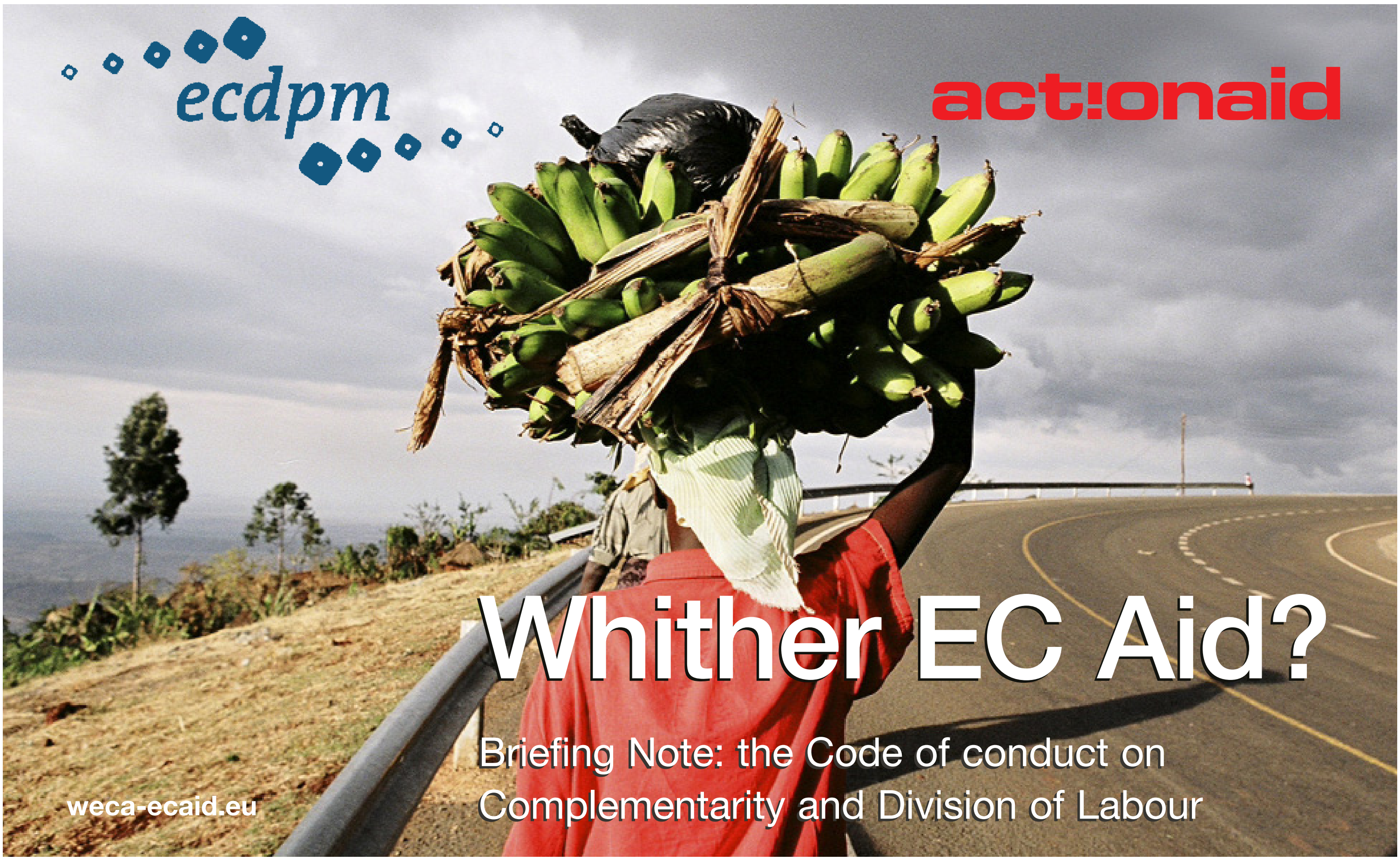

Whither EC Aid?

Briefing Note: the Code of conduct on Complementarity and Division of Labour

How will the EU Code of Conduct be conducted? Opportunities and obstacles for European Division of Labour in development cooperation.

About this Briefing Note

'Whither EC Aid' is an independent, joint ActionAid-ECDPM project that aims to contribute to a broader based common understanding of the characteristics, added value and impact of EC development cooperation. After the finalisation of an initial discussion note, the project has entered a consultation phase to stimulate further inputs from stakeholders. Three briefing notes are being issued reflecting the main topics which have been raised in the workshop discussions. This briefing note aims to contribute to the ongoing efforts of the European Union to improve its division of labour in the area of development cooperation, with special reference to a Code of Conduct that was agreed on this topic in May 2007.

Context

Today's development cooperation shows an ever expanding and diversifying picture of development donors and approaches, a situation that some describe as being out of control. The average developing country today has to deal with 30 donors, compared to only 12 in the 1960s. For governments of developing countries, managing these aid relationships is challenging and diverts time, energy and resources away from their core activities. For example, Vietnam alone received 791 missions in 2005, more than 3 per working day.[1] About 2,400 reports need to be submitted annually to donors by the Tanzanian government.[2]

Such figures illustrate how uncoordinated development cooperation negatively affects the effectiveness and ultimate impact in terms of economic development and poverty reduction, which is sought by all involved partners.

The EU and the Code of Conduct on Complementarity and Division of Labour

In the European Union, many initiatives were taken to improve coordination in development cooperation following the 1992 Maastricht, which set out the Union's development objectives. Actual progress however remained tentative, while the Union's collective country and sector portfolio, as well as its own member states, expanded substantially during the years.

New impetus was given to the process in April 2006, when the EU committed to taking *"concrete steps towards the development of operational principles"* to improve its division of labour, within and across developing countries. Towards the end of this same year, the Union agreed on the building blocks for its division of labour, and invited the Commission to work out a proposal on this basis. The proposal resulted in the **EU Code of Conduct on Complementarity and Division of Labour**, which was adopted in May 2007 during the German Presidency of the Union. This Code of Conduct is clearly presented as a voluntary and 'self-policing' document, but some sections of the text feature quite unambiguous and strong commitments.

What distinguishes the Code of Conduct from earlier EU decisions in the area is that it calls on all Member States and the Commission to each define its comparative advantages and added value in development cooperation. The Code also emphasises that all initiatives developed on its basis must be open to non-EU donors, and the EU's efforts should build on existing processes where present.[3] Consistent with earlier EU decisions and international declarations, the Code also prominently underlines that the **primary leadership should be taken by the partner country**. If need be, the EU should *"strengthen such a process"*, although no concrete measures or ideas for doing so are specified.

Where do we stand?

When analysing the Code of Conduct, the EU's commitments in the area of division of labour are clearly hard to monitor and rather ambiguous. **Different factors make it difficult to track the implementation** of these commitments, including the following:

1. The finalisation of the EU decision has not been accompanied by more pragmatic and specific implementation guidelines, obscuring judgement on what progress should be achieved by when;
2. Since the partner countries' definitions of 'sectors' should guide the efforts to improve the division of labour, and given that the maximum number of total

Box 1: The 11 Guiding Principles of the EU Code of Conduct

In-Country

1. Each EU donor to work in three sectors per partner country (division of labour is not required for general budget support and assistance to non-state actors and research).
2. Redeploy funds programmed for other sectors on the basis of negotiations with partner country authorities.
3. EU to support the establishment of lead donor arrangements in all priority sectors.
4. "Delegated cooperation", whereby a donor delegates authority to administer its funding in a given sector to another donor, is encouraged.
5. EU to ensure involvement of at least one donor with appropriate competence in every sector relevant for poverty reduction. EU donors to limit number of active donors per sector to maximum of five.

Cross-Country and regional

6. Principles 1-5 also to be applied at regional levels.
7. EU donors to focus on a limited number of "priority countries", decisions on such priorities are to be coordinated to avoid fragmentation of funds.
8. EU donors also commit to address the 'aid orphans' issues, redistributing overall resources in favour of those countries that receive relatively few aid.

Complementary principles

9. EU donors deepen self-assessments and evaluations as regards their comparative advantages in sectors and aid modalities, also taking into account the views of the partner countries.
10. The EU commits to make progress on other dimensions of complementarity, vertical complementarity in the context of relevant international fora and cross-modalities and instruments.
11. Successful implementation requires strong political and technical support at both the headquarter and field levels. EU donors need to deepen reforms to deliver, and may consider decentralisation of their administrations, institutional incentives to staff and redistribution of financial and human resources.

	January	February	March
International process		International Forum on CSOs and aid effectiveness to prepare for Accra arranged by Advisory Group on Civil Society and Aid Effectiveness (AG), Guatineau, Québec, Canada *(3-6 Feb)* Aid Effectiveness discussion in DEVE on the follow up or the Paris Declaration *(26 Feb)* 2nd OECD Progress Report of the implementation of the Paris Declaration	European Council, Brussels *(13-14 March)* 15th ACP-EU Joint Parliament Assembly, Ljubljana *(15-20 March)* First draft of the Accra Action Agenda EURODAD - GMF roundtable on aid effectiveness, Brussels *(18 March)*
WECA process	Roundtable at DG Development, European Commission, Brussels *(17 Jan)* Wilton Park conference "European Development Policy: Aid Effectiveness and Key Priorities", UK *(21-24 Jan)* Roundtable at the Netherlands Ministry of Foreign Affairs, the Hague *(30 Jan)*	Roundtable in Dublin, Ireland *(4 Feb)* Roundtable in Madrid, Spain *(22 Feb)*	Roundtable in Kigali, Rwanda *(3-4 March)* Roundtable at AidCo, European Commission, Brussels *(12 March)* Roundtable in Colombo, Sri Lanka *(13 March)* Workshop on Budget Support with EC and EU NGOs, Brussels *(27 March)* Roundtable at Sida, Stockholm, Sweden *(31 March)*

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donors should range between 3 and 5 (with exception of the support under guiding principle 1 above), situations may evolve considerably and make it difficult to compare across countries.

3. Given the required leadership of the partner-country, as well as the need to involve non-EU donors, it is difficult to determine the degree to which the EU is accountable for any (lack of) progress.

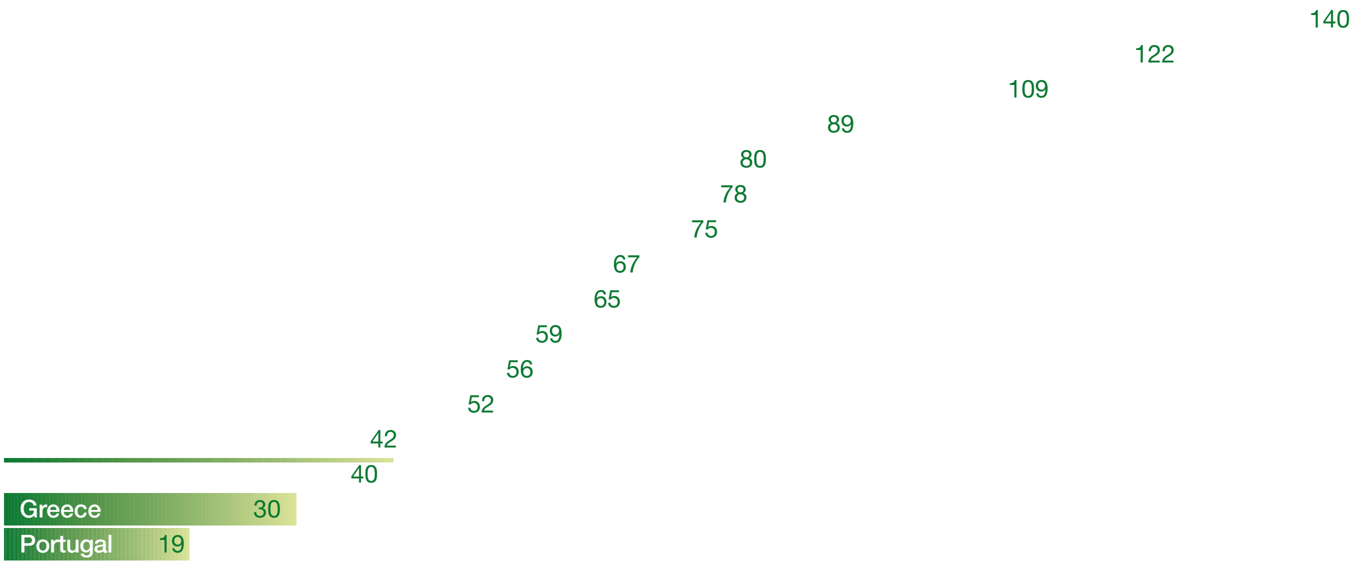
Taking these aspects together, there is a clear need for reliable, disaggregated statistics on the Union's aid activities. During a conference that was organised in Maastricht in September 2007, the Director General of EuropeAid, Koos Richelle, emphasised the lack of available data on what the EU member states and the Commission are doing. Some efforts have been made to this end, including the publication of three editions of the EU donor atlas, but as it stands the available public information on the EU donors' aid programmes is insufficient.[4]

Partly as a follow up on the first EU donor atlas, the Development Assistance Committee published an analysis of aid fragmentation in December 2007, based on available data for all DAC members, International Finance Institutions, global funds and main United Nations organisations. The analysis was restricted to what the DAC defined as 'country programmable aid' (CPA), based on gross disbursements for 2005.[5] The graph below shows the total number of countries in which each EU donor is active.

Whereas the data on which this graph is based counts any degree of donor engagement in a country as equal – ranging from core concentration-countries to very marginal project-based engagement – the data nevertheless gives some idea of the EU donors' performance in terms of cross-country division of labour. As far as in-country division of labour is concerned, the data for a selected number of African countries – both 'darlings' and 'orphans' in terms of aid allocations – shows a fairly mixed picture.

The DAC study discussed one extreme case, being the health sector in Vietnam which has to accommodate a staggering total of 25 donors (of which 13 EU donors). The case also shows that 17 of these 25 donors (of which 9 European) together account for only 10% of the total sector aid. The above box shows that other partner countries show similar distributions, clearly indicating that **in many countries there is sufficient potential for change**: some

Partner country coverage for EU MS and the Commission (OECD DAC 2005 data)



	April	May
International process	**OECD-DAC Working Party on Aid Effectiveness and Donor Practices meeting,** *(2-3 April)* **EC communication outlining the EU contribution to the HLF in Accra in September** **Regional Preparatory Events leading up to HLF in Accra:** Organised by Regional Development Banks, UNDP and other interested partners This is taking place: • For Pacific Island countries, Fiji *(4-7 April)* • For Southeast Asian countries, Bankok *(21-22 April)* • For African countries, Kigali *(28-30 April)*	**GAERC with development focus** *(26-27 May)* **ACP-EC Council of Ministers session** *(end of May)* **Regional Preparatory Events i leading up to HLF in Accra:** Organised by Regional Development Banks, UNDP and other interested partners This is taking place: • For South Asian countries, Bankok *(5-6 May)* • For Central and West Asian countries, Bankok *(8-9 May)* • For Central and Latin American countries, Washington *(19-23 May)* • Middle East countries, *date tbc*
WECA process	**Roundtable** in Rome, Italy *(15 April)* **Roundtable** with EU MEPs, Brussels *(tbc) (17 April)* **Roundtable** in Copenhagen, Denmark *(21 April)* **Roundtable**, Banjul, Gambia *(28-29 April)*	**Briefing notes on Budget Support, Division of Labour and on the Lisbon Treaty** *(First week of May)*

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Box 2: Statistics on donor fragmentation for selected African countries (DAC members, International Finance Institutions, global funds and main United Nations organisations)						
Country	**Overall number of donors**	**Overall: donors that add up to 10% of CPA**	**Health sector: no. of donors**	**Economic infrastructure: number of donors**	**Aid as % of GNI***	**Aid per capita in US $***
Benin	19	9	14	13	8.2%	41
Burkina Faso	25	14	21	15	12.8%	50
Central African Rep.	13	7	10	4	7%	40
Chad	16	10	11	6	8.6%	39
Eritrea	20	11	12	7	36.9%	81
Ghana	24	14	17	16	10.6%	51
Mozambique	28	14	23	22	20.7%	65
Rwanda	25	16	20	15	27.1%	64
Tanzania	27	15	22	19	12.5%	39
Zambia	23	12	18	14	13.9%	81
Averages	22	12	16	13	15.8%	55
Source: OECD 2007, where indicated with*: World Bank 2007						

donors being well placed to assume a lead donor role in certain sectors, and others giving relatively small contributions to a sector (or country) which could be 'delegated' towards other donors.

Within the EU, the European Commission's Directorate General for Development has made efforts to facilitate the implementation of the Code of Conduct. Among other activities, it is working with France on a 'compendium of good practices on division of labour' as an input to the DAC's working party on aid effectiveness, a toolkit to facilitate the implementation of the Code. DG Development also recently launched a proposal and set of working papers around the central of 'Speeding up progress towards the Millennium Development Goals', with specific attention to division of labour. This package will inform EU wide decisions on this matter in June.

Issues: Division of Labour or Laborious Divisiveness?

Following its adoption in May 2007, the Code of Conduct was widely heralded as a major step forward in the EU's cooperation in the area of development. However, a few months past this initial enthusiasm, some member states began to put question marks to the idea of particularly advancing in an 'EU wide setting', as they preferred to operate in like-minded groups. Civil Society has particularly stressed the Code of Conduct's emphasis on the need for the partner country to be in the driving seat of decisions about division of labour, and raised concerns of lack of progress in this area. During the workshops, participants repeatedly stressed the importance of ensuring that these processes are bottom-up and not Brussels-led.

When contrasting the Code of Conduct with earlier attempts of the Union to increase its internal task division in the area of development cooperation, there are a number of factors, both internal and external, which may prove **favourable to further progress:**

- Some partner country governments are taking effective leadership of the aid coordination and alignment, and increasing use is made of lead donors and delegated partnerships.

	June	July	August	September
International process	European Council, stocktaking of report on MDG progress, Brussels *(19-20 June)* Full draft of the Accra Action Agenda *(June-July)*	Start French EU Presidency OECD-DAC Working Party on Aid Effectiveness and Donor Practices meeting *(2-3 July)* EuropeAid Annual Report 2008 to be published	CSO special forum on the HLF, Accra *(31 Aug – 1 Sept)*	Third High Level Forum on Aid Effectiveness, Accra *(2-4 Sept)* EC annual report on EU aid levels before Accra meeting
WECA process			Final Report and Launch Event	

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- Some member states have started to reduce the number of partner countries in which they work.
- Recent EU legal innovations such as co-financing and Additional Voluntary Contributions make it easier for member states and the European Commission to work with or through each other.
- The committed 'upscaling' of aid is a window of opportunity, as rising staff-to-disbursement ratios in European aid administrations may provide a need for division of labour in itself.[6] Linked to this, the increasing number of new sectors and thematic areas in development cooperation – such as climate change – may also further motivate aid administrations to harmonise and avoid becoming too overstretched.
- In addition, the emergence of new donors – some with considerable budgets – may also provide incentives for the EU to improve its collective influence and effectiveness.
- Once ratified, the Lisbon Treaty will reinforce the EU's legal obligation to coordinate, with *"complementarity and efficiency of Union action"* as explicit goal (Art 188F).
- The Lisbon Treaty also foresees the legal and institutional strengthening of the EC Delegations in the developing countries (to become Union Delegations) and, linked to that, the creation of the European External Action Service, which could further strengthen EU coordination in the field.[7]

On the other hand, it can also be argued that **progress may be hard-fought** in practice:

- Recent evaluations signal a lack of consensus on the relevance of developing a common European approach that would take EU-level coordinating in development cooperation beyond information sharing, both at the EU headquarters level and in the partner countries. This point was also strongly emphasised in the workshops that have been organised in the context of this initiative. Evaluations also show results are being achieved in other EU policy areas, where there are relatively clear regulations and operational mandates for coordination.[8]
- Whereas some member states are indeed making progress on cross-country complementarity, it is clear that these steps are not made following extensive EU coordination, but are the result of independent foreign policy decisions.
- Contractual, legal and bureaucratic issues also hamper progress, as some donors cannot delegate the management of funds to other donors, and/or operate with different funding cycles.
- Some partner countries perceive the Code of Conduct as a top-down, imposed agenda, adding up to an already very demanding 'aid effectiveness agenda'. Some also expect overall aid levels to reduce once certain donors phase out (part of) their support, which could also lead to 'sector orphans'.
- Some partner countries also feel that they do not have the capacity to start and maintain momentum of the division of labour exercise. Linked to this, some fear a situation where donors would coordinate among themselves, rather than under their leadership. This view can be said to be partly supported by the fact that most discussions so far have been of a Eurocentric nature.
- Despite the many strong and concerted EU initiatives that have been taken, Member States have so far only made exploratory and initial steps to identify their comparative advantages vis-à-vis their colleague Member States and the Commission.
- The Code of Conduct itself does not provide much guidance beyond explaining that comparative advantages can be based on a wide range of issues (financial, geographic, thematic, …) and by underlining that donor comparative advantages must be recognised both by the partner countries and the other donors. While lacking a definition, the document does feature 11 criteria to help in determining them.
- In the process of identifying comparative advantages, there is a need for involvement of relevant actors beyond the donor administrations. For instance, the past has shown that national parliaments can decide to radically shift the sector focus of EU donors.

To conclude, the content of this short briefing note suggests that the process of improving division of labour is essentially a political undertaking. Therefore, no amount of technical competence will suffice in the absence of political will to effectuate the main principles of the agenda. As it is clearly also a political issue in the partner countries, the EU should find better ways for 'selling' the code of conduct than the prospect of reduced transaction costs. Further to the realisation that division of labour is a means and not an end in itself, efforts should be made to better quantifying the developmental gains that could be attained via increased division of labour, or the loss of impact due to continued fragmentation.

Current challenges also underscore the need to better document and communicate existing practices, such as by means of the compendium currently in progress. Existing promising cases with the use of joint-assistance strategies highlight the need to invest in long-term, broadly-owned and country-led processes. The EU can invest much more in supporting capacity development in partner countries for leading such processes and support South-South learning in this context, while having a low track record in this area. Linked to this, independent mechanisms for comparative evaluation and/or improved availability of aid statistics are crucial to inform partner country choices and to further stimulate donors to perform.[9] Finally, the analysis underlines the need for the EU to further operationalise and specify its operational mandate for coordination in the field of development – particularly at the partner country level and including the role of the European Commission – in order to be able to cooperate more effectively with the partner countries.

[1] Source: Department for International Development (2008), *Coordination for aid effectiveness*, UK Government memorandum for the International Development Committee.

[2] Source: European Commission (2008) *An EU Aid Effectiveness Roadmap to Accra and beyond. From rhetoric to action, hastening the pace of reforms.* EC Staff Working Document.

[3] These existing processes include the Joint Assistance Strategies that are being implemented in Tanzania, Uganda, Zambia, Ghana and Kenya.

[4] The most recent edition of the EU donor atlas is available at http://development.donoratlas.eu/
A specific atlas on Mozambique is available at http://www.odamoz.org.mz

[5] For details on the methodology, please refer to Annex 1 of the DAC study (link on page 5).

[6] It should however be noted that the EC Communication of 9 April 2008 signals that European aid actually decreased from 0.41% of Gross National Income in 2006 to 0.38% in 2007.

[7] For more information, please refer to the WECA fiche on the Lisbon Treaty: http://weca-ecaid.eu/

[8] A synthesis report on six joint evaluations that looked into EU efforts to improve coordination, complementarity and coherence referred to the application of Article 96 of the Cotonou Partnership Agreement as a concrete example of this. For more information: http://www.three-cs.net

[9] One such example is the Independent Monitoring Group in Tanzania, which undertakes biannual assessments of the Governments and its Partners: http://www.tzdpg.or.tz/index.php?id=7

Further reading

The EU Code of Conduct on Complementarity and Division of Labour register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf

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