 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 DAC Principles for Good International Engagement in Fragile States and Situations (2007) and the Commission's Communication and Council Conclusions (2007) provide a key framework for aid effectiveness in these challenging environments.

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

### **Aid coordination in a situation of fragility – Burundi**

The Council Conclusions on fragility (EU 2007) requested the EC to acquire experience by testing the EU response to situations of fragility in pilot cases. Burundi is one of these pilots. Its aim is to contribute more effectively to maintaining the cease fire and to transform it into a situation of durable peace, which will allow addressing the development needs of the country in a better way. It looks for higher visibility of the EU action, and its translation into a "peace dividend", through a more structured EU response in the field, a more efficient use of limited donor capacity and for serving as a catalyst for other donors.

## **4.3 Involving other stakeholders**

The partner country government should also ensure that all relevant stakeholders are included such as Non State Actors (Non Governmental organisations ((NGO's), private sector, employers' organisations, trade unions...), 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 state citizens, their communities, civil society and the private sector. As an active part of the international aid architecture, Civil Society Organisations (CSO's) have to be engaged in

---

<sup>4</sup> Burundi, Guinée, Haïti, Sierra Leone, Timor-Leste, and Yemen.

general discussions of 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 only. 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 that participates the better. This does not have to mean that the lowest common denominator determines the pace of the process. The more ambitious donors can go ahead while other donors commit themselves to following at their own pace. For instance these donors may be able to participate in joint monitoring missions but they may not yet be ready to withdraw from one or more sectors.

A challenge is how to get new donors, such as China, Brazil, Indonesia, Arab Funds, as well as private foundations and vertical funds – donors also often not locally represented- to participate in these exercises, especially because some of these aid flows are quite important. The High Level Forum on Aid Effectiveness recently held in Accra contributed to raising awareness among non-traditional donors. Triangular cooperation, such as EU-Timor Leste-Brazil could be a first step.

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

The Joint Assistance Strategies in Zambia, Tanzania, Kenya, Uganda, Ghana and Mali are examples of multi donor exercises, including the Commission, EU Member States but also 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 with other donors).

In this context it is worth noting that to date a total of 154 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 (through drafting multi-annual Country Strategy Papers, as envisaged by the Common Framework for Country Strategy Papers<sup>5</sup>) is to improve aid effectiveness through a more focussed and collaborative approach to EU strategy programming thus reducing transaction costs for the government. Donor wide Joint Assistance Strategies (JAS) equally aim at providing a joint response to the partner countries needs and priorities, each donor focussing 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.

<sup>5</sup> The CFCSP was first applied in ACP-countries for the programming of the 10<sup>th</sup> EDF. Non-ACP countries started their programming before the adoption of the CFCSP but worked according to the same main principles. The Mid Term Review offers further prospects for joint programming.

### **EU Joint programming and Joint Assistance Strategies**

Some Joint Assistance Strategies where the EC and MS participate: 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.

A 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 two competing systems but processes that can mutually reinforce each other. These processes may not be synchronised in time. The JAS process will feed into the EU programming or, if the EU-programming happens 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 10<sup>th</sup> 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 to the benefit of donor complementarity.

## **4.5 Drivers and challenges for donors**

As the Compendium on Good Practises on Division of Labour mentions, some EU MS have already been practicing in-country DoL in various forms, and at various levels. While there are good examples at the project level also, the real efficiency gains in-country will be made at sector level. The most important drivers and challenges mentioned are included in the summary 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.
- ✓ The search for policy coherence
- ✓ 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*

- ✓ Enable partner country government's leadership.
- ✓ Hesitance about benefits DoL will bring to the partner country.
- ✓ The 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 at the field level.
- ✓ Legal and financial procedures may need to be adapted.
- ✓ Donor predictability.

- ✓ Clear communication.
- ✓ Coordination of the use of various aid modalities.
- ✓ Visibility of donor actions
- ✓ Emphasis on a bureaucratic process may considerably slow down the momentum.

### *Addressing the challenges*

A 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.

From everything that has been said in previous paragraphs it is evident 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 jointly undertake the process. It requires specific staff skills (such as negotiation skills and openness to change), changes in donor aid procedures, and the setting up of procedures for joint monitoring and reporting at sector and country level.

As far as legal aspects are concerned, the EC has in 2007 revised its financial regulations, making them more flexible to allow co-financing (see par 4.6). The Nordic Plus group have 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 pt 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 among others vis-à-vis Parliaments and the public. However it is a broadly shared insight now that small and scattered project activities reduce impact and visibility. Joint co-financing with one or more other Member State(s) will allow for more visibility of joint EU actions and of the lead partner in the delegated cooperation partnership. For the silent partner its contribution can be 'visibly' acknowledged 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 par 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 ensuring more efficiency, visibility and impact of EU actions. The added value in promoting common European values is an important criterion in the promotion of 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* – clearly identifiable sub-actions, exclusively funded and following rules / procedures of each individual donor;
- *Joint co-financing* - cost of action divided amongst donors and funds pooled, so source of funding can not be identified;
- *Delegated cooperation* when one *fund managing donor* acts with the authority on behalf of one or more other donors, while using the fund managing donor's rules & 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 enabled to review policies and procedures of the receiving 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 legal basis for the delegation of cooperation from the Commission to other donors are financial and implementation regulations of the Community Budget and of the EDF. The regulations have been translated into a practical Guidance Note.

([www.cc.cec/dgintranet/europeaid/contract/implementation/co-financing](http://www.cc.cec/dgintranet/europeaid/contract/implementation/co-financing) and delegated co-operation/index\_en.htm).

**The legal framework** consists of templates for:

(1) Transfer Agreements for programs 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-post publication of beneficiaries. The assessment will lead to a report with recommendations, subject to contradictory procedure, which then will lead to approval by the EC. This approval enables the EC to sign a delegation agreement with this donor. (Consult AIDCO website/AIDCO G2 for the latest information on donors that have been assessed and approved).

#### **4.7 Legal and procedural aspects**

At the local level 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 MoU type of document (such as a Joint Assistance Strategy document). What is important is that these documents are not legally binding<sup>6</sup>.

---

<sup>6</sup> 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.

Neither the Cotonou Agreement nor the 10<sup>th</sup> EDF Implementing Regulation provide for co-signature of Country Strategy Papers by Member States (and/or any other donor)<sup>7</sup>. 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 par 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 par 4.1).

The EC has a dedicated training programme in Brussels which is open to MS. Its website on aid effectiveness has a specific section on DoL with documentation and information on processes underway 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 support. Communication between the country level and headquarters is important.

#### **General information on aid effectiveness issues**

The EUROPA website and the Commission's intranet provide information on all aid effectiveness issues.

### **5. MONITORING AND REPORTING**

The bi-annual 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 also has effects on all the other indicators.

The EU reports on progress in aid effectiveness in the annual Monterrey Report. For the High Level Forum on aid effectiveness in Accra (September 2008), a Staff Working Paper was presented to the Council in April 2008<sup>8</sup>.

Delegations should report on progress in aid effectiveness, including division of labour, in the External Aid Management Report's (EAMR) annex Aid Effectiveness questionnaire, as well as in the reviews for the 10<sup>th</sup> EDF. Thus the reporting in the Joint Annual Report (JAR) for the Annual Operational Review (AOR) and EAMR 2008 will be used as input for the EU reporting in Accra. Reporting in the JARs and EAMRs 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

<sup>7</sup> Article 4 (6) of the 10<sup>th</sup> 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).

<sup>8</sup> 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.

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, 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.

## List of source documents

- Ministerial Declaration at the High Level Forum on Aid Effectiveness held in Accra 2-4 September 2008: *Accra Agenda for Action*
- OECD/DAC (2005), *Paris Declaration on Harmonisation and Aid Effectiveness*, and 2008 list of countries and organisations adhering to the Paris Declaration
- COM (2006) 88  
*Aid effectiveness package: Increasing the impact of EU Aid: a Common Framework for Drafting Country Strategy Papers and Joint Multi-annual programming*
- EU (2006) *Council Conclusions of 11.06.2006: Financing for Development and aid effectiveness, delivering more better faster,*  
*Annex Format for a Common Framework for drafting Country Strategy Papers and principles towards joint multi annual programming*
- EU (2007) *Council Conclusions of 15.05.07: EU Code of Conduct, on complementarity and Division of Labour in Development Policy*,  
Annex COM (2007) 0072 of 28.02.2007, *EU Code of Conduct on division of labour in development policy*  
Annex SEC (2007) 248 of 28.02.2007, *Proposal for a Code of Conduct on Division of Labour in Development Policy*  
Annex SEC (2007) 249 of 28.2.07, *Evaluation of the impact of the communication Code of Conduct on the division of labour in development policy*
- EU (2007) *Council Conclusions of 20.11.07: An EU response to situations of fragility*
- COM (2007) of 25.10.07 *Towards an EU response to situations of fragility – engaging in difficult environments for sustainable development, stability and peace*,  
Annex SEC (2007) 1417, of 25.10.07
- COM (2008) 177 of 9.4.08, *The EU – a global partner for development: Speeding up progress towards the Millennium Development Goals*,  
Annex SEC (2008)435/2, *an EU Aid Effectiveness Roadmap to Accra and beyond*.
- *Council Conclusions of 27.5.08 on "The EU as a global partner for development: Speeding up progress towards the Millennium Development Goals (MDGs)"*
- EC and OECD/DAC (2008), *Compendium of best practises of division of labour*, draft report of 01.05.08
- Willibald (2007), *Study on EU Co-financing*
- EC (2007) *AIDCO Guidance on joint co-financing with Member States and other bilateral donors*, AIDCO D (2007) 24585 of 04.12.07
- EC (2007) *EU donor Atlas 2007*
- EC (2008) *EU study on states in situation of fragility*
- EC (2007) *Non State Actors and Local Authorities consultation in the elaboration of 10<sup>th</sup> EDF Country Strategy Papers in ACP countries*,
- ECDPM (2008), *Discussion paper no 83, Changing aid relations in Zambia*
- Mali (2008), *Stratégie Commune d'Assistance Pays 2008-2011, draft Mai 2008*
- Tanzania (2006), *Joint Assistance Strategy for Tanzania*
- Tanzania (2007), *Country Strategy Paper for 10<sup>th</sup> EDF 2008-2013*
- Zambia (2005) *Zambia Aid Policy and Strategy*
- Development Assistance Group (DAG) Ethiopia (2008), *Donor Questionnaire*
- Ecorys (2007), *Mali Assistance Technique au processus de l'harmonisation de l'aide au Mali, rapport final*
- Irish Aid (2008), *Joint Assistance Strategies, Where are Gender Equality, Environmental Sustainability, Human Rights and HIV and Aids?* by C. Gaynor and M. Jennings

## List of source documents continued

- GTZ (2008), *Division of Labour and the implementation of the EU Code of Conduct: A rapid review of country-level experience*
- GTZ (2008), *Lead, Active and Passive Donors in Division of Labour Arrangements: A Note on Definitions and Some Observations of Current Practice, 2<sup>nd</sup> draft*
- KFW (2008), *Donor Mapping – Assessment of the Status Quo*
- ODI (2006), *Learning from experience? A review of recipient government efforts to manage donor relations and improve the quality of aid*, by Alina Rocha Menochal and Sarah Mulley, Working Paper 268
- OECD/DAC (2005), DAC Guidelines and Reference Series - *Harmonising Donor Practices for effective Aid Delivery, volume 2: Budget support, sector wide approaches and capacity development in public financial management*
- OECD/DAC (2007), *Fragile States: Policy commitment and principles for good international engagement in fragile states and situations*
- OECD/DAC (2008), *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability* – report of 2008 survey of aid allocation policies and indicative forward spending plans.

## Useful websites

[www.deleth.ec.europa.eu](http://www.deleth.ec.europa.eu)

[www.odamoz.org](http://www.odamoz.org)

[www.odata.eu/odanic](http://www.odata.eu/odanic)

[www.oecd.org/dac](http://www.oecd.org/dac)

[www.dgfoundation.org](http://www.dgfoundation.org)

[www.aida.developmentgateway.org](http://www.aida.developmentgateway.org).

[www.cc.cec/dgintranet/europeaid/activities/aid\\_effectiveness](http://www.cc.cec/dgintranet/europeaid/activities/aid_effectiveness)

[www.cc.cec/dgintranet/europeaid/contract/implementation/co-financing](http://www.cc.cec/dgintranet/europeaid/contract/implementation/co-financing) and delegated co-operation/index\_en.htm).

## 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
CSP	Country Strategy Paper
CFCSP	Common Framework for Country Strategy Papers
COM	European Commission
CSO	Civil Society Organisation
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
MTEF	Medium Term Expenditure Framework
MS	Member State(s)
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
UJAS	Uganda Joint Assistance Strategy

