

**Input Paper**  
**For the Evaluation of the Paris Declaration (Phase 2)**

**Division of Labour among Donors –  
An Approach to Harmonisation**

**WP-EFF, Cluster C “Transparent & Responsible Aid”  
Task Team Division of Labour and Complementarity (TT DoL)**

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**Task Team Division of Labour and Complementarity (TT DoL)**

**Co-Chairs:**

Lawrence Kiiza, Ministry of Finance, Uganda: [lawrence.kiiza@finance.go.ug](mailto:lawrence.kiiza@finance.go.ug)

Philipp Knill, BMZ, Germany: [Philipp.Knill@bmz.bund.de](mailto:Philipp.Knill@bmz.bund.de)

**Secretariat:**

Thao Nguyen, KfW, Germany: [Thao.Nguyen@kfw.de](mailto:Thao.Nguyen@kfw.de)

## 0. Executive Summary

This paper and the accompanying flowchart are a conceptual and methodological input on Division of Labour (DoL) for Phase 2 of the PD Evaluation, which will focus on the aid and development effectiveness of the ongoing international aid reform process.

DoL is an approach to implement the Paris Declaration principle of harmonization of donor activities. It intends to address the management problems that the ever increasing number of actors, channels and activities in the international aid architecture create for both partner countries (fragmentation) and donors (proliferation). DoL has two main dimensions, In-Country DoL and Cross-Country DoL. While the first has advanced considerably, based on international and EU-level policies and guidelines, the dialogue on Cross-Country DoL stipulated in the 2008 Accra Agenda for Action is still at an early stage.

DoL strategies start from key principles like country ownership of aid management and complementarity of donor contributions. Ideally, they include a basic sequence of activities (assessment of the *status quo*; elaboration and negotiation of DoL proposals; implementation of an improved DoL regime). For the purposes of the PD evaluation, the text and flowchart outline the major working hypotheses (“impact chains”) leading from these generic inputs to their immediate and indirect effects and impacts with regard to e.g. reduced transaction costs for both partner countries and donors, improved policy dialogue, rationalisation of aid allocation and enhanced aid and development effectiveness.

The paper also briefly discusses ongoing challenges faced by the DoL approach which in part derive from underlying assumptions about partner country and donor behavior which may need to be refined. Finally, the paper includes a list of evaluation questions for both country evaluations and donor studies as well as four annexes with relevant background information.

# 1. Introduction

This paper is meant as a brief conceptual and methodological input on Division of Labour among Donors (DoL) under the leadership of the partner countries, an important strategy under the Paris Declaration (PD) principle of harmonisation, for Phase 2 of the Evaluation of the PD. It was developed by the Task Team DoL and Complementarity (TT DoL) which operates under the umbrella of the Working Party on Aid Effectiveness (WP-EFF) 's Cluster C "Transparent and Responsible Aid." As a Task Team that foments the evidence-based intensification and improvement of DoL processes, we strongly suggest that DoL be systematically dealt with in the PD Evaluation.

The paper is directed at those in charge of the PD Evaluation 's management and implementation: the International Reference Group, the Evaluation Management Group, the Core Evaluation Team and, at a later stage, the country and donor headquarter evaluation coordinators and teams. The text is complemented by a flowchart that visualises the "impact chains"<sup>1</sup> being discussed (see attached Figure). The Annexes contain more detailed information on relevant international and EU-level commitments on DoL (Annex 1), the most recent EU DoL monitoring instrument (Annex 2) and its results, based on experiences in 28 countries, as of November 2009 (Annex 3). The bibliography (Annex 4) goes beyond the references cited and lists relevant analyses and studies.

Different from other Paris Declaration commitments, no specific "indicator of progress" has been developed for DoL so far, and ongoing monitoring processes focus more on DoL implementation and immediate outputs than on long-term outcomes or impacts.<sup>2</sup> Therefore, this paper develops a conceptual framework for assessing the consequences of DoL processes – both intended and unintended – along the "impact chains". The results of the PD Evaluation will be an important source of information for TT DoL members to improve their understanding and the monitoring and evaluation of DoL processes.

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<sup>1</sup> We realize that a glossary on related key terms of the evaluation (results, outcomes, impacts etc.) is in preparation and that our use of this terminology may be different from that of the Core Evaluation Team. The main intention is to show the cause-effect relationships implicit in the DoL strategy which we try to make explicit through the text and the flowchart.

<sup>2</sup> E.g. monitoring activities under the EU Code of Conduct 's Fast Track Initiative (see Annexes 2 and 3). TT DoL is currently preparing a consultancy to complement this more qualitative monitoring with the development of one or more indicators to measure progress of in-country division of labour, as an input for the next PD Monitoring Survey 2011.

## 2. Problems to be Addressed by Division of Labour

(see Figure: Problems, first two columns from the left)

*“Developing countries ... share a common problem – too little aid, too many donors.”*  
(OECD 2009b:36) => *Fragmentation*

*“The average number of recipients in a donor portfolio increased tremendously. It was less than twenty in 1960, and is now above 100 ... Even small donors tend to disburse funds to many countries.”*  
(Frot and Santiso 2008:31) => *Proliferation*

In recent years, the ever increasing number of actors, channels and activities in the international aid architecture has been identified as a major problem for achieving aid and development effectiveness (e.g. OECD 2008b, 2009b, 2009c, Carlsson et al. 2009). Given the international commitments on further “scaling up” aid, these issues can be expected to become even more problematic, unless serious measures will be taken (OECD 2008b). Since this problem increasingly goes beyond the OECD DAC members that committed themselves to the Aid Effectiveness Agenda, the special study on “development resources beyond the current reach of the PD” commissioned under the PD Evaluation is highly welcome.

These phenomena are usually analysed by the OECD-DAC and in the academic literature under the labels of fragmentation (problem at the receiving end) and proliferation (problem at the donor end of the relationship).<sup>3</sup> Available studies assess the distribution of total or sector aid volumes (based on OECD data for ODA or, more recently, country programmable aid/CPA).<sup>4</sup>

**Consequences for partner countries:** Due to the resulting number of missions, meetings, reports and other bureaucratic procedures, this situation without doubt imposes considerable and often intolerable direct and indirect “transaction costs” on the recipient countries. The recent concept paper commissioned for the PD Evaluation defines “aid transaction costs” as “the costs necessary for an aid transaction to take place but which add nothing to the actual value of that transaction” (Lawson 2009:10). It alerts that the concept may best be used as a “metaphor” and that attempts at “real cost” calculation will be very difficult. Nevertheless, it recommends a systematic assessment of perceptions of different stakeholders, both on transaction costs supposed to decline due to the implementation of PD, and to new transaction costs that have arisen due to PD implementation. These observations are relevant also for an assessment of DoL approaches.

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<sup>3</sup> Besides the OECD studies already mentioned, e.g. Acharya et al. 2006, Roodman 2006, Djankov et al. 2008 (see also bibliography in Annex 4). Definitions of fragmentation and proliferation vary in the literature.

<sup>4</sup> These studies usually focus only on financial flows and do not distinguish between different aid modalities. This means that a US \$ spent through the aid modality of General Budget Support is “valued equally” to – at the other extreme – a US \$ spent for highly personnel-intensive capacity development processes, without considering the potentially different outcomes and impacts achieved, i.e. without an – admittedly difficult – cost/benefit analysis.

Although “absorption capacities” for development cooperation vary among partner countries, in general, the least developed and most aid dependent countries can also be expected to have the most serious aid management problems. In addition, the lack of coordination among these many actors can lead to both under and overfunding of countries or sectors, i.e. to inadequate aid allocation, resulting in “orphan” or “darling” countries or sectors (Rogerson and Steensen 2009, Utz 2009).

**Consequences for donors:** High numbers of partner countries, sectors and aid interventions in donor portfolios are also said to limit the quality, effectiveness and efficiency of donor activities and have led to OECD-DAC recommendations to concentrate donor portfolios.<sup>5</sup> Nevertheless, donor aid management capacities vary, depending not only on the “size” (volume of financial resources) but also e.g. on the institutional arrangements and staff capacities of each donor. Therefore, the major focus of the DoL approach is on improving the situation at partner country level.

### 3. Division of Labour Policies and Strategies

(see Figure: Solutions, five columns on the right)

*“Making aid less fragmented means making it more effective.” (OECD 2009b:36)*

*“If harmonisation leads to a sensible division of labour among donors and lowers transaction costs for Partner countries then the latter will be able to spend more resources for direct poverty reduction and development purposes rather than on aid management.” (Stern et al. 2008; Briefing Note, p. 6)*

#### 3.1. Division of Labour Policies

“Complementarity” or “more effective division of labour” was proposed as an additional strategy in the PD 2005 in the context of donor harmonisation.<sup>6</sup> Partner country ownership for harmonisation processes is crucial, and PD Evaluation Phase 1 noted that alignment with country systems may be more important in the long run than harmonisation (Wood et al. 2008). Nevertheless, since aid allocation among partner countries and in most cases among sectors still is ultimately responsibility of the donors, and partner countries have been reported to be hesitant to take the lead in Division of Labour (DoL) processes, this is an area where donors can and should demonstrate their willingness to address aid-related problems. At the 3<sup>rd</sup> High Level Forum in Accra in 2008, “Harmonisation: optimising aid delivery, complementarity, division of

<sup>5</sup> E.g. statements like “each donor is assisting a large number of countries, and is unlikely to be able to focus organizational attention on many of them” (Acharya et al. 2006:15) or “individual aid organizations would be more effective if they were more compact, more focused, more selective” (Munro 2005:426).

<sup>6</sup> The “classical solution” of better donor coordination (covered by PD-Indicators 10a and b on joint donor missions and joint country analysis) was apparently not expected to be sufficient. Also, advances with the rather demanding “common arrangements at country level” among donors like Programme Based Approaches (PBA) (covered by PD Indicator 9) including Sector Wide Approaches (SWAPs), which highly depend on partner country initiative and capacity, were probably expected to be slow, especially with many donors involved in the negotiations.

labour” were the topic of one of nine Round Tables<sup>7</sup>, and the Accra Agenda for Action (AAA) reiterated the commitment to DoL and spelled out its different dimensions, especially In-Country DoL versus the still more challenging Cross-Country or International DoL (see Annex 1). More detailed policy documents on DoL have been agreed-upon either internationally or by the EU. One important objective of DoL is “to reduce the number of donors involved in the same kind of activities” (Mürle 2007:6) or, for Cross-Country DoL, in the same countries.

**Specific International Policy Documents on Division of Labour (DoL)  
(in chronological order; for details see Annex 1)**

- Council of the European Union - May 2007. EU Code of Conduct on Complementarity and the Division of Labour in Development Policy. Brussels.
- OECD – DAC – Working Party on Aid Effectiveness - 2008. Compendium of Good Practice on Division of Labour. Paris: DCD/DAC/EFF(2008)21. (report prepared for the EU)
- HLF-3 Accra – 2008. Conclusions, Roundtable 3 “Harmonisation: Optimising Aid Delivery, Complementarity, Division of Labour”.
- European Commission - 2009. EU Toolkit for the implementation of complementarity and division of labour in development policy. Brussels.
- OECD – DAC - Working Party on Aid Effectiveness - 2009. International Good Practice Principles for Country-Led Division of Labour and Complementarity. Paris: DCD/DAC/EFF(2009)5.
- Council of the European Union November – November 2009. EU Operational Framework on Aid Effectiveness. Brussels (one of three chapters on Division of Labour).

The EU Code of Conduct, based among other inputs on a study by Mürle (2007), goes furthest in its (voluntary) principles for In-Country DoL which include – for each EU donor - focusing on a maximum of three sectors per country and jointly limiting themselves to a maximum of five EU donors per sector, thus contributing to an overall reduction of donors per sector. Since May 2008, its implementation has been supported by a Fast Track Initiative (FTI) in about 30 partner countries, with EU-donors or the EC supporting ongoing or facilitating incipient DoL processes. The recent EU Operational Framework reconfirms the importance of DoL as an aid effectiveness strategy for its member states.

At the international level, the Good Practice Principles for Country-Led Division of Labour and Complementarity approved by the OECD-DAC Working Party on Aid Effectiveness in April 2009 spell out eight “emerging standards of good practice” for In-Country DoL. These refer to (1) Partner Country Leadership, (2) Rationalizing Aid, (3) Optimal Use of Development Resources, (4) Flexibility and Pragmatism, (5) Capacity Development, (6) Neutral Impact on Aid Volume, (7) Monitoring and Evaluation, and (8) Communication.

In contrast, the dialogue on Cross-Country DoL stipulated in the 2008 Accra Agenda for Action is still at an early stage (TT DoL 2009).

<sup>7</sup> For results see OECD 2008:25-34; for programme and background resources, see <http://www.accrahlf.net/WBSITE/EXTERNAL/ACCRAEXT/0,,contentMDK:21735837~pagePK:64861884~piPK:64860737~theSitePK:4700791,00.html>.

### 3.2. Division of Labour Principles and Implementing Strategies (Working Hypotheses)

Key principles for the implementation of DoL strategies which are more or less explicit in the PD, the AAA and the above policy documents are:

- Country ownership and leadership of the processes (although there is agreement that the responsibility for changes towards harmonisation falls primarily on donors);
- Complementarity, i.e. systematic DoL among donors, implying specialization and concentration of individual donors, in coordination with others;
- Focus (or specialization, concentration) of donor activities, with regard to countries, sectors etc.;
- Comparative advantages (the “specific value” each donor can add, Mürle 2007:13) to be identified among donors – by themselves and/or by partner countries - as the main basis for joint decision making on DoL and complementarity (in the context of DoL, this principle still needs to become more operational);<sup>8</sup>
- Rationalisation of overall aid distribution (according to a recent OECD analysis, “reduce too many contributing too little in too many recipient countries”, OECD 2009c:10);
- Competition, since “a division of labour should not lead to monopolistic structures that leave no choice to partner countries” (Mürle 2007:13).

According to the policy documents above, DoL strategies (independent of the type of DoL) follow a sequence of activities in a “well-structured political process” (Mürle 2007:17; HLF 3 RT 3 2008a) that takes cross-cutting issues like human rights, gender equality and environmental sustainability into account (HLF 3 RT 3 2008b). Ideally, these are based on a national development strategy and on some type of aid policy or joint assistance strategy among country and donors (see Figure, third column from the left), and include:

- Assessment of Status Quo: donor or aid allocation mapping (see HLF 3 RT 3 2008c);
- Elaboration and negotiation of proposals for DoL improvements, based on an assessment of comparative advantages (donor self and peer assessment, assessment by partner country);

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<sup>8</sup> The EU CoC in Guiding Principle 1 states that “a donor’s comparative advantages 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; 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 an emerging donor.” This appears too broad to be of much practical use. Mürle acknowledges that the concept “does not provide a clear and objective yardstick” and recommends its use as a “normative reference point” (2007:15).

- Implementation of an improved DoL regime: reallocation and reprogramming of aid by donors, including “less demanding” (transitory) arrangements like delegated cooperation/silent partnerships or lead donor arrangements (see HLF 3 RT 3 2008d).<sup>9</sup>

From there, the simplified working hypotheses (“impact chains”) of the proposed two major DoL strategies are as follows (see Figure, green arrows):

“**Well-done In-Country DoL**”<sup>10</sup> (which in the context of the PD Evaluation can be addressed in the country studies), i.e. the reduction of donors per sector within a particular country, with adequate coverage of all sectors (avoiding “orphan sectors”), better sector dialogue in the process, careful phasing out and handing over and overall aid levels staying the same (see Figure, middle column) should lead to the following outputs (see Figure, third column from the right):

For partner countries, there should be reduced direct transaction costs due to fewer meetings and other administrative requirements as well as improved complementarity and coherence among donor contributions to national development objectives and sector policies. Predictability of aid flows should also improve. For the remaining and also for the “departing” donors, after some (only initial?) new transactions costs due to the negotiation of new arrangements, in the end there should also be freed human resources due to their involvement in less sectors.

Results from the recent EU monitoring (see Annex 3) on some of these intermediate outcomes, based on the perceptions of donor field and some partner government staff in up to 28 partner countries, so far show little evidence e.g. for the postulated reduction in transaction costs but encouraging results on improvements of sector dialogue and, to a lesser degree, the “rationalisation” of aid:

Perceived impact of DoL on ...	Yes	No	Don't Know	Number of Countries
Transaction costs Partner Country diminished	4	11	7	22
Transaction costs Donors diminished	3	12	7	22
Quality of sector dialogue improved	15	4	7	26
Aid across sectors rationalised	7	11	8	26

Source: EU Technical Seminar 2009:9.

With regard to outcomes in terms of aid effectiveness (see Figure, second column from the right), for partner countries, this should mean that freed-up (mainly human) resources can be used for other development issues and that they receive adequate financing level and higher

<sup>9</sup> Lead donor arrangements do not reduce fragmentation measured by aid flows but are designed to improve coordination among donors and thus reduce transaction costs for the partner country. In delegated cooperation arrangements, a donor has its funds fully managed by others, thus reducing transaction costs for the partner country also with regard to financial management, but these aid flows still appear in OECD DAC statistical analyses of fragmentation.

<sup>10</sup> Anecdotal evidence points at problems occurring during implementation which can make DoL processes less than optimal: e.g. difficulties to convince donors to withdraw from certain “popular” sectors and to support other “less attractive” ones.



quality of support for each sector. Among the donors as well, freed-up human resources cut costs or can be reallocated to other tasks. Together with other changes promoted by the aid effectiveness agenda, and probably inseparable from them in terms of attribution, this should contribute to tangible impacts or benefits in terms of development effectiveness (see Figure, first column on the right).

Results from the already mentioned EU monitoring (see Annex 3) in which this level of impact was addressed for the first time, show that the benefits of DoL in terms of aid and development effectiveness are being perceived. These impacts, and especially their trends, should be analysed in greater detail during the country evaluations:

Perceived Contribution of DoL to ...	None	Small	Medium	High	Number of Countries
Aid Effectiveness	4	14	8	0	26
Development Effectiveness	8	14	4	0	26

Source: EU Technical Seminar 2009:8.

“**Well-done Cross-Country DoL**” (which could to some degree be addressed in the donor headquarter studies and later in the evaluation synthesis report), i.e. the reduction of donors per country with adequate coverage of all countries and careful phasing out in principle should follow the same logic and have same and, in sum, even more beneficial impacts. However, it is so far non-existent as a systematic strategy although in recent years, some donors have reduced the number of partner countries. So far, donor entry and exit decisions at the level of partner countries are unilateral “concentration” decisions made based on a variety of criteria (Schulz 2009; Grimm and Schulz 2009).

Presumably, there are cumulative impacts of In-Country & Cross-Country DoL, but these are difficult to spell out clearly. More importantly, if (one or both types of DoL) are not well done, they can also have **unintended negative effects** (see Figure, red box): abrupt and uncoordinated exits from sectors or countries can leave gaps not filled by other donors and thus create new problems (see case studies by Puerto and Schulz 2009, Hagen and Schulz 2009). The new transaction costs may turn out to be permanent instead of transitory (e.g. creation of new fora to permanently assess and manage aid and donor allocation in a country or at the international level). Finally, for exiting or silent donors, less visibility may lead to problems to mobilise the necessary political support at home.

#### 4. Challenges of the Division of Labour Approach

For evaluation purposes, it should also be kept in mind that the rather general “DoL working hypotheses” listed above derive from a specific approach to aid effectiveness and are based on a number of more or less explicit assumptions, not all of which are well-proven and some of which have been questioned in the recent literature. As experience accumulates, these hypotheses may have to be corrected, rephrased or at least made more precise, specifying e.g. the conditions under which they can or cannot have the predicted outcomes and impacts.

The broad “political economy” criticism of what has been characterized as a “technocratic” approach to development cooperation in general and aid effectiveness in particular (e.g. Kaufmann 2009) has also been extended to DoL processes:

*“One of the main obstacles is a naïve and un-strategic view of division of labour, which does not take into account donor self-interest, or the power relationship between donor and partner countries, nor the influence of political aspects on development cooperation” (Schulz 2007:1).*

As was already demanded by the Synthesis Report of PD Evaluation Phase 1, a more critical and realistic analysis of the relationships between donor and partner countries and a more open discussion of their political dimension would certainly be useful, also for the DoL agenda (Wood et al. 2008:33-40).

With regard to donor behaviour, there seems to be an underlying assumption or hope in some of the previously cited OECD proposals to address fragmentation and proliferation by aid reallocation that donors are purely “rational” and “altruistic” actors. This clashes with “real life observations” of other reasons for donor involvement in certain countries or sectors and resulting resistance to change:

*“The extent to which donors are willing to harmonize among themselves will depend on the extent that they share development objectives which are not overshadowed by other commercial or political objectives incompatible with development needs.” (Stern et al. 2008; Briefing Note, p. 6).*

For the future of DoL approaches, especially with regard to Cross-Country DoL, it will be important to identify and stress the priority of common development objectives, find ways to deal with excessive donor self-interest and create incentive structures that allow donors to “renounce” involvement with “attractive” countries or sectors without having to fear the loss of parliamentary and public support at home. This may require the design and implementation of innovative communication strategies.

With regard to recipient country behaviour, despite increasing differentiation in the quantitative analyses, in some of them there still seem to be underlying assumptions that all countries suffer from fragmentation to the same extent and are keen on changing this situation. First insights from PD Evaluation Phase 1 point to possible reasons for “weak” or “limited” country ownership of DoL processes, especially low management capacities, fear to lose influence regarding the re-programming of ODA (especially in sector ministries), and a broader concern about the risk of

donors “ganging up” (Wood et al. 2008:18-21). The recent EU monitoring report stresses similar reasons for weak partner government ownership of DoL processes: fear of losing control over ODA, low aid management capacities, and in some cases the overall low political priority of development cooperation (see Annex 3).

Similarly, a recent comparative assessment of Cross-Country (International) DoL in four countries comes to the conclusion that

*“thus far, even very committed partner countries have been adopting a rather prudent approach towards international division of labour for several reasons. Among these, the lack of consistent progress in in-country division of labour, the donor-driven character of division of labour, the fear of losing development funding, the sensitivity of aid as central part of foreign relations, and the desire to manage diversity can be highlighted” (Grimm and Schulz 2009:3).*

PD Evaluation Phase 2 should further investigate these important issues. If a sufficient number of country studies systematically include DoL issues, this will allow for comparative analysis along dimensions like the types of country (LLDCs & LDCs vs. MICs; degree of aid dependency etc.) and of donors (e.g. OECD-DAC, especially EU vs. “new donors”).

The donor headquarter studies can complement this analysis. A recent analysis comes to the conclusion that, with regard to DoL, *“the gap between the words and deeds of major donors appears to be as wide as ever” (Aldasoro et al. 2009:13)*. The PD Evaluation should critically assess if this assertion is indeed correct, and if yes, why.

## **5. Basic Evaluation Questions on Division of Labour**

DoL is only indirectly referred to in the Generic ToRs for the Country Evaluations and Donor Studies in PD Evaluation Phase 2. As an input for the preparation of the detailed ToRs and tools to be used in these two types of studies, Annex 2 presents the full questionnaire used during the most recent EU monitoring of the Code of Conduct on Complementarity and Division of Labour. Its questions cover all relevant aspects of In-Country DoL relevant especially for the Country Evaluations and will be presented here in a simplified format and regrouped according to the logic of the Core Evaluation Questions of the PD Evaluation.

A few extra questions for the donor headquarter studies, both on In-Country and Cross-Country DoL, have been added at the end. However, each country evaluation or donor study team should check the relevance of these questions for the particular context and adjust them. A table with results for up to 28 countries, many of which are included in the PD Evaluation, is included at the end of Annex 3 and can serve as a starting point for more in-depth interviews and analyses at country level.

### **Country Evaluations**

#### **PD Core Evaluation Question 1: Paris Declaration in Context**

**What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?**

*Suggestion: Based on available data and other, more qualitative information, document and analyse the initial situation with regard to fragmentation (country studies) or proliferation (donor studies) and related “transaction costs” (a simple proxy indicator could be “time spent in aid-related coordination meetings”) as a “baseline” for assessing changes due to DoL strategies.*

### **Evaluation questions on DoL implementation:**

#### **1. Status of the Process**

1a. Is there a generally accepted national development strategy/plan and/or joint assistance strategy which form(s) or could form the basis for decisions on division of labour?

If yes: Please name it.

1b. Has a donor mapping taken place?

1c. Have comparative advantages of donors (however locally defined) been identified in a systematic assessment?

1d. Is there an agreed definition of sectors/cooperation areas (however locally defined) between the partner country government and donors as a basis for division of labour?

1e. Are lead donor arrangements established?

If yes: Please name the sectors and the lead donor for each.

If yes: Are cross cutting issues (e.g. human rights, gender, environment) addressed in these lead donor arrangements?

1f. Is reprogramming underway (do donors concentrate their aid in focal sectors and in turn move out of other sectors or use the modality of delegated cooperation)?

If yes: Please name sectors/areas where donors are moving out and/or are delegating cooperation

1g. What has the partner country government and the donor community undertaken to promote the implementation of division of labour? What actions are foreseen in the future?

#### **2. Participation in the DoL process**

2.a. Commitment by the partner country (government and parliament)

(i) Leading role and directing the process:

(ii) Facilitating the process in close dialogue with donors:

(iii) Approving progress triggered by donor initiative:

(iv) No interest in division of labour between donors, not approving progress:

2.b. Participation by donors

Do all ODA donors in the partner country participate in the DoL process?

Please name the donors with strong commitment for DoL.

Do non-DAC donors/private donors/foundations participate in the process? Please specify.

Comments: If applicable, what are the reasons for weak commitment from donor or partner country side?

### **Evaluation questions on the context of DoL implementation:**

#### **4. General Comments**

4.a. What have been the major obstacles in the process so far? Do you envisage more obstacles in the future?

4.b. What have been the enabling factors so far? Do you see a role of donor headquarters in facilitating progress?

### **PD Core Evaluation Question 2: Process and Intermediate Outcomes**

**To what extent and how has the implementation of the PD led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?**

*Note: Here, the evaluation focuses on the 11 intended outcomes of the PD, clustered according to the AAA. Relevant for DoL is Outcome IV **Less duplication of efforts and rationalized, more cost-effective donor activities** (under AAA focus B. Building more inclusive and effective partnerships for development). While it would be useful to go beyond “educated guesses” by key informants, quantitative analysis may be difficult given data and time constraints.*

### **Evaluation questions on process and intermediate outcomes of DoL**

#### **3. Towards measuring impact of DoL processes (3.a-e.i.)**

3.a. Have transaction costs diminished through division of labour?

- (i) For the partner country?
- (ii) for the donors?

3.b. Has the quality of sector policy dialogue improved?

3.c. Has the DoL process had an impact on the overall aid volume (e.g., does it fulfil the AAA objective of not lead to “individual developing countries receiving less aid”?)

3.d. Is aid allocation across sectors more rational (less orphan and/or over-crowded sectors, needs and priorities by the partner country are more adequately addressed)?

### **PD Core Evaluation Question 3: Development Outcomes**

**Has the implementation of the PD strengthened the contribution of aid to sustainable development results? How?**

*Comment: As said before, at this level, it will probably be difficult to separate the contribution of DoL from other “aid effectiveness reforms”. Also, in-depth qualitative analyses of past and ongoing negotiation processes on aid allocation and changes in aid implementation over time may be more informative than the “educated guesses” that can be elicited by questions like the following which were used in the EU survey:*

#### **Evaluation questions on development outcomes of DoL:**

3.e. Considering the changes promoted and supported by the DoL process (see above), how would you evaluate its contribution to

- (i) A more relevant, effective and efficient aid system in the partner country (Aid Effectiveness)?
- (ii) MDG-achievement/poverty reduction in and sustainable development of the partner country (Development Effectiveness)?

## Donor Headquarter Studies

### **DoL Implementation:**

#### **1. Donor DoL Policy:**

1a. How has the donor translated the international DoL-related commitments (PD, AAA, GPP: in the case of EU-donors also the CoC) into its institutional policy?

1b. Are there specific incentive systems to foster DoL, and which?

#### **2. Donor DoL Practice:**

2a. What does the donor do to support DoL-processes at the international level (cross-country DoL) and/or partner country level (in-country DoL)?

2b. What is the distribution of responsibilities between headquarter and field staff with regard to DoL processes?

### **DoL Outcomes:**

See questions above under Country Evaluations, PD Core Evaluation Questions 2 & 3

## Annex 1

### **Key Passages on Division of Labour from the Paris Declaration, the Accra Agenda for Action, the International Good Practice Principles, the EU Code of Conduct and the EU Operational Framework**

In the context of the international **Aid Effectiveness Agenda, Division of Labour (DoL)** among donors has become an important and rather ambitious strategy for **harmonisation**, one of the key principles of the Paris Declaration (PD).<sup>11</sup> The goal of DoL processes is to enhance aid effectiveness and ultimately contribute to **development outcomes**.

#### **Paris Declaration – March 2005**

##### **§ 3 - Scale up for more effective aid**

... we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

...

iv. *Eliminating duplication of efforts and rationalizing donor activities to make them as cost-effective as possible.*

##### **§ 33-35 – 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.*

#### **Accra Agenda for Action – September 2008**

##### **§ 17 - 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.*

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<sup>11</sup> The Aid Effectiveness Agenda includes international reform processes of the aid system since the Rome (2003) and Paris Declarations (2005) & Accra Agenda for Action (AAA, 2008) which started in but are now going beyond the OECD context.

## **International Good Practice Principles for Country-Led Division of Labour and Complementarity** (DCD/DAC/EFF(2009)5)

*The principles ... are designed to be advisory and informative in nature. They summarise emerging standards of good practice in a normative form, as well as hypotheses for further study and analysis. For division of labour to be effective, a tailored, country-specific approach is essential.*

### **Principle 1: Partner Country Leadership**

*The division of labour process should be led by the partner country in dialogue with donors, and in a transparent manner that enables parliaments to fulfil their mandate and enables the participation of civil society and the private sector.*

### **Principle 2: Rationalise Aid**

*Development results can be improved when donors individually and collectively rationalize their activities at the country level.*

### **Principle 3: Optimal Use of Development Resources**

*Partner Countries and donors should commit to avoiding duplication and fragmentation and ensuring the optimal use of development resources in the locations, sectors and thematic areas where they work and in the aid modalities through which they channel their assistance.*

### **Principle 4: Flexibility and Pragmatism**

*Negotiations are a necessary component of the division of labour process, and therefore flexibility on both sides is required. All actors are committed to pragmatic and workable solutions.*

### **Principle 5: Capacity Development**

*As division of labour aims at more effective use of aid, donors should commit to harmonise and better co-ordinate their support for capacity development for overall aid management by the partner country.*

### **Principle 6: Neutral Impact on Aid Volume**

*The impact of a division of labour process on overall country aid volume should be neutral.*

### **Principle 7: Monitoring and Evaluation**

*Partner countries and donors should monitor and evaluate the added value of division of labour.*

### **Principle 8: Communication**

*Partner countries and donors should communicate the added value of division of labour.*

## **EU Code of Conduct on Complementarity and Division of Labour in Development Policy – May 2007** (<http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf>)

### **Political Commitment**

- 1. The Council recognizes 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. ...*
- 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 harmonization 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.*

### **Guiding Principles**

- 1. Concentrate on a limited number of sectors in-country*
- 2. Redeployment for other in-country activities*
- 3. Lead donor arrangements*
- 4. Delegated cooperation/partnership*
- 5. Ensure an adequate support*
- 6. Replicate practices at regional level*
- 7. Establish priority countries*



8. *Address the “orphans” gap*
9. *Analyse and expand areas of strength*
10. *Pursue progress on other dimensions of complementarity*
11. *Deepen the reforms*

### **EU Operational Framework on Aid Effectiveness – November 2009**

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/gena/111263.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/gena/111263.pdf)

- I. ***DIVISION OF LABOUR*** (note: the other two parts are on Use of Country Systems and Technical Cooperation for Enhanced Capacity Development)
  - A. *Accelerate the Fast Track Initiative on Division of Labour (DoL)*
  - B. *Pursue Sector-Concentration through Redeployment and Joint Programming*
  - C. *Monitor Progress Systematically at Headquarters and Country Level*
  - D. *Cooperate on Training Activities for DoL*
  - E. *Begin a Process on Cross-Country DoL*

## Annex 2

### 2<sup>nd</sup> Monitoring of the EU Fast Track Initiative on Division of Labour September 2009

#### Country-Level Questionnaire on the implementation of Division of Labour

*To be completed by the EU facilitating donor of the EU Fast Track Initiative on Division of Labour in coordination with partner country representatives, EU and non-EU donors present in the partner country.*

Country:	Date:
<p><i>EU facilitating donor:</i>                      <i>Name of the facilitating donor representative:</i></p>  <p style="text-align: center;"><i>E-mail address of the facilitating donor representative:</i></p>	
<i>Partner country institution and representative responsible:</i>	
<i>Responses approved by partner country:</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<i>Responses coordinated with other donors:</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>

<b>1. Status of the process:</b>	
<b>1.a.</b> Is there a generally accepted national development strategy / plan and / or joint assistance strategies which form or could form the basis for decisions on division of labour?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>If yes, please name it</i>
<b>1.b.</b> Has a donor mapping taken place? <i>(please attach relevant documents or internet link if available)</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>1.c.</b> Have comparative advantages been identified in a systematic assessment?	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>1.d.</b> Is there an agreed definition of sectors / cooperation areas between the partner country government and donors as a basis for division of labour?	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>1.e.</b> Are lead donor arrangements established? <i>(please attach relevant documents or internet links if available)</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>If yes, please name the sectors / areas and the lead donor:</i>
<i>Lead Donor(s)</i>	<i>Sector/Area</i>

Are cross cutting issues (e.g. human rights, gender, environment) addressed in these lead donor arrangements (e.g. by agreeing on specific lead donors or integrating these issues explicitly into other sectors/areas)?

Yes  No

1.f. Is reprogramming underway (do donors concentrate their aid in focal sectors and in turn move out of other sectors or use the modality of delegated cooperation)? Yes  No

If yes: Please name sectors/areas where donors are moving out and/or are delegating cooperation  
(please attach relevant documents or internet links if available)

Sector/ area	Donor	Moving out	Delegating
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

**Comments** on 1.a, b, c, d, e and f:

1.g. What has the partner country government and the donor community undertaken to promote the implementation of division of labour?  
What actions are foreseen in the future?

**2. Participation in the division of labour process:**

2.a. Commitment by the partner country (government and parliament)  
(i) Leading role and directing the process:

(ii) Facilitating the process in close dialogue with donors:	<input type="checkbox"/>
(iii) Approving progress triggered by donor initiative:	<input type="checkbox"/>
(iv) No interest in division of labour between donors, not approving progress:	<input type="checkbox"/>
<b>2.b. Participation by donors</b>	
Do all ODA donors in the partner country participate in the division of labour process?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Please name the donors with strong commitment for division of labour:	
Do non-DAC donors / private donors / foundations participate in the process? Please specify.	
<b>Comments on 2.a and b.</b>	
If applicable: What are the reasons for weak commitment from donor or partner country side?	
<b>3. Towards measuring impact of division of labour processes:</b>	
If there is no clear evidence on the issues please give an educated guess	
<b>3.a. Have transaction costs diminished through division of labour?</b>	
(i) For the partner country:	Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/>
	Educated guess:
(ii) For the donors:	Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/>
	Educated guess:
<b>3.b. Has the quality of sector policy dialogue improved?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/>
	Educated guess:
<b>3.c. Has the division of labour process had an impact on overall aid volume?</b>	The partner country receives... (1) more aid <input type="checkbox"/> (2) less aid <input type="checkbox"/> (3) same volume <input type="checkbox"/>
	Don't know <input type="checkbox"/> Educated guess:
<b>3.d. Is aid allocation across sectors more rational (less orphan and/or over-crowded sectors, needs and priorities by the partner country are more adequately addressed)?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/>
	Educated guess:
<b>3.e. Considering all changes promoted and supported by the division of labour process (see questions 3a-d and possibly others), how would you evaluate its contribution to</b>	
i. A more relevant, <u>effective and efficient aid system</u> in the partner country (Aid	i. None <input type="checkbox"/> Small <input type="checkbox"/> Medium <input type="checkbox"/> High <input type="checkbox"/>

- Effectiveness)?
- ii. MDG-achievement/poverty reduction in and sustainable development of the partner country (Development Effectiveness)? *ii. None*  *Small*  *Medium*  *High*

Comments:

**Justify** your answers on 3:

#### **4. General comments**

**4.a.** What have been the major obstacles in the process so far?

Do you envisage more obstacles in the future?

**4.b.** What have been the enabling factors so far?

Do you see a role of donor headquarters in facilitating progress?

**4.c.** Any other comment:

#### **5. For lead facilitators only:**

**5.a.** Do you feel well prepared for your role as lead facilitator of the EU Fast Track Initiative on Division of Labour? Yes  No

Comments:

**5.b.** Are you satisfied with the communication by your HQ in regard to the EU Fast Track Initiative on Division of Labour? Yes  No

Comments:

#### **6. Suggestions to improve the questionnaire**

Please send this questionnaire until 2<sup>nd</sup> October 2009, to the Facilitators of the Fast Track Initiative (please do not forget to attach relevant documents on the division of labour process in your country if available, e.g. donor mapping, table on lead donor arrangements and/or sectoral involvement of donors):

Thank you for your participation!

## Annex 3

### 2<sup>nd</sup> Monitoring Report of the EU Fast Track Initiative on Division of Labour A Product of the EU Technical Seminar on Aid Effectiveness

30 November 2009

Note: The first monitoring report (1/2009) can be found under [http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division\\_of\\_Labour/Report\\_DoL\\_Monitoring\\_Update.pdf](http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division_of_Labour/Report_DoL_Monitoring_Update.pdf)

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*Prepared by Urs Buercky and Philipp Knill*

*Special thanks to all country facilitators of the Fast Track Initiative on Division of Labour for their comprehensive answers to the questionnaire, to the members of the EU Technical Seminar on Aid Effectiveness for their valuable comments and to Almut Brunckhorst for coordinating the feedback from the country facilitators.*

## **1. Key messages**

- 1. Division of Labour (DoL) is dealt with differently in all 28 partner countries that are reviewed in this monitoring report. In many of these 28 partner countries results are encouraging. There is some preliminary evidence that DoL processes are moving from analysis to action. But substantive issues will have to be tackled.*
- 2. Strengthening partner countries' ownership for Division of Labour (DoL) processes and their capacity to design and conduct such processes jointly with donors remains a challenge.*
- 3. Communication between donor country offices and headquarters (HQs) needs to be intensified to ensure that information gathered in-country and proposals coming from the country level are followed by adequate decisions at HQs. Aid portfolios of different donors need to be more focused and complementary with each other to fulfil commitments made in the EU Code of Conduct.*
- 4. As results and impacts of DoL can only be achieved in the medium term, commitment and active participation of all stakeholders is needed over several years. Lead donor arrangements, joint assistance strategies, joint programming and delegated cooperation are essential steps to show early results and create a momentum of change.*

## **2. Background**

(1) The EU Fast Track Initiative on Division of Labour and Complementarity (FTI-DoL) aims to support a selected group of partner countries in the process of achieving in-country Division of Labour (DoL). In implementing the initiative, EU Member States (MS) and the European Commission (COM) systematically cooperate with partner countries on the ground, using the principles of the May 2007 EU Code of Conduct on DoL as their main point of reference. Improved DoL is to increase efficiency and effectiveness of aid delivery, thus contributing to improved development results. DoL can be understood as part of the harmonisation agenda but should for the purpose of the paper not be confused with donor coordination. While donor coordination is about dealing with the given situation of many donors working in the same area but not changing this situation per se, DoL is about changing this situation by reducing the number of donors in overcrowded sectors and increase it in orphan sectors. Nevertheless in most countries donor coordination and DoL are happening at the same time and interlink into each other.

(2) A first monitoring of the status quo of DoL implementation in 22 partner countries was conducted in December 2008. Results were widely shared and perceived as valuable input to the international discussion on DoL. Members of the FTI-DoL agreed to continue the monitoring on a regular basis. This paper presents the findings of the second monitoring round which took place in September and October 2009. All results and conclusions presented here are still subject to further validation.



(3) The questionnaire<sup>12</sup> was sent out to 25 Fast-Track-Countries<sup>13</sup> and additionally to 11 countries<sup>14</sup> which are not part of the FTI-DoL. Responses from the facilitating donors in the following 28 partner countries are integrated in this report: Albania, Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Ethiopia, Ghana, Honduras, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mali, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, Rwanda, Senegal, Tanzania, Uganda, Ukraine, Vietnam and Zambia. This means that there is a 96% return to the questionnaire from the FTI countries plus 4 responses from non-FTI countries.

(4) In 10 countries<sup>15</sup>, donors and the partner country representatives answered jointly. In some more countries, the partner government is still considering the questionnaire. In many cases, answers came from donors or EU donors only.

### **3. Status of division of labour processes**

(5) DoL processes usually go through three stages. First of all, some kind of assessment of the status quo takes place e.g. through a donor mapping. In a second step donors elaborate on their respective comparative advantages and partner governments are asked to articulate their preferences. Finally donors and partner countries implement an improved DoL regime by reprogramming aid or using delegated cooperation. In this section we try to assess in which stage of the DoL process the FTI Countries are in, notwithstanding that the stages can also overlap.

(6) Progress regarding DoL varies significantly between the countries participating in the Fast-Track-Initiative. Good performers in implementing DoL can be found in all regions covered in this monitoring exercise but seem to cumulate especially in eastern and southern Africa. Overall, the solid results on donor mapping, lead donor arrangements and reprogramming are encouraging.

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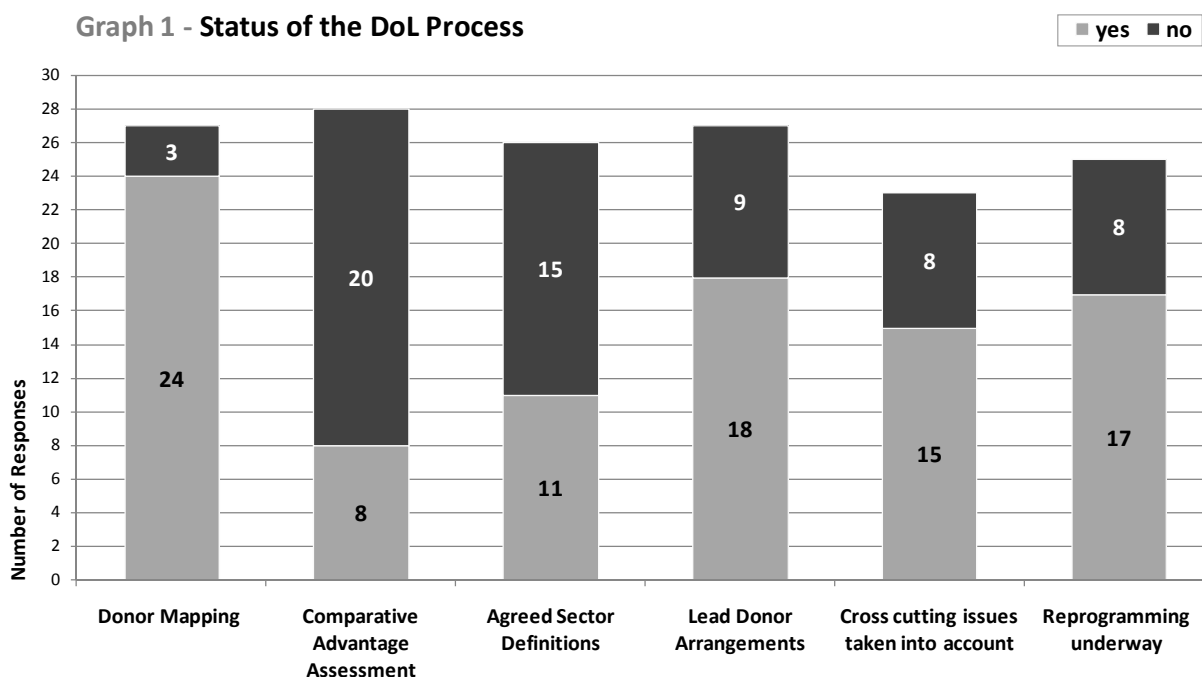
<sup>12</sup> A copy of the questionnaire is attached in Annex 2.

<sup>13</sup> The Fast Track Countries are (according to the concept note of the FTI-DoL, updated in January 2009): Albania, Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Ethiopia, Ghana, Kenya, Kyrgyz Rep., Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Rwanda, Senegal, Tanzania, Uganda, Ukraine, Vietnam and Zambia.

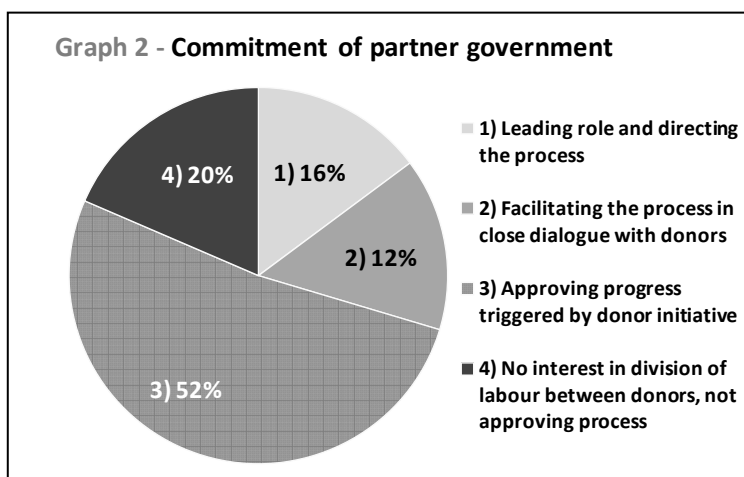
<sup>14</sup> The additional countries are: Honduras, Afghanistan, Nepal, Egypt, Palestine, Yemen, DR Congo, Morocco, South Africa, Indonesia, and Malawi.

<sup>15</sup> Albania, Bolivia, Cambodia, Cameroon, Ethiopia, Malawi, Nepal, Rwanda, Senegal, Zambia.

**Graph 1 - Status of the DoL Process**



(7) Feedback from both monitoring rounds (2008 and 2009) shows that the instrument of donor mapping is widely used. The opposite seems to be the case for comparative advantage assessments which are only used in one third of the countries covered in this monitoring survey. Most of these comparative advantage assessments are based on self-evaluation. Assessments by peers or the partner government are rare. The absence of jointly agreed sector definitions in more than half of the countries monitored identifies



clear sector definitions as a common challenge for stronger DoL. Lead donor arrangements continue to play an important role in the majority of cases and cross-cutting issues like human rights, gender and environment are quite often covered in the respective agreements or by specifically assigning lead donors for some of the cross cutting issues.

(8) Finally, reprogramming of individual donor portfolios towards better DoL seems to have taken place in 2009 as compared to 2008. A deeper look into the data reveals that reprogramming is not always driven by agreements on the country level but due to portfolio decisions in donor headquarters (HQ). Non-DoL-related reasons like political shifts within the partner country play a major role in decisions of donors to pull out of certain sectors or leave the country completely. While some donors pull out of overcrowded sectors, new engagement in so-called orphan sectors was not reported. Clearly, reprogramming needs sufficient time to be

implemented and responsible exit strategies have to accompany the process, so quick-fixes must not be expected.

#### **4. Participation by partners and donors**

(9) Division of Labour seems to be a process which is promoted by donors. Most partner governments approve progress triggered by donors but only rarely take an active role in steering the process. There has been little progress in strengthening partner ownership of DoL since the last monitoring.

(10) Some positive exceptions exist in Rwanda, Uganda and Malawi where the partner government is in a clear leading role (in Rwanda and Uganda the agenda is strongly promoted by the head of state) and Zambia, Albania, Cambodia<sup>16</sup> and Ukraine where the government facilitates the process in close dialogue with donors. Not all of these governments are adopting the suggestions of the EU Code of Conduct but those opting out have developed their own understanding of how to drive DoL processes to make them serve their national interests.

(11) With ownership being the key principle of both the Paris Declaration and the Accra Agenda for Action donors have to be careful to engage in a way that supports partner countries priorities and strengthens their leadership. The three reasons for weak ownership of partner governments stated in the last monitoring report (fear of losing control over ODA, low aid management capacities and overall low political priority for development cooperation) continue to be valid and can be addressed in various ways, e.g. through high level meetings between donors and partner country representatives, proactive communication on the opportunities of DoL and support for the development of aid management capacities. The European Commission and some EU member states have utilized these approaches in some of the FTI partner countries.

(12) While donors put more and more effort into coordinating their interventions, many partner countries struggle with the task to manage ODA flows to their countries. Capacity development for strategic aid management and aid management systems should be an integral component of DoL processes. The Fast Track Initiative could strengthen its support in this area.

(13) Among the donors, EU Member States clearly show the strongest commitment to promoting the DoL agenda. Nevertheless, in their responses to the questionnaire enthusiasm is limited by persisting challenges. The few existing efforts to integrate non-DAC bilateral donors, vertical funds and private foundations have not yet yielded tangible results. In six countries all DAC-donors participate in the DoL process. For some countries, the growing activities of non-DAC donors, vertical funds and private foundations are counterproductive to the existing efforts

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<sup>16</sup> There are different perceptions of the Cambodian government's level of commitment by the donors and the government itself. Data presented in this report reflects the answers given by the government of Cambodia.

for stronger DoL and donor coordination. This problem needs to be adequately addressed at HQs level, as many vertical funds receive their funding from bilateral donors and private foundations frequently do not have field staff.

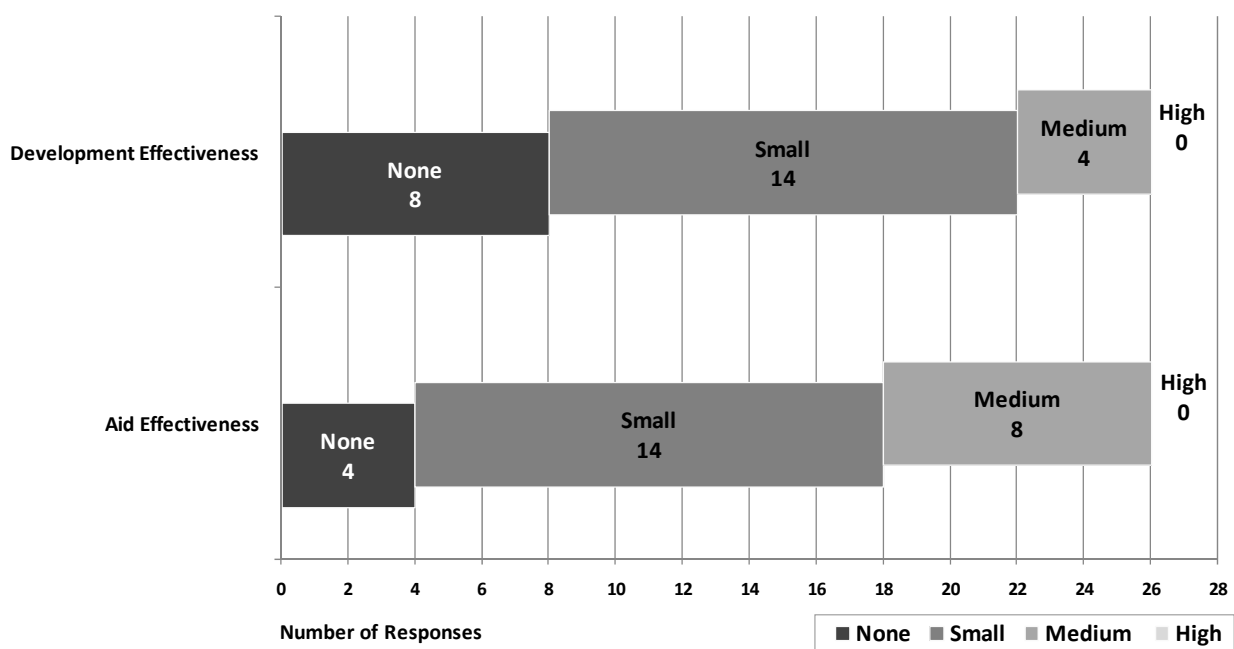
(14) In countries where the EU Code of Conduct has been the starting point and major vehicle of the DoL process, non-EU donors do show limited interest in DoL. Reasons for this might be twofold: the Code of Conduct gives no clear guidance on how to actively integrate other donors into the EU driven process and certain bilateral and multilateral donors with broad aid portfolios are hesitant to engage in DoL processes. Contrary to the international agreement on division of labour in the Paris Declaration, the Accra Agenda for Action and the Good Practice Principles on Country-led Division of Labour, some multilaterals claim at the country level that their statutes impede their involvement in DoL processes.

(15) Some facilitators state that DoL is of little importance in their partner country as there are only few active donors. At the same time statistics from the OECD-DAC show that the number of donors in these respective countries is clearly above average. Further statistical work on aid fragmentation and proliferation from the DAC Working Party on Aid Effectiveness could provide helpful information on this.

**5. Measuring impact**

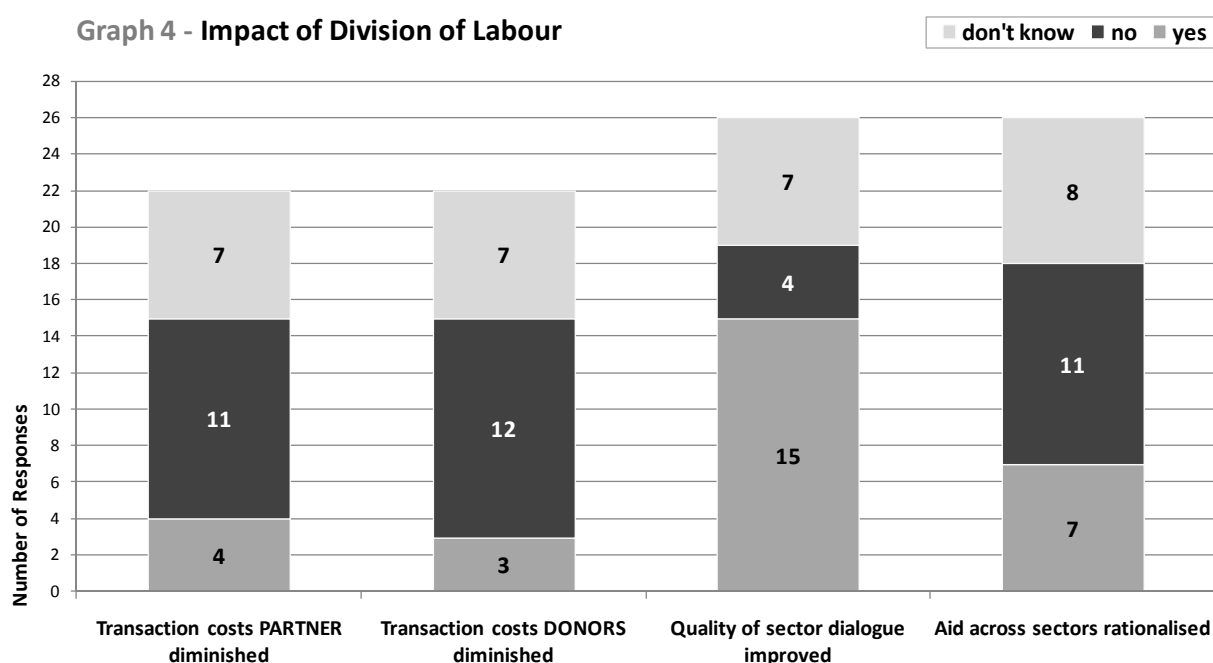
(16) Differentiating between the effects of donor coordination, DoL and other aid effectiveness activities is rather difficult. In addition, the results here are based on perceptions of donor field and partner government staff. Therefore, they should be interpreted with caution.

**Graph 3 - Contribution to Aid and Development Effectiveness**



(17) Feedback regarding the quality of sector dialogue is more encouraging as the percentage of facilitators who see improvement is consistently high. However, some comments suggest that quality of political dialogue in sectors might suffer if staff in donor agencies is reduced and authority delegated to a single lead donor.

(18) Allocation of aid across sectors is perceived to be slightly more rational but evidence on this issue is still rather weak. In some countries there is even evidence to the contrary with more and more donors focusing on the same sectors. Sometimes these are new or “fashionable” sectors like climate change or environment and sometimes sectors which are perceived as particularly relevant in the specific partner country.



## **6. Obstacles and enabling factors for division of labour**

### **6.1 Obstacles**

(19) Most of the obstacles mentioned in the last monitoring report of the FTI (2008) remain relevant. The issue of limited partner country ownership and the reluctance by donors to leave attractive sectors are still the major obstacles to in-country DoL. Nevertheless some progress can be witnessed, as certain obstacles which were prominently mentioned in the last report are no longer brought up as notably as before: The lacking clarity of donor roles (especially the roles of lead, active and silent donors) is only raised in a few cases. Limited capacities on donor side, lack of information on who is involved in which sector and the question of legal and administrative barriers which hinder donors to be involved in delegated cooperation are not mentioned as frequently as before. The lesser attention paid to these issues might indicate that ways to better deal with them have been found. The fact that information regarding donor allocation per sector is no longer lacking may be explained by the high number of donor mappings taking place.

(20) While some were not mentioned any more or to a lesser extent, new obstacles give rise to concern, according to the country facilitators. Most of this new impeding issues can be considered as obstacles in themselves but are closely linked to two major obstacles for DoL processes mentioned above, i.e. limited country ownership and donors' reluctance to leave sectors.

(21) One of the causes for low government ownership might be the growing number of parallel aid effectiveness initiatives which conflict with the already existing capacity constraints of partner governments.

(22) Several factors may explain donors' reluctance to leave certain sectors. Those most prominently mentioned are the fear of smaller donors to lose influence when delegating part of their portfolios to other donors, and the pressure from HQs to stay engaged in sectors due to interests of sectoral departments or questions of political influence and donors' image.

(23) Delays in implementing the DoL agenda are also due to different planning cycles: while donors aiming to align with national strategies need to adjust to the programming cycle of partner governments, their decisions, for example regarding the design and implementation of an exit strategy, are also determined by planning and budgeting cycles in their own countries.

## **6.2 Enabling factors**

(24) Engagement of EU MS and COM is generally perceived as a major enabling factor for DoL. The will of many development partners to implement the Paris Declaration and the Accra Agenda for Action seems to be a strong driving force as well. The positive role of donors acting as DoL champions was cited repeatedly. In some countries, targeted TA-support by the FTI-DoL facilitators seems to bear fruits. The most relevant enabling factor is certainly the growing awareness of some partner governments regarding the significance of strong aid management structures within the government to achieve greater aid effectiveness. Unfortunately, as mentioned in section 4 this only applies in a small number of partner countries.

(25) Engagement in joint assistance strategies seems to be a supporting factor for DoL as well as the right timing: DoL should be brought to the agenda while the partner government is formulating new national or sectoral development strategies and donors are deciding on their support. Like other reform processes the success of DoL depends on good relations among donors and between donors and the partner government. Existing donor coordination mechanisms might create a climate of mutual trust which is paying off when it comes to engaging in DoL.

## **7. Conclusions and Recommendations**

(26) In most partner countries a basic assessment of the status quo has taken place (see figures on donor mapping and other preparatory DoL exercises). It now seems to be time to take further steps to actually consolidate portfolios and re-program as appropriate. Some action on this can be witnessed, however, re-programming in many cases seems to be independent of DoL-processes, i.e. mainly the result of unilateral decision taken by donors due to their political priorities. This might in part be due to a gap between in-country information gathering and decision-making on HQ level and ultimately by the limited leadership of the partner country government. One of the solutions suggested by country facilitators is to delegate more authority with regard to programming decisions to the country-level. This would also enable a more regular dialogue with partner country governments.

(27) It is becoming increasingly clear in the qualitative parts of the responses in the questionnaires that DoL is far away from being a technical and non-political issue. Therefore, it can be argued that approaches which solely focus on the technicalities of DoL are destined to fail. All actors promoting DoL processes (and the aid effectiveness agenda as a whole) have to become more sensitive to issues of political economy both concerning the partner government and the donor community.

(28) On the side of the partner country, intra-governmental power balance, in particular between different ministries, plays an important role and can decelerate or accelerate DoL processes. Donor harmonisation and DoL processes tend to strengthen coordinating ministries (finance or planning) at the expense of line ministries. Donors should be aware of this when promoting DoL.

(29) On the donors side, feedback suggests that donors' approaches towards development cooperation are not always interchangeable.<sup>17</sup> Therefore, the whole issue of comparative advantages and clear communication of partner country preferences in division of labour seems to be an important area of renewed and deepened attention.

(30) Finally, there is the issue of flexibility by donors if partners are supposed to show leadership on DoL. Especially in situations in which donors have developed a sophisticated structure to better coordinate their aid and engage themselves in numerous working groups and harmonisation meetings, there is the risk that donors perceive stronger government ownership as negative. Therefore taking the division of labour agenda serious involves a certain degree of flexibility by donors.

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<sup>17</sup> This is also supported by a study on donors leaving certain sectors or countries. Those sectors/countries left are not always picked up by another donor (Gómez, Margarita Puerto and Schulz, Nils-Sjard (2009): The champion's orphans: Honduras says goodbye to Sweden, FRIDE Project Report, September 2009, Internet: <http://www.fride.org/publication/662/>

(31) Regarding the technical dimension of DoL this monitoring exercise can lead to the following preliminary recommendations:

- Capacity development for strategic aid management by the partner country (including aid management systems) should be strengthened within the FTI.
- EU donors should invest more efforts in involving other donors (including, vertical funds, non-DAC donors, foundations, etc.) in DoL. Parallel EU processes should be avoided and be adjusted to local coordination processes if possible.
- Comparative advantages and preferences by partner countries need to be taken into account more seriously to avoid negative effects of division of labour decisions on the quality and coverage of aid.
- Engagement in joint assistance strategies and joint programming exercises, the timing of bringing DoL on the agenda and compatibility of different programming cycles by donors and partners are issues that need further consideration in the respective country contexts in order to facilitate DoL processes instead of standing in their way.
- The FTI needs to work harder on its internal information sharing mechanisms including HQ and field level. Facilitating donors from the different FTI countries should get a better opportunity to exchange their views and learn from each other's experiences. Regional seminars and video conferencing might be useful tool to this end. High-level meetings can focus efforts on DoL in a given country.
- Although the issue has been raised by only a small number of country facilitators there still seems to be the need for HQs to support local representations to prepare or adapt legal, financial and administrative requirements for new forms of cooperation (silent vs. leading roles, delegated cooperation).



**Annex: EU Fast Track Initiative for Division of Labour: List of the monitoring results October 2009 (28 partner countries)**

**Part 1**

	1.a	1.b	1.c	1.d	1.e	1.f	2.a	2.b	3.a	3.a	3.b
	Partner Country Dev. Strategy	Donor Mapping	Comparative Advantage Assessment	Sector definitions agreed	Lead Donor Arrangements	Reprogramming underway?	Commitment of partner government	Participation by all donors?	Transaction costs partner diminished?	Transaction costs donor diminished?	Quality of sector dialogue improved?
Albania	yes	yes	no	yes	no	0	Facilitating	no	0	0	0
Bangladesh	yes	yes	no	no	no	no	Approving	no	no	no	don't know
Benin	yes	yes	yes	yes	yes	yes	No interest	no	don't know	don't know	don't know
Bolivia	yes	yes	no	no	no	yes	Approving	no	don't know	don't know	yes
Burkina Faso	yes	yes	no	no	yes	no	Approving	yes	no	no	no
Burundi	yes	yes	no	yes	yes	yes	No interest	no	no	no	no
Cambodia	yes	yes	yes	no	yes	yes	Facilitating	no	don't know	don't know	don't know
Cameroun	yes	yes	no	no	yes	yes	Approving	yes	no	no	yes
Ethiopia	yes	yes	yes	yes	no	yes	Approving	no	no	don't know	yes
Ghana	yes	yes	no	yes	yes	yes	Approving	no	0	no	yes
Kenya	yes	yes	yes	no	yes	yes	Approving	no	0	don't know	don't know
Kyrgyz Republic	yes	no	no	no	no	no	No interest	no	no	no	no
Madagascar	yes	yes	no	yes	yes	no	Facilitating	no	no	no	yes
Mali	yes	yes	no	yes	yes	yes	Approving	yes	no	no	yes
Mongolia	yes	no	no	no	no	no	Approving	no	no	no	no
Mozambique	no	yes	yes	no	yes	yes	Approving	yes	don't know	no	yes
Nicaragua	yes	yes	no	0	yes	yes	No interest	no	don't know	don't know	yes
Rwanda	yes	yes	no	no	yes	yes	Leading role	no	yes	yes	yes
Senegal	no	no	no	no	no	yes	Approving	no	don't know	don't know	don't know
Tanzania	yes	yes	no	yes	yes	0	Approving	yes	0	0	don't know
Uganda	yes	yes	yes	yes	yes	yes	Leading role	yes	don't know	0	yes
Ukraine	yes	yes	no	no	yes	yes	Facilitating	no	0	0	yes
Vietnam	yes	yes	no	no	yes	yes	Approving	no	yes	yes	yes
Zambia	yes	yes	yes	yes	yes	yes	Facilitating	no	yes	0	don't know
	1.a	1.b	1.c	1.d	1.e	1.f	2.a	2.b	3.a	3.a	3.b
	Partner Country Dev. Strategy	Donor Mapping	Comparative Advantage Assessment	Sector definitions agreed	Lead Donor Arrangements	Reprogramming underway?	Commitment of partner government	Participation by all donors?	Transaction costs partner diminished?	Transaction costs donor diminished?	Quality of sector dialogue improved?
Honduras	no	0	no	0	0	no	Approving	no	no	no	yes
Malawi	yes	yes	no	yes	no	no	Leading role	no	no	no	yes
Morocco	no	yes	yes	no	no	no	No interest	no	yes	yes	yes
Nepal	no	yes	no	no	yes	0	0	no	0	0	0

## Part 2

	3.c	3.d	3.e	3.e	5.a	5.b
	Aid Volume changed?	Aid across sectors rationalised?	Contribution to Aid Effectiveness	Contribution to Development Effectiveness	Lead facilitators well prepared?	Satisfied with HQ communication?
<b>Albania</b>	0	0	small	small	yes	yes
<b>Bangladesh</b>	0	don't know	small	small	yes	no
<b>Benin</b>	same volume	no	none	none	yes	yes
<b>Bolivia</b>	don't know	no	small	small	yes	no
<b>Burkina Faso</b>	same volume	no	none	none	yes	yes
<b>Burundi</b>	don't know	no	small	none	yes	no
<b>Cambodia</b>	don't know	don't know	small	small	0	0
<b>Cameroun</b>	same volume	yes	small	small	yes	yes
<b>Ethiopia</b>	don't know	no	small	small	no	yes
<b>Ghana</b>	0	no	medium	medium	no	yes
<b>Kenya</b>	don't know	don't know	small	none	yes	yes
<b>Kyrgyz Republic</b>	same volume	no	none	none	no	yes
<b>Madagascar</b>	more aid	yes	medium	small	no	no
<b>Mali</b>	same volume	yes	small	medium	yes	no
<b>Mongolia</b>	same volume	no	none	small	no	yes
<b>Mozambique</b>	same volume	don't know	small	small	0	yes
<b>Nicaragua</b>	less aid	no	small	small	yes	no
<b>Rwanda</b>	same volume	no	medium	small	yes	yes
<b>Senegal</b>	don't know	don't know	small	small	no	yes
<b>Tanzania</b>	same volume	don't know	small	none	yes	no
<b>Uganda</b>	0	don't know	medium	small	yes	yes
<b>Ukraine</b>	same volume	no	small	none	no	no
<b>Vietnam</b>	more aid	yes	medium	medium	yes	yes
<b>Zambia</b>	same volume	yes	medium	medium	yes	yes
	3.c	3.d	3.e	3.e	5.a	5.b
	Aid Volume changed?	Aid across sectors rationalised?	Contribution to Aid Effectiveness	Contribution to Development Effectiveness	Lead facilitators well prepared?	Satisfied with HQ communication?
<b>Honduras</b>	don't know	yes	0	0	0	0
<b>Malawi</b>	0	yes	medium	none	no	no
<b>Morocco</b>	same volume	don't know	medium	small	0	0
<b>Nepal</b>	0	0	0	0	0	0

## **Annex 4**

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