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EU Accountability Report 2011 on Financing for Development

Review of progress of the EU and its Member States

Accompanying document to the

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PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
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Annex 5 Third Monitoring Report and Progress Review of the EU Fast Track Initiative on Division of Labour

Annex 5.1.

Third Monitoring Report and Progress Review of the EU Fast Track Initiative on Division of Labour

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Special thanks to all country facilitators of the Fast Track Initiative on Division of Labour for their often very comprehensive answers to the questionnaire, to the participants of the EU Technical Seminar on Aid Effectiveness for their valuable comments and to Sibylle Tepper for steering the communication process of the survey.

1.Key Messages

Since 2008, the EU Fast Track Initiative on Division of Labour and Complementarity (FTI DoL) which involves the European Commission and currently 14 Member States as facilitators has supported DoL processes in approximately 30 partner countries.

This 3rd Monitoring Survey as well as trends since 2008 show that especially in the 19 countries involved since the beginning, there has been encouraging progress.

There is widespread use and institutionalization of donor mappings as an aid management instrument, an upward trend in country-level agreement on sector definitions as an important precondition for DoL and solid use of lead donor arrangements that can generate more momentum for DoL. Perceived partner country commitment to DoL processes has also somewhat improved.

Considering the results of DoL processes, these are increasingly positive with regard to the quality of sector dialogue and, at a lower level, the rationalization of aid allocations. Finally, the responses show an increasing expectation of positive contributions to aid and development effectiveness.

Nevertheless, the DoL approach is demanding and takes time to yield measurable results. Also, some methodological issues still need to be resolved. Questions related to country ownership and donor commitment – i.e. interests and incentives - will remain permanent challenges. Finally, to show its full potential, the DoL approach should be better adapted to specific country conditions and integrated with other aspects of the aid effectiveness agenda. At EU level, ongoing discussions on Joint Programming provide a framework to deal with these challenges.

An emerging issue of relevance with regard to explain HLF 4 is the rapidly increasing importance of “new donors” and “new funding lines” reported from country level. This phenomenon adds to the complexity of the global aid and development architecture and thus presents new challenges for the DoL and broader aid effectiveness agendas.

2. Background

The EU Fast Track Initiative on Division of Labour and Complementarity (FTI DoL) aims to support a selected group of partner countries in the process of implementing In-Country Division of Labour (DoL) as a contribution to aid and development effectiveness. In the context of this initiative, since 2008 EU Member States and the European Commission as facilitating and supporting donors have been systematically cooperating with approximately 30 partner countries, using the principles of the May 2007 EU Code of Conduct on DoL as their main point of reference. Improved DoL is to increase the complementarity of donor contributions and the efficiency and effectiveness of aid delivery, thus contributing to improved development results.

DoL can be understood as an integral part of the harmonization agenda but should not be confused with donor coordination. Donor coordination is about dealing with the given situation of (too) many donors working in the same country and sector (i.e. fragmentation of donor contributions) but not changing this situation per se. DoL in contrast is about changing the situation by systematically reducing the number of donors in overcrowded sectors and increasing support for orphan sectors, making use of donors' comparative advantages in the process to ensure the complementarity of their contributions. Nevertheless, in most countries donor coordination and DoL happen at the same time and complement each other.

A first monitoring of the status quo of DoL implementation was conducted in December 2008 (responses from 22 partner countries), the second in October 2009 (responses from 28 partner countries). Results were widely shared and perceived as a valuable input for discussions on DoL at EU level and beyond, e.g. in the context of the OECD Working Party on Aid Effectiveness (WP-EFF), especially its Task Team on Division of Labour and Complementarity (TT DoL).

As was recommended in the 2009 FTI DoL Monitoring Report, in 2010, beyond ongoing in-country facilitation of DoL processes, five DoL country cases were presented and discussed at DG Meetings and Technical Seminars in Brussels. Also, FTI DoL and TT DoL co-organized two Regional Workshops on Country-Led DoL for Anglophone Africa in Uganda (Sept. 2010) and for Francophone Africa in Tunis (Nov. 2010) with participants among government, civil society and donor representatives from a total of 20 partner countries.¹ A workshop for Latin America will take place in Honduras in April 2011, the feasibility of one in Asia in the first half of 2011 is still being discussed.

Members of the FTI DoL agreed to continue the monitoring on a regular basis. This paper presents the findings of the third monitoring round which took place until February 2011, reporting on the situation in 2010 (see Annex 1 for an overview of the results). With a view towards contributing to ongoing discussions on how to insert DoL into the preparation process and the agenda of HLF 4 in Busan in late 2011, this paper also provides a broader progress review on the FTI DoL by assessing trends since the first monitoring in 2008.

This time, the questionnaire² was sent out to the 31 partner countries on the current FTI DoL list (see Table 1 and Annex 3).³ Responses received from the facilitating donors in the

¹ The workshop reports are available at:
http://www.oecd.org/document/9/0,3746,en_2649_3236398_45464009_1_1_1_1,00.html

² A copy of the questionnaire is attached in Annex 2.

³ The FTI DoL List was attached to the Operational Framework on Aid Effectiveness (2009) (18239/10) http://www.ec.europa.eu/europeaid/how/ensure-aid-effectiveness/eu-approach_en.htm. This list is updated in

following 30 partner countries⁴ could be integrated in this report (numbers in brackets indicate how many times the country participated in the monitoring since 2008): Albania (2), Bangladesh (3), Benin (3), Bolivia (3), Burkina Faso (3), Burundi (3), Cameroon (3), Central African Republic (2), Ethiopia (3), Ghana (3), Haiti (1), Honduras (2), Kenya (2), Kyrgyz Republic (3), Laos (1), Madagascar (3), Malawi (2), Mali (3), Moldova (1), Mongolia (3), Mozambique (3), Rwanda (3), Senegal (2), Serbia (1), Sierra Leone (1), Tanzania (3), Uganda (3), Ukraine (3), Vietnam (3) and Zambia (3). Despite the rather tight deadline, in 11 countries (38%), donors and the partner country representatives answered jointly⁵, in 20 countries (69%) was the answer coordinated with other donors (in 9 countries or 31%, both consultations happened); the remaining questionnaires were filled in only by the facilitating donors.

For the purpose of contextualizing the monitoring results, the countries covered by the FTI DoL are classified in Table 1 with regard to regions and country types; the table also shows the number of bilateral and multilateral donors reporting to the OECD-DAC per country as a first (though rather crude) indicator of fragmentation - the core problem the DoL approach seeks to address. The numbers vary considerably within the Low Income Country (LIC) group (from 19 to 35) but also in the Middle Income Country (MIC) group (from 21 to 32), whereas numbers are similar comparing the two groups. The table also marks the countries covered by presentations in Brussels at the meetings of the EU Directors General as well as those participating in the two Regional DoL Workshops in 2010.

The FTI monitoring list includes “core countries” of the Aid Effectiveness Agenda, most of which are African LICs and Least Developed Countries (LDCs). But even within this group there are considerable differences between Anglophone (including Mozambique) and Francophone countries, and again within each category, in terms of their capacities for aid coordination and management and their priorities within the broad aid effectiveness agenda. Beyond Africa, with few exceptions, aid effectiveness and DoL processes are much more recent, and the list includes more Lower Middle Income Countries (LMICs) and, in Europe, even Upper Middle Income Countries (UMICs) with a much stronger potential for country ownership in aid management, but also with different priorities and challenges.

Annex 3 of this document, as there have been some changes in the choice of countries and in the facilitator roles among EU donors. The FTI DoL List of the Operational Framework forms the basis for Table 1, naming those included in the present survey. In this and previous surveys, choice was made to include some countries in the monitoring that do not feature on the FTI DoL List, but have interesting processes to report on. In the previous surveys, a total of 32 partner countries (2008) and 36 countries (2009) were included. Besides European Commission, 14 Member States are currently involved in the FTI-DoL: BE, CZ, DE, DK, ES, FR, IE, IT, LUX, NL, PT, SE, SI and UK (see Annex 3). With the exception of Laos, Malawi, Mongolia and Uganda which are without facilitating donors, there are one or two facilitating and up to seven supporting EU donors per partner country covered in the 2011 FTI DoL monitoring.

⁴ Twenty-nine responses received until March 7, 2011 could be integrated into the quantitative analysis and graphs of this final report (information from the Central African Republic which arrived later was integrated qualitatively). These 29 responses represent 94% of the countries on the current FTI DoL List (69% in 2008, 78% in 2009). Responses vary considerably in the amount of additional comments and documents provided which facilitate understanding of the situation at country level.

⁵ These countries are: Albania, Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Senegal, Serbia, Sierra Leone, Ukraine and Vietnam (in the case of the Ukraine, the EU facilitator actually passed on the questionnaire filled in by the government with some comments). In several other countries, partner government responses were requested but not received in time.

Table 21 - Partner Countries Addressed in the EU FTI Monitoring Survey 2011

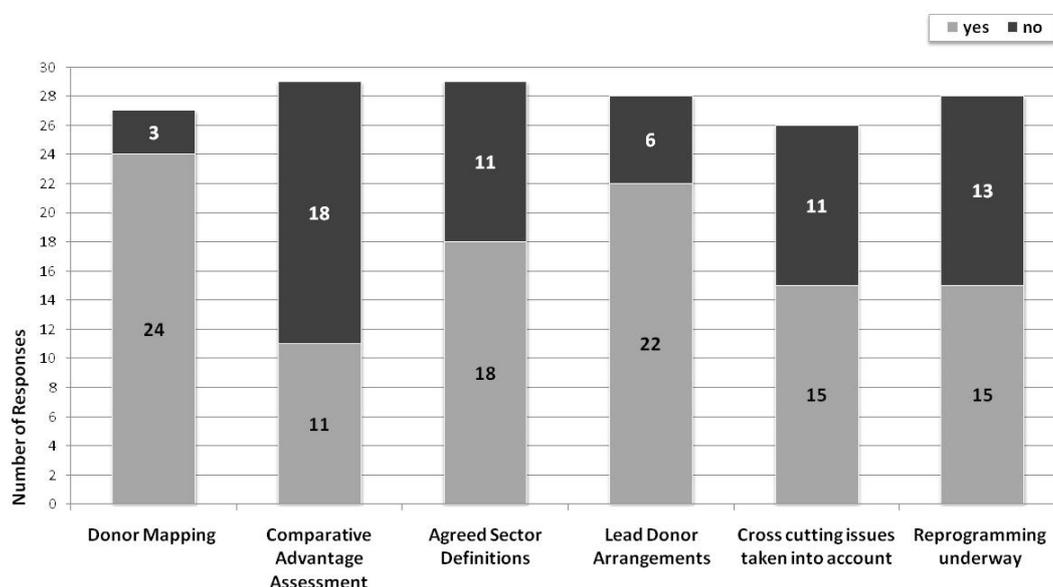
Continent	Subcategories	Low Income Country	Middle Income Country	
			Lower Middle Income Country	Upper Middle Income Country
Africa	Anglophone	Ethiopia (35)*+ Ghana (31)+ Kenya (36)+ Malawi (24)+ Rwanda (34)+ Sierra Leone (26)+ Tanzania (35)+ Uganda (30)+ Zambia (31)+	---	---
	Lusophone	Mozambique (35)+	---	---
	Francophone	Benin (26)+ Burkina Faso (30)+ Burundi (30) CAR (19)+ Madagascar (25)+ Mali (29)*+	Cameroon (26)+ Senegal (31)+	---
Asia		Bangladesh (28) Laos (28) Kyrgyz Rep. (19)	Mongolia (24) Vietnam (32)*	---
Latin America		Haiti (23)+	Bolivia (29)* Honduras (27)	---
Europe		---	Moldova (22)* Ukraine (21)	Albania (27) FYROM (22) Serbia (30)
Total		20	8	3
<p>Sources of country classifications: World Bank 1/2011 (http://data.worldbank.org/about/country-classifications); UN 1/2011 (http://www.unohrlls.org/en/ldc/related/59/)</p> <p>Notes: red: no response; bold: Least Developed Country (LDC); (...) number in brackets: numbers of donors (OECD DAC 2011, based on 2009 CPA data); *) country case presented at 2010 DG Meetings and/or Technical Seminars; +) country participation in one of the two regional DoL workshops in Africa 2010 (by government and/or donor and/or civil society representatives).</p>				

3. Progress in Division of Labour Processes

As was already described in the previous monitoring reports, “ideal-type” DoL processes at partner country level go through three stages (independent of who takes the lead). First of all, an assessment of the status quo takes place e.g. through a mapping of donor presence at sector level. In a second step, partner governments articulate their preferences, donors assess their respective comparative advantages (individually and/or through a peer review), and both sides negotiate an agreement on DoL. Finally donors and partner countries implement an improved DoL regime by reprogramming aid at sector level or using delegated cooperation.

Figure 38 shows the current status of six major aspects of DoL implementation in 2010 (29 responses). As in the previous years, country situations vary considerably, depending e.g. on the length of involvement with the “DoL Agenda.”⁶ Recent political crises or natural disasters in several countries have also had their impact on aid management, including DoL processes.⁷

Figure 38 - Status of the DoL Process (2010)



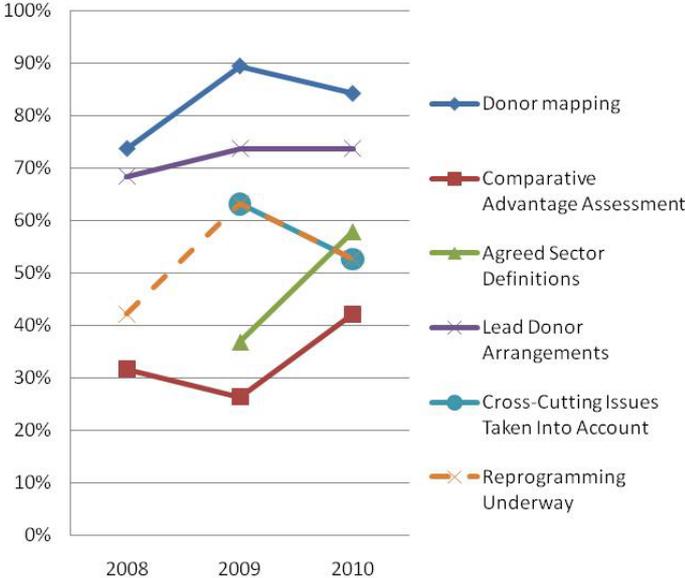
Donor mappings and lead donor arrangements continue to be the instruments of the DoL approach most widely used. Information from the questionnaires shows that many donor mappings have been updated and improved in recent years and that in some cases the instrument has become an integral part of aid management at country level. Examples are the ongoing development of the second Joint Assistance Strategy in Zambia (JASZ II) or the “G19” process in Mozambique in which all 19 General Budget Support donors are involved. Lead donor arrangements, usually in the context of Sector Working Groups, can take a variety of forms and degrees of formality but are generally described as useful. Other elements of the DoL approach - mutually agreed sector definitions and actual reprogramming, but also the integration of cross-cutting issues and comparative advantage assessments – continue to be less frequent.

⁶ In 2011, Haiti, Laos, Moldova, Serbia and Sierra Leone were newcomers to the survey with so far limited DoL implementation to report.

⁷ For example, in Madagascar due to the application of Art. 96 of the Cotonou Agreement many development cooperation programs and activities were interrupted and it was impossible to continue the DoL process.

Figure 39 shows the trends in DoL implementation since 2008 only for those 19 countries which participated in all three surveys.⁸ Again, donor mappings and lead donor arrangements are the most frequently used instruments. In 2009, the absence of jointly agreed sector definitions had been identified as a frequent challenge for In-Country DoL processes. With regard to this aspect, there has been a significant improvement, whereas the frequency of all other elements of the DoL approach has fluctuated over time.

Figure 39 – Trends in the Status of DoL Processes



The frequency of comparative advantage assessments has picked up again after a slight decline in 2009. Comments in the questionnaires show that they are already institutionalized in Ghana or Mozambique but continue to be a challenge in many other countries. They often seem to happen rather informally. Cross-cutting issues like human rights, gender and environment were said to be systematically addressed in the context of lead donor arrangements in about two thirds of the countries in 2009 but now show a downward trend. However, these issues are sometimes also treated as separate sectors or by specialized working groups.

Reprogramming as a consequence of DoL processes shows a decline after a peak in 2009 but is still above 50%. Progress at least among EU donors is reported from Joint Assistance Strategy or other review processes e.g. in Ghana, Mozambique and Zambia. However, as was noted already in 2009, in several countries (even those mentioned above) reprogramming also continues to be the result of unilateral portfolio decisions at donor headquarters⁹, and the coordination of exit strategies at country level remains a challenge. Delegated cooperation is reported from several countries, mainly in Anglophone Africa, but is still only incipient in most of Francophone Africa, Asia and Latin America.

⁸ These countries are: Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Ethiopia, Ghana, Kyrgyz Republic, Madagascar, Mali, Mongolia, Mozambique, Rwanda, Tanzania, Uganda, Ukraine, Vietnam, and Zambia.

⁹ The response from Vietnam, for example, relates reprogramming to the fact that donors scale down their ODA in view of the country’s recent acquisition of middle-income country (MIC) status.

Nine responses (31%)¹⁰ report Action Plans which were proposed in the November 2009 Council Conclusions¹¹ as an additional support for DoL processes. In the case of Ghana, the Action Plan states:

“To mitigate the risk of proliferation of processes and papers, this action plan is based on existing processes like the G-JAS review, the mapping and strengthening of Sector Working Groups and will be harmonised with the draft implementation plan for the Ghana Aid Policy expected to be presented at the CG meeting in September 2010. It follows a pragmatic approach with the aim of saving resources on all sides and identifying/formulating a set of significant and achievable targets.”

The Mozambique Action Plan, while directed first of all at EU donors, is also embedded in the “G19” process. Some reports on DoL action plans actually refer to broader plans already developed outside of the FTI DoL (e.g. the Harmonization Action Plan in Albania, the Joint Cooperation Strategy in Bangladesh, or the EU Aid Effectiveness Roadmaps in Tanzania and Vietnam), and most of these responses do not consider the elaboration of separate DoL Action Plans advisable. In Zambia, a DoL action plan was drafted but the process discontinued because DoL would be well covered in the new JASZ. Similar comments come from a number of countries which responded negatively to the question since DoL is already an integral part of government-donor dialogue (e.g. Sierra Leone). Given this feedback, it seems advisable to leave it to facilitating donors at country level to decide and report if a special FTI DoL Action Plan can add value in the national aid management context.

Two questionnaires (Burkina Faso, Ghana) refer to an issue which is so far not explicitly addressed by the DoL approach: its relationship to the changing mix of aid modalities. The response from Burkina Faso argues that a donor providing Sector Budget Support to five sectors may have a better impact on aid effectiveness than one focusing on only three sectors but utilizing a project approach. Similarly, the response from Ghana compares the impact of sector concentration via PBA favorably to that via “small, traditional projects.” This issue deserves more attention and also points to the need to better integrate DoL into the broader aid effectiveness agenda at country level.

Finally, feedback from the facilitators themselves on their experiences was as follows: considering only responses from those countries involved in the FTI DoL already before receiving the questionnaires¹², in 2011, 50% (of 24) respondents were satisfied with the information they received from their headquarters (down from 63% of 24 respondents in 2009). In 2011, 58% felt well prepared for their role as DoL facilitators (also down from 63% in 2009), 21% (vs. 29% in 2009) explicitly did not.

4. Leadership and Promotion of DoL Processes

With ownership being the key principle of both the Paris Declaration (PD) and the Accra Agenda for Action (AAA), donors should strive for engaging in a way that supports partner

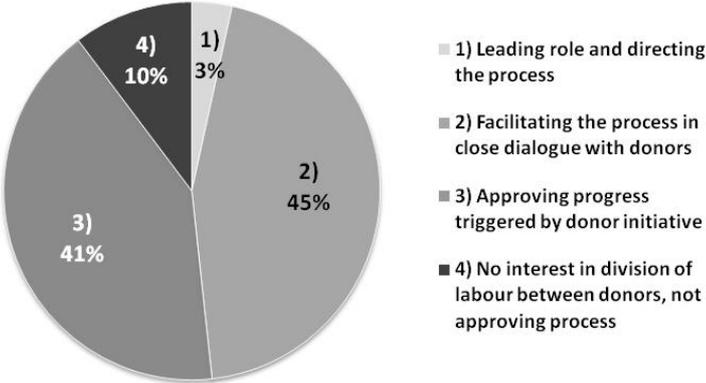
¹⁰ Albania, Bangladesh, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Tanzania and Vietnam.

¹¹ Annex I, A.3.f): “Building on existing work, and additional action in line with measures described above, develop, by 31 March 2010, a joint action plan and timeframe per FTI DoL country for the implementation of DoL. The plan is to be based on the Code of Conduct and the Toolkit for Division of Labour, also taking into account the International Good Practice Principles for Country-Led Division of Labour. The joint action plan should be coordinated with partner countries and other donors with a view to being integrated into Joint Assistance Strategies where these exist.”

¹² In 2011, responses included five countries new to the FTI DoL, in 2009, four (in 2008, no feedback was requested from facilitators).

countries’ priorities and strengthens their leadership. As noted in the previous two reports, DoL still seems to be a process initiated and promoted mainly by donors, in most cases led by European Commission or Member States – despite considerable efforts to the contrary by EU facilitating and supporting donors and the regional workshop series on “Country-Led DoL.” However, in comparison to previous years, many more countries are now not only approving DoL processes but are reported to be involved in facilitating them (see Figure 40).

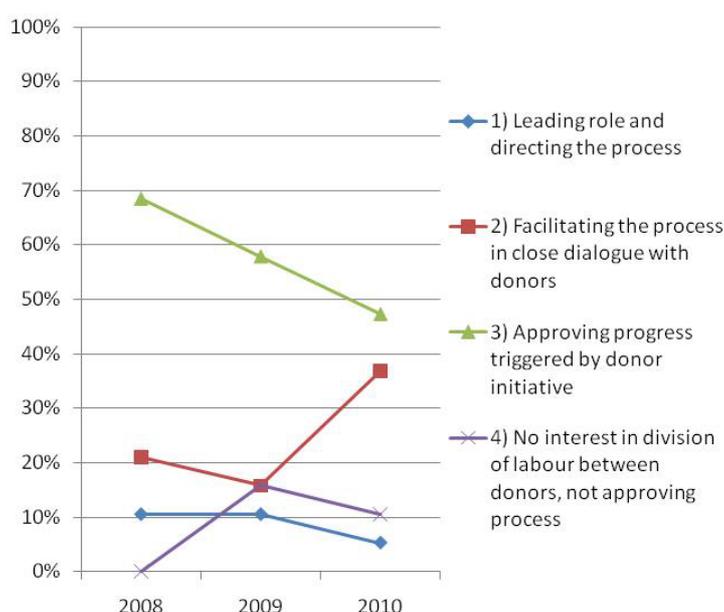
Figure 40 - Commitment of partner government (2010)



As Figure 41 shows (again based on a comparison of 19 countries over time), only one partner country – Rwanda – has continuously been in the lead of its DoL process which is an integral part of Rwanda’s much broader and very assertive aid coordination and management. This experience provided a stimulating input for other Anglophone countries at the regional workshop in Uganda (see Footnote 1). Three other countries which were at some point classified as “in the lead” (Tanzania, Uganda, and Malawi) are now – more realistically, as their presentations at the same workshop showed - described as facilitating or approving DoL processes.

Indeed, given that improvements in DoL and complementarity as part of the broader harmonization agenda are first of all a donor responsibility, it may not be realistic to expect all partner countries to immediately – or ever - assume a leading role in DoL processes. Therefore, it is encouraging to see that the numbers in the category “facilitating role” have recently been increasing quite considerably. Zambia is the only country which has assumed a strong facilitating role for the last three years but continues to suffer from shortages in personnel that limit its leadership in aid management. An additional considerable but declining number of partner governments continue to approve DoL progress triggered by donors.

Figure 41 – Trends in Partner Country Commitment to DoL



The number of partner countries reported to have no interest at all in DoL remains low and fluctuates to some degree as a result of external events (political changes, natural disasters). Countries in fragile situations like Haiti or the Kyrgyz Republic are reported not to be in conditions to provide leadership to aid management in general, let alone in DoL, but the case of Sierra Leone shows that this situation can improve, although aid management in a post-conflict situation has its own challenges. The response from Burundi stresses that the country actually does not have enough donors to cover its financing needs, explaining why DoL is not a pressing concern; the response from the Central African Republic contains similar observations.¹³ Similarly, the response from Serbia considers the DoL Agenda less relevant for this country which has a rapidly decreasing number of donors due to its upper middle-income country (UMIC) status.

Well-known reasons for weak ownership of partner governments like the fear of losing resources (especially among sector ministries) and low aid management capacities continue to be reported and need to be taken into consideration in every DoL process. Some responses also refer to some partner governments' different priorities in the context of the broader Aid Effectiveness Agenda¹⁴, but also to other partner governments' frustration with the limited or mixed results of previous DoL or harmonization initiatives (e.g. Ethiopia, Kenya).

The inclusiveness of DoL processes with regard to EU and other ODA donors, and with a view towards eventually including also non-DAC donors and private actors like NGOs or foundations shows the following trends and challenges (see Table 22; data from 19 countries).

¹³ According to the most recent OECD DAC statistics (see Table 1), CAR indeed has “only” 19 donors, but Burundi has 30, the same number as Uganda. As was already stated in the previous report, further statistical work on aid fragmentation and proliferation should address the contradictions between numbers like these and local perceptions of fragmentation.

¹⁴ Such different priorities are e.g. ownership and also alignment for Uganda and Bolivia or the implications of the new middle-income country (MIC) status in Vietnam.

Table 22 – Trends in Donor Participation in DoL Processes

All ODA Donors Participating <i>(in 2008, the question referred only to “all EU donors”)</i>	
Yes	
No	
No Data	

Participation of all ODA donors is slowly increasing, and while the participation of EU donors was no longer asked separately after an initial high value in 2008, the lists of participating donors in some of the questionnaires continue to demonstrate strong commitment by the EU donors. Other donors mentioned as participating in DoL processes are Switzerland (in 7 countries), Canada (5), Norway (4) and USAID (3). Much seems to depend on the way the DoL approach is introduced: the response from Bangladesh relates that DoL initially was “quite contentious” among non-EU donors who thought they would be required to submit to the EU Code of Conduct. The reports from Kenya and Mozambique, in contrast, stress the participation of all KJAS or “G19” donors (in the case of multilaterals in Mozambique, taking their “broad mandate” into consideration) in processes which started before the EU Code of Conduct (as they did in several other Anglophone African countries). Multilaterals are also reported to be participating in Burkina Faso and in the context of the Six Banks Initiative in Vietnam. Vertical funds are not specifically mentioned in any of the 2011 questionnaires.

Non-DAC donor participation in DoL processes in contrast is not yet happening, and even their participation in general donor coordination is still very incipient (with the apparent exception of Moldova and the Kyrgyz Republic). However, several reports stress the increasing importance of China and to a lesser degree other “new donors” (e.g. in Laos) and/or the rapid expansion of climate change financing (e.g. in Bolivia). From Ghana, Mozambique and Zambia, there are reports that discussions have already started on how to better involve these new actors at country level, starting from information exchange and coordination. In this context, the questionnaire from Sierra Leone recommends to also include NGOs whose presence is important in this post-conflict country. With a view towards HLF 4 and beyond, strategies to deal with the rapidly increasing complexity of the Global Aid and Development Architecture, both at the international and the country levels, certainly merit close attention.

5. Results of DoL Processes

As was already explained in the previous report, differentiating between the effects of donor coordination, DoL and other aid effectiveness activities is rather difficult. In addition, the results presented here are based on the perceptions of donor field and, in some cases, partner government staff, not on any objective measurement. Several of the responses from countries new to the FTI DoL monitoring also indicate that it is too early to even assess immediate, let alone long-term results of DoL processes. Therefore, the evidence in this part needs to be interpreted with caution.

Figure 42 - Impact of Division of Labour (2010)

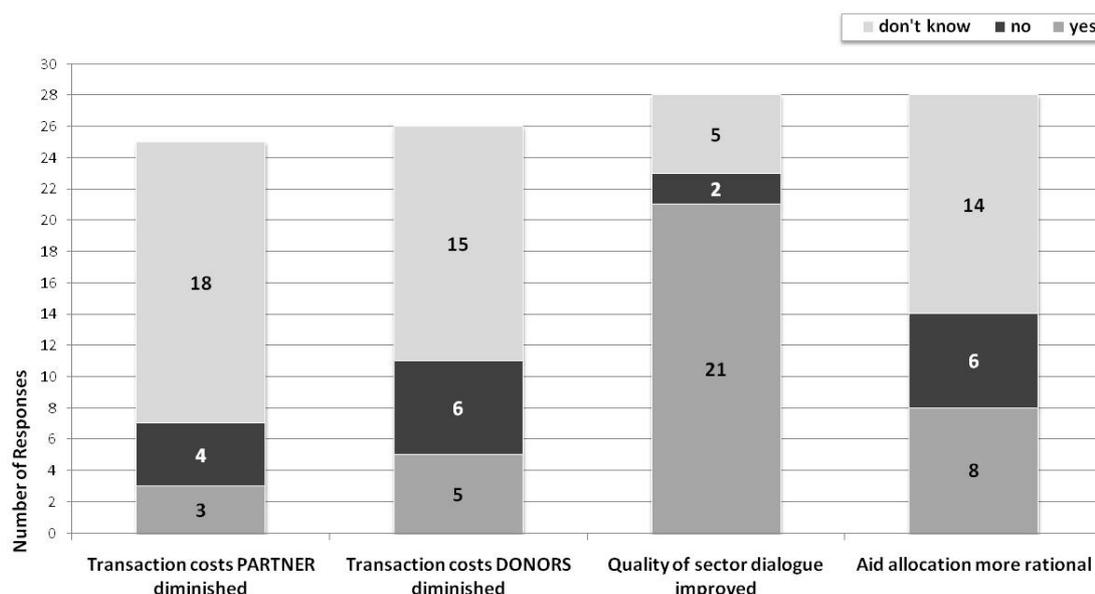
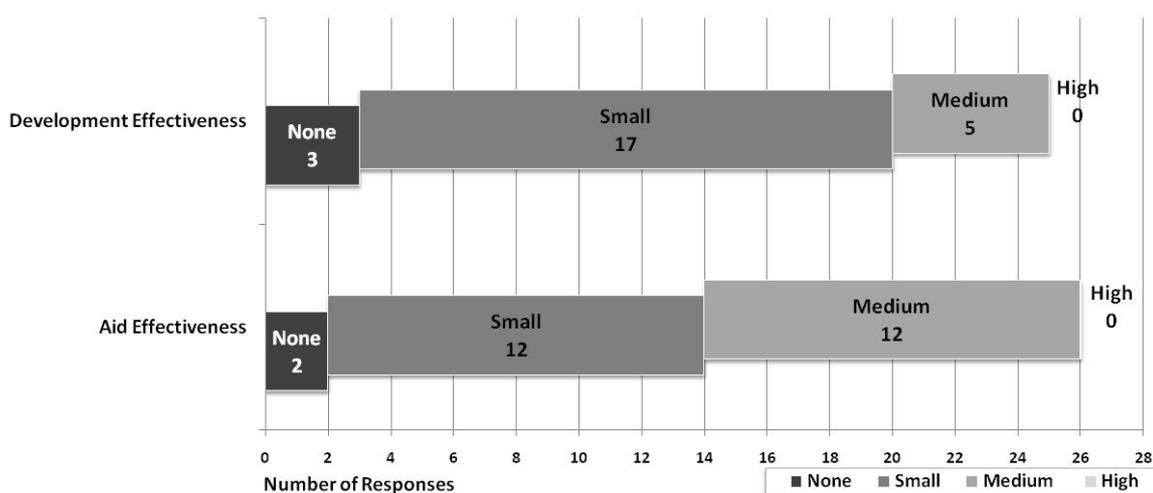


Figure 43 - Contribution to Aid and Development Effectiveness (2010)

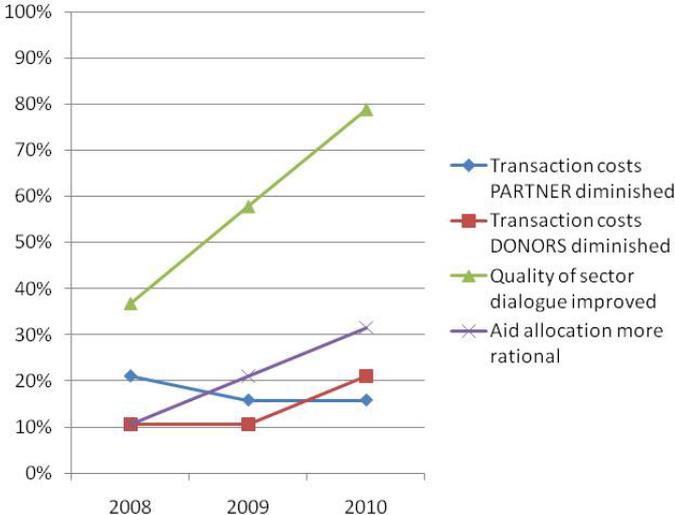


As in the last report, feedback regarding the quality of sector dialogue as a result of DoL processes is encouraging. With regard to the rationalization of aid allocation across sectors or the reduction of transaction costs, the uncertainty in responses is significant. More rationalized aid allocation is claimed in more than a quarter of the countries, but decreased transaction costs are reported from only few countries.

Noticeable or at least anticipated impacts of DoL on aid and development effectiveness continue to be moderate, but far less responses are identifying no contribution at all in comparison to 2009. While a considerable number of responses see a “medium” contribution to aid effectiveness, most see “small” contributions of DoL to development effectiveness. Some reasons given refer to the early stage of DoL (e.g. in Benin, Ethiopia, Madagascar, Rwanda, Sierra Leone, Vietnam), other responses show more general skepticism, e.g. that from Ghana which sees no clear linkage between DoL and MDGs or from Zambia on any plausible impact of DoL on development effectiveness in the sense of “broad based employment and poverty reduction.”

With regard to these more immediate results of DoL processes, it is again interesting to take a look at the trends emerging out of the three surveys (see Graph 7, again for 19 countries). Among the more immediate results of DoL processes, the positive trend with regard to the improvement of sector dialogue is confirmed as are, at a much lower level, improvements in the rationalization of aid allocation. With regard to the reduction of transaction costs, one of the most important ways in which DoL approaches are expected to contribute to aid effectiveness, only 16% of the respondents see improvements for partner countries (a decline since 2008), and only 21% for donors (an increase since 2008). The responses show that there is increasing insecurity about these issues and also about the rationalization of aid allocation, pointing at the need to provide better definitions and measurements for these two important concepts.

Figure 44 - Trends in Impact of Division of Labour



Finally, with regard to the perception or rather expectation of “higher level impacts” on aid and development effectiveness (inquired about only since 2009), the overall trend since 2009 is more optimistic, i.e. towards a “medium” contribution to aid effectiveness and a “small” contribution to development effectiveness (see Table 23).

Table 23 - Trends in Contribution to Aid and Development Effectiveness

Results	Year	2009	2011
Aid Effectiveness	None	21%	11%
	Small	47%	37%
	Medium	32%	47%
	High	0%	0%
	No data	0%	5%
Development Effectiveness	None	32%	11%
	Small	47%	63%
	Medium	21%	16%
	High	0%	0%
	No data	0%	11%

6. Obstacles and Enabling Factors for Division of Labour

Based on responses in the first two monitoring surveys, the 2011 questionnaire provided a number of options to allow for a quantification of responses.

6.1 Obstacles

Most of the obstacles mentioned in the 2008 and 2009 monitoring reports remain relevant (see Table 24). Limited partner country ownership (66% of responses), but also the reluctance by donors to leave attractive sectors (55%) continue to be the major obstacles in In-Country DoL processes. Both issues, as was already discussed in the previous reports, have to do with interests, incentives and in the end political will on partner country and donor side. Partner country ownership was already dealt with above. With regard to limited donor commitment to DoL processes, responses also refer to the problem of conflicting messages received from donor headquarters, e.g. with regard to European Commission's vertical sectoral funding lines or bilateral donors' changing sectoral priorities which complicate efforts by field staff to support DoL at country level. This problem was also highlighted at the Regional Workshops on DoL in Kampala and Tunis in 2010.

Table 24 - Major Obstacles in DoL Processes (2010)

	No. of responses (total: 29)
Limited partner country ownership	19
Reluctance by donors to leave attractive sectors	16
Lacking clarity of donor roles	8
Legal and administrative barriers	8
Limited capacities on donor side	9
Growing number of parallel aid effectiveness initiatives	6
Others	8

In comparison to the two more political obstacles above, limited donor capacities (e.g. with regard to DoL instruments or simply available time) are mentioned by 31% of the respondents, lacking clarity of donor roles and legal and administrative barriers by 28%, and the growing number of parallel aid effectiveness activities by 21%. The first three are more technical or administrative problems that can be addressed in the preparation and implementation of DoL processes. The last issue, however, is an unintended consequence of the broader aid effectiveness agenda which certainly merits attention since it points towards an overload of well-intended activities at country level.

6.2 Enabling factors

As in the previous reports, engagement of EU Member States and European Commission is generally perceived as a major enabling factor for DoL (55% of the responses). The will of development partners to implement the Paris Declaration and the Accra Agenda for Action as well as the growing awareness of partner governments regarding the significance of strong aid management structures are also mentioned by almost half the respondents (45% each). Targeted technical support for DoL processes, e.g. through the European Commission's "floaters" or organized at country level, is reported as an enabling factor from six countries (21%).

Table 25 - Enabling Factors for DoL Processes (2010)

	No. of responses (total: 29)
Strong engagement by EU Members and Commission	16
General will of development partners to implement PD and AAA	13
Growing awareness of partner government for the need of strong aid management structures	13
Targeted TA-support through FTI DoL or other initiatives	6
Others	3

7. Conclusions

This 3rd FTI DoL Monitoring Survey and the review of trends show **improvements since 2008** in DoL implementation and **encouraging results in some important areas**.

There is widespread use and institutionalization of **donor mappings** as an aid management instrument, an upward trend in country-level **agreement on sector definitions** as an important precondition for DoL and solid use of **lead donor arrangements** that can generate more momentum for DoL.

Perceived **partner country commitment** to DoL processes has also somewhat improved.

Considering the results of DoL processes, these are increasingly positive with regard to the **quality of sector dialogue** and, at a lower level, the **rationalization of aid allocations**; however, the attribution of these results to DoL processes seems to be questionable in some cases. Finally, the responses point to an increasing expectation of positive contributions to **aid and development effectiveness**.

When looking at the **obstacles for the implementation of DoL**, it is clear that the challenge of ensuring sufficient political will to implement DoL remains: limited country ownership and the reluctance of donors to leave attractive sectors continue to be rated as important obstacles. The fact that more than 20% of the responses consider the number of parallel aid effectiveness activities at country level as an obstacle for implementation processes also warrants attention.

Enabling factors for DoL continue to be the EU engagement and a shared will to implement the PD and AAA. The growing awareness of partner governments to improve aid management structures is also considered important.

Reprogramming takes time and any results in terms of aid and development effectiveness will only be noticeable at country level and in OECD DAC statistics with some delay, so that no overall evaluation of DoL as an approach or the FTI is possible at this point. Nevertheless, the three FTI DoL monitoring surveys as well as other sources of evidence (e.g. PD Evaluation country studies, presentations and discussions at Regional Workshops) point at a number of **persistent challenges** of the DoL approach.

Methodology: Central concepts of the DoL approach like “comparative advantages” and “transaction costs” are attractive for policy makers since they seem to convey “common sense principles.” However, they continue to escape clear definition and measurement, making it difficult for partner countries and donor field staff to apply them in DoL processes. And while sector definitions are in the process of being agreed-upon at country level, tracing progress on

the global level will need further efforts to map these definitions to those used by OECD DAC.

Country ownership and role of donors: DoL as part of the broader harmonization agenda is first of all a donor responsibility, and the EU Code of Conduct is an attempt to ensure “good donorship.” On the other hand, without broad country ownership for national development processes and, in this context, for the management of aid and other contributions, little progress can be expected. Currently, only the Rwandan government shows strong leadership for DoL, in the context of its assertive aid coordination and management strategy.

This, however, should not be an excuse for donors not to do their own “homework.” Insufficient and/or inconsistent fulfillment of basic DoL and other aid effectiveness commitments among donors, even many EU Member States, may be a much more serious obstacle for DoL processes than the lack of country ownership. For example, most ongoing partner country concentration processes continue to be unilateral, with only limited and often ex-post information of partner countries and other donors. Also the choice of sectors, even though negotiated with the partner government and consulted with other donors, is often influenced by nationally predefined global sector spending targets.

With a view towards HLF 4, it might help if donors became more transparent about their interests and the political processes in their own countries with regard to aid allocation and other aid effectiveness commitments. In the EU context, the ongoing discussions on Joint Programming provide a framework for advancing with regard to these issues.

Context: Table 21 showed the diversity of countries included in the FTI DoL, including the numbers of donors present as a first indicator of fragmentation. There seems to be a need to further crosscheck statistical fragmentation analyses since what matters for country level aid effectiveness and DoL processes are *perceptions* of fragmentation (i.e. felt aid management burdens – the evaluation of which will in turn be influenced by perceived opportunities due to donor diversity) and *capacities* to deal with it.

As is in principle acknowledged in DoL policy documents but apparently rather difficult to implement, DoL should not be applied as a blueprint to this diversity of circumstances. Many FTI DoL facilitators stress that there is a need to understand each country’s context, development priorities and aid management strategy and to have sufficient flexibility to insert relevant principles and elements of the DoL approach into ongoing local processes (which may already go beyond the EU donors) instead of adding new layers of bureaucracy.

As a consequence, one important priority should be to continue the decentralization of decision making on aid effectiveness priorities and the avoidance of “vertical” sector targets or funding lines. As was discussed during the Regional Workshops, the latter may require a change in decision making in donor capitals which often still focus more on the input of resources than intended results.

A final “context issue” is the rapidly increasing importance of “new donors” and “new funding lines.” Even though their contribution to development is most welcome, these actors further complicate the Global Aid and Development Architecture. They add to the number of donors at the country level and are increasingly seen and used as an alternative to “traditional donors” but do not adhere to many aid effectiveness principles. This topic is already on the agenda for HLF 4, and experiences made in the context of the FTI DoL can be an important contribution to these discussions.

Annex 5.2. Overview Table of Monitoring Results, February 2011

Country	Partner Country Dev. Strategy		Donor Mapping		Comp. Adv. Assess-ment		Sector define-tions	Lead Donor Arrangements	Repro-gram-ming	Action plan	Comm. partner govern-ment?					
	Participa-tion all donors?	Dev. Effectiveness?	Transac-tion costs	Lead facil. prepa-red?	Transac-tion costs partner reduced?	Transac-tion costs donor reduced?					Aid across sectors rationa-lised?	Contribu-tion				
Albania	yes	yes	yes	yes	yes	yes	Facilitating	no	don't know	don't know	don't know	don't know	small	small	yes	yes
Bangladesh	yes	yes	no	yes	no	no	Approving	yes	don't know	no	yes	don't know	none	none	no	yes
Benin	yes	yes	yes	yes	yes	yes	Approving	no	no	no	yes	no	small	small	yes	0
Bolivia	yes	yes	no	no	no	yes	Approving	no	don't know	don't know	yes	don't know	medium	small	yes	no
Burkina Faso	yes	yes	yes	no	yes	no	Facilitating	no	don't know	yes	yes	yes	medium	medium	no	yes
Burundi	yes	no	no	yes	yes	yes	Approving	no	don't know	no	don't know	don't know	small	small	no	0
Cameroun	yes	yes	no	no	yes	no	Approving	yes	0	0	yes	yes	medium	small	yes	yes
CAR	no	no	no	no	no	no	No interest	no	no	no	no	no	small	small	no	yes
Ethiopia	yes	yes	yes	no	yes	no	Approving	no	0	don't know	yes	yes	small	medium	no	yes
Ghana	yes	yes	no	yes	yes	yes	Approving	yes	don't know	don't know	yes	don't know	medium	small	yes	yes
Haiti	yes	0	no	yes	yes	yes	No interest	no	don't know	don't know	don't know	don't know	small	small	no	
Honduras	yes	yes	no	no	yes	0	Facilitating	no	0	don't know	yes	don't know	small	none	0	0
Kenya	yes	yes	no	yes	yes	yes	Facilitating	no	don't know	don't know	0	no	medium	medium	yes	yes
Kyrgyz Rep.	yes	no	no	no	no	no	No interest	no	don't know	don't know	yes	don't know	none	none	no	no
Laos	yes	yes	no	no	no	no	Approving	no	no	no	yes	no	medium	medium	no	yes
Madagascar	yes	yes	no	no	yes	no	Facilitating	no	no	no	yes	don't know	medium	small	no	yes
Malawi	yes	yes	no	yes	yes	no	Approving	no	0	0	yes	0	small	small	yes	no
Mali	yes	yes	yes	no	0	yes	Approving	no	don't know	don't know	don't know	don't know	0	0	0	0
Moldova	yes	yes	yes	yes	yes	yes	Facilitating	yes	don't know	no	yes	yes	medium	small	0	yes
Mongolia	yes	0	no	yes	no	no	Facilitating	no	no	no	no	no	small	small	0	0

Mozambique	no	yes	yes	no	yes	yes	yes	No interest	yes	no	no	yes	don't know	small	small	yes	yes
Rwanda	yes	yes	yes	yes	yes	yes	no	Leading role	yes	don't know	don't know	don't know	don't know	small	small	yes	yes
Senegal	yes	yes	yes	no	no	no	no	Facilitating	no	don't know	don't know	no	no	small	small	no	no
Serbia	no	no	no	yes	yes	no	no	Approving	no	don't know	yes	yes	no	0	0	no	0
Sierra Leone	yes	yes	no	yes	yes	yes	no	Facilitating	yes	no	don't know	yes	yes	0	0	no	yes
Tanzania	yes	yes	no	yes	yes	no	yes	Facilitating	yes	yes	yes	yes	yes	medium	small	yes	yes
Uganda	yes	yes	yes	yes	yes	yes	no	Facilitating	yes	yes	yes	yes	no	medium	small	no	no
Ukraine	yes	yes	no	yes	yes	yes	no	Facilitating	no	don't know	don't know	yes	yes	medium	0	yes	yes
Vietnam	yes	yes	no	yes	yes	no	yes	Approving	no	don't know	yes	yes	don't know	small	small	no	yes
Zambia	yes	yes	yes	yes	yes	yes	no	Facilitating	no	yes	0	yes	yes	medium	medium	yes	yes

Annex 5.3

Country-Level Questionnaire on the Implementation of Division of Labour
3rd Monitoring of the EU Fast Track Initiative on Division of Labour
December 2010

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

Headquarters will already have received a draft version of this questionnaire for their information as an annex to the annual Monterrey Questionnaire (now renamed "EU Development Accountability and Monitoring Questionnaire"). The results of this year's FTI DoL monitoring will be annexed to the overall Monterrey Report that will be published in spring 2011.

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

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

environment) addressed in these lead donor arrangements (e.g. by agreeing on specific lead donors or integrating these issues explicitly into other sectors/areas)?	
1.f. Is reprogramming underway (do donors concentrate their aid in focal sectors or give higher priority to orphan sectors and in turn move out of other sectors or use the modality of delegated cooperation)? <i>(please attach relevant documents or internet links if available)</i>	<i>Yes</i> <input type="checkbox"/> <i>No</i> <input type="checkbox"/>
Comments on 1.a, b, c, d, e and f:	

<p>1.g. What has the partner country government and the donor community undertaken to promote the implementation of division of labour?</p> <p style="text-align: right;">Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Have you elaborated an action plan on division of labour as proposed in the council conclusions of 18th Nov 2009 (http://register.consilium.europa.eu/pdf/en/09/st15/st15912.en09.pdf)?</p> <p style="text-align: right;">Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>If yes, please attach current version. If no, do you intend to elaborate an action plan?</p>
<p>2. Participation in the division of labour process:</p>
<p>2.a. Commitment by the partner country (government and parliament)</p> <p>(i) <i>Leading role and directing the process:</i> <input type="checkbox"/></p> <p>(ii) <i>Facilitating the process in close dialogue with donors:</i> <input type="checkbox"/></p> <p>(iii) <i>Approving progress triggered by donor initiative:</i> <input type="checkbox"/></p> <p>(iv) <i>No interest in division of labour between donors, not approving progress:</i> <input type="checkbox"/></p>
<p>2.b. Participation by donors</p> <p><i>Do all ODA donors in the partner country participate in the division of labour process?</i> Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>Please name the donors with strong commitment for division of labour:</i></p> <p><i>Do non-DAC donors / private donors / foundations participate in the process? Please specify.</i></p>
<p>Comments on 2.a and b.</p> <p>If applicable: What are the reasons for weak commitment from donor or partner country side?</p>
<p>3. Towards measuring impact of division of labour processes: If there is no clear evidence on the issues please give an educated guess</p>
<p>3.a. Have transaction costs diminished through division of labour?</p> <p>(i) <i>For the partner country:</i> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/> <i>Educated guess:</i></p> <p>(ii) <i>For the donors:</i> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/> <i>Educated guess:</i></p>
<p>3.b. Has the quality of sector policy dialogue improved? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/> <i>Educated guess:</i></p>
<p>3.c. Is aid allocation across sectors more rational (less orphan and/or over-crowded sectors, needs and priorities by the partner country are more adequately addressed)? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know <input type="checkbox"/> <i>Educated guess:</i></p>

3.d. Considering all changes promoted and supported by the division of labour process (see questions 3a-d and possibly others), how would you evaluate its contribution to

A more relevant, effective and efficient aid system in the partner country (Aid Effectiveness)?

MDG-achievement/poverty reduction in and sustainable development of the partner country (Development Effectiveness)?

Comments:

i. None
 Small
 Medium High

ii. None Small
 Medium High

Justify your answers on 3:

4. General comments

4.a. What have been the major obstacles in the process so far and which obstacles do you envisage in the future?

- 0) None
- 1) Limited partner country ownership
- 2) Reluctance by donors to leave attractive sectors
- 3) Lacking clarity of donor roles
- 4) Limited capacities on donor side
- 5) Legal and administrative barriers
- 6) Growing number of parallel aid effectiveness initiatives
- 7) Others

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

- 0) None
- 1) Strong engagement by EU Members and Commission
- 2) General will of development partners to implement PD and AAA
- 3) Targeted TA-support through FTI DoL or other initiatives
- 4) Growing awareness of partner government for the need of strong aid management structures
- 5) Others

4.c. Any other comment:

5. For lead facilitators only:

5.a. Do you feel well prepared for your role as lead facilitator of the EU Fast Track Initiative on Division of Labour?

Yes No

Comments:

5.b. Are you satisfied with the communication by your HQ in regard to the EU Fast Track Initiative on Division of Labour?

Yes No

Comments:

6. Suggestions to improve the questionnaire

Please return the completed questionnaire to the Coordinators of the Fast Track Initiative at EU level. by 31 January 2011:

Please do not forget to attach relevant documents on the division of labour process in your country if available, e.g. donor mapping, table on lead donor arrangements and/or sectoral involvement of donors.

European Commission (DG Development),

And

Germany (BMZ, Ministry for Economic Cooperation and Development)

Thank you for your participation!

Annex 5.4. FTI List as in Operational Framework 2009, updated February 2011

EU donor country	Lead Facilitator in:	Supporting Facilitator in:
BE	Burundi	-
CZ	-	Moldova, Mongolia
DE	Burkina Faso, Ghana, Sierra Leone (co-lead with IE), Zambia	Cameroon, Mozambique, Tanzania, Uganda
DK	Benin, Bolivia (co-lead with ES), Kenya	Bangladesh, Burkina Faso, Ghana, Mozambique, Tanzania,
FR	Cameroon, Central African Republic, Madagascar, Mali (co-lead with NL),	Burkina Faso, Ghana, Mozambique, Senegal, Vietnam
IE	Sierra Leone (co-lead with DE)	Ethiopia, Mozambique, Uganda, Tanzania, Vietnam,
IT	Albania	Bolivia, Ethiopia, Kenya, Mozambique, Senegal
LUX	-	Burkina Faso,
NL	Bangladesh (co-lead with EC), Mali (co-lead with FR), Mozambique	Benin, Bolivia, Burkina Faso, Burundi, Ghana, Mozambique, Nicaragua, Senegal, Tanzania, Uganda, Zambia
ES	Bolivia (co-lead with DK), Haiti	-
PT	-	Mozambique
SE	Serbia, Ukraine, Moldova	Bangladesh
SI	FYROM	-
UK	Kyrgyz Republic, Rwanda	Ethiopia, Kenya, Moldova, Sierra Leone
EC	Bangladesh (co-lead with NL), Ethiopia, Tanzania, Vietnam, Rwanda, Senegal	Benin, Bolivia, Burundi, Central African Republic, Ghana, Haiti, Laos, Malawi, Mali, Mozambique, Zambia

Notes:

- Nicaragua and Cambodia have been taken off the list until the local situation changes. They will still be included in the communication of the Network of the Fast Track Initiative.
- Some changes in lead responsibilities (Moldova, Rwanda, and Senegal).
-