



Building Block on Managing Diversity and Reducing Fragmentation

Fourth High-Level Forum on Aid Effectiveness
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BEXCO Centre

I. *Key objectives*

The evidence shows that the rapidly increasing number and diversity of bi- and multilateral public and private actors involved in development co-operation broadens the potential for partnerships and creates new opportunities. At the same time, growing proliferation and fragmentation also increase management challenges at the partner country level. The costs of fragmented engagement in the development process are significant and are getting worse. This is an area where we are not seeing progress. The objective of this Building Block is the development and implementation of innovative, effective, efficient and coherent strategies to:

- Embrace the benefits of broader partnerships while reducing fragmentation and proliferation, and enhancing complementarity and coherence of development co-operation at the partner country and international levels;
- Strengthen partner countries in their management of the increasing diversity of external support while actively involving all relevant domestic stakeholders (parliaments, CSOs, private sector).

This Building Block links closely to results, transparency and accountability, contexts of fragile states and climate finance. It represents an unprecedented coalition seeking to tackle the challenge of managing diversity and reducing fragmentation. This Building Block will help to broaden the support for the Busan Partnership document on these issues, showcase relevant initiatives and focus on ambitious but manageable actions for implementation after the HLF4.

II. *Participants*

- **Ms. Alison Evans**, Overseas Development Institute (*Moderator*)
- **Ms. Maria KIWANUKA**, Minister of Finance, Uganda
- **Mr. Dirk NIEBEL**, Minister for Economic Co-operation and Development, and Member of Parliament, Germany
- **Mr. Andris PIEBALGS**, Commissioner for Development, European Union
- **Mr. Abul Maal A. MUHITH**, Minister of Finance, Bangladesh
- **Ms. Helen CLARK**, Chair of the United Nations Development Group
- **Ms. Lidia Fromm** for **Mr. Julio Raudales Torres**, Minister of Planning and Development Co-operation, Honduras

III. *Key issues discussed*

- Uganda: Rapid growth in fragmentation, including managing climate finance, is increasingly becoming a burden to recipient countries and this challenge must be addressed. Options for progress include division of labour, sector-wide approaches and delegated co-operation. Uganda has made strides to this effect: the medium-term expenditure framework, guided by the national development plan, sets the priorities to which development partners align. Government and development partners complete a joint assessment framework every three years. This



enables more focused, harmonized and less costly disbursement decisions. A partnership policy and monitoring framework for donors to be assessed annually is being discussed in cabinet, with approval expected soon. Parliament and CSOs contribute by producing proposals to solve challenges related to aid management. All actors have responsibilities and rights under the aid management programme.

- Germany: The key objective is to strengthen the impact of development co-operation. While there are advantages in the increase of resources and ideas needed to reach the MDGs, there are also disadvantages: growing fragmentation, transaction costs, and complexities. These apply specifically to conflict affected and fragile states and LDCs. To manage this in practical terms, we need fewer and more significant players in any single area. The solutions are on the table. Reducing fragmentation is not a technical matter, but a profoundly political task that requires political commitment to operate under the same strategic umbrella. Partner country leadership is key, and country-level implementation should be done within in context of Country Compacts, which should include also other Busan commitments. Partner country initiatives for coordination should be reinforced. There is a need to also draw up common recommendations on how to reduce fragmentation in the multilateral system. Complementarity of bilateral and multilateral actors should be improved.
- European Union: The EU, with an overall development budget of EUR 53.5 billion for 2010, is clear on the need to reduce fragmentation. To that end, the EU has produced guidelines, handbooks, and increased coordination. Co-ordination, however, has its limits. The only way forward is Joint Programming, where the point of departure is a credible development plan at county level. Joint programming should always be led by the partner country, based on the country's national development strategy and aligned to the partner's programming cycles. Key is to keep the process simple and pragmatic, conducted at country level to respond to needs and context. Core elements include joint analysis, joint response to partner country dev strategy, identifying priority sectors for intervention, in-county division of labour and indicative financial allocations by sector and donor. This serves to enhance predictability, which is very important. The EU has already undertaken joint programming in South Sudan and Haiti. While these cases provided good starting points, there is now the political will to move forward on a voluntary basis, adjusting the approach to different contexts.
- Bangladesh: The management of various projects is uneconomic, resulting in duplication and overlap and distorting public spending. To respond to this challenge, Bangladesh is preparing a joint strategy based on a five-year plan, which should lead to multi-year and predictable programming, reducing fragmentation and using sectoral programmes as a useful instrument. The country is using collective dialogue, now changing toward more local, sectoral consultative groups. Bangladesh hopes to have aid policy in 2012, providing for more convergence of views. Aid information system should be updated, which attracts every development partner. These three instruments present the post-Busan priority.
- United Nations Development Group: Most advances in UN co-ordination have come out of an initiative to set up eight pilots to deliver as one within country across funds, programmes and agencies. The key characteristics of the Delivering as One approach include a clear leader at country level, a coherent country framework, including one budgetary framework with joint resource mobilisation, and "one house" with different agencies, funds and programmes residing in common premises. Implementing countries and supporters have caucused regularly, and positive messages from programme countries include that Delivering as One has enhanced national leadership over the development agenda, made the UN system more demand responsive, increased access to a wide range of UN expertise, and demonstrated adaptability to



a wide range of country contexts. The overall message from pilot countries is that they would like to see this as future way of delivering by UN in country. UN members will have a chance to respond to these messages within the context of the quadrennial comprehensive policy review.

- Honduras: Latin America and the Caribbean countries face big challenges in making the most out of development co-operation. The biggest challenge is to overcome traditional practices, which include extreme focus on implementing projects instead of utilising programme-based approaches, sector-wide approaches or joint programming. There is a need to pursue new, innovative co-operation strategies, tailor-made to the demands and realities of different contexts. This would entail different forms of co-operation in stagnant, relatively poor areas and in areas with above average income and more dynamic economic environments, with a view to phasing out non-reimbursable co-operation. This could signify a feasible regional approach for division of labour. To overcome tradition and re-define the types of intervention needed, dialogue with development partners should be strengthened. Governments must be confident that fragmentation and its negative effects can be discussed without the fear of development partners leaving. It is vital that development partners start re-educating staff in country offices, and in headquarters, to overcome the tradition of building cooperation around projects and to open eyes towards joint programming and other tools.

IV. *Main Conclusions and Possible Next Steps*

- It is clear that there is a need to manage diversity and fragmentation to enhance the effectiveness and impact of aid. The question is how. No single size fits all, but there is a cocktail of options available to choose from: joint programming, division of labour, joint strategies to fulfill common objectives, sector working groups to enhance dialogue and delegated cooperation. All this must be owned and driven by the partner country.
- Partner countries confirm their determination to politically drive this process. However, to do so, comprehensive data and information bases and coherent programmes for macroeconomic policy must be in place. Countries must be confident that development partners will stand by them and not back down in the case of different views over national priorities.
- It must be recognised that recipient countries have the right to choose their development partners. Development partners must not doubt the competence of recipients. Conditionalities should be reduced, rather supporting domestic transparency and accountability initiatives and institutions and capacity building on a demand driven basis.
- Partners must be more transparent and provide more and better information on what they are funding, by how much and under what conditions. Development partners should urge their NGOs to do the same so that recipient countries can feed comprehensive information into national budgets. What is needed is a change of principles – as it is principles and incentives that matter for ownership.