

# International Workshop

## Rationalizing Aid Delivery – Partner Country Experience and Perspectives

Pretoria, South Africa, February 4-5, 2008

### Workshop Proceedings Draft



ORGANISATION  
FOR ECONOMIC  
CO-OPERATION  
AND DEVELOPMENT





Draft Workshop Proceedings by Lioba Weingärtner, Consultant, on behalf of the Federal Ministry for Economic Cooperation and Development – BMZ

With contributions from Richard Ssewakiryanga, Ministry of Finance, Planning and Economic Development in Uganda, Amadou Tidiane Dia, Ministry of Economy and Finance in Senegal, Baly Ouattara, UNDP, Technical Secretariat for Aid Effectiveness in Burkina Faso, Aeneas Chuma, UNDP in Zambia, Sirajul Haq Talukder, Ministry of Finance in Bangladesh

Editing: Reiner Forster & Katja Röckel, GTZ

18 April 2008

# Contents

- 1. **Background** 2
- 2. **The Workshop – a Timely Event** 2
- 3. **Division of Labour and Complementarity: Relevance and Current Developments** 3
- 4. **Partner Country Perspective** 4
- 5. **Country Case Studies** 5
  - Uganda’s Experience on Division of Labour 5
  - Senegal’s Experience on Division of Labour 10
  - Burkina Faso’s Experience on Division of Labour 12
  - Zambia’s Experience on Division of Labour 15
  - Bangladesh’s Experience on Division of Labour 18
- 6. **Analysing Country Experiences** 21
- 7. **Emerging principles** 23
- 8. **Further work needed and next steps** 24
- 9. **Participants feedback** 25
- Appendices** 27
  - Appendix 1: List of participants 27
  - Appendix 2: Workshop Programme 29
  - Appendix 3: List of workshop presentations 31
  - Appendix 4: Emerging preliminary principles 32

## **1. Background**

The Paris Declaration on Aid Effectiveness commits partner countries and donors to a more effective division of labour and burden sharing among donors in order to overcome excessive fragmentation of aid and overlapping donor activities at global, country or sector level. These impair aid effectiveness, overburden partner countries, create high transaction costs and hamper effective poverty reduction. As part of the aid effectiveness agenda, the European Union ratified a Code of Conduct on Complementarity and Division of Labour in Development Policy in May 2007.

Complementarity and division of labour was identified as a priority of the partner countries and donors for the 3<sup>rd</sup> High Level Forum (HLF) in Accra in September 2008. The topic will be addressed in roundtable 3 on harmonisation. As part of the preparations for the Accra HLF, a Task Team was constituted under the OECD DAC Working Party on Aid Effectiveness (WP-EFF) to coordinate the preparatory work on this issue. The Task Team considers a strong partnership between donors and partner countries a prerequisite to successfully take this process forward. As a first step, the Task Team organised an International Workshop “Rationalizing Aid Delivery – Partner Country Experience and Perspectives”, which took place in Pretoria, South Africa on February 4-5, 2008.

## **2. The Workshop – a Timely Event**

### **Workshop objective**

The objective of the workshop was to initiate a policy dialogue between representatives from selected partner countries and donors which would make it possible

- to share knowledge, experiences and lessons learned based on current practices of complementarity and aid rationalization;
- to exchange and give recognition to policy positions and concerns from both sides (partners and donors) regarding the relevance, principles and practices of division of labour processes;
- to discuss future actions to promote efforts to rationalize aid delivery in-country, based on mutually agreeable principles and processes.

### **Participants and Programme**

Representatives from seven partner countries and nine bi- and multilateral donor organisations (see list in appendix 1) – representing three stakeholder groups (partner countries, donors – at headquarter level, donors – at field level) met in Pretoria, South Africa, for intensive exchange and discussions in plenary and group work sessions. The workshop sessions addressed the relevance of the topic and current developments, lessons from five partner countries (Uganda, Senegal, Burkina Faso, Zambia and Bangladesh) and additional country experiences, stakeholders views on prerequisites, promising elements, (expected) benefits, challenges, emerging preliminary principles as well as future actions at both the international and partner country levels (see workshop programme in appendix 2).

### **Workshop presentations**

A number of participants gave presentations (see list in appendix 3) in order to explain the context and initiatives related to the division of labour and complementarity in the framework of the Paris Declaration and the Accra Action Agenda.

### **3. Division of Labour and Complementarity: Relevance and Current Developments**

#### **The Paris Declaration**

The harmonisation principle of the Paris Declaration calls upon donors to be more harmonised, transparent and collectively effective in their actions. This may be achieved through better complementarity and more effective division of labour to overcome excessive fragmentation of aid at global, country or sector level, thus contributing to the achievement of poverty reduction and the Millennium Development Goals (MDGs).

“Partner countries commit to provide clear views on donors’ comparative advantage and on how to achieve donor complementarity at country or sector level.” “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 and to work together to harmonise separate procedures.” (Paris Declaration on Aid Effectiveness).

So far, neither indicators nor respective targets have been proposed to monitor, steer and evaluate the partnership commitments to more effective division of labour and complementarity.

#### **Fragmentation of aid**

The Paris Declaration recognizes that “excessive fragmentation of aid at global, country or sector level impairs aid effectiveness”. The current system of delivery of Official Development Assistance (ODA) is characterized by a high degree of overlap, both at the geographical and sector levels. Aid fragmentation is an issue for both donors and partner countries. Statistical analysis of the OECD DAC provides evidence of the current state of aid fragmentation, e.g.

- Cross country: The greatest opportunity to concentrate and consolidate division of labour and complementarity is at the cross country level: Donors manage programmes in many countries (e.g., Canada, EC, Japan and US give aid to over 100 countries) and partners have to deal with many small donors (37 partner countries have more than 24 DAC and major multilateral donors);
- Sector analysis: Significant fragmentation is observed in the health sector, e.g. Vietnam has 25 donors in the health sector; 29 countries have 18 to 23 donors active in this sector; in 21 countries more than 15 donors combined represent 10% of the country programmable aid (CPA) in the health sector. Aid fragmentation with respect to economic infrastructure is, however, an issue in only five countries where 18 to 23 donors are active in this sector;
- Country case studies: A review of Cambodia, Rwanda, Tanzania and Vietnam shows, e.g., that on average approximately one third of the donors (9 – 12) represent 90% of aid, yet small donors can manage to hold fifth and sixth position in a sector.

Clearly, the OECD DAC analysis shows that opportunity for a better division of labour exists at sectoral, country and global level.

#### **The EU Code of Conduct**

The EU Code of Conduct on Complementarity and Division of Labour in Development Policy (May 2007) ratified under German EU Presidency is based on the five principles of the Paris Declaration. It applies to EU member countries and is open to other donors. As a voluntary and flexible instrument, it should be implemented through a country-based approach taking into account the specific situation of the partner countries. It provides the following eleven guiding principles in order to implement a better division of labour and complementarity among donors:

- 1) Concentrate on a limited number of sectors in-country: a maximum of three sectors plus general budget support, support for civil society, support for research and education schemes;
- 2) Redeploy ODA for other activities in-country, also by making use of forms of delegated cooperation;
- 3) Make arrangements for lead donors to be in charge of donor coordination in each priority sector;
- 4) Create arrangements for cooperation/partnerships in which authority is delegated to other donors who act on their behalf;
- 5) Ensure adequate donor support with minimum presence in each sector;
- 6) Replicate these practices at regional level with regional partner institutions;
- 7) Establish priority countries and limit the number of priority countries;
- 8) Address the "orphans" gap by redeploying resources in favour of "orphaned" or neglected countries (often fragile states);
- 9) Together with their partner countries, EU donors should analyse comparative advantages as regards sectors and aid modalities and build on areas of comparative advantage;
- 10) Achieve progress on other dimensions of complementarity, such as vertical complementarity, cross-modalities and instruments in the context of joint/coordinated programmes;
- 11) Deepen the reform of the aid system through field-level based implementation in close coordination between headquarter and field offices.

A number of challenges are related to the implementation of the Code. These include putting the partner country at the centre, avoiding the creation of orphan sectors, avoiding negative impact on both the volume of ODA flows per country and on aid predictability. The EU Commission and EU member countries have to manage a delicate balance between the need for flexibility and results among member states at different levels, between the international and the EU level and between headquarter and field levels.

#### **4. Partner Country Perspective**

The workshop provided the first opportunity for a broader group of partner countries to participate actively in the discussion on rationalizing aid delivery and fostering complementarity and related consultations at global level. Partner countries have included division of labour and complementarity as a priority topic for the agenda of the next High Level Forum in Accra. South Africa was very vocal in this process and gave an input at the beginning of the workshop. Gathering partner country perspective was the focus of the workshop.

Several reasons triggered partner countries' priority for this topic. In general, partner countries agree with the underlying principle and reasoning for enhanced division of labour and complementarity, i.e., improving aid effectiveness and the achievement of development results. The implementation of division of labour processes is already taking place. Thus, it is important for partner country representatives to contribute to the process and decisions in a proactive manner. In addition, there is a need for clarification and better understanding of definitions, implementation and implications of more division of labour and complementarity among donor countries.

Different levels of "maturity" of the process to implement the Paris Declaration and of experience with aid coordination have to be taken into consideration. On the one hand, some partner countries have not yet or hardly been involved in actively promoting efforts for more division of labour and complementarity. On the other hand, South Africa and other countries are very much aware of the division of labour agenda at global level and actively manage relevant activities in their countries. They have, for example, strong ownership of their develop-

ment agenda and are in a position to decide on division of labour themselves. They doubt, however, that the donor community would accept a proposal by a partner country if they were to request that a small donor who is supplying only about 3% of aid in a given sector be given the leading role in this sector. In addition, various aid modalities such as projects, provision of material and technical assistance are difficult to coordinate, harmonise and make complementary.

Partner countries fear that they might lose out on long-standing and successful partnerships with smaller donors and on predictability of aid resources. They have serious concerns whether donors are willing and in a position to give and keep multi-annual aid commitments and ensure financial predictability. Such commitments, however, are of vital importance, esp. for partner countries that are highly dependent on ODA for their development in general and poverty reduction in particular.

A number of open questions remain, e.g., is the EU Code of Conduct a “fait accompli”? Have decisions already been made and are partner countries going to come in at the tail end of the discussion only? Is it still a proposal or has it already been signed off? Will partner countries at least be part of the implementation?

Partner countries see the need to agree globally, they do understand what division of labour and complementarity means and what has to be done to make this a successful approach. They see the implementation of the EU Code of Conduct as a very influential process. There is, however, great danger that they will have very little influence and will only be able to react to decisions made elsewhere which, however, have serious implications for them.

## 5. Country Case Studies

Representatives from partner countries and – in the case of Zambia – from a multilateral organisation presented the process of introducing division of labour/complementarity, achievements so far, challenges encountered and recommendations for actors in other countries who are starting or planning to start the process of rationalizing aid delivery. The following five country case studies were introduced.

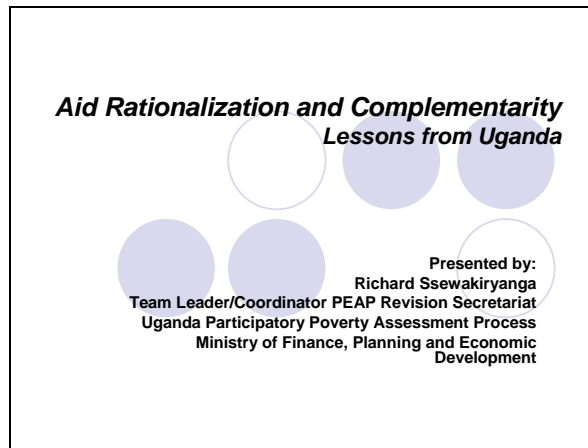
- Uganda: presentation by Richard Ssewakiryanga, Ministry of Finance, Planning and Economic Development;
- Senegal: presentation by Amadou Tidiane Dia, Ministry of Economy and Finance;
- Burkina Faso: presentation by Baly Ouattara, UNDP, Technical Secretariat for Aid Effectiveness;
- Zambia: presentation by Aeneas Chuma, UNDP;
- Bangladesh: presentation by Sirajul Haq Talukder, Ministry of Finance.

These countries represent various degrees of involvement, are at various stages of the process and involve different stakeholders. They offered a wide range of experience with division of labour and complementarity among donors thus far.

### Uganda’s Experience on Division of Labour

#### History of aid effectiveness debates and focus on poverty eradication

The year 1999 marked a turn in the relationship and definition of pro-poor policy processes in Uganda, when the World Bank and the IMF adopted Poverty Reduction Strategy Papers (PRSPs) as a basis for financial support. In Uganda, this was articulated through a process that led to the acceptance of the country’s **Poverty Eradication Action Plan (PEAP)** developed in 1997 as the Interim PRSP.



The fight against poverty became the Government's major priority area. The Government put in place the National Task force on Poverty Eradication which included eminent persons from various institutions. A number of priority programme areas were identified that would effectively eradicate poverty. The implementation of the PEAP 1997 led to several challenges and the Government recognized that although there were some achievements, there were several issues that required a sharper and more refined focus on poverty, e.g. context specific implementation. This was also the time when the international discourse on debt relief was taking root and the Government quickly came up with a ring-fenced part of the budget for specific poverty priority areas known as the Poverty Action Fund (PAF). But it was also necessary to refocus some of the issues in the PEAP 1997 so that the Poverty Action Fund could deliver more effectively, e.g., focus on multi-dimensional poverty and the process of consultation (including identification of the priorities of the poor).

In light of the above issues the **PEAP 2000** was developed through a participatory process many have praised as home-grown, especially the International Financial Institutions (IFIs). The PEAP 2000 set the long-term goal of reducing the incidence of income poverty in Uganda to less than 10% by 2017. It was complemented by innovations, which supported the aim of making policy and resource allocation more pro-poor, e.g., the Uganda Participatory Poverty Assessment Process (UPPAP). Four broad goals (known as pillars) for poverty eradication in Uganda were developed. The main strength of the PEAP 2000 is its implementation mechanism, which was strongly interlinked with the national budget process. The main technical tool of the national budget is the Medium-Term Expenditure Framework (MTEF), which guarantees an increase in pro-poor allocations of public expenditure over three-year periods.

Under the leadership of Ministry of Finance, Planning and Economic Development (MoF-PED), Government embarked on the process of revising the PEAP in November 2002 with the development of the **PEAP 2004** in a very consultative way. The revised PEAP now has 5 pillars with issues of security high on the agenda. These pillars emerged from several negotiations in the revision process.

**Shifting aid modalities:** The growing interest among donors in providing aid through the budget reinforced concerns about how far public expenditure is contributing to pro-poor results. The move towards budget support has increased donor focus on issues of allocation, accountability and fiduciary assurances around the budget and the financial systems used in its implementation. The Poverty Action Fund (PAF), which is an integral part of the national budget, was designed as a means to (i) reorient the budget towards the newly established PEAP priorities; (ii) increase the funding to local governments for service delivery; and (iii) demonstrate that debt relief and donor funds were being allocated and spent in full on poverty-reducing areas.



## The division of labour exercise

By the time the Paris Declaration was launched in March 2005, Uganda had in many respects already made significant progress with respect to local ownership and leadership of the development agenda. In 2003, the Government of Uganda and Development Partners (DPs) had agreed to a set of Partnership Principles (PP) for support to poverty eradication objectives outlined in the 2000 PEAP. Based on the successful formulation of the Uganda Joint Assistance Strategy (UJAS) in 2005, and the Uganda Partnership Principles of 2001, the joint LDPG/GoU Harmonisation Committee Meeting, chaired by the MoFPED, initiated the DoL exercise at the beginning of 2006 with funding from DFID and the World Bank. The exercise drew from the lessons from Zambia and Tanzania and involved many steps.

### Initial Steps Involved In the Division of Labour Exercise in Uganda

1. The DoL began with the design and implementation of the **Aid Information Map (AIM)**, which provided a baseline for the Division of Labour exercise as a whole. The Aid Information Map (AIM) had two components: the Development Partner (DP) Questionnaire and the Financial Data Tool (FDT). Additional material, such as the OECD/DAC survey and other recent evaluations (e.g. evaluation of general budget support, ongoing EU work, assessment of individual performance), were also used to supplement FDT data and to provide general background for the project.
2. The **DP Questionnaire** collected information on current and possible future DP activities. Current engagement was mapped onto the PEAP pillars in terms of financial support and dialogue processes. DPs were asked for initial opinions on future plans for engagement and explored the areas in which they would potentially consider taking on leadership functions, devolving dialogue or financial responsibility to another DP or withdrawing. Each institution was also asked what characteristics are likely to be important for the different roles DPs can take in a given sector.
3. The **Financial Data Tool (FDT)** presented detailed financial information from MFPED and the Economist Group on aid to Uganda, and related them to PEAP pillars and Uganda Budget/MTEF classifications. The existing data for each DP (in terms of type, alignment, modality, and relationship to GoU budget classification) was sent to each DP for verification, correction and completion, in the form of a MS Access database.
4. After the AIM results were collated, the **Peer Review process**, which took place November – December 2006, allowed reviewers to assess and comment on the future plans of a Development Partner (DP) peer. Each DP was reviewed anonymously by two peers, who provided comments on the realism and suitability of the DP's future plans. Some DPs subsequently revised their plans.
5. At the same time, an **MTEF-PEAP mapping exercise** helped to structure the survey results in relation to resource allocation mechanisms. Because of the need for comparable and consistent data across all DPs, mapping the PEAP to the MTEF (and thus the Sector Working Groups - SWGs) was an essential process in linking ODA, the long-term poverty reduction goals of the PEAP and the GoU's own development recurrent budgets.

*Source:* Quoted directly from the Interim Report on the Division of Labour Exercise.

**Achievements:** So far, a number of achievements have been noted by several DPs. The process culminated in the production of a report on the DoL exercise and the Aid Information Map both of which were shared among DPs and within Government. Based on this information, DoL has been operationalised in some sectors such as Education, and the Justice, Law and Order sectors (JLOS), Health and Water. Within the sectors of application, DoL has shown some benefits in the reduction of transaction costs on the part of the government. For instance, reports from key informants in the JLOS confirm that the DP group for the JLOS now engages government only through their chair rather than each member holding parallel meetings with government. This is not only reducing costs of meetings within government,

but helps driving the reform process more effectively compared to the time when each donor was doing its own sector dialogue individually. As the experience of other sectors has shown, residual problems may persist if the chairing institutions do not properly execute their function as coordinators but take advantage of their privileged position to leverage policy dialogue and access information in a manner that benefits only their institutions at the expense of the other members of the working group.

The outcome of the DoL exercise, led some donors who had not signed up to the Partnership Principles with government to do so. Without signing the PP, donors could no longer assume a lead role in any given sector.

Information in the Aid Information Map has given DPs a full picture of the aid architecture of the country, including who is doing what and where and what resources have been/will be provided. Donors also appraised each other's future plans (in terms of continued sector presence or planned withdrawal). The peer review exercise was important as DPs got to know exactly where their comparative advantages lie and what roles they are best placed to play in each sector, thus causing some of them to revise their plans.

The DoL exercise refocused DPs on aid effectiveness and thus changed the mindset of many donors, but staff turnover in DPs tends to undermine results achieved.

**Shortcomings of the process:** Some stakeholders both within the DP community and the government view the DoL process as having been driven at the start much more by donors, as opposed to government. Initially, donors wanted to coordinate the process at least to bring the issue to the table, but this led to unhealthy suspicions in some sectors of government about the real purpose of the exercise. Not everybody in government agreed with the principle of DoL. Although key central government institutions were more actively involved, sector ministries were less informed and/or involved because they were less clear about the purpose, process and implications in terms of continuity of resources and programmes after donors had assigned themselves new areas to concentrate on based on comparative advantage. There were real risks at sector level of loss of funding due to revision of donor plans in line with outcomes of the DoL exercise.

The DoL exercise was not completed having lost momentum by the end of 2007. It ended with the identification of the process by which intensive consultations at Sector Working Group (SWG) level were supposed to take place, but this next step of discussing the interests of donors at the sector level hardly happened. In addition, the government was supposed to review DP presence in each sector and provide feedback upon presentation of the interim report. This part of the process was not accomplished, partly because government was shifting focus from PEAP to a new 5 year national development plan and redefining sectors.

Intensive debates on comparative advantage often distracted DP's focus from the larger picture of aid effectiveness, limiting the discussions to micro level issues of niche identification and aid effectiveness at the donor level.

The concept of "silent partner" in a DoL arrangement may be difficult to apply in practice, as donors can hardly remain passive regarding an activity their constituency would be providing resources for and expecting results from. The concept of entrusting another donor to act on one's behalf is relatively difficult to apply in practice. For this reason the Donor Working Group on Budget Support has seen a proliferation of sub-groups of donors which in essence are parallel structures to sector-specific donor groups.

There is now a renewed dynamism in DoL as government has assumed leadership of the process in February 2008 in preparation for the new National Development Plan. Each donor has been requested to submit information on where (among these new sectors) they have interest in playing a lead role, supportive role or the role of silent partner. A separate exercise has also been initiated by the Macroeconomic Management Department to try and capture resources each agency is currently investing in these sectors and projections for the future.

**Emerging Issues from Division of Labor:** The first phase of the DoL exercise in Uganda has demonstrated that agreement on joint programming is very difficult to reach among donors because of different objectives, rules and constituencies, but once reached it has very high pay-offs, especially in terms of reducing transaction costs within government. Most donors do not want to be confined in a particular sector since their mandates can also change over time; therefore some element of flexibility needs to be incorporated to capture real life situations concerning the political economy of aid. Rules for loans may be fundamentally different from those for projects hence harmonisation of the two can prove to be a challenge. However, joint execution of analytical work and field missions can still be worked out.

The DoL exercise requires staff within DPs to have skills in negotiation and facilitation, technical skills alone will not be enough as the work will now also involve negotiating space and a willingness to collaborate with others.

The pressure from constituencies in home countries of the DPs to attribute results to a particular envelop of resources provided undermines the spirit of collaboration among development partners.

The division of labour exercise can be a very divisive process fuelled by unhealthy suspicions, especially when intensive debate ensues on who is better placed to, say, lead a sector. Some DPs may want to lead in every sector. The report on the DoL exercise shows some DPs indicating their interest to assume a lead role in as many as 10 sectors, thus leaving only few for the other donors. The issue of who decides who has the comparative advantage in any given area can be difficult to address. As the experience of the UJAS process also showed, there is a further challenge in how to accommodate shifts in comparative advantages over time as well as how to balance interests of small and large donors.

Not all donors have the same agenda as Government. Not all may be willing to subject each and every project proposal to technical committees of SWGs for intensive discussion (vetting) prior to approval. Some may be reluctant to report to the SWG on progress (e.g., projects on peace and security for Northern Uganda).

The proliferation of sector working groups creates the need to appoint another body at a higher level for overall coordination of the work of these SWG. Since such a higher level institutional arrangement will have an overall view of what is taking place in the individual sectors consolidating it to national level, such a coordination body should be chaired by MFEDP. The institutional arrangement should, among other mandates, be charged with the responsibility of reviewing the progress in implementation of the PD commitments, by synthesising the various experiences, including results of annual PEAP or PRSC reviews.

There is need to ensure clarity among DPs as well as government on key concepts of the PD, including the standardization of definitions of indicators and simple terms like missions. Such work should go as far as the sector ministries and the local government levels.

A small proportion of development partners have to fundamentally change their aid policies and procedures in order to fully implement commitments on harmonisation and alignment. It will require not just the Government of Uganda to lobby change at a higher level, but global advocacy on this issue.

#### **Recommendations:**

- Need to expand Government's own revenue so that the DoL exercise becomes supportive of a budget that can achieve outcomes;
- Discussions on DoL need to also be anchored into the political reality of expanding LGs and sector level implications;
- DPs need to look more closely at their comparative advantage and to be more selective in the issues they tackle; they need to think of comparative advantage not only in terms of funding but also regarding their depth of expertise in a sector and the modality by which aid is delivered;

- There is need for adequate communication between donors & donors and Government & donors;
- Dialogue mechanisms should also include Parliament and Cabinet as critical stakeholders in aid management;
- Need to have harmonised discussions on development results.

## Senegal's Experience on Division of Labour



Given the reality and the findings on aid fragmentation related to geographical, sectoral and thematic issues as well as to aid modalities, Division of Labour (DoL) and complementarity are felt concerns of the development actors in Senegal.

Senegal has some experience, however non-systematic, with programme based approaches (PBA). It is important to note that following the finalisation of the PRSP the lack of PBAs has become apparent, requiring urgent attention.

### Reference framework and basic tools for rationalizing aid

A prerequisite for the realisation of a good division of labour and complementarity should be the existence of references frameworks and tools. For this purpose, Senegal has some elements to facilitate the exercise of rationalizing aid:

- National long and medium term development strategies;
- Sector policies and programmes;
- Thematic policies and programmes;
- Government – donor working groups (*cadres de concertation*);
- Donor working groups (thematic groups etc.).

**National development strategies:** Senegal has some long and medium term instruments such as the prospective study “Senegal 2020”, the Development Plan and the PRSP which has become the principal framework for the interventions of the development partners.

The Government determines its global, sectoral, local and thematic priorities, establishes investment programmes and identifies the needs for additional external funding.

**Sectoral, local and thematic programmes:** A number of policies and programmes exist, notably:

- Some major sector programmes, e.g. in education (*Programme décennal de l'Éducation et de la Formation professionnelle*), health (*Programme décennal d'Investissement pour la Santé*), water and sanitation (*le Programme Eau potable et Assainissement pour le Millénaire*), transport (*Programme sectoriel des Transports I et II*), justice (*Programme Justice*), environment (*le Programme Environnemental*);
- Regional and local development plans under the responsibility of the Government, the regional or local authorities – Regional Integrated Development Plans, National Plan of Local Development etc.;
- Thematic policies and programmes, notably Programme of Budget and Financial Reform, National Programme of Good Governance, Aid Effectiveness Action Plan etc..

The Aid Effectiveness Action Plan contains activities for aid rationalization, among others a framework for budget support, the study of aid flows, the elaboration of a aid policy document etc..

**Instruments:** Among others, the following instruments are in place:

- The Medium-Term Expenditure Framework and Sectoral Medium-Term Expenditure Frameworks;
- Diverse reviews that involve both the Government and the donors, e.g., review of the cooperation by donor, sectoral or thematic reviews, PRSP review, round tables and consultative groups;
- Donor thematic groups: these groups exist in several sectors and areas; they are animated by one or several donors, e.g., decentralisation, microfinance, environment, public finance & budget support, health, education, HIV/AIDS, fisheries, Casamance, rural development & food security, private sector, justice, gender.

### **Difficulties encountered in aid rationalisation and complementarity**

Following are some of the major difficulties raised:

- Geographical zones: for diverse reasons, some sectors and themes are insufficiently covered by the development partners; reasons given: lack of interest, insufficient resources;
- Scattered interventions of some development partner;
- Efforts for enhanced division of labour are on-going thanks to donors' initiatives and the Government's policy and orientation;
- Lack of government authority over NGO interventions, which are not always coherent with sectoral and local priorities;
- Insufficient steering and control of aid flows by the authorities.

### **Some recommendations or directives for the promotion of division of labour and complementarity**

The measures proposed below intend to improve the conditions for a good division of labour and complementarity:

- Better involve the non-government development actors in the elaboration and implementation of policies and programmes;
- Ensure a better linkage of global with the local policies in order to create the conditions for promoting division of labour and complementarity of the interventions of the Government and the development partners (donors, local communities, NGOs etc.);
- Increase Government leadership in its policy for rationalizing donor interventions; strengthen the capacities of central and local structures in charge of the planning and coordination of interventions;

- Carry out a mapping of development actors' interventions;
- Encourage the donors in relation with the Government to conduct studies of rationalization of their interventions;
- Strengthen the process of Sectoral Medium-Term Expenditure Frameworks and make them the frameworks of rationalising their interventions;
- Encourage the donors to adhere to the Budget Support Framework;
- Implement the budget and financial reforms fully;
- Adopt and implement the Aid Effectiveness Action Plan;
- Strengthen the dialogue between the Government and donors through reviews and other frameworks for consultation;
- Improve the functioning of donor thematic groups in order to ensure a good harmonisation of donor practices.

## Burkina Faso's Experience on Division of Labour



### Introduction

The first PRSP was elaborated in Burkina Faso in 2000, followed by the second one in 2004. This strategy allows for Government leadership (acknowledged by the international community) in the coordination of all interventions of the development cooperation. It brings visibility to public policies for poverty reduction and the Millennium Development Goals (MDGs) and remains the reference framework for all development actors.

In addition, Burkina Faso has given much effort for the coordination of development aid.

### Ownership: Process of adoption of development strategies

**Long term vision and medium term strategy:** Already during the 1980s, the Government of Burkina Faso has started a process of elaborating a long-term development strategy. The prospective study "Burkina 2025", finalised in 2003, envisages three possible scenarios for the long term development of the country.

Burkina Faso was one of the first countries that elaborated a PRSP. Since its adoption, questions of coordination and harmonisation of donor activities have become a preoccupation of the Government and all actors in the field of public development cooperation. The PRSP is also the reference framework for a harmonised budget support, which was started in 1996 with the intention to reduce transaction costs.

The PRSP II for the period 2004-2006 is still the only medium term strategy in Burkina Faso. It is an instrument which intends to operationalise the long term vision and to integrate preliminary conclusions of the study "Burkina 2025". It pursues the implementation of the first PRSP (2001-2003).

**Implementation:** The priority action programme (PAP) for the implementation of the PRSP offers an operational framework for concrete actions and measures. Currently, three rolling triennial programmes have been elaborated and implemented, notably 2004-2006, 2005-2007, 2006-2008. The Government has put in places some interfaces which allow for the link between the programme budget of the ministries and the institutions and the PAP/PRSP on the one hand and between the PAP/PRSP and the medium term expenditure framework and the annual budget on the other hand.

The PAP is reviewed every year to allow for a consideration of new measures and actions of the Government in the state budget to be allocated for poverty reduction. The PAP review report of 2006 served as a technical basis for the budget support initiative, due to its assessment of the performance and expenditure criteria.

### **Division of labour and complementarity in the Burkina Faso context**

The adoption of the PRSP indicates the starting point of a discussion on complementarity and especially on division of labour not only at government but also at development partners' level. At Government level, the Technical Secretariat for the Coordination of Economic and Social Development Programmes ensures the coordination and monitoring of the PRSP and – through its actions – ensures that all ministries concentrate on their mandates and reinforce each other.

**The PRSP and priority sectors:** The PRSP is a framework document that states the priority development objectives of the Government. It shows some quantitative targets that are in line with the perspective of realizing the MDGs and the objectives decided in the context of NEPAD. The realisation of the PRSP objectives builds on several programmes regrouped around four strategic axes. Nine priority areas have been identified by the government, notably basic education, health, potable water, rural development (including food security and road infrastructure), fight against HIV/AIDS, environment and living conditions (desertification, sanitation, rural electrification), public security, promotion of small and medium enterprises/industries and small mines, strengthening capacities and the promotion of information and communication technologies. Synergies between the actions in all sectors should permit an effective fight against poverty.

**Consultation and cooperation groups (cadres de concertation):** There are a number of sectoral working groups chaired by the respective ministries and in charge of the coordination of donor contributions to budget support, agriculture, education, energy, health, water and sanitation as well as transport. These working groups follow a conventional form with an annual working plan and regular mechanisms for information exchange. In collaboration with UNDP, the Government co-chaired round tables – the last took place in 2004 – with the objective to coordinate development aid granted by diverse bi- and multilateral partners. The Government is currently putting in place some measures to consolidate solid public private partnerships through the institutionalisation of a framework for the participation of the private sector and civil society.

This orientation of the donor community results from a number of constraints to the achievement of the development objectives, e.g., the multitude of donor procedures, insufficient predictability of aid, the time lag between the provision of aid and the budget cycle, poor coordination of aid by the Government, 80% of the state investment budget being financed by development partners and not executed according to national budget procedures.

**Sectoral approach:** In Burkina Faso SWAPs (Sector Wide Approaches) have started in the educational and then the health sector as a means to overcome the lack of Government ownership of their policies and to fight against fragmentation of donor support. The partners adhere to a common procedure that leads to an alignment with government procedures re-

lated to disbursement and public expenditures in all sectors. Finally, Burkina Faso will thus have 16 SWAPs.

***Delegated cooperation:*** In the educational sector, Burkina Faso benefits from the support of several donors. The World Bank and the Netherlands signed a Partnership arrangement in 2006 with the objective of realising complementarity through division of labour for more development effectiveness. Each of the two partners concentrates on specific domains. In this partnership, the Netherlands have the leadership for basic education, the World Bank plays the same role for the primary education posts. Aid management in one of these sub-sectors is done by the leading partner, who refers to the other partner in case of difficulties in order to determine a common position.

***Division of labour and decentralisation:*** The Government has recently put in place 13 regional development plans in order to take the realities of all regions into account. With the process of decentralisation, which was introduced in 2004, a division of labour at local level will be reinforced. Regional poverty reduction plans will serve as a basis for the elaboration of communal plans. After the comprehensive transfer of competencies to the communal level, basic services will be under the management of local authorities. Development partners have to ask themselves how “their” intervention zones will be aligned to the national process of decentralisation.

***Managing for results:*** Given current shortcomings of the monitoring and evaluation system, the Government is currently taking measures in order to improve its data collection system with the support of the World Bank, AFRISAT and UNDP. A project of strengthening statistical capacities is supporting the National Institute of Statistics and Demography to harmonise statistical results with the monitoring of the PRSP.

***Strengthening capacities:*** This topic is more and more at the centre of all preoccupations related to the implementation of sectoral policies. The budget support allows the Government and donors to strengthen capacities in a coordinated manner around the priorities and needs formulated in the PRSP. The General Framework for the Organisation of Budget Support (*Cadre Général d'Organisation des Appuis Budgétaires*) coordinates all efforts of its ten members for strengthening capacities to reinforce public financial management. The EU, UNDP, France and the AfDB have already aligned their capacity development efforts with regard to public financial management with the Reform Plan for Budget Management. Current discussions will rapidly allow for the creation of frameworks for reinforcing capacities at sectoral level. Some donors integrate a capacity development component in on-going programmes. Such support is sometimes not well coordinated and can undermine government leadership.

***Strengthening reforms for a better aid management:*** In 2007, Burkina Faso elaborated a National Action Plan for Development Aid Effectiveness (2007-2010) in order to contribute to the operationalisation of the Paris Declaration. It specifies country objectives and actions for both the Government and the donors. Major actions envisaged include the elaboration, evaluation and appropriation of policies and development strategies, the improvement of aid predictability, the strengthening of capacities through coordinated support, the creation of a results oriented framework, joint evaluations and the creation of a framework for the monitoring & evaluation of the Action Plan.

One of the most important components concerns the reform of the public financial management system. The Government elaborated a strategy for strengthening public financial management. The implementation of this strategy will permit to improve the reliability of the public financial management system in Burkina Faso.

## **Conclusion**

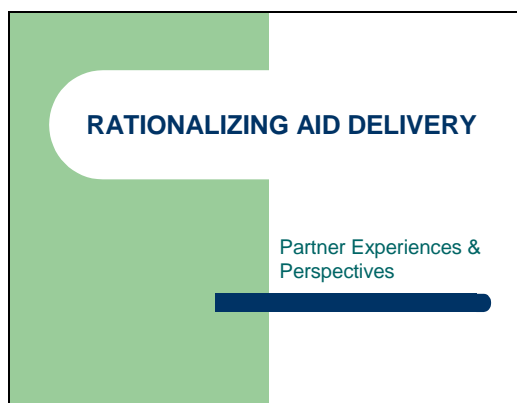
Division of labour is understood as an element of aid effectiveness in the context of the implementation of the Paris Declaration. Given the lack of a general model, all countries currently try to advance some elements which could become the base for a process towards an enhanced division of labour. In this situation, it seems to be important to organize an ex-



change of experience and foster enabling environment at both donor and partner country levels.

Finally, it is fundamental to discuss concrete actions to be undertaken at partner country level that put the international division of labour agenda into practice and to increase the aid effectiveness at country level. However, this should not be done without agreement on fundamental questions, such as a clear conceptual framework to which donor and partner countries alike can subscribe.

## Zambia's Experience on Division of Labour



**Overview of the Harmonisation and Alignment Agenda in Zambia:** Based on initiative of the NORDIC+ group (Sweden, Denmark, Norway, Finland, the United Kingdom, and the Netherlands) and built on “sector-wide” approaches (SWAps) introduced in Zambia in the late 1990s the Harmonisation in Practice or HIP initiative was signed in March 2003 between the Government of Zambia and the NORDIC+. In April 2004, following a review of the earlier agreement, a second Memorandum of Understanding (Wider Harmonisation in Practice or WHIP initiative) was signed by an expanded membership which included the NORDIC+ group, Japan, the United Nations System, the World Bank, Germany, Canada and France, and eventually the USA and the European Commission.

The broad principles embedded in the MoU included:

- Delivery of development assistance in accordance with Zambia's needs and priorities, encapsulated in the national development plans;
- Alignment with Zambia's government systems such as the national budget cycles, financial systems and monitoring processes, where these provide reasonable assurance that cooperation resources are used for agreed purposes;
- Working with Zambia's government to address institutional capacity limitations;
- Review of the plethora of different donor missions, reviews, conditionalities and documentation with the aim of reducing the transactions costs for the Government;
- Working towards delegated cooperation (“silent partnership”) among donors at country level wherever it is legally and administratively possible;
- Improvement of information sharing and understanding of commonalities and differences in donor policies, procedures, and practices.

Notably, the above principles also informed preparation of the key development planning instruments in Zambia – the Fifth National Development Plan (FNDP), the Aid Policy, the

Joint Assistance Strategy for Zambia (JASZ) and the Development Assistance Database for Zambia (Z-DAD).

**Division of Labour – Principles and Process:** The question of “division of labour” in Zambia was approached by both Government and its cooperating partners as a subset of the larger harmonisation, simplification and alignment agenda in the country, drawing on UN Reforms (1998 +), the Monterrey Consensus (2002), the Rome Declaration (2003) and the overarching principles contained in the Paris Declaration (2005) on Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability. In this sense the “division of labour” issue naturally fell under the harmonisation principle.

The underlying motive behind the “division of labour” exercise was primarily to make aid or development assistance more effective by reducing its administrative burden (“transactions costs”) on Zambia, evidence of which suggested that these might be considerable. Basic considerations included the desire to

- reduce congestion in some of the disproportionately favoured sectors (such as Governance and Education);
- bring some level of equity and balance in sectoral coverage (for example, by encouraging more cooperating partners to support under-funded sectors and thematic areas, like Gender and Environment);
- respect the programme and regional or geographical priorities of cooperating partners; and lastly;
- allow Government to assume leadership and ownership of the development process.

There were two parallel but mutually supportive processes in developing the “division of labour” – that of the cooperating partners’ group and that of the Government side. The cooperating partners developed a self-assessment instrument designed to establish each partner’s sectoral preferences, internal capacities, preferred roles and the perceived comparative advantage in this role. This process of “self re-positioning” was then subjected to a peer review (“beauty contest”) against other submissions.

On its part the government undertook an internal review of their experience over time with partners in various sectors, the perceived strengths and weaknesses of the various partners, the history and quality of the association and the level of investment in a particular sector as a proxy for commitment to the sector.

Following these baseline exercises, the Government issued its initial preferred division of labour in April 2006. The proposal revealed the following:

- Government expected a single lead per sector;
- There were 17 sectors in all, aligned to the Fifth National Development Plan (FNDP) 2006-2010 and, by extension to existing ministries;
- Government expected multilateral institutions (the United Nations and the World Bank) to be active and/or assume leadership in most sectors;
- Some historically strong partners (e.g. DfID) were excluded from leadership positions although they were expected to be “active” in several sectors.

After a few months of consultations, negotiations, and old-fashioned horse-trading among and between cooperating partners and government, a new and final division of labour (attached) was issued in June 2006, with the following key features:

- Each sector would be jointly led by 2-3 partners, rather than one;
- Cooperating partners had four options through which to participate in the division of labour - “lead”, “active”, “background” (or silent) and “phasing-out”;

- The 17 sectors in the division of labour were aligned to the various chapters of the FNDP and, by extension, to the related Ministries;
- Several partners that previously had no leadership role emerged as leaders in the new arrangement. The most glaring example was that of DfID which had no leadership position in the original proposal but subsequently appeared as co-lead in five sectors (the highest for any single bilateral) in the new division of labour, a feat most observers attributed to the “exercise of muscle”.

**Milestones:** A year and half after the agreed division of labour, one can point to several benefits from this arrangement.

- *Better Coordination Among Partners.* Following from the JASZ division of labour, development partners in Zambia have organized themselves into the Cooperating Partner’s Group (CPG) whose programme of work is led by a troika (CPG-Troika) made up of two bilateral donors and one multi-lateral entity on a rotational basis. The CPG holds monthly meetings under the chair of the lead troika member to discuss general and sectoral issues. It is the CPG-Troika that liaises with the national coordinating authority, the Ministry of Finance and National Planning, for and on behalf of the CPG on broad aid coordination and management issues. By and large sectoral and aggregate coordination and sharing of information and experiences among the CPG have improved considerably as a result of this arrangement.
- *Forum for Addressing Common Concerns.* The CPG and CPG-Troika arrangements have also provided fora for partners to address common problems or constraints encountered during implementation. Recent examples of these common issues include capacity challenges in most national institutions and the glaring need for uniformity in the allowances and remuneration paid to government staff on donor-funded projects.
- *Streamlined Communication with Government.* With support from partners, the government has developed a National Economic Management Cycle (NEMC) to guide the implementation of the FNDP and above all, provide an indication of when and where dialogue with cooperating partners is scheduled to take place on an annual basis. Under the NEMC, cooperating partners can now expect and plan for a high level policy dialogue with government in September of each year, shortly before the budget preparation process begins within government.
- *Reducing “transactions costs”.* While transactions costs – in both time and resources - may have actually risen during the initial phase, indications are that the trend is developing for the better as both central government and sectoral ministries no longer have to entertain individual donors on several common issues. The Ministry of Finance and National Planning is particularly appreciative of the fact that they no longer have to contact all CPGs directly but indirectly through the lead CPG-Troika who has the responsibility of keeping the CPG informed.

**Challenges:** Despite the promising experience with the rationalized division of labour among cooperating partners, several challenges exist, namely

- *“Hard to let go”.* It was found to be extremely difficult for cooperating partners and government to dis-engage (“de-congest”) from sectors (and privileged relationships) they have been associated with for long periods of time, mainly because of on-going commitments which could not just be abandoned. This phenomenon has given rise to the need for a transition period during which a partner systematically disengages without disrupting on-going activities and commitments. This explains the inclusion of a “phasing out” category in the overall division of labour.
- *Equity and balance.* Related to the point above, it is also quite evident that the current division of labour has not yet resulted in a balanced sectoral coverage by the cooperating partners (numerical presence in the sector rather than volume of resources). The Governance, Education, Macro-economics and Health sectors remain highly fa-

voured, attracting nine or ten partners each, while Environment, Energy and Social Protection have attracted four each. Further work is needed to rationalize the division of labour and complementarity across sectors.

- *Unequal authority among partners.* It was evident in the consultations that decision-making powers varied considerably among the various cooperating partners. For bilateral donors especially, most decisions on sectoral priorities and preferred roles (leadership, background/silent) etc were actually made at the headquarters since these needed to be consistent with the country's overall programme and regional priorities and focus. This tended to slow down country-based negotiations.
- *Visibility.* Related to the preceding is the political importance of assigning a reasonable or dignified role for the more significant donor countries, notwithstanding the outcome of the technical assessments of suitability etc. Donors that carry the gravitas of the USA or Japan for example could not be seen to be just "active" or "silent" across the board. They had to have some leadership role somewhere, partly to justify their presence in Zambia to the decision-makers in their countries. This was an important issue to consider in a few cases.
- *Cross-cutting and sub-sector issues.* The division of labour in its current form does not do justice to issues of a cross-cutting, cross sectoral or sub-sectoral nature such as gender, macro-economics or climate change.
- *Emerging donors.* The role of "emerging" donors (China, India, Brazil, South Africa) and new and increasingly significant alternative sources of development finance (private foundations) is also not adequately captured in the current division labour. This weakness renders the entire enterprise just a partial solution to the challenges of achieving comprehensive aid effectiveness. This issue is under active discussion in the CPG.
- *Declining significance of ODA.* Zambia now enjoys strong macro-economic fundamentals, characterized by steady growth over time, a stable currency, declining inflation and interest rates and renewed interest in the country by foreign investors. Through the HIPC and MDRI facilities, the country has had its multilateral and bilateral external debt cancelled. Therefore, overall donor dependence has declined and continues to decline in Zambia. Budget support as a proportion of the national budget dropped from about 30 % to about 15% over the last five years. This development is likely to influence the extent to which government will remain fully engaged in donor-sponsored aid effectiveness schemes.

**On balance**, current efforts to rationalize aid delivery in Zambia through a structured "division of labour" among development partners remain a work in progress, notwithstanding the considerable positive progress made over the last few years.

## Bangladesh's Experience on Division of Labour



**Introduction:** The Government of Bangladesh (GOB) and the Development Partners (DPs) have agreed to strengthen the harmonisation process and aid effectiveness through aligning aid to the PRS and to carry on forward with the aid coordination process under government leadership. Bangladesh as one of the signatories of the Paris Declaration (PD) 2005 on Aid Effectiveness has remained committed on its contents contained and its follow up actions. The Government of Bangladesh has made commendable efforts in pursuing better aid coordination and harmonisation through enhanced coordination and consultation. Bangladesh formulated the 'Bangladesh Harmonisation Action Plan (HAP)' in the spirit of the Paris Declaration and to promote the implementation of aid effectiveness reforms. The Plan was widely consulted on a dissemination workshop among the officials of different ministries. Bangladesh has been in close consultation with DPs on the issue. The DPs took part in the OECD-DAC baseline survey in 2006 on monitoring the implementation of the Paris Declaration. In 2007, the Government of Bangladesh volunteered to conduct a country level evaluation of the implementation of the Paris Declaration. Three sample sectors (a) Primary Education, (b) Energy and Power and (c) Environment have been selected for the study. Bangladesh has committed to conduct the OECD-DAC Monitoring Survey 2008 and will present the outcome of the survey at the 3rd High Level Forum in Accra.

Bangladesh is receiving foreign assistance under three broad categories, i.e., food aid, commodity aid, and project/program aid. Since independence in 1971 until 30 June 2005, a total of about US\$ 52.15 billion of external assistance was committed by the development partners. Over the years significant changes have taken place within the total aid package to the country. The share of grants has declined gradually, bilateral aid has decreased. Multilateral aid, on the other hand, has grown over the same period. The share of grants and project lending in the total lending has declined, whereas budget support has grown in importance.

The Local Consultative Group (LCG) created in 2006 is composed of 32 Bangladesh-based representatives of bilateral and multilateral donors. The World Bank and Bangladesh's Secretary of the Economic Relations Division co-chair the LCG. The main focus of the LCG are to organize follow-up on Poverty Reduction Strategy (PRS) annual meetings, aid harmonisation, to discuss development strategies to reach the Millennium Development Goals and to achieve specific development and poverty reduction goals set out by GoB and development partners in Bangladesh.

**Division of Labour (DoL) in Bangladesh:** Division of labour in Bangladesh is an attempt by the international community to put MDG 8 on global partnerships into practice. These debates recognized that there are potential costs and incentive effects of aid and that attempts should be made to make aid more efficient and effective. In Bangladesh, the DOL exercise built on an institutional infrastructure of developed sectorwide approach (SWAp), pooled funding mechanism, joint missions, joint sector reviews, silent partnerships, joint analytical work and advisory services by development partners. The process of a "true" division of labour is, however, still at the very beginning.

In 1998, a sector wide approach (SWAp) was adopted in the health and population sector. When the idea of the sector wide approach was shared with the Government, its operational advantages appeared to be attractive. The shift from a "projectised" approach to a programme approach was strongly influenced by the international development community's desire to test this new form of development planning. Although, at that time, little empirical evidence was available on the operational weaknesses and strengths of SWAp, the GOB agreed to adopt SWAp even without piloting.

The major advantages for the GOB for adopting sector wide management (SWM) are as follows:

- increase in efficiency and coverage of health and primary education services;
- instead of trying to convince funding agencies to fund particular activities and accommodate their requirements, the GOB is now able to take lead role in defining the health and primary education strategies and plans;

- resources are managed in a more comprehensive and integrated way with improved accountability.

Strengths, good practices and opportunities and positive effects of the process:

- formulation of an Action Plan to implement the PD;
- emphasize on the PD implementation in guidelines and Country Assistance Strategies;
- support of DPs to the PRS of the GOB;
- collaboration with GOB in formulating Bangladesh Harmonisation Action Plan, DAC survey 2006 and 2008, the ongoing Country Level Evaluation of the PD;
- joint formulation of a CAS by WB, ADB, DFID and Japan; harmonisation of country assistance programs of UN system members (UNDAF);
- SWAPs, e.g., in the educational as well as in the health, nutrition and population sector, and other jointly financed aid modalities.

The **Second Primary Education Development Program (PEDP-II)**: With the initiative of the GOB and 11 DPs (with ADB as the lead development partner), a good system of coordination and harmonisation has been developed in the Primary Education Sector of Bangladesh with a comprehensive programme approach, which has direct impact on poverty reduction and the MDG. The overall objective of the program is to improve quality, equitable access and efficiency in primary education. The PEDP-II sub-sectorwide program was designed through a joint planning process between GOB and DPs during 2001-2003. The program was launched in 2004 and implementation commenced in early 2005.

GOB and DPs recently conducted a joint mid term review (MTR) as a stock taking exercise to note the achievements and to identify gaps and concerns and focus on key priorities to move forward during the remaining period. The program had a slow start, with program activities starting mainly in 2005. The MTR noted that PEDP-II as a whole has made satisfactory progress against program targets. It has also recognized that it is quite early to expect an appreciable impact of the program at this stage. However GOB and DPs jointly identified a set of critical areas where the activities have to be accelerated or where additional efforts need to be taken.

The **Health, Nutrition and Population Sector Program (HNPS)**: The HNPS has been prepared for the period of 2003-2010. The main objectives of the HNPS are to increase availability and utilization of user-centered, effective, efficient, equitable, affordable and accessible quality services through the essential services packages, improved hospital services, nutritional services or other selected services. To achieve these objectives, the program will focus on three major areas: (i) Strengthening Public Health Management and Stewardship Capacity, through development of pro-poor targeting measures as well as strengthening sector-wide governance mechanisms; (ii) Health Sector Diversification, through the development of new delivery channels for publicly and non-publicly financed services; (iii) stimulating demand for essential services by poor households through health advocacy and demand side financing options.

The following **challenges** have been overcome and are lying ahead:

- A SWAP (or sub-SWAP) is in place and working satisfactorily with an effective coordination among donors and between the government and the development partners;
- Varied systems of different development partners mostly converged into a harmonised system;
- A complex financial system has been successfully made to work across PEDP II and HNPS;

- A Joint Working Group of the government and DP representatives is meeting regularly to closely plan and monitor the key priorities/actions leading up to the MTR;
- GOB and DPs to consider further aligning DPs' assistance strategies and interventions that are coherent, complementary and coordinated with national priorities;
- Operationalise and institutionalise an efficient data collection system on all aid disbursement modalities;
- Timely information on disbursement of aid including direct project aid expenditures.

## 6. Analysing Country Experiences

The presented country case studies as well as expectations and additional experiences contributed by the participants served as a basis to identify prerequisites and promising elements of a good process of division of labour and complementarity. Benefits thus far achieved and expected as well as perceived challenges (political, procedural, technical, capacities required) for starting and sustaining a good process of division of labour/complementarity were also discussed.

**Prerequisites and promising elements** include

- Awareness, perception, political will, mutual commitments and top “champions” at both partner country and donor level as well as mutual trust (“enabling atmosphere”, openness, non-dogmatic approach, preparedness to delegate);
- Clear goals and agreement on priorities and on results of division of labour;
- Governments’ capacities and resources to lead, coordinate and manage aid;
- “Policy infrastructure”: operationalised and prioritised national (aid) policies and strategies with results frameworks, Joint Assistance Strategies, institutionalisation of the Paris Declaration (e.g., harmonisation & alignment action plan);
- “Institutional infrastructure”: formal coordination and dialogue platforms for more transparency and exchange of information with government, partners and civil society organisations as participants (sector working groups, harmonisation and alignment groups);
- Good information system and donor mapping with matrices of all active development partners and their aid flows (amount of aid resources, donors, sectors);
- Comparative advantages at technical and procedural level (assessment and agreed methodology for measuring comparative advantages are important).

**(Expected) benefits** are seen in the following areas:

- **Direct, immediate benefits:**
  - reduced duplication of donor activities;
  - reduced numbers of donors in some cases, allocation of outside assistance according to comparative advantages;



- better balance between sectors, improved transparency and clarity of the funded and under-funded sectors;
  - improved predictability of sector commitments;
  - selection of lead donor/s, differentiation between lead, active and background donors;
  - streamlined decision making, strengthened dialogue and communication between governments and donors.
- **Indirect, more medium term benefits**
    - improved planning and results orientation;
    - improved alignment with joint assistance strategies and national plans;
    - potentially the process promotes government leadership and ownership and creates coordination instruments;
    - reduced transaction costs or redistribution of transaction costs from partner countries to donors;
    - more substantive, uniform and more dynamic policy discussions;
    - better accountability and transparency, easier attribution of results (among smaller number of actors);
    - enhanced synergies among modalities and regional sector strategies;
    - creation of bigger programmes and increasing economies of scale;
    - more funding per aid activity, visibility, strategic orientation and specialisation;
    - better management/ administration/coordination;
    - fostered delegated cooperation.

A number of **challenges** have to be overcome to start and sustain a promising process with regard to division of labour and complementarity such as

- **Political challenges:**

- political will, trust and mutual understanding;
- maintaining political and institutional stability;
- good governance;
- civil society engagement/ commitment (local – international, NGOs – corporations);
- donors' domestic policies/priorities and public pressure from parliament and tax payers (“flag planting”);
- how to force donors to move to or withdraw from under-/over-covered sectors; vested interests (donors and partner countries);
- mis-match between donors' mandates and preferences.



- **Procedural challenges:**

- partner countries lead/participation/consultation;
- inclusion of all donors (including new emerging donors);
- too much emphasis on the process rather than on development results;



- clarification of the frequency of review of the division of labour;
- global versus field leadership; involving headquarters earlier in the dialogue, ensuring accountability;
- lack of flexibility;
- high initial transaction costs.
- **Technical challenges:**
  - ensuring broader results when concentrating on sectoral division of labour/complementarity discussions;
  - clarification on the “optimal/desired” number of donors in a sector or country, avoidance of sector “orphans”;
  - agreeing on comparative advantages through an agreed methodology;
  - measuring benefits;
  - long-term commitments of donors;
  - contractual and legal delegation;
  - transaction costs for small versus big donors;
  - clarification whether there should be a correlation between the volume of support and a donor’s role and involvement.
- **Human capacity related challenges:**
  - a good capacity development plan is needed;
  - sufficient human and financial resources for the aid management system.

## 7. Emerging principles

Based on these discussions and exchanges during the workshop, a number of preliminary principles emerged with regard to division of labour/ complementarity during a structured plenary brainstorming session (see preliminary principles including specific issues for considerations under each of the preliminary principles in Appendix 4). They captured experiences and expectations related to practices from partner country and donor perspectives.

1. Focus on development results – division of labour/complementarity is not an end in itself
2. Division of labour/complementarity is an extension of a partnership – partners and donors must respect imperatives of one another
3. Avoid duplication – ensure optimal allocation of aid/development resources
4. Mutually agreeable processes for joint solutions to be ensured
5. Negotiations and flexibility are required, mutual accountability has to be ensured
6. Identify and communicate the added value of division of labour/complementarity – develop a communication strategy
7. Division of labour/complementarity should not compromise country aid volume



There was a high degree of consensus among participants about the preliminary principles. They, however, have to be refined, probably complemented, intensively discussed with more stakeholders and validated. They could then guide further strengthening of division of labour/complementarity efforts in the context of the implementation of the Paris Declaration and in the lead up to the Third High Level Forum on Aid Effectiveness in Accra.

## **8. Further work needed and next steps**

### **The High Level Forum in Accra**

The 3<sup>rd</sup> High Level Forum will bring together over 800 participants from 150 partner countries, most donors, most international aid agencies with strong civil society engagement in Accra on 2 – 4 September 2008. An initial plenary session, nine round tables and three sessions of the ministerial segment as well as a parallel market place are being organised. The third round table on harmonisation will tackle the issue of division of labour and complementarity. The final product of the Forum will be the Accra Action Agenda (AAA). It is expected to provide a small set of political and high impact actions which will help to achieve the targets agreed upon in 2005 in the Paris Declaration and to respond to potential emerging issues.

### **Workstream on rationalizing aid delivery and fostering complementarity**

As part of the preparatory process, the WP-EFF Task Team started a workstream on rationalizing aid delivery and fostering complementarity. Under this task team, a core group with donor and partner country representation is coordinating the preparation of this theme. Further interested donors and partner countries are represented in a reference group, which can be further enlarged if needed. The workstream is focusing on in-country division of labour, on building a shared political consensus among partner countries and donors and on providing good practice evidence. The development of an indicator for measuring the implementation of division of labour and complementarity will be considered.

### **Workshop recommendations for further work and next steps**

A number of issues and steps were identified for further work at international/DAC level and at partner country level.

#### International/DAC level

- Elaborate further on the preliminary principles (as identified at the workshop);
- Ensure broad participation, consultation and consensus-building at regional and international level;
- Feed the discussions and results into upcoming preparations of the HLF, i.e., OECD and Task Team meetings, the initial draft of the AAA (mid-March) and the subsequent drafting process, consultations of the WP-EFF in April, Regional Workshops organised by the Regional Development Banks in April and May as well as into the preparation of the relevant roundtable and the market place presentation in Accra;
- Identify a good process which allows for participation in the preparation of the division of labour and complementarity agenda, e.g., proposals made at this workshop are to be expanded upon in (i) electronic discussions and (ii) a 2<sup>nd</sup> workshop (eventually); validate interim-results at the Regional Workshops;
- Analyse and document good practice examples and compile lessons learnt; include other supporting elements, e.g., the results of the evaluation of the Paris Declaration;
- Use the work stream research programme for relevant studies and analyses;

- Collect information on how comparative advantages are viewed, assessed and how they may change over time; develop agreed upon methodology for measuring comparative advantages of donors (What is “comparative advantage” and how is it assessed?);
  - Clarify further how division of labour/ complementarity processes impact on predictability and volume of aid per country and per sector;
  - Analyse how division of labour of global horizontal (across countries) and global vertical (across sectors) targets and allocations interact with country level division of labour; DAC to do a mapping of vertical programmes, clarify interactions and make country level information available;
  - Context matters: More analysis is needed on context variables and potential segmentation rather than assuming a unified and “normative” context, e.g., middle income countries, fragile states; the division of labour “exercise” may look different in different contexts;
  - Commission research from the group; assign somebody to consolidate work done at global level and identify gaps, i.e., identify work still to be done; the role of new emerging donors in the aid architecture has to be considered; different aid modalities are to be included in the analysis;
- Set up a sub-space on division of labour/complementarity on the OECD website; upload workshop results and presentations on this sub-space.

A proposal to integrate an **indicator** related to division of labour and complementarity into the Paris Declaration was agreed upon in principle. However, more work needs to be done – based on already available preliminary ideas. In particular

- reflect on areas where an indicators is meaningful and useful;
- reflect on context, validity, type (quantitative, qualitative) of the indicators as well as which stakeholders will measure them and which stakeholders will apply them;
- consider the context of use: politicians, community, poor people;
- consider transaction costs for partner countries;
- programme-based approaches (PBA) could serve a proxy indicator, country programmable aid (rather than ODA) could be the basis.

#### Partner country level

- Fast track division of labour and complementarity with three partner countries;
- Put division of labour and complementarity into national action plans for aid effectiveness (this has to be addressed with development partners);
- “Workshop” the principles when they are available in draft form and check the principles against field level experience; a precondition here is that the DAC provides the information to the field staff;
- Analyse how to integrate partner countries that are not yet working on or aware of the division of labour and complementarity agenda, e.g., at the Regional Workshops.

## 9. Participants feedback

Overall, participants and organizers assessed the workshop as a positive and successful event. For many participants, the exchange about other stakeholders’ experiences and spe-

cific country cases provided valuable inputs for their future work and additional motivation to put more and better informed emphasis on division of labour and complementarity.

“We are not working for Accra, but for changes on the ground”. This statement made by a participant highlights one of the major concerns reiterated during the workshop. Improved development results are the ultimate goal, challenge and benchmark of all efforts– division of labour and complementarity is not an end in itself, but will help to better achieve the development goals.

## Appendices

### Appendix 1: List of participants

First name	Last name	Position	Organisation	Email
<b>PARTNER COUNTRY REPRESENTATIVES</b>				
<b>Bangladesh</b>				
Rafique	Siddique	Senior Assistant Chief, Economic Relations Division	Ministry of Finance	rafiquesiddique@hotmail.com
Sirajul	Haq Talukder	Deputy Chief, Economic Relations Division	Ministry of Finance	sirajhtl@bangla.net
<b>Burkina Faso</b>				
Baly	Ouattara	Technical Secretariat for Aid Effectiveness	UNDP	<a href="mailto:baly.ouattara@undp.org">baly.ouattara@undp.org</a>
<b>Cameroon</b>				
Tadjieufouet Youwo	Bertin	Secretariat General	Ministry of Finance	tyouwo@yahoo.fr
<b>Ghana</b>				
Veronica	Sackey	Head of the MDBS Secretariat	Ministry of Finance and economic planning	<a href="mailto:vsackey2002@yahoo.com">vsackey2002@yahoo.com</a>
<b>Senegal</b>				
Amadou Tidiane	Dia	Desk Officer PRSP Unit	Ministry of Economy and Finance	atdia@yahoo.com
André	Ndecky	Advisor, Department of Economic and Financial Cooperation	Ministry of Economy and Finance	a_ndecky@yahoo.fr
<b>South Africa</b>				
Elaine	Venter	Director of International Development Co-Operation	National Treasury	<a href="mailto:elaine.venter@treasury.gov.za">elaine.venter@treasury.gov.za</a>
Paula	Van Dyk	Directorate of International Development Co-Operation	National Treasury IDC	<a href="mailto:paula.vandyk@treasury.gov.za">paula.vandyk@treasury.gov.za</a>
Luyanda	Yaso	Directorate of International Development Co-Operation	National Treasury IDC	<a href="mailto:luyanda.yaso@treasury.gov.za">luyanda.yaso@treasury.gov.za</a>
Thulani	Mabaso	Directorate of International Development Co-Operation	National Treasury IDC	<a href="mailto:thulani.mabaso-mahlangu@treasury.gov.za">thulani.mabaso-mahlangu@treasury.gov.za</a>
Merlyn	Van Voore	Senior Policy Advisor International Governance	Dept. of Environmental Affairs & Tourism	<a href="mailto:mvvoore@deat.gov.za">mvvoore@deat.gov.za</a>
<b>Uganda</b>				
Richard	Ssewakiryanga		Ministry of Finance, planning and economic development	<a href="mailto:richard.ssewakiryanga@finance.go.ug">richard.ssewakiryanga@finance.go.ug</a>

First name	Last name	Position	Organisation	Email
<b>DONOR REPRESENTATIVES</b>				
Willye-Mai	King	Country Program Officer	AfDB, Mozambique Regional Office	w.king@afdb.org
Annette	Windmeisser	Division for cooperation with countries and regions: planning, policy and quality control	BMZ	annette.windmeisser@bmz.bund.de
Jost	Kadel	Harmonisation of Donor Practices	BMZ	Jost.Kadel@bmz.bund.de
Mike	Battcock	Aid Effectiveness Adviser, Country Led Approaches and Results Team	DFID	M-Battcock@dfid.gov.uk
Andrew	Ockenden	Advisor	DFID	a-ockenden@dfid.gov.uk
Hubert	Perr	Counsellor	Relex, EU Commission Pretoria	Hubert.Perr@ec.europa.eu
Jennifer	Moreau	European Affairs Unit Department for Strategy, European and Multilateral Affairs Development Policies Division	French Ministry of Foreign and European Affairs	<a href="mailto:jennifer.moreau@diplomatie.gouv.fr">jennifer.moreau@diplomatie.gouv.fr</a>
Eun-Pyo	Hong	Principal Administrator	OECD, DAC	<a href="mailto:Eun-Pyo.hong@oecd.org">Eun-Pyo.hong@oecd.org</a>
Aeneas	Chuma	Resident Representative and UN Resident Coordinator	UNDP Zambia	<a href="mailto:aeneas.c.chuma@undp.org">aeneas.c.chuma@undp.org</a>
Joan	Atherton	Senior Policy Advisor for Aid Effectiveness	USAID	jatherton@usaid.gov
Jim	Barnhart	Supervisory General Development Officer	USAID	jbarnhart@usaid.gov
Soe	Lin	Advisor, Operations Policy and Country Services Vice Presidency Harmonisation Unit	World Bank	slin@worldbank.org
Brice	Quesnel	Senior Operations Officer, Harmonisation Unit Operations Policy and Country Services	World Bank	bquesnel@worldbank.org
<b>Organization Team</b>				
Mothomang	Diaho	Facilitator, Centre of Memory and Dialogue	Nelson Mandela Foundation	mothomangd@nelsonmandela.org
Michele	Diekmann	Senior Manager	KfW Development Bank	michele.diekmann@kfw.de
Reiner	Forster	Senior Policy Advisor	GTZ	<a href="mailto:reiner.forster@gtz.de">reiner.forster@gtz.de</a>
Lioba	Weingärtner	Independent Consultant		<a href="mailto:lioba.weingaertner@t-online.de">lioba.weingaertner@t-online.de</a>

## Appendix 2: Workshop Programme

04 February 2008

<b>Time</b>	<b>Topic</b>	<b>Presenter/Facilitator</b>
09.00 – 10.10	<b>Session 1 – Welcome and Introduction of Participants</b>	
	1. Welcome address by BMZ representative and representative of host country	Elaine Venter/ RSA Jost Kadel/ Germany
	2. Introduction of participants/ Warm-Up	Mothomang Diaho (Facilitator, Nelson Mandela Foundation)
	3. Overview of background, objectives and programme of the workshop	Annette Windmeisser/ Germany
10.30 – 10.45	<b>Coffee Break</b>	
10.45 – 12.30	<b>Session 2 – Setting the Stage: Relevance of the Topic and Current Developments</b>	
	1. Introduction to the topic Complementarity/ Division of Labour: Relevance, conceptual frameworks,	Jost Kadel, Germany
	2. EU Code of Conduct, experience	Hubert Perr, EU Delegation SA
	3. OECD-DAC Analysis on Fragmentation and Concentration of Aid	Eun-Pyo Hong, OECD-DAC
	4. Complementarity/ Division of Labour from a Partner Country Perspective	Elaine Venter, South Africa
	5. Questions & Answers	Mothomang Diaho
	6. Small Group Discussions on perceived opportunities/ benefits and challenges/ risks related to improved Complementarity/ Division of Labour (three groups)	
11:25	7. Feedback to Plenary and Discussion	
12.30 – 14.00	<b>Lunch Break</b>	
14.00 – 14.45	<b>Session 3 – Complementarity/ Division of Labour in Practice: Lessons from Uganda and Senegal</b>	
	1. Presentation of country experience Uganda	Richard Ssewakiryanga Uganda
	2. Presentation of country experience Senegal	Amadou Tidiane DIA Senegal
	3. Questions and Discussion	Mothomang Diaho
14.45 – 15.30	<b>Session 3 (cont.) – Presentation of Additional Country Experience</b>	
	1. Short presentation of country experience Burkina Faso	Baly Ouattara/ STELA Burkina Faso
	2. Short presentation of country experience Zambia	Aeneas Chuma, UNDP Zambia
	3. Short presentation of country experience Bangladesh	Rafique Siddique Bangladesh
	4. Questions & Clarifications	Mothomang Diaho
15.30 – 17.30	<b>Session 4: Group Work Analyzing Country Experience</b>	
	Introduction to Group Work	Michele Diekmann
	Group Work	Participants
18.30 on	<b>Cocktail/Dinner reception</b>	





## Appendix 3: List of workshop presentations

(In chronological order; the country cases are underlined)

<b>Presenter</b>	<b>Title of the presentation</b>
Jost Kadel, Federal Ministry for Economic Co- operation and Development (BMZ), Germany	Rationalizing Aid Delivery – Partner Country Experi- ence and Perspective Introduction to the Topic: Relevance, Frameworks, Experiences so Far
Eun-Pyo Hong, Organisation for Economic Coop- eration and Development (OECD)	Rationalizing Aid Delivery – Partner Country Experi- ence and Perspective Towards Better Division of Labour: Concentration and Fragmentation of Aid
Hubert Perr, EU Commission Pretoria	International Workshop Rationalizing Aid Delivery EU Code of Conduct on Division of Labour
<u>Richard Ssewakiryanga, Ministry of Finance, Planning and Economic Development, Uganda</u>	<u>Aid Rationalization and Complementarity Lessons from Uganda</u>
<u>Amadou Tidiane Dia, Ministry of Economy and Finance, Senegal</u>	<u>Brief Overview of Experience with Regard to Comple- mentarity and Rationalising Aid Delivery in Senegal</u>
<u>Baly Ouattara, Technical Secretariat for Aid Effec- tiveness (STELA), UNDP, Burkina Faso</u>	<u>Rationalizing Aid Delivery in Burkina Faso: Experience and Perspective – Complementarity and Division of Labour</u>
<u>Aeneas Chuma UNDP, Zambia</u>	<u>Rationalizing Aid Delivery – Partner Experiences &amp; Perspectives</u>
<u>Sirajul Haq Talukder Ministry of Finance, Bangladesh</u>	<u>International Workshop on Rationalizing Aid Delivery – the Bangladesh experience</u>
Eun-Pyo Hong, Organisation for Economic Coop- eration and Development (OECD)	The Roadmap to Accra – Overview
Jost Kadel Federal Ministry for Economic Co- operation and Development (BMZ), Germany	The Roadmap to Accra – Workstream on Rationalizing Aid Delivery and Fostering Complementarity

## Appendix 4: Emerging preliminary principles

This appendix documents seven preliminary principles and related issues for consideration in the future process which emerged from a plenary discussion which brainstormed on ideas, good practices and the way forward to division of labour/complementarity.

### 1. Focus on achieving development results – division of labour/ complementarity is not an end in itself

- Division of labour should contribute to high-level results beyond the sector
- Define results/benefits you want to achieve prior to embarking on division of labour
- Identify measurable indicators
- Ensure monitoring

### 2. Division of labour/complementarity is an extension of a partnership – partners and donors must respect the imperatives of one another

- Process of Division of labour should be inclusive – government, NGOs, private sector, donors
- Partnership, but lead by partner countries
- How should the partnership be built?
- Government and donor agree on division of labour
- Division of labour has to be reviewed and has to follow when partner country's priorities shift
- Role of multilateral donors to be clarified

#### Partner country role

- Government to articulate aid policy and its national priorities
- Government should take the lead in donor mapping
- Government to coordinate the lead
- Government should ensure that all stakeholders – civil society organisations, political society, private sector endorse division of labour

#### Donor role

- Endorse support to achieving development results
- Should accept/respect government guidance/leadership
- Define their comparative advantages (have fewer donors doing the same thing)
- Commitment to state its preferences
- Support capacity development of partner countries
- Articulate their transaction costs

### **3. Avoid duplication – ensure optimal allocation of aid/development resources**

- ... by limiting the number of donors in the relevant categories
- How is the “optimal allocation of funds/aid defined?”
- What are relevant categories?
  - Sectors? How to define sectors? What is a sector? Is this a useful concept?
  - Regions? E.g. India follows a more regional approach (Asian region was underrepresented at the workshop)
  - Aid modalities?

There is not an a priori preferred basis on which to rationalise.

E.g. Uganda: Clarified this at country level → sectoral level and higher level (sectors contribute to the higher level)

- Country context is important → country specific approach is needed
- Partners and donors should be flexible and work together to achieve an agreement
- Map the national budget allocation; gaps to be identified – sectoral “orphans”, regional “orphans”
- Partner countries have to build strong information systems (aid, donors, regions, sectors etc.) for managing division of labour/complementarity
- Optimal allocation may also refer to “flagship investments” at the national level
- The discussion about division of labour/complementarity is “clouded” by the EU Code of Conduct – “We (the partner countries) are not married to the EU Code of Conduct”
- Ensure a dynamic process – priorities may shift

### **4. Mutually agreeable processes for joint solutions to be ensured**

- Identify comparative advantages and methods to determine these
- Consider promising practices and country case experience

### **5. Negotiations and flexibility is required, mutual accountability has to be ensured**

- Negotiations – consultations?
- Government capacity to lead the process is crucial
- Caveat to protect partner countries needed
  - Last word must be with the partner; defer to government preferences in the end
  - Protect the integrity of the partners’ development plans and priorities
- Agree on pragmatic and workable solutions
- Process should take place in-country
  - Limit headquarters’ influence
  - Strengthen communication between field level/country level and headquarters
  - Decentralise donor systems

## **6. Identify and communicate the added value – develop a communication strategy**

- Engage politicians – have a communication strategy to bring them on board
- Identify and engage “champions” at the political level
- Communicate broadly
- Make division of labour/complementarity part of an aid effectiveness communication strategy
- Donors to communicate global decisions
- Division of labour/complementarity should be effectively communicated with the benefits clearly articulated

## **7. Division of labour/complementarity should not compromise country aid volume**

- Is this feasible? Transparency on donor imperatives and limitations is needed
- In country: division of labour/complementarity should not be implemented at the expense of country and sectoral aid volumes or predictability of aid flows → balance allocations, avoid “orphans”
- Not feasible for cross-country division of labour/complementarity
- More assessment work is needed, e.g., effects of global sectoral approaches and influence of vertical programmes
- Risks: countries lose out, shift of country focus to regional focus
- Transparent communication needed
- Clarify how to ensure predictability and donor commitment