



## Division of Labour

### Complementarity and Division of Labour in Development Policy

#### Introduction

In 2005, OECD countries invested more than \$100 billion to advance welfare and eradicate poverty in developing countries. In order to increase its impact, this aid must be used effectively. Costs of uncoordinated aid are very high. Especially in the poorest and most aid-dependent countries, too many actors with competing objectives lead to high transaction costs and reduced impact.

In May 2007, EU Member States and the European Commission (EC) agreed on a process to increase specialization and harmonization of their development aid activities. Each EU Member State and the EC will focus their aid on three thematic sectors and limit the number of intervention countries, based on their comparative advantage as donors, in cooperation with other donors and the beneficiary (partner) country. To prepare for this re-allocation of EU development assistance, the EU Member States and the EC will conduct a self-assessment of their respective areas of strength for discussion at the OECD/DAC High Level Forum in September in Accra, Ghana in September 2008.

#### Paris Declaration

The Paris Declaration<sup>1</sup> mentions the need for a “division of labour” in Official Development Assistance, stating that “excessive fragmentation of aid at global, country or sector level impairs aid effectiveness”. In that declaration, partner countries commit to “provide clear views on donors’ comparative advantage and on how to achieve donor complementarity at country or sector level”. The 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”.



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The Paris Declaration rests on five tenets that aid has a higher impact when:

- Developing countries exercise leadership over their development policies and plans (ownership).
- Donors base their support on countries' development strategies and systems (alignment).
- Donors co-ordinate their activities and minimise the cost of delivering aid (harmonisation).
- Developing countries and donors orient their activities to achieve the desired results (managing for results).
- Donors and developing countries are accountable to each other for progress in managing aid better and in achieving development results (mutual accountability).<sup>2</sup>

## EU Division of Labour

In May 2007, MS and EC adopted a voluntary, flexible and self-policing "EU code of Conduct on Complementarity and Division of Labour in Development Policy."<sup>3</sup> This Code of Conduct affirms that "primary leadership and ownership in in-country (sic) division of labour should first and foremost lie in the partner country government."<sup>4</sup> Further, EU donors will aim at "focusing their active involvement in a partner country on a maximum of three sectors". The comparative advantage of a given donor should be self-assessed, endorsed by the partner government and recognized by other donors. Guiding principles include:

- 1) Concentrate active involvement on three sectors in-country, plus general budget support, support to civil society and research and education schemes;
- 2) Redeployment of "freed-up resources" into general budget support;
- 3) Agreement on a lead donor in-country, responsible for all donor coordination;
- 4) If a sector is considered strategic, an EU donor may delegate authority to another donor to act on its behalf for funds administration or policy dialogue;
- 5) Limit active donors to 3-5 per sector in-country, with at least one donor actively involved in each sector relevant for poverty reduction;
- 6) Replicate these principles at regional level with partner regional institutions;
- 7) Limit each donor's number of priority countries;
- 8) Address the problem of "orphaned" or neglected countries, while linking relief and rehabilitation to long-term development;
- 9) Analyse and expand areas of strengths;
- 10) Advance vertical complementarity and further discuss cross-modalities and instruments for joint/coordinated programmes; and
- 11) Deepen the reforms at country-level, including further decentralisation.



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*Additional background.* This discussion was informed by an EC “Aid effectiveness Package”, adopted earlier in 2007, which included the following three Communications:

- “Delivering more, faster and better”<sup>5</sup>, considered overarching, lists 9 strategic deliverables each with an operational working agenda for 2006-2007.
- “Financing for Development and Aid Effectiveness”<sup>6</sup> corresponds to one of the nine deliverables of the package and organises the monitoring of Member States’ performance both in terms of volume and quality of aid.
- A “Joint Programming Framework”<sup>7</sup> corresponds to a second deliverable of the package and paves the way for a future joint Programming of European aid between the European Commission and Member States

## Aid Effectiveness in Reality

A 2005 OECD survey on monitoring the Paris Declaration<sup>8</sup> points to six major priority areas that need policy makers’ attention if countries and donors want to achieve their Paris commitments:

- 1) Partner countries need to deepen their ownership of the development process by engaging their citizens and parliaments more fully in planning and assessing their development policies and programmes.
- 2) Donors need to support these efforts by making better use of partners’ national budgets to align their programmes with country priorities. They also need to improve the transparency and predictability of aid flows by sharing timely and accurate information on intended and actual disbursements with budget authorities.
- 3) Partner countries need to take the lead in determining priority programmes of capacity development, especially those needed to improve country systems.
- 4) To further harmonisation, donors must work aggressively to reduce the transaction costs of delivering and managing aid.
- 5) To promote managing for results, countries and donors should make greater use of performance assessment frameworks and more cost-effective results-oriented reporting.
- 6) To begin addressing mutual accountability commitments, countries and donors should clearly define a mutual action agenda and discuss aid effectiveness progress and development results more explicitly at country level by using country dialogue mechanisms (e.g. revamped Consultative Group and round table meetings) and developing credible monitoring mechanisms where needed.



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## Health as a Tracer Sector for Progress on the Paris Declaration<sup>9</sup>

WHO, the World Bank and OECD DAC have found that the health sector illustrates many of the problems associated with ineffective provision of aid. Research for country-level provision of aid for health has highlighted four key issues:

- 1) Aid for health is often not aligned with government priorities, and comprehensive health systems strengthening approaches are insufficiently funded.
- 2) Health is often unpredictable, short-term and volatile.
- 3) Aid is poorly harmonised, increasing transaction costs for governments.
- 4) Government budget allocations for health may lose out as donors move to general budget support.

Even more so, health is found to be a rich source of ideas and experience on how to address these challenges. As a result, the OECD will be using health as a “tracer sector” to monitor aid harmonisation and effectiveness. This means that health will feature prominently at the third High-Level Forum and that there will be space for a commitment on health in the Accra Action Agenda, to be signed by ministers attending the meeting.

WHO sources report in the coming months, WHO and the World Bank plan to take action in four areas:

- 1) Building the evidence base on aid effectiveness and health;
- 2) Identifying and acting on constraints to scaling up in donor agencies and recipient countries;
- 3) Strengthening the link between aid effectiveness and the health systems agenda;
- 4) Strengthening accountability at global level.



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It is important to note that several complementary streams of work will feed into discussions on health as a tracer sector, including:

- Work on Global Programmes at the OECD/DAC: led by the World Bank, this will explore the implications of changes in the aid architecture for aid effectiveness, focusing in particular on the emergence of new donors and the creation of new funding mechanisms.
- Case studies to be carried out by GAVI and the Global Fund to assess how far Global Programmes are complying with the Paris Declaration.
- The Strategic Partnership for Africa (SPA) has a working group on Vertical Funds and Health, which will carry out six country case studies.
- Harmonization for health in Africa (HHA) which brings together the African Development Bank, UNFPA, UNICEF, WHO and the World Bank with the aim of supporting countries to accelerate progress towards the health related MDGs
- OECD/DAC work stream on Aid Effectiveness in Fragile States.

## OECD/DAC High Level Forum on Aid Effectiveness<sup>10</sup>

Next to the DAC Working Party on Aid Effectiveness<sup>11</sup>, a multi-stakeholder advisory group on civil society and aid effectiveness has been charged with looking into civil society as a development actor, and more specifically, its role in promoting accountability and demand for results. The Advisory Group will propose avenues for addressing Civil Society Organisations (CSOs) and aid effectiveness at the High Level Forum in Accra<sup>12</sup>. The Advisory Group will also make recommendations to the Working Party<sup>13</sup>.

### Civil Society Participation

There are two ways for CSOs to participate in the Accra meeting:

- 1) Regional consultations with regional, national and local CSOs will be held with the aim to receive input from CSOs to the Advisory Group<sup>14</sup>. After those consultations have been held, there will be an international meeting with 2-3 CSO delegates from each regional consultation. The international meeting takes place in Johannesburg, South Africa on November 15-16 2007<sup>15</sup>.
- 2) Secondly, there is a parallel process for CSOs to influence the outcome of the official process. To this end an "International CSO steering Group (ISG)" has been established, whose terms of reference are yet to be published<sup>16</sup>.



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## Opportunities and Risks for SRHR

The main opportunity of “complementarity and the division of labour” is increased effectiveness of development aid and thus also in the field of SRHR. The question is whether this process will indeed lead to more effectiveness and harmony between the donors and their policies (see graphic). Some positive outcomes that could result include:

- Reduced transaction costs by developing country governments could free up additional funding for SRHR information, services and supplies, and thus better access.
- Improved donor communication and coordination could lead to improved effectiveness of funding for SRHR, eg, the donors that are strongest in SRHR could have overall responsibility in-country.
- Increased budget support could result in strengthened health systems, including SRHR information, services and supplies.
- If poverty is reduced and economies develop, improved health and SRHR could result due to increased wealth in-country.

Some risks associated with a new division of labour include:

- As donors prioritise and reduce the number of their sectors of involvement, SRHR could be left out. Donors may concentrate on countries and issues they can win visibility and rapid improvement, and they might not see SRHR as a “quick win” investment.
- As donor staff are reassigned, thematically or geographically, based on the reprioritisation process, institutional knowledge about local SRHR needs, programmes and history could be lost.
- As funds are re-directed to developing countries’ general budgets, it will become increasingly difficult to know whether donors’ commitments to SRHR and the ICPD Programme of Action are being fulfilled.
- As decision-making increasingly takes place at the developing country level, NGOs based in donor countries will be severely challenged to obtain information needed for effective monitoring of ICPD implementation and advocacy.
- SRHR NGOs funded under current donor programmes could lose their eligibility for funding or have increased transaction costs associated with changing rules for aid allocation.



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<sup>1</sup>Paris declaration on aid effectiveness, ownership, harmonization, alignment, results and mutual accountability, endorsed on 2 March 2005, page 6, at: [http://www.oecd.org/document/18/0,3343,fr\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3343,fr_2649_3236398_35401554_1_1_1_1,00.html)

<sup>2</sup>Idem.

<sup>3</sup>EU code of Conduct on Complementarity and Division of Labour in Development Policy, at: <http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf>

<sup>4</sup>Idem, p.3.

<sup>5</sup>Communication “Delivering more, faster and better” (COM(2006)87), at [http://ec.europa.eu/commission\\_barroso/michel/Policy/key\\_documents/docs/COMM\\_PDF\\_COM\\_2006\\_0087\\_F\\_EN\\_ACTE.pdf](http://ec.europa.eu/commission_barroso/michel/Policy/key_documents/docs/COMM_PDF_COM_2006_0087_F_EN_ACTE.pdf).

<sup>6</sup>Communication “Financing for Development and Aid Effectiveness” (COM(2006)85), at [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0085en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0085en01.pdf).

<sup>7</sup>Communication “Joint Programming Framework” (COM(2006)88), at [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0088en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0088en01.pdf)

<sup>8</sup><http://www.oecd.org/dataoecd/58/28/39112140.pdf>

<sup>9</sup>Proposal to use health as a “tracer sector” for tracking progress on the Paris declaration, Working Party on Aid Effectiveness and Donor Practices, at [http://www.olis.oecd.org/olis/2007doc.nsf/3dce6d82b533cf6ec125685d005300b4/4078e1e501398f88c12572910043bc11/\\$FILE/JT03222825.DOC](http://www.olis.oecd.org/olis/2007doc.nsf/3dce6d82b533cf6ec125685d005300b4/4078e1e501398f88c12572910043bc11/$FILE/JT03222825.DOC)

<sup>10</sup>[http://www.oecd.org/department/0,3355,en\\_2649\\_3236398\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_3236398_1_1_1_1_1,00.html)

Draft concept note of the meeting: <http://www.oecd.org/dataoecd/34/48/38284464.pdf>

<sup>11</sup>Please find at: [www.oecd.org/dac/effectiveness](http://www.oecd.org/dac/effectiveness)

<sup>12</sup>[http://www.olis.oecd.org/olis/2007doc.nsf/87fae4004d4fa67ac125685d005300b3/e33b79d880f49759c1257284005a2bfc/\\$FILE/JT03222118.PDF](http://www.olis.oecd.org/olis/2007doc.nsf/87fae4004d4fa67ac125685d005300b3/e33b79d880f49759c1257284005a2bfc/$FILE/JT03222118.PDF).

<sup>13</sup>Please find more information at <http://www.ccic.ca/e/002/aid.shtml>.

<sup>14</sup>The schedule for the regional consultations is available at: [http://www.ccic.ca/e/docs/002\\_aid\\_2007-09\\_cso\\_consult\\_schedule.pdf](http://www.ccic.ca/e/docs/002_aid_2007-09_cso_consult_schedule.pdf)

<sup>15</sup>See [http://62.149.193.10/wide/download/2007\\_News\\_8.pdf?id=505](http://62.149.193.10/wide/download/2007_News_8.pdf?id=505).

<sup>16</sup>As part of the parallel CSO process’ work, a website has been especially designed as both an information and organising tool for those interested or involved in working on development issues in general and the aid architecture and aid effectiveness agenda in particular. For more information, see <http://www.betteraid.org>.



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