

Annex 8
Mutual Reliance Initiative
April 2011

Discussions on increasing aid effectiveness and division of labour, especially the EU Code of Conduct, at an operational level have facilitated concrete action among European development financing institutions. AfD (Agence Française de Développement, France), EIB (European Investment Bank) and KfW (Kreditanstalt für Wiederaufbau, Germany) are setting up a mechanism to broaden and deepen their co-operation and coordination, particularly focusing on the co-financing of development projects.

The three European Financing Institutions are jointly elaborating a model for a better division of labour in the framework of the so-called Mutual Reliance Initiative (MRI). The objective of the MRI is to delegate central tasks in project preparation, implementation and monitoring to the maximum possible extent to the institution which is subsequently resuming the responsibility as Lead Financier. As a principle, this delegation of tasks and responsibilities is based on mutual recognition, not on harmonization of procedures.

Practical experiences are being made during a two year pilot phase which is envisaged to be completed in autumn 2011. Attention in 14 pilot projects in the Mediterranean countries and countries in Africa, the Caribbean and the Pacific is centred on the identification of similarities and opportunities for the mutual recognition of each other's standards and procedures in co-financing activities. In practice, the MRI has the objective to establish a joint operational platform. The combination of project reality and procedures during the pilot phase will feed into a set of agreed joint minimum standards that take into account the specific requirements of each institution. Joint operational guidelines are being developed which will enable project teams of the participating financing institutions to draw on predefined joint procedures.

In qualitative terms, the MRI apart from contributing to a better division of labour between development financiers is increasing the coherence and development impact of joint financing operations to the benefit of the partner country. It is facilitating a common perspective on the envisaged development objectives as well as on means to achieve those objectives through joint financing. In quantitative terms the MRI is contributing to make larger scale development projects and programmes work that one single donor would not be able to manage due to limited financial resources, risk bearing or project management capacities. The MRI thus is creating substantial synergies to leverage efficiency and effectiveness of development cooperation at the operational level.