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# International Division of Labour - Towards a Criteria-led Process

*Sven Grimm / Nils-Sjard Schulz  
with Ondrej Horky*



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DIE Research Project ‘European Policy  
for Global Development’

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## Preface

The authors are aware that the topic of this discussion paper is particularly sensitive. Agendas between donors and partner countries are not always identical and debates are burdened with fears of increasing dependency on (some) donors or reduced overall levels of development funding. Yet the paper is intended as a contribution to the debate, in particular the one claimed by the Accra Agenda for Action (AAA) in its article 17c. It thus aspires to live up to the very purpose of a discussion paper. However, it does, not intend to design a blueprint for cross-country division of labour. Rather, the authors wish to place the discussion in a broader context and proceed to show some illustrations of how cross-country division of labour is approached by four donor countries and three partner countries. If this can be used as a contribution to the ongoing discussion on the implementation of the AAA, we will have achieved our aim with this paper.

This discussion paper is the output of a collaboration by Fundación para las relaciones internacionales y el diálogo exterior (FRIDE) and Deutsches Institut für Entwicklungspolitik / German Development Institute (DIE) during a visiting fellowship by Nils-Sjard Schulz at DIE in Bonn in summer 2009. The paper brings together two work strands that are pursued at DIE and at FRIDE independently. On the one hand, the work fits with DIE's initial thinking on a better division of labour in the European Union (EU) (with a perspective on improving aid effectiveness). The improvement of EU policy for global development is the theme of a team of researchers at DIE, including the author, and also builds on a DIE discussion paper by Holger Mürle in 2007 ("Towards a division of labour in European development co-operation: operational options"). On the other hand, FRIDE is conducting a multi-case research on the principles and practice of a better international division of labour, including specific work on how Sweden is conducting its phasing out in five countries (see: <http://www.fride.org/section/54/division-of-labour>). The contribution by our third colleague, Ondřej Horký of IIR, who particularly looked into the Czech case study, coincided with the preparation of his visiting fellowship in Bonn. We regard this collaboration as a contribution to improving links between our research institutions on European development policy and would hope to build on this joint work in the future.

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Sven Grimm and Nils-Sjard Schulz  
with Ondřej Horký

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## Abbreviations

AAA	Accra Agenda for Action
AE	Aid effectiveness
AER	Aid Effectiveness Report (of Cambodia)
BMZ	Federal Ministry for Economic Co-operation and Development (of Germany)
CDI	Commitment to Development Index
CPIA	Country Policy and Institutional Assessment (of the World Bank)
CoC	Code of Conduct on Division of Labour and Complementarity
CzDA	Czech Development Agency
DAC	Development Assistance Committee (of the OECD)
DAS	Development Assistance Strategy (of Malawi)
DCF	Development Co-operation Forum (of the United Nations)
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute
DoL	Division of Labour
EU	European Union
FRIDE	Fundación para las relaciones internacionales y el diálogo exterior
GDP	Gross domestic product
GNI	Gross national income
H-A-R	Harmonization, Alignment and Results Action Plan (of Cambodia)
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IIR	Institute for International Relations (Prague)
IMF	International Monetary Fund
LDC	Least developed country
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MGDS	Malawi Growth and Development Strategy
NGO	Non-governmental organisation
NSDP	National Strategic Development Plan (of Cambodia)
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PCD	Policy coherence for development
PEAP	Poverty Eradication Action Plan (of Uganda)
PFM	Public Financial Management
PRSP	Poverty reduction strategy paper
SIDA	Swedish International Development Agency
UJAS	Uganda Joint Assistance Strategy
UK	United Kingdom of Great Britain and Northern Ireland
UNDP	United Nations Development Programme

UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States (of America)
USAID	United States Agency for International Development
VENRO	Network of German Development NGOs
WP-EFF	Working Party on Aid Effectiveness and Donor Practices (of the OECD-DAC)

## Summary

With its inclusion in the Accra Agenda for Action (AAA) signed in September 2008, division of labour (DoL) has become a centrepiece for the aid effectiveness (AE) agenda and the donor-partner dialogue on global development policies. Donor dispersion and aid fragmentation constitutes one of the central concerns of the aid effectiveness agenda, as uncoordinated donor approaches and project proliferation overburden the partner countries' capacities, create high transaction costs for the recipient country, duplicate efforts and impede transparency and predictability of aid flows. Thus, within its broader bid for harmonisation, the Paris Declaration claims for “a pragmatic approach to the division of labour and burden sharing [that] increases complementarity and can reduce transaction costs” (§33).

The European Code of Conduct on Division of Labour and Complementarity (CoC) was approved in May 2007 and has since become a flagship in the strive for a common European development policy. It distinguishes three levels of complementarity: (a) in-country complementarity, (b) cross-country division of labour, and finally (c) cross-sector complementarity. Previous versions of the CoC also discussed vertical (between regional, national and international levels) and cross-modality division of labour issues.

Despite the challenge of harmonisation of donors at country level, donors apparently focus on cross-sector division of labour, before turning to the supposedly “more political” discussion about which partnership should be ended altogether. For its part, cross-country (later dubbed international) division of labour still constitutes an open chapter in the negotiations between donors and partners at the global level. One of the central problems for pursuing international division of labour relates to the complications of embedding donor concentration in the partnership paradigm promoted by global development policies.

Given this conceptual tension between sovereign decisions and international commitments for aid effectiveness, two dimensions of international division of labour need to be addressed in the near future: (1) Criteria for donor concentration and (2) Phasing-out practices. The lack of tangible conceptual and methodological advances with respect to both the criteria and the practices poses crucial challenges for embedding international division of labour in the broader context of the aid effectiveness agenda. In the context of a greater thrust towards concentration of donor efforts, criteria for concentration have strong potential for enhancing the dialogue of donors and partners on international division of labour.

The Accra Agenda for Action – as a Paris Declaration follow-up agreement - locates international division of labour within the donor-partner dialogue on global development policies. The German and Ugandan-led task team on division of labour hosted at the Working Party on Aid Effectiveness and Donor Practices (WP-EFF) is encouraged to facilitate this dialogue by proposing an objective format as well as by promoting analytical work. Challenges reflect the inevitable shift from the exclusive concentration on technical issues (such as tools and methodologies) towards political processes of renegotiating aid within a system of global governance that is shifting gears.

Looking into the criteria for donor-led concentration (among and beyond EU donors), one has to consider at least three levels: first, how does the donor relate to the development and aid effectiveness agenda overall? Secondly, a look at the past practice might give hints about

donors' decision making procedures with regard to geographical concentration in the context of increased development financing. And thirdly, the differentiation between formal (official) criteria and informal (policy-process-driven or depending on political constellations or others) criteria will have to be made.

For the discussion on partner country selection from the donor perspective, this paper looks at four donor countries, namely Germany, Ireland, Sweden and the Czech Republic. The donor cases indicate the following:

- All donors appear to be grappling with selection criteria and rationalisation of their partner country setup. There is an understanding of the need to explain partner country selection as a basic function of domestic accountability. Formal criteria are established by all four cases against which to measure the partner country selection.
- Donor governments tend to draw on rankings by both multilateral and private organisations. Parameters such as the UNDP Human Development Index and the achievement in terms of Millennium Development Goals are most prominent, while Sweden used a broad range of formal selection criteria, including analysis from Transparency International and the Economist Intelligence Unit.
- Self-assessment of the actual and potential contribution of a donor constitutes a recurrent criterion in all four cases, using different parameters ranging from the presence of an embassy (Czech Republic) to an overall added value in the development process (Sweden). In none of the cases were linkages made to independent or official assessments of donor performances; the evaluation of this aspect was based on internal considerations.
- In all cases, political considerations can trump formal selection criteria. This is irrespective of how formal the selection process is, whether it is linked to “objective” indicators (as in the case of Sweden) or whether a weighting of different indicators has been introduced (as in the case of the Czech Republic). Partner country selection is pursued as a clearly political task and process, linked to overall policy considerations – be it foreign policy (where do we have special linkages we can/should build on) or ideological considerations of partners' priorities (where do we have fundamental agreement in values).
- In none of the cases indicated have there been signs of structured consultation among donors (within the EU or beyond); partner country selection and thus geographical aid allocation seems to be considered solely a sovereign and unilateral decision of donors, while there is also a lack of consultation platforms for the concentration processes. Thus, in practice, the concentration process is looking “inwards” and not towards the concentration *among* donors across countries.
- Very little – if any – dialogue has taken place with the partner countries, which consequently tend to be unaware of the ongoing concentration processes at the donor end of the development partnership. One remarkable contradiction needs to be flagged: all donor countries express the “demand” for their aid as a key element for why they engage in a partner country. But only in the case of Sweden is there experience in early information of partner countries (announcing the inclusion in a list of countries eligible for Swedish phase-out).
- In none of the cases have reductions of the number of partner countries explicitly been linked to reductions in aid volumes. At least in a pre-economic crisis world, a concentration appears to be driven by concerns about effectiveness and visibility of

programmes rather than in the explicit context of downscaling of aid.

Partner countries, for their matter, and in general terms, have not yet engaged in geographical donor concentration processes. The selection of country cases includes three country cases in more detail: Cambodia, Malawi and Uganda, while a fourth case, Mauritania, is explained briefly. What can be derived from country-led processes is the following:

- Thus far, even very committed partner countries have been adopting a rather prudent approach towards international division of labour for several reasons. Among these, the lack of consistent progress in in-country division of labour, the donor-driven character of division of labour, the fear of losing development funding, the sensitivity of aid as central part of foreign relations, and the desire to manage diversity can be highlighted. However, even LDCs such as Cambodia and Malawi are already affected by phasing out as part of ongoing geographical concentration processes of donors such as Canada, Sweden and UK. This exemplifies the urgent need of partner countries to overcome their rather passive role in the face of phasing-out at the country level and position themselves in a more structured dialogue with the donors at the global level.
- In all cases, clear criteria have emerged from the national context of promoting donor harmonisation in general and in-country division of labour in particular. Thus, a clear connection between in-country and international division of labour seems more than plausible for partner countries. Financial weight of a donor is a minor variable. What matters for aid-dependent partner countries is the modality rather than the volume. In this sense, Malawi and Uganda have expressed their clear preference for general budget support. More relevance is given to qualitative criteria, which are especially explicit regarding the capacities and commitment of donors to perform in accordance to the partnership paradigm reflected in the Paris Declaration and the AAA. One essential common parameter is found in the actual commitment to the aid effectiveness agenda, particularly regarding aid coordination, budget support and alignment (use of country systems). Apart from more operational issues such as staffing and expertise, also “softer” faculties such as trust, risk-taking, dialogue skills and credibility are essential for partner countries to assess donors’ performance.
- In all cases donors are assessed against aspects related to aid delivery and partnership relations, but broader dimensions, such as policy coherence for development (PCD), do not yet form part of the reflections on the comparative advantages of donors. The case of Cambodia shows that PCD could become more important in the future, especially in view of the growing desire of partner countries to end aid dependency.
- In none of the cases did partner countries use comparative assessments of donor countries’ performance. Available data, such as the Commitment to Development Index of the Center for Global Development, the donor performance in the monitoring surveys on the Paris Declaration or the World Bank Governance Indicators were not used.
- Consultation and mutual learning among partner countries has not taken place so far, limiting the capacity to analyse and review the broader (cross-country) processes of donor concentration. This applies also to the countries participating in the EU Fast Track Initiative on Division of Labour.
- While the debate on in-country division of labour is generally embedded in a more or less clear policy environment, international donor complementarity is still not addressed in a structured way at the country level. The lack of strategic orientations and dialogue platforms for discussing and analysing the geographical concentration of donors thus

far seems to restrict severely the engagement of partner countries in the international division of labour.

With an eye toward the donor-partner dialogue requested by the AAA, the following preliminary recommendations arise from the mapping and analysis of criteria for international division of labour:

- ***Peer learning on criteria for international division of labour is a pending task for partner countries.*** In a first step it is paramount to foster the perspectives of partner countries on possible variables for donor deployment. In accordance to the overall dynamic of the implementation of the AAA, country experience and perspectives should be at the forefront of the efforts on international division of labour. Specifically, country-level workshops using creative tools could build scenarios for donor selection (see also section 5.1). Furthermore, partner countries could discuss and share their criteria at the regional level and promote South-South learning regarding international division of labour (for example, through existing Community of Practices). In this context, existing indices should be further adapted and guided towards standards for donor performance and practice. In sum, these tasks should contribute to a clear partner country perspective on international division of labour with the Development Assistance Committee (DAC) task team as the only platform thus far available for assessing and taking decisions on geographic donor deployment.
- ***Communication among donors also has a wide margin for improvement and should be enhanced at the European and DAC level.*** Information and analysis of ongoing concentration processes in different donor countries, such as Canada, Sweden and the UK should be disseminated transparently in order to draw a clear image of the shifting distribution of donors across developing countries. Mutual learning and peer review of donor-led criteria for geographical concentration could be fostered within the task team on division of labour at the DAC.
- ***The use of criteria for the donor-partner dialogue on international division of labour should create synergies with the emerging international mutual accountability and its various “mirrors” of mutual assessment.*** Especially the assessment of donor contributions should be strengthened in the multilateral arena. Given that aid effectiveness (and overall aid quality) is one of the core priorities for partner countries, a comparative analysis of the donor data of the Paris Declaration monitoring survey might be an interesting point of entry.
- In order to ensure a consistent and equitable debate on this broader dimension of division of labour, the donor-partner dialogue should be pursued in coordination between the DAC task team and the Development Cooperation Forum (DCF) at the UN Economic and Social Council ECOSOC. Specifically, both the task team technical meeting in Paris (in November 2009) the task team kick-off workshop in Pretoria (in February 2010) should take into account the results and recommendations of the High-Level Symposium on Mutual Accountability of the DCF (on 11-13 November 2009). The shift of platforms would benefit from a pragmatic, non-exclusive approach of merging the task team’s technical capacities and DCF’s political legitimacy, for example by including DCF representatives actively in the task team work.

## 1 Introduction

With its inclusion in the Accra Agenda for Action (AAA) signed in September 2008, division of labour (DoL) has become a centrepiece for the aid effectiveness (AE) agenda and the donor-partner dialogue on global development policies. Already claimed by the 2005 Paris Declaration, country-led donor complementarity might help to avoid costly fragmentation. Donors are thus invited to concentrate their efforts on the basis of comparative advantages to be identified jointly in a partner country-led process. While in previous stages, DoL was operationalised within the European Union's construction of common development policies, particularly through the 2007 Code of Conduct, today its debate has been uplifted to the Development Assistance Committee (DAC) level, where a Germany and Uganda-led task team is addressing DoL within the fourfold Accra mandate (§ 17a-d). Cross-country (later dubbed international) DoL represents a particularly sensitive dimension of further donors' complementarity and geographical aid allocation.

The dynamic of the AE agenda and the provisions of the AAA require that quick progress be made towards a “dialogue on international division of labour across countries” (§ 17c), “ensuring that new arrangements (...) will not result in individual developing countries receiving less aid” (§ 17a). The DAC task team is encouraged to facilitate this process by?? proposing an objective and format for this dialogue. Today, there is still a tension between partner country selection as part of a donor's sovereign foreign policy, on the one hand, and the partnership commitments on joint decision-making, on the other. Furthermore, on the partner country side, international DoL is still regarded with great scepticism since it is at times perceived as a risk for losing development funding and as a foremost donor-driven process lacking of commonly agreed criteria.

The task team highlights the need for “*further analytic work on cross country division of labour*” which could identify “*challenges for an effective and efficient cross-country division of labour*” (WP-EFF 2009). Analytical exercises on aid fragmentation (such as the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans provided by the DAC) still merely focus on financial data. There is still a need for developing more qualitative, even explorative criteria for donors' re-deployment, which also takes into consideration partner countries' perspectives and experiences.

This discussion paper responds to the challenge of promoting a donor-partner dialogue on cross-country division of labour by reviewing and analysing qualitative criteria used in donor concentration processes and emerging from country-led division of labour. It thus aims to create an input to the horizontal discussions between donors and partners on not only efficient, but also equitable and partnership-friendly cross-country donor complementarity.

## 2 Localising international division of labour in the aid effectiveness agenda

Donor dispersion and aid fragmentation constitutes one of the central concerns of the aid effectiveness agenda. Uncoordinated donor approaches and project proliferation overburden the partner countries' capacities, create high transaction costs for the recipient country, duplicate efforts and impede transparency and predictability of aid flows (cf. e.g. Roodman 2006; Knack / Rahman 2004; Acharbya et al. 2004). Already in the late 1990s, harmonisation among donors was understood as a necessary input for a strengthened country leadership over

the design and implementation of development policies and thus a more effective development cooperation (cf. e.g. DAC 1996; World Bank 2001). Further developed in the 2003 Rome Declaration and guiding principles of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) (DAC 2003a), harmonisation and its operational tools (such as pool funding, programme-based modalities or delegated cooperation) became one of the five pillars of the Paris Declaration on Aid Effectiveness in 2005. Since then, rationalisation of donor activities is measured with the degree of programme-based aid and the coordination of missions and analytical work, and accordingly assessed in the monitoring of the implementation of the Paris Declaration (cf. DAC 2008a; 2008b; 2008c).

Within this broader bid for harmonisation, the Paris Declaration claims for “a pragmatic approach to the division of labour and burden sharing [that] increases complementarity and can reduce transaction costs” (§33). The Paris Declaration also introduces comparative advantages, identified on the basis of “clear views” provided by the partner countries (§34), as a guiding map towards a more consistent complementarity among donors. Previously, the DAC had highlighted the need for further specialisation and focus after detecting high sector and cross-country fragmentation in its peer reviews on donors such as Sweden (2000) and Germany (2001).

Further light on division of labour was shed by the Code of Conduct on Complementarity and Division of Labour (CoC), launched in May 2007 during the German EU presidency (see Box 1; and Mürle [2007] on conceptual and operational dimensions). Soon to become a flagship of the strive for a common European development policy, the CoC distinguishes three levels of complementarity:

- (a) In-country complementarity refers to the concentration of each donor in a limited number of sectors at the country level. Specifically, each European donor commits to focus on three sectors in each country, while each sector should not receive aid from more than five EU donors.
- (b) Cross-country division of labour rationalises the deployment of donors at the international level and addresses the issue of “orphan countries” (see below). The EU donors agreed to increase their focus on the respective priority countries.
- (c) Finally, cross-sector complementarity aims to reallocate aid flows on the basis of thematic specialisation of donors that should emerge from self-assessment exercises.

In previous versions of the CoC, also vertical (between regional, national and international levels) and cross-modalities, division of labour was discussed. However, European efforts have been directed mainly at the in-country dimension of division of labour, particularly through an implementation tool kit (EU 2009) and the Fast Track Initiative on Division of Labour, which, launched in December 2007, currently involves 32 partner countries (EU 2008).

Despite the challenge of harmonisation of donors at country level, donors apparently focus on cross-sector division of labour, before turning to the supposedly “more political” discussion about which partnership should be ended altogether. Theoretically speaking, it would appear more rational to reduce the number of donors before cross-sector division of labour, as a smaller number of donors would lower transaction costs, arguably mostly for the donors that

**Box 1: The EU Code of Conduct on Complementarity and Division of Labour in Development Policy**

The content of the Code of Conduct and its underlying rationale is presented by the Commission on its website as follows:

“The Code of Conduct defines the operational principles of complementarity in the field of development cooperation. In the absence of an internationally recognised definition of complementarity, the Commission defines it as the optimal division of labour between various actors in order to achieve optimum use of human and financial resources. This implies that each actor focuses its assistance on areas where it can add most value, given what others are doing. [...]

The Code of Conduct is [...]:

focused on operational complementarity (concerning the working methods), in-country, cross-country and cross-sector.

The Code proposes broad guidelines which establish the principles of complementarity in development aid. In particular, the Code consists of **eleven guiding principles**:

- *concentrate the activities on a limited number of national sectors (focal sectors)*. EU donors should confine their assistance in a partner country to two sectors in which they offer the best comparative advantage, as recognised by the government of the partner country and the other donors. Apart from these two sectors, donors can provide budget support and finance programmes relating to civil society, research and education;
- *redeploy into other activities in-country (non-focal sectors)*. As regards the non-focal sectors, donors should either remain committed through a delegated cooperation/partnership agreement redeploy the resources becoming available in general budget support or exit from the sector in a responsible manner;
- *encourage the establishment, in each priority sector, of a lead donorship arrangement* responsible for coordination between all the donors in the sector, with a view to reducing the transaction costs;
- *encourage the establishment of delegated cooperation/partnership arrangements* through which a donor has the power to act on behalf of other donors concerning the administration of funds and dialogue with the partner government on the policy to be implemented in the sector concerned;
- *ensure appropriate support in the strategic sectors*. At least one donor should be actively involved in each sector considered relevant for poverty reduction. In addition, there should be a maximum of three to five active donors for each sector;
- *replicate this division of labour at regional level* through the application of the principles of the in-country division of labour in cooperation with the partner regional bodies;
- *designate a limited number of priority countries* for each donor through dialogue within the EU;
- *grant adequate funding to the countries which are overlooked as far as aid is concerned* and which are often fragile countries whose stabilisation would have positive repercussions for the region as a whole;
- *analyse and expand areas of strength*: the EU donors should deepen the evaluations of their comparative advantages with a view to greater specialisation;
- *pursue progress on other aspects of complementarity*, such as its vertical and cross-modality/instruments dimensions;
- *deepen the reforms of the aid systems*: the changes suggested by the Code require reforms of a structural nature and in terms of human resources.”

“Finally, the Commission stresses that, to improve complementarity between the EU donors, it is necessary to:

- learn from good practices of certain national initiatives to improve the division of labour;
- guide the decisions by means of a clear political mandate since development cooperation is based on political decisions;
- establish appropriate operational modalities as complementarity is very much linked to how donors organise themselves in the planning, programming and implementation of development cooperation;
- have a pragmatic approach to implementation that is based on rational, transparent working methods aiming at concrete results;

- build effective monitoring systems, such as those of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) and - at European level - the EU Donor Atlas and the annual reporting on implementation.”

**Key terms** are defined on the Commissions website as:

- *“In-country complementarity*: ensure balanced funding between all the sectors, transcending their political interest.
- *Cross-country complementarity*: ensure that the EU has an overall, more regular presence in all the developing countries, by correcting the current imbalance arising from the fact that too many donors concentrate their efforts on certain efficient countries, often disregarding fragile countries.
- *Cross-sector complementarity*: the EU as a whole should provide a complete "tool box" of thematic and sector development operations, building on the specific expertise of its members.”

Source: [http://europa.eu/legislation\\_summaries/development/general\\_development\\_framework/r13003\\_en.htm](http://europa.eu/legislation_summaries/development/general_development_framework/r13003_en.htm) (own emphasis)

are already seriously engaging in harmonisation endeavours. However, there are apparently different rationales at work here: one aspiring for greater aid effectiveness (advocating a reduction of the number of partner countries) and one arguing more from a foreign policy rationale (maintaining a large number of partners in the world).

For its part, cross-country (later dubbed international) division of labour still constitutes an open chapter in the negotiations between donors and partners at the global level. The current patterns of geographic donor deployment illustrate shortcomings at the structural level of the international aid architecture. The concern over fragmentation, repeatedly expressed by the DAC, arises from the perception that a too thin spreading of resources might limit the impact of an individual donor’s aid programme in a specific country and raises institutional and organisational transaction costs. A second line of arguing in favour of a more rational donor concentration across the globe refers to the existence of so-called “donor darlings” and “orphan countries”. The former usually host large groupings of donors, in contrast to the latter which are receiving relatively small amounts of aid in comparison to their needs, mostly stemming from weak national capacities and state fragility. The concept of “orphanhood” still lacks consensus among development actors (WP-EFF 2009). It seems to be essential to address the needs of countries receiving aid flows which are insufficient for covering their needs, such as Guinea, Nigeria, Uzbekistan or Yemen (DAC 2007). This, however, ignores other revenue of states to address national poverty, such as large oil revenue (as in the case of Nigeria) or other natural resources. Revising possibly excessive aid allocation to so-called “donor darlings” such as Ghana, Mozambique, Tanzania or Vietnam should not be seen in direct interaction with increased ODA flows to the orphans, but still requires a more comprehensive approach of how donors engage individually and collectively.

While the diagnosis (fragmentation) is already made, the antidote (concentration) is still to be developed. One of the central problems for pursuing international division of labour consists in the complications of embedding donor concentration in the partnership paradigm promoted by the global development policies. The aid effectiveness agenda is inspired by partner country leadership and mutual accountability, aiming to generate rules, standards and practices on the basis of an increasingly horizontal interaction between donors and developing countries (Meyer / Schulz 2008). Thus far, individual donors pursue geographical concentration of their aid in most cases without consulting other donors and even less their partners. Here a possible tension appears since partner country selection is an inherent part of

a donor's sovereign foreign policy and thus an *a priori* legitimate unilateral decision, which nevertheless conflicts with partnership commitments endorsed at the international level.

Given this conceptual tension between sovereign decisions and international commitments for aid effectiveness, two dimensions of international division of labour need to be addressed in the near future:

**Criteria for donor concentration:** One possible key for integrating decision-making of international division of labour into the partnership paradigm can be found in the establishment of criteria for donor deployment among partner countries. Recent DAC efforts assessing aid fragmentation in quantitative terms find that country programmable aid for 38 partner countries came from 25 or more DAC and multilateral donors, while in another 38 countries received aid from fewer than 10 donors (DAC 2008d). While these data clarify the financial dimension, the analytical basis for international division of labour is still very fragile in the realm of more qualitative approaches. Within the EU, some work has started on identifying their respective comparative advantages; the Commission reported on six countries where such assessments have taken place. Two more were said to follow and other EU states update their country-level assessments. The picture, however, remains patchy – and these are “*voluntary and independent processes*” by EU member states and “*are taking place without an EU dialogue*” (EU Commission 2009a, 10). And, as the Commission's communication further flags, “*..there is a need to dispel the fear that division of labour will be imposed by donors, regardless of partner country opinion*” (ibid., 12). This arguably requires transparent decision-making and early communication. As this discussion paper describes, in recent years some donors have identified and applied a series of criteria related, for example, to poverty reduction, governance or their own added value. A number of straightforward partner country listings can be found such as the World Bank's Country Policy and Institutional Assessment (CPIA) or other indices on the quality of governance and state fragility (cf. Mata / Ziaja 2009). Yet the question of “*value for money*” (or donors' added value) is still to be explored from the perspective of the partner countries. Partner country consideration is likely to be based also on the consideration of *how* donors and multilateral agencies give aid, not just *how much*. Though, as reflected in section 5, some developing countries are already defining comparative advantages especially at the in-country level, for example in terms of actual commitment to aid effectiveness and capabilities for real partnership, such as dialogue skills and trust. Thus far, however, experience with donor rankings has only been timid, such as the Commitment to Development Index (CDI) or the Humanitarian Response Index.<sup>1</sup> A large proportion of the difference in the CDI can apparently be explained by the donor's internal governance (cf. Faust 2007). So *who* gives aid also links to the question of *how*, i.e. how much and how reliable these partners are in promoting development.

**Phasing-out practices:** Although international division of labour refers to donor concentration, very scarce attention has been paid so far to phasing-out as a natural consequence of the implementation of a greater country focus. As indicated above, donor concentration tends to be pursued in a rather unilateral way, with previous partner countries

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1 Among these, the Commitment to Development Index (CDI), published annually by the Center for Global Development, and, in the area of humanitarian action, the Humanitarian Response Index prepared annually by DARA International. Unranked comparative perspectives on donors practices are available in OECD: Managing Aid – Practices of DAC Member Countries, Paris, 2009.

being confronted with a donor's exit as a *fait accompli* and often having a limited capacity to adapt the phasing-out of a donor to the national development processes. There are doubts that these practices are coherent with the partnership paradigm, especially in its principles on country leadership (such as capacities for planning development and coordinating aid) as well as mutual accountability (such as predictability and sustainability), even though, as stated above, they are sovereign decisions of donors. The question remains on how the implementation of this decision is managed (Schulz 2009a). Far from being an opportunity for partner countries, current phasing-out practices seem to undermine national capacities. In this line, an evaluation on 14 exit experiences, jointly conducted by four Nordic+ donors, found that “*good and careful monitoring of exits is extremely rare*“ (Jerve / Slob 2008a) and the “consequences [of a bad exit management] for people and institutions involved were severe, in some cases even disastrous” (Jerve / Slob 2008b, 13). A closer look at the partnership-friendliness of a donor's exit from a previous partner seems especially sensitive in aid-dependent countries.

The lack of tangible conceptual and methodological advances in both the criteria and the practices poses crucial challenges on embedding international division of labour in the broader context of the aid effectiveness agenda. While some donors (such as Sweden, see below) are already implementing a quick concentration process while maintaining aid levels, others (such as Ireland, see below) might reconsider their geographic deployment in midst of a stark deterioration of the domestic public finances. The interaction of international division of labour and the global turmoil can be twofold: geographic concentration could be boosted by the financial constraints with the decrease of ODA leading to the reduced number of partner countries. On the other hand, aid cuts could also become more readily explainable on the basis of a previous concentration process. Although actors such as the European Commission recently highlighted the need for ensuring effective aid in times of crisis (cf. EU Commission 2009b), future decisions on donor concentration might actually refer to more clear-cut foreign policy interests than to partnerships commitments.

In the context of more thrust towards concentration of donor efforts, criteria for this concentration entail a very important potential for enhancing the dialogue of donors and partners on international division of labour. This document will address the gap between commitment and practice by mapping criteria used by donors for greater geographic focus and emerging from partner countries interested in organising donors' activities around their development priorities. As the following section shows, there is an immediate mandate for donors and partners to engage in a dialogue on international division of labour which requires a sound basis to which this discussion paper aims to contribute with an exploratory look into possible criteria for donor concentration among partner countries.

### **3 The Accra mandate: towards donor-partner dialogue**

In the run-up to and during the negotiations of the Accra High-Level Forum on Aid Effectiveness in September 2008, division of labour formed part of the European donors' agenda and was particularly promoted by Germany as a co-chair (together with Uganda) of the thematic roundtable on harmonisation. The debate in Accra focussed on in-country division of labour and its operational tools, such as donor mappings (DAC 2008e), lead donor arrangements (DAC 2008. f.) and legal harmonisation (DAC 2008g). Furthermore, eight International Good Practice Principles on Country-Led Division of Labour and Com-

plementarity were discussed and after endorsement in the recent WP-EFF meeting (DAC 2009a) will guide in-country complementarity.

Nevertheless, the international level of donor concentration was finally included in the Accra Agenda for Action (AAA). This Paris Declaration follow-up agreement locates international division of labour within the donor-partner dialogue on global development policies. The provisions of the AAA require that quick progress be made towards “start[ing] dialogue on international division of labour across countries by June 2009” (§ 17c). This mandate is among the very few time-bound commitments in the AAA, which reflects both the European push for geographical concentration and the wish of partner countries to ensure that future donor deployment is based on a global dialogue instead of unilateral decisions only.

**Box 2: Division of labour in the Accra Agenda for Action (AAA)**

The inclusion of division of labour in the AAA stemmed from a strong bid of the European donors for increased concentration. But also partner countries pushed for country-led division of labour in the negotiations during the High-Level Forum in Accra in September 2008.

Among the key issues addressed by the Accra roundtable on harmonisation (facilitated by Germany and Uganda), the delegates debated instruments for implementing in-country division of labour, such as donor mappings, lead donor arrangements and good practice principles. Less attention was paid to cross-country division of labour, although partner country representatives highlighted the need to ensure funding levels in each country and expressed their fear to be excluded from a process of high relevance for the aid relations at the global, regional and country level.

As a result of the negotiations, the AAA conceptualises division of labour as a mechanism for reducing costly fragmentation of aid and promoting more effective and inclusive partnerships for development.

Concretely, article 17 of the AAA claims for an improved “complementarity of donors’ efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries.” The following measures have been agreed:

- “a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries’ priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.
- b) Donors and developing countries will work together with the Working Party on Aid Effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.
- c) We will start dialogue on international division of labour across countries by June 2009
- d) We will work to address the issue of countries that receive insufficient aid.”

Source: Accra Agenda for Action, September 2008.

Here, it is important to highlight that the debate and decision-making on donor concentration will have to take into account a shift of platforms. Division of labour was initially impelled in the context of the DAC peer reviews and gained traction as a flagship of the European Union, both platforms which are composed exclusively of donors. With the integration of international division of labour in the AAA, the debate and decision-making on international division of labour has been uplifted to the DAC level and in particular to the WP-EFF, where “more effective and inclusive partnerships for development” (as one of the three components of the AAA) are to be reinforced at the global level. The recent “democratisation” of the WP-EFF (with donors and partners participating in parity) reflects vividly the more equal decision-making at the global level (Schulz 2009b).

The Germany and Uganda-led task team on division of labour hosted at the WP-EFF is encouraged to facilitate this dialogue proposing an objective and format as well as promoting analytical work (WP-EFF 2009). But fulfilling the AAA mandate still encounters several challenges. Firstly, the planned dialogue is not yet based on an agreed mechanism for debating and deciding on international division of labour. Secondly, partner countries usually see geographical donor concentration with great scepticism since it is at times perceived as a risk for losing development funding.<sup>2</sup> Finally, a general reluctance of partners arises from the donor-driven character of division of labour which does not address sufficiently partner priorities, for example regarding further alignment and use of national systems.

In sum, these challenges reflect the inevitable shift from the exclusive concentration on technical issues (such as tools and methodologies) towards political processes of renegotiating aid within a global governance shifting gears. The need for a criteria-led process is evident in face of the current barriers to the donor-partner dialogue and even reinforced by the fact that these barriers will not prevent donors from concentrating further. In order to embed international division of labour into the broader aid effectiveness agenda and its partnership paradigm, such a process could guide towards the inclusion of the perspectives and interests of both donors and partner countries. This is where the following two sections of this discussion paper intend to shed light with a quick mapping of already existing criteria for donor- and country-led concentration.

## 4 Criteria for donor-led concentration

### 4.1 Methodological considerations

Cross-country division of labour has been part of donor policies since the late 1990s and become especially relevant as a key recommendation emerging from the DAC peer reviews. However, communication and mutual learning among donors on geographical concentration have been very low thus far, leading to more or less disconnected processes. One possible exception is the EU Code of Conduct, with which EU donors have committed themselves politically to a better division of labour. However, the non-binding character of the Code of Conduct implies that its implementation is particularly dependent on the overall policy direction of the respective EU donor, as also acknowledged (or probably rather: deplored) by the EU Commission (EU Commission 2009a, 10).

In this sense, when we look into the criteria for donor-led concentration (among and beyond EU donors), we will thus have to consider at least three levels: first, how does the donor relate to the development and aid effectiveness agenda overall? If the donor administration aspires to lead on the topic of aid effectiveness and the international commitments of the Paris Declaration and the Accra Agenda for Action, the starting point for a structured and partnership-friendly process might be more promising than in a case of only reluctantly following the agenda.

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2 This is mirrored in the claim by the AAA that donors should ensure that “that new arrangements (...) will not result in individual developing countries receiving less aid” (§ 17a)

Secondly, a look at the past practice might give us hints about donors' decision making procedures with regard to geographical concentration, in general in the context of increased development financing. Donors will either have reduced the numbers of partner countries or increased them. Thus, official documents will give some clear explanation on why the respective partner countries were chosen and what are the criteria for cooperating with these countries.

In a third step, we will have to differentiate, however, between formal (official) criteria and informal (policy-process-driven or depending on political constellations or others) criteria. A good example of a partner selection process clearly based on formal criteria might be the US Millennium Challenge Account (see Box 3), which, however, is only a part of the US development assistance programme. The informal criteria help to integrate a certain scope of discretion facilitating the final political decision-making process. For this discussion paper, the informal criteria are interpretations by the authors of this study, informed by knowledge of country systems and/or background discussions with actors in the respective administrations or research communities. This is supposed to be a discussion paper in the very sense of the word, i.e. we would hope to trigger and inform discussions.

## 4.2 Case study donor countries

For the discussion on partner country selection from the donor perspective, we chose four donor countries, namely Germany, Ireland, Sweden and the Czech Republic. Focussing on donor concentration, other cases might also have been of interest. Within the EU, and besides the cases chosen, Belgium has also reduced the number of partner countries from 25 to 18 in 2005 and Luxemburg has withdrawn from two countries, and is planning to withdraw from a further six. In the Netherlands, phasing out is ongoing for seven countries (EU Commission 2009a, 10). The European Commission, for its part, is not geographically concentrating its aid; it claims that its broad geographical coverage is one of its comparative advantages over numerous EU member states. Concentration efforts by the Commission are thus only considering in-country, cross-sector division of labour.

The selection of case study donor countries for this discussion paper looks at the EU system, i.e. donor countries from the EU. It includes the biggest bilateral European donor (Germany), while Sweden and Ireland are among the donors considered to be particularly progressive (being part of the Nordic+ Group). The Czech Republic was included to illustrate the case of a (re)emerging donor that is not (yet) a DAC member, but aspires to apply DAC standards and is committed to EU development policies.

**Box 3: Formal criteria for partner selection in the US Millennium Challenge Account**

Arguably one of the most structured ways of partner selection can be found in the US American Millennium Challenge Corporation (MCC). Established in 2004 under the Presidency of George W. Bush, the MCA aims to “work with the poorest countries in the world [...] MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. MCC’s mission is to reduce global poverty through the promotion of sustainable economic growth.”<sup>3</sup>

The MCC works with clear criteria for eligibility of partner countries. 75% of the MCC’s funds each year have to be attributed to Low Income Countries, 25% can go to lower middle-income countries. Eligibility of countries is assessed in three areas: (i) ruling justly, (ii) investing in people, and (iii) economic freedom. For these three areas, 16 indicators are chosen which are taken from various existing sources, such as data by the World Bank Institute, Freedom House, World Health Organisation, United Nations Educational, Scientific and Cultural Organization (UNESCO) or the International Monetary Fund (IMF). At least three of the five indicators under “investing in people” have to be met to qualify for MCC aid, and the candidate country has to be above median in at least half the indicators under each of the three categories. The indicator of control of corruption is a “killer indicator”, i.e. underperformance in this regard leads to exclusion from MCC eligibility. Countries must also be eligible according to other US legislation, i.e. countries against which sanctions are decided cannot qualify.<sup>4</sup>

The MCC serves as a good illustration of a clearly criteria-led process. This, however, comes with weaknesses: the countries eligible under the MCC are not necessarily the most needy countries, but will have to have a certain baseline performance. The programme points to its high commitment to alignment: the content of the compact between MCC and the partner country is drawn up by the partner country itself.

Yet, as clear as the general selection criteria for country eligibility are, the assessment of the concept note was not clear to countries from the outset and appears to be a problem for some. The insecurity and capacity limitations on the partners’ side, led to lengthy procedures before any money was flowing. Senegal, for instance, was notified of its eligibility in December 2004 and presented its concept paper in July 2008. To date, there has been no signature of a compact with Senegal; no substantial money flowed within the MCC to Senegal.<sup>5</sup> The MCC might thus be a good illustration of the difficulty of determining *how* to work with countries with limited capacities, even when having established *with whom* to work. And with regard to the purpose of division of labour among donors, the MCC operates exclusively on a bilateral basis, i.e. outside any existing framework of donor coordination. The MCC, however, should not be confused with the entire US development aid: it was established parallel to existing aid structures, namely United States Agency for International Development (USAID). It is thus not really a tool for aid concentration – as USAID funds are not touched.

Source: MCC website: <http://www.mcc.gov/mcc/about/index.shtml>

#### 4.2.1 Germany

German development policy is understood as a “global structural and peace policy” (German Federal Government 2008) and usually refers to the four goals that are to be found in the UN Millennium Declaration: reducing poverty worldwide (as the overarching goal for development cooperation), protecting the natural environment, building peace and realising democracy, and promoting equitable forms of globalisation. These goals, the ministry states, are “interlinked, mutually reinforcing and mutually limiting, and they are closely related to all the Millennium Development Goals.”<sup>6</sup>

3 See MCC website: <http://www.mcc.gov/mcc/about/index.shtml>

4 See annual report on country selection of the MCC: <http://www.mcc.gov/mcc/bm.doc/mcc-report-fy09-countryselection.pdf>

5 In April 2009, the MCC agreed to fund the preparatory phase with up to US\$ 13 million. See: <http://www.mcc.gov/mcc/bm.doc/qsr-dev-senegal.pdf>

6 <http://www.bmz.bund.de/en/principles/aims/objectives/index.html>, downloaded 28 July 2009.

German aid has increased substantially over the last few years, particularly when put into perspective of more budgetary increases and cuts in other government portfolios in the German budget (2009 over 2008: an increase of 13.23%). The growth rate compared to other donors (2008 over 2007), however, is relatively modest at 5.7% and the share of aid related to the Gross National Income is at 0.38%, i.e. still relatively far off the mark of 0.51% by 2010. Yet, in absolute figures, Germany is the second largest bilateral donor in the DAC (following the US, ahead of the UK).<sup>7</sup>

Germany's commitment to the aid effectiveness agenda is high (Ashoff et al. 2008), even though – in its implementation – somewhat more difficult because of the fragmented organisational setting, as the DAC emphasised in its peer review of German aid 2005:

*“In a context of development co-operation based on the principles of partnership and ownership the German model of development co-operation may no longer be appropriate from a partner country perspective“ (DAC 2005a, 12).*

Under the leadership of the Ministry, however, Germany has elaborated a detailed plan of operations for the implementation of the Paris Agenda and the Accra Agenda for Action, updated in March 2009 (for the ministry and the major implementing agencies; available also online and in English).<sup>8</sup>

The issue of a better division of labour – and the subsequent EU Code of Conduct – was particularly prominent in EU debates during the German EU Presidency in the first half of 2007. German documents, consequently, emphasise the need for better division of labour, albeit often focussing on the aspect of in-country division of labour (see also the above mentioned German plan of operations on Paris and Accra).

Non-Governmental Organisations (NGOs) generally acknowledge the need to focus official development assistance to a selected number of countries. They, however, were critical of the specific list the ministry presented in 2000, e.g. on the absence of numerous LDCs from the list. And they particularly highlighted the non-binding character of the state's partner selection for their activities (cf. VENRO 2000).<sup>9</sup> The Accra Agenda is seen critically by German NGOs, as they see a danger of “depolitisation” of cooperation through what they regard as a technocratic approach; power-politics, they claim, are neglected in the Accra agenda. NGOs demand is to focus more on the “aid orphans versus darlings”-problématique.<sup>10</sup>

### *Decision-making on geographical concentration*

The overall increase in German ODA money since the late 1990s was parallel to political moves towards more focused German aid. At the end of the 1990s, the number of partner countries was at 120. This number was subsequently reduced to 75 in 1998 and to further down to 58 after a revision of the list of partner countries in February 2008 (see Annex I).

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7 <http://www.oecd.org/dataoecd/48/34/42459170.pdf>, downloaded, 28 July 2009.

8 [http://www.bmz.bund.de/en/zentrales\\_downloadarchiv/grundsaeetze\\_und\\_ziele/OP\\_Paris\\_Agenda\\_englisch.pdf](http://www.bmz.bund.de/en/zentrales_downloadarchiv/grundsaeetze_und_ziele/OP_Paris_Agenda_englisch.pdf)

9 For the written input of VENRO, the umbrella organisation of German development NGOs, in the process in 2000, see: [http://www.venro.org/fileadmin/Publikationen/ Einzelveroeffentlichungen/Deutsche\\_Entwicklungspolitik/stellungnahme\\_laenderkonzentration.pdf](http://www.venro.org/fileadmin/Publikationen/ Einzelveroeffentlichungen/Deutsche_Entwicklungspolitik/stellungnahme_laenderkonzentration.pdf)

10 [http://www.womnet.de/content/2008/VENRO\\_Positionspapier\\_Accra.pdf](http://www.womnet.de/content/2008/VENRO_Positionspapier_Accra.pdf)

This number of partner countries, however, does not mean that no activities are conducted in other countries. Activities in at least 21 countries are funded via regional or thematic programmes (such as the Caucasus Initiative or the programme on fragile states). In practice, the geographical concentration is a slow process with regard to phasing out of German aid agencies (Faust / Ziaja 2009). As BMZ puts it on its website: *“In 17 countries, ongoing programmes will be completed as planned and bilateral development cooperation then brought to an end.”*<sup>11</sup>

Overall, and in line with European and international endeavours, Africa is explicitly featuring high on the German development agenda: *“Since it is in Africa that the greatest efforts are required to achieve the Millennium Development Goals, Germany’s engagement in Africa will be particularly strong. But other regions too will be able to count on Germany as a reliable partner.”*<sup>12</sup> Almost half of Germany’s partner countries (24) are located in Sub-Saharan Africa (including South Africa).

### *Formal criteria*

Decisions on concentrating on certain countries follows criteria that were first established in early 1990s and have only been slightly revised since. Cooperation partners for Germany are selected according to the following five criteria:

- How **needy is the country** with regard to **poverty**, how prone is the country to **crisis** and how relevant for the protection of **global public goods**;
- Overarching **ecological and political goals** and interests,
- Aspects of **good governance** in partner countries,
- **Relevance and significance of the German contribution** as compared to other bilateral and multilateral donors (with a view on international division of labour),
- **Regional aspects and historical linkages** (BMZ 2008, 344).<sup>13</sup>

Some elements are linked to specific monitoring tools, most importantly so how prone a country is to crisis. BMZ has an own early warning system that builds on academic country experts that – besides the usual diplomatic information via the Foreign Office – informs BMZ decision-making without being mechanistically applied.<sup>14</sup>

With regard to the quality of governance, BMZ has worked on a tool to assess governance. Furthermore, socio-political assessments are conducted by experts in academia, informing policy-making. Countries with good governance are preferably supported by specific

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11 <http://www.bmz.bund.de/en/principles/aims/index.html>

12 <http://www.bmz.bund.de/en/principles/aims/index.html>

13 Own translation. A good illustration of the aspect of “historical linkages” is Namibia, an African middle-income country that would presumably not qualify for aid in terms of using an exclusive indicator of poverty prevalence. Poverty is widespread in Namibia. Yet, the country has own resources; income distribution in Namibia among the most unequal in the world. The country, however, has substantial German historical legacy; it was a German colony until 1919 and German colonial rule was particularly cruel to the Herero people. Germany is the biggest bilateral donor to Namibia. On the other hand, current political considerations prevail over colonial past: Togo – with negative governance records – is not among Germany’s partner countries, despite its German colonial past.

14 [http://www.bmz.de/en/issues/Peacebuilding/crisis\\_prevention/index.html](http://www.bmz.de/en/issues/Peacebuilding/crisis_prevention/index.html)

instruments (programme-based approaches) and in these countries, BMZ states, the division of labour according to the EU Code of Conduct will be particularly pursued (BMZ 2008, 344).

The aspect of “relevance for the protection of global public goods” (or for global governance in general) already points to the specific focus of German development policy on so-called “anchor countries”, i.e. countries that are crucially important for the stability and development of their respective region (China, India, Brazil, South Africa, Indonesia, Egypt and others). With these countries, specific focus should also be placed on possibilities of trilateral cooperation, not least to enhance mutual learning possibilities and thereby better integrate “emerging countries” into the international development community.

### *Informal criteria*

The criteria indicated above are open for – and explicitly intended – for political considerations. None of the expert opinions leads to immediate (mechanistic) actions. Emphasis is on the flexibility of partner selection and their regular revision in cross-departmental exercises within the German government (BMZ 2008, 345). Overall, there is a clear poverty-orientation in German aid allocation and few indications on geo-strategic or economic selection based on German preferences; a separate development ministry might have been instrumental for this effect (Faust / Ziaja 2009).<sup>15</sup> This cross-departmental coordination is particularly relevant in Germany, as development policy is the portfolio of an autonomous development cooperation ministry. Both BMZ and Foreign Office administer funds that qualify as ODA; the Foreign Office is in charge of humanitarian assistance and cultural cooperation, whereas development cooperation proper is the portfolio of BMZ.<sup>16</sup> Rationales for partner selection and/or political terms are not always in sync between actors such as BMZ and the Foreign Office.<sup>17</sup>

### 4.2.2 Ireland

Over the last years Ireland has experienced an outstanding process of substantially increasing both the quality and the quantity of its development aid. As one of the smaller Nordic+ donors, Ireland is perceived as a groundbreaker for issues such as policy coherence, governance and civil society.

Irish political and technical commitment to the aid effectiveness paradigm is very consistent and has shaped good practices for the international development community, for example in

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15 The indicator for poverty-orientation here is the Gross National Income (GNI) per capita. The authors argue that albeit being crude, this GNI per capita figure includes the potential for redistribution per country, i.e. the internal development finance potential is thus included.

16 The coalition agreement of the current German government speaks of development cooperation as “an autonomous part of the overall German foreign policy”. External representation in partner countries is via the German Embassy; development experts are often seconded from BMZ to the Foreign Office. Representation in-country is also secured via implementing agencies’ offices (GTZ and KfW as key actors). (Cf. Ashoff et al. 2008).

17 An illustration for this can be found in a think tank study on the German Africa policy that deplores the lack of strategic vision of the Foreign Office. The study often refers to BMZ strategies and priorities and critically reflects on Foreign Office’s tools for policy-making (cf. Mair / Tull 2009).

mainstreaming gender equality (DAC 2009b). On the basis of its White Paper launched in 2006 and widely consulted among national stakeholders, Irish Aid's work is guided by principles such as partnership, transparency and effectiveness, and links its agenda for more effective aid to the close collaboration with like-minded donors, particularly at the country level. For the years 2008-2010, Ireland presented an Action Plan outlining priorities for the implementation of the Paris Declaration, improved partnership and more public awareness for aid effectiveness. Currently, a new AAA implementation plan is underway (DAC 2008h).

Often admired for its strong bid for effective aid, Ireland received in April 2009 a very favourable DAC peer review. However, also concerns over recent aid cuts were raised by the DAC. On the other hand, Ireland has achieved good notes in most existing rankings. The Commitment to Development Index, launched by the Centre for Global Development, reflects the strong improvement of Irish aid which in 2008 ranks fifth of the 22 listed DAC donors, mainly due to the allocation to least developed countries (see below) and a totally untied aid. Even more excellence is reflected in the 2008 Survey on Monitoring the Paris Declaration. Among 34 donors, Ireland stands out as a runner-up in both the use of national Public Financial Management (PFM) systems and the reduction of Parallel Implementation Units, occupies a first place in the use of programme-based aid and achieves a tenth position in the coordination of donor missions.

#### *Decision-making on geographical concentration*

For already some years now, the high degree of concentration of Irish bilateral aid is perceived as a "great asset" (DAC 2003b, 13) and "main strength" (ibid., 37). Currently, Ireland is focussing its development cooperation on nine priority partner countries. Since 2003, Vietnam and Malawi have been integrated in Ireland's bilateral programme portfolio in a period in which Ireland's net ODA increased 90% in real terms. Between 2005 and 2007, the share of the nine programme partners was 47% of bilateral spending, a relatively high figure (ibid., 14).

Undoubtedly, Irish aid benefited from a clear-cut approach to concentrate its efforts on a limited group of poor and least developed countries, especially in sub-Saharan Africa, adopted before its rapid growth in financing. The 2006 White Paper, a comprehensive policy document set to frame the expansion of the aid programme, explains the need to focus on Africa on the basis of Ireland's commitment with fighting against poverty, helping "those in greatest need" (IrishAid 2006, 21). Apart from a limited margin for expanding existing organisational structure in Irish aid, a possible strong incentive for Ireland to concentrate greatly may be found in the desire to have an impact at the country level, which is difficult to achieve for smaller donors with highly fragmented activities. This is also reflected in the cautious geographical extension with the inclusion of two new partner countries, Malawi and Vietnam. In both, Ireland established Embassies in 2007 and 2005, respectively, invested heavily in staff, built sound medium-term partnerships and is already a strong player in aid coordination, for example chairing the Heads of Cooperation mechanism in Malawi.

Proportionally, the sensitive aid cut in the national emergency budget (20.1% with respect to ODA in 2008, and 21.9% from the projected total in 2009) will affect less bilateral cooperation (major cuts will be made in multilateral channels and reduce sharply funding of the prestigious Irish NGOs) Thus individual bilateral portfolio might not suffer a real downturn, although further reductions might change this situation drastically. With respect to

2008, the 2009 aid budget was reduced by 195 million Euros (CONCORD 2009), which is above the total funding directed to the bilateral priority country programmes in 2007, only 185.1 million Euros (IrishAid 2007, 68). A refocus of priority spending in “sub-Saharan Africa, on least developed countries and on reducing chronic hunger and vulnerability” has already been announced by the government.<sup>18</sup>

### *Formal criteria*

Partly generated by its own experience with poverty, the main underpinning for Ireland’s geographical concentration relates to the desire to address the necessities of the poorest countries. The 2006 White Paper explains in general terms the following as criteria for “giving aid”:

- **Need:** Particularly focussing on absolute poverty;
- **Capacity:** Ireland’s specific contributions;
- **Aid works:** Appropriate environments for aid effectiveness;
- **Irish Aid works:** Potential of Irish aid to become effective in specific contexts.

Furthermore the White Paper justifies the focus on the then eight programme countries with:

- The need for achieving the Millennium Development Goals;
- Existing relations in trade, migration and diplomatic relations;
- Previous peacekeeping and crisis management operations;
- Opportunities for promoting regional development institutions and programmes.

Reasoning aid in a very broad context of “shared humanity”, these criteria were not related to any qualitative and/or quantitative analysis which could explain the selection undertaken. The White Paper also claims that “political and strategic motives” do not influence decisions on allocation of Irish development assistance, although some of the broad selection criteria refer to political questions which also relate to more difficult parts of Ireland’s policy coherence in the realm of trade and investment, highlighted also by the Development Commitment Index.

### *Informal criteria*

The capacity to impact more directly on poverty reduction in poorest countries seems to be one of the more informal guidelines in concentration of Irish aid, vividly reflected in recent press statements of the government. This is related mainly to the philosophy of the “*deep and lasting commitment that we have as a nation, to fight injustice, oppression and poverty wherever it exists*” (Keogh 2009). The investment in diplomatic representation in new programme countries, such as in 2007 in Malawi, also might reflect the desire for capacity for political dialogue and interest in higher-level visibility in countries that previously received very limited amounts of aid (yearly 3 million Euros).<sup>19</sup> Finally, and highlighted by several DAC reviews, management capacities have often been perceived as limited and might have been further affected by the move of Irish Aid from the capital to the more provincial

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18 Minister of State for Overseas Development, Peter Power’s, address to the Dóchas AGM, 30 April 2009

19 Irish Aid: Overview Malawi, <http://www.irishaid.gov.ie/Malawi.asp>

Limerick. This could explain the bid for concentration in view of the institutional and organisational restrictions, in general a caveat for smaller donors to spread the resources widely.

#### 4.2.3 Sweden

Sweden is a very active member of the Nordic+ countries, the donor group that has introduced innovation and a strong drive into the aid effectiveness agenda, among other things substantial work on delegated cooperation as a tool for improved international complementarity.

Stockholm created the ground for advancing towards the current Paris and Accra commitments with its Policy for Global Development, prepared as a bill by the previous government in 2002 and endorsed (as guidelines) by the parliament in December 2003. This broad policy document stresses an improved effectiveness of Swedish development cooperation both internally (such as untying 100% of its aid) and towards other actors, enabling partner leadership and influencing multilateral and other donors to adapt to the aid effectiveness agenda. After signing the Paris Declaration, the Swedish International Development Cooperation Agency (SIDA) presented an Action Plan for Increased Aid Effectiveness for the years 2006-2008 with a strong focus on improved aid delivery mechanisms at the field level.

Sweden is a highly respected donor among the development community and is classified among the top performers in different rankings, such as the Centre for Global Development's Commitment to Development Index, where it scored highest in terms of quantity and quality of development aid in 2008. The monitoring of the Paris Declaration in 2008, however, shows more mixed results. Among a total of 34 donors, Sweden ranks ninth (of a total of 32 donors) in the use of national PFM systems, fourteenth in the reduction of Parallel Implementation Units, twelfth in the use of programme-based aid and fifteenth in the coordination of donor missions.

#### *Decision-making on geographical concentration*

The concern over excessive geographical coverage was addressed in Sweden's Policy for Global Development which called for a more focussed assistance to poor countries, particularly in the African context. The Action Plan for Increased Aid Effectiveness gave some orientations towards sectoral division of labour at the country level, but does not refer to geographical concentration. However, in response to the DAC peer reviews in 2000 and 2005 (calling for a "more strategically selective concentration of countries and sectors") (DAC 2005b, 13), the current Swedish government decided in August 2007 to implement a drastic reduction of the number of priority partner countries for bilateral cooperation from 67 to 33, thus withdrawing aid from 34 developing countries by 2010.<sup>20</sup> Three main priority categories were established: long-term partnerships, conflict-affected countries and reform cooperation in Eastern Europe.

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20 Focused bilateral development cooperation. This shifts attention to other parts of partnership, beyond ODA, and does not mean a withdrawal of all Swedish activities, e.g. in South Africa.

Implementing geographical concentration in a very straightforward way, the Swedish government ensured a high level of transparency regarding the process and its underlying rationale (see description of criteria below). For example, partner countries eligible for phasing-out were informed six months ahead by the respective Swedish embassy. Though, consultations were not extensive, and particularly Swedish stakeholders, among them the retired SIDA Director General (SIDA 2007) and civil society organisations such as Diakonia, regretted what they saw as a rather autonomous and overly hasty approach of the government (Swedish Diakonia 2007). Dialogue and coordination with other donors was felt not to have been conducted strategically, even if the period of decision-making synchronised with the launch of the European Union's Code of Conduct on Complementarity and Division of Labour. A sensitive problem for communicating the concentration process was its apparent disconnect from global processes of development policy-making, with very weak references to the overall aid effectiveness commitments by public documents and statements.

### *Formal criteria*

As the leader of the concentration process, Sweden's Ministry of Foreign Affairs (MFA) published in August 2007, shortly after the final decision on the new priority countries, two policy documents explaining the background (Swedish MFA 2007a) and the decisive factors (Swedish MFA 2007b) for the revised country focus. The following four groups of criteria were established:

- **Poverty:** A “needs index” based on GNI per capita, malnutrition among children, prevalence of Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS) and aggravating condition, plus HDI, Gini coefficient, primary education and GDP growth
- **Effectiveness:** Pro-poor and rights-based national development strategy, good governance (as CPIA), corruption (Transparency International), results of earlier Swedish cooperation, aid dependence (in terms of GDP) and relative funding level
- **Human Rights and democratic governance:** Process towards democracy (Economist Intelligence Unit) and human rights, involvement of civil society and potential for improvements in human rights and democracy
- **Swedish added value:** Demand for Swedish expertise (including enterprises), long-term relations, added value, regional aspects, other donor's plan for aid to the country and active Swedish participation in an ongoing peace process

As reflected in this list, many of these criteria were backed by well-known indexes and available quantitative data, while others relate to rather soft and auto-assessed issues, particularly regarding Swedish added value. Overall, Sweden stressed that once the concentration process was concluded more focus on Africa, Europe, peace and security, and democracy and human rights was achieved (list of priority countries in Annex II).

### *Informal criteria*

The MFA acknowledged explicitly that, while “a well-balanced basis for decision-making” was pursued, the revised selection of partner countries was a “political decision”. On the other hand, the process was linked to the overall reform of the Swedish development cooperation

system, perceived as “overdue” by the government,<sup>21</sup> and particularly the re-balance of influence between the MFA and the recently reformed SIDA. Informally, Swedish stakeholders highlight the strong drive of a conservative government in revising profoundly the underlying reasoning of the geographic concentration process. In this context, Honduras and Nicaragua, long-standing partners with a strong, admittedly rather social-democratic orientation that fitted long-time Swedish government values, seem to have been excluded more for political reasons than on the basis of the indicated criteria.

#### 4.2.4 Czech Republic

As a re-emerging donor since 1995, the Czech Republic has committed to reach ODA/GNI ratio of 0.17% in 2010 (EU Council 2005). Even though the quantitative goal for the EU-12 is significantly lower than for the EU-15, the country is clearly off-track to reach this. The annual volume of bilateral aid is approximately only € 25 million, making the problem of aid dispersion particularly urgent. Although the institutional framework has improved, the commitment of the country to the qualitative objectives of the Paris Declaration and European Consensus is equally weak.

For example, the Czech presidency of the Council of the EU in the first half of 2009 referred to the aid effectiveness agenda only *pro forma* and – as well as the French presidency – did little to push for its implementation. Instead, the presidency – with mixed success – focused on promoting its three priorities: (i) access to sustainable sources of energy at local level in developing countries, (ii) support of democratic governance, and (iii) the Eastern dimension as a cross-cutting priority. The MFA actively participated at the Accra High Level Forum, but as far as the preceding preparation of the EU position was concerned, the only Czech priority was to strive for softening the proposal on a minimal level of ODA for LDCs.

Czech aid remains generally tied and donor-driven; current legislation does not allow direct financial support of partners in the South. Coordination with other donors has been insignificant and the Czech Development Agency (CzDA) does not have any offices in the field. The only exception consists in trilateral projects led by DAC donors and the membership of CzDA in the Practitioners’ Network for European Development Cooperation (CzDA s.a.).

The Czech Republic is not an OECD DAC member (yet; despite being an OECD member state), and therefore the Ministry of Foreign Affairs (MFA) does not report the full body of statistical data on aid effectiveness, including e.g. gender mainstreaming. The Centre for Global Development has not included the country in the Commitment to Development Index for the same reason. Policy coherence for development should be explicitly promoted by the Council on Foreign Development Cooperation, an advisory body of the MFA, but no implementation processes have been set up. Neither has the recent Czech presidency of the EU made any efforts to promote the implementation of the Code of Conduct on Division of labour in Development Policy.

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21 Development Today: 'Reforms overdue'. Sweden slashes number of aid recipients, August 2007

Despite these limitations, the Czech Republic is a leading donor with a particularly strong development constituency among the post-communist EU member states. It is also the only new EU member state to have undergone a special DAC review, which has recommended “to reduce the number of priority countries to enhance Czech ODA’s development impact” (Czech MFA / OECD 2007). A key challenge for the Czech Republic in aspirations to enhance aid effectiveness and to catch up with the lower level of EU-15 performers, however, is the recent unsystematic foreign policy interventions in the development cooperation.

### *Decision-making on geographical concentration*

In the late 1990s, Czech aid was very limited in volume but fragmented: aid was given to 40 countries. This was mainly due to a decentralized/fragmented system, in which no less than nine line ministries were implementing development projects independently. Sufficient political will to centralize decision-making at the MFA and gradually submit the implementation to CzDA was found only in 2007. However, the concentration process has started earlier: the number of priority countries was set to 20 in 2002 and reduced by half two years later, i.e. immediately before the EU accession (Government of the Czech Republic 2002; 2004). At the same time, the bilateral budget for non-priority countries was limited to 25%.

The 2004 strategy paper was drafted by the MFA, with limited input by the implementing ministries. It is important to recall that the ministries were in the habit of keeping control of their ODA budgets and sectoral concentration did not follow the territorial one. Overall, the decision-making process was justified by the international commitments on aid effectiveness, but it can also be explained by the motivation of the MFA to use development cooperation as a tool of foreign policy. The whole process of selecting priority countries for the period 2006-2010 was rather opaque and exclusive: NGOs and other non-state actors were formally excluded from the process.

### *Formal criteria*

The original criteria for assessing (at the time: twenty) priority countries were established by the Development Centre, an advisory body to the MFA. The criteria and the number of points obtained were presented to the public only *ex post* and published by the NGDO platform note before 2008 (FoRS 2007, 21). Ten sub-criteria were divided in four groups: need for assistance, aid absorption capacity, intensity of cooperation, and diplomatic relations. These criteria were weighted:

- **Need for assistance:** GNI per capita, HDI rank, ODA per capita (max. 15 points)
- **Capacity to receive assistance:** existing PRSP, democratic governance, respect for human rights and civil liberties (max. 8 points)
- **Intensity of development cooperation:** Intensive development cooperation in the past, ongoing projects of development cooperation, number of graduates from Czech universities (max. 8 points)
- **Presence of an embassy** (8 points)

At first sight, the criteria did not substantially differ from those set by experienced donors. However, quality control of aid is mostly absent: a large number of project evaluations were already available but sectoral priorities had been determined by the line ministries. Political

relations between the Czech Republic and the partner country were formally approximated by the presence of an embassy and the number of former students from the South. “Principles of coherence, complementarity and coordination with other donor countries” were listed as criteria of selecting subsequent sectors in the 2004 strategy, but no steps seem to have been undertaken in this direction.

### *Informal criteria*

The comparison of the chart with the final choice of priority countries shows that political criteria were informal but equally important as the formal ones (see Annex III). Especially political and commercial interests, security concerns and contingent events overweighed the well-intentioned focus on aid effectiveness. Out of the ten countries that ranked the best, only four eventually became priority countries: Yemen, Angola, Vietnam and Mongolia. There are only four LDCs on the complete list of ten countries.

The MFA excluded or included countries according to its territorial priorities. While Mali and Burkina Faso ranked well, the Ministry was already about to close two remaining embassies in francophone Africa and thus excluded both countries from the list. On the other hand, the middle-income Serbia and Montenegro with Bosnia and Herzegovina did not perform well and Moldova had not been assessed at all. Their inclusion reflects direct political and commercial interests in South-Eastern Europe. As an expression of transatlantic alliance, Afghanistan and Iraq were added as mid-term priorities without country strategy papers.

Moreover, the final choice responded to personal influence and short-term events as well. For example, Ethiopia ranked first but was disqualified because of a diplomatic incident<sup>22</sup>. Zambia was added on the suggestion of the Ministry of Health, but the programme turned into a disaster because of serious charges of corruption on the Czech side.

### *Implementation and the way forward*

In 2008, the process of concentration of decision-making at the MFA has started and immediately translated in further instrumentalisation of development cooperation. The MFA informally created a category of six “project countries” plus Georgia. While Cambodia was included because of the conclusion of a debt relief agreement and Ethiopia was “rehabilitated”, Palestine, Kosovo, Afghanistan, Iraq and Georgia reflect obvious political and security interests. Even though this step has put an end to the support of non-priority countries, the overall trend does not lead to genuine concentration and predictable aid disbursements. Especially priority countries in Africa have received only modest ODA amounts.

The EU presidency has exhausted MFA’s capacities in 2008-2009 and the political instability complicates the predictability of the process of preparing the 2011-2016 strategy, outlined by the 2007 government decision on the institutional transformation of the bilateral cooperation. If the 2004 criteria did not change significantly, “taking into account the division of labour

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22 Alongside Nigeria and South Africa, Ethiopia is the most important political partner of the Czech Republic in sub-Saharan Africa. It became a “project country” in 2008 and the most probably it will be selected as a programme country from 2011 again.

with other donors” concerns now should influence not only the choice of sectors, but also the territorial priorities (Government of the Czech Republic 2007).<sup>23</sup>

As of June 2009, there have been no promising signals that other than domestic concerns will be respected. The MFA has already sent questionnaires on preferred territories and sectors to other ministries, NGO, and private sector platforms. The current Minister of Foreign Affairs seems to be in favour of further reduction of territorial and sectoral priorities, but there is no public debate on the new strategy and the upcoming process remains unclear, including with regard to the dialogue with partners and other donors.

#### 4.3 Summary: What the donor cases indicate

- All donors appear to be grappling with selection criteria and rationalisation of their partner country setup. There is an understanding of the need to explain partner country selection as a basic function of domestic accountability. Formal criteria are established by all four cases against which to measure the partner country selection.
- Donor governments tend to draw on rankings by both multilateral and private organisations. Parameters such as the UNDP HDI and the achievement in terms of Millennium Development Goals (MDG) are most prominent, while Sweden used a broad range of formal selection criteria, including analysis from Transparency International or the Economist Intelligence Unit.
- Self-assessment of the actual and potential contribution of a donor constitutes a recurrent criterion in all four cases, using different parameters ranging from the presence of an embassy (Czech Republic) to an overall added value in the development process (Sweden). In none of the cases were linkages made to independent or official assessments of donor performances; the evaluation of this aspect was based on internal considerations.
- In all cases, political considerations can trump formal selection criteria. This is irrespective of how formal the selection process is shaped, whether it is linked to “objective” indicators (as in the case of Sweden) or has introduced a weighting of different indicators (as in the case of the Czech Republic). Partner country selection is pursued as a clearly political task and process, linked to overall policy considerations – be it foreign policy (where do we have special linkages we can/should build on) or ideological considerations of partners’ priorities (where do we have fundamental agreement in values).
- In none of the cases indicated have there been signs of structured consultation among donors (within the EU or beyond); partner country selection and thus geographical aid allocation seems to be considered solely a sovereign and unilateral decision of donors, while there is also a lack of consultation platforms for the concentration processes. Thus, in practice, the concentration process is looking “inwards” and not towards the concentration *among* donors across countries.
- Very little – if any – dialogue has taken place with the partner countries, which consequently tend to be unaware of the ongoing concentration processes at the donor end of the development partnership. One remarkable contradiction needs to be flagged

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<sup>23</sup> Paris Declaration or EU documents are not mentioned explicitly in the document but covered by generic references to OECD and EU commitments. Coordination with other donors is listed as a task of the MFA without further precision.

in this section: all donor countries express the “demand” for their aid as a key element for why they engage in a partner country. But only in the case of Sweden is there experience in early information of partner countries (announcing the inclusion in a list of countries eligible for Swedish phase-out).

- In none of the cases have reductions of the number of partner countries explicitly been linked to reductions in aid volumes. At least in a pre-economic crisis world, a concentration appears to be driven by concerns about effectiveness and visibility of programmes, rather than in the explicit context of downscaling of aid.

## 5 Emerging criteria for country-led concentration

### 5.1 Methodological considerations

In general terms, partner countries have not yet engaged in geographical donor concentration processes. The following pages will illustrate the (not unfounded) reluctance of partner countries. Reasons for this are among others the preference for diversity and the fear of losing development financing sources. However, to the extent that donors are pursuing more actively their cross-country concentration, the selection of development partners is an ever more crucial decision with regard to the leeway a country leadership has. The capacity of a certain partner country to identify criteria for choosing donors is relevant to both the aid relations at the country level and the partnership at the global level. In practice, only one case of active and large scale donor concentration by a developing country appears to have happened: in 2001, the Indian government selected five donors as partners and asked all others to disengage at Federal level (see Box 4).

As part of a creative thought exercise, the authors of this discussion paper contacted decision-makers and policy-advisors in developing countries (in cases where previous working relationships had been established), asking them to think (to themselves) about whom they would want to keep as donor if they had to choose from donors and then rationalise their considerations: what were the criteria on which they based the selection? Although the highly politically sensitive nature of our research interest prevented us from obtaining straightforward answers, it still served as an interesting starting point for deeper discussions from a more “empowered” position of partner countries.

An alternative entry point for country-led criteria can be found in the ongoing processes of in-country division of labour. Qualitative criteria are emerging in several developing countries as a result from the implementation of different instruments for improved in-country complementarity. By referring to possible preferences of partner countries towards certain characteristics, capacities and performances of donors, these criteria might as well create a basis for partner country perspectives in the decision-making on cross-country division of labour.

Within an explorative approach, three main dimensions are of importance for the analysis of the emerging criteria for country-led division of labour.

1. A partner country with a longstanding experience and leadership in aid effectiveness and donor coordination is likely to be more proactive in assessing donor performance.

2. If division of labour is already part of the national agenda of aid coordination, the underlying discussions and debates might have triggered already some qualitative criteria or at least reflections on how to assess the contributions of donors. Real country leadership is a key factor for criteria shaped by national priorities, but even supposed “division of labour champions” are struggling with real influence and often do not prioritise donor complementarity in face of diverse incentives (for example, between the Ministry of Finance and the line ministries). This explains why in most cases criteria are emerging only very timidly.
3. The third dimension aims to address this gap by exploring existing policy documents, particularly development planning and aid coordination instruments. Although not always dubbed “criteria”, several qualitative aspects of donor performance appear in official plans, reports and evaluations. These constitute a strong basis for analysing emerging country-led criteria grown on the terrain of national processes.

**Box 4: India’s decision to concentrate donors**

In 2001, the Indian government launched its new policy for bilateral cooperation, which included a clear bid for ending aid dependency and for becoming a donor on its own right. In this context, a significant reduction in the number of donors active in the country was pursued. The following four key criteria were applied:

- Aid volume: donors with an annual portfolio smaller than 25 million USD would be “relieved” from providing aid to the government and should thus channel their more limited funds through NGO and multilateral channels. Initially, India considered even the option of only accepting aid from G-8 members.
- No tied aid: India decided to reject any aid linked primarily to the interests of donor countries
- Transaction costs: given the high cost and lack of activities fragmented bilateral donors working in small niches, gave India a clear preference for multilateral aid
- Non-interference: India wished to avoid any interference by donors on policy issues such as nuclear testing and governance, on which especially the Nordic donors (with smaller volumes of aid) had been very critical.

More details:

2003/04 Union budget speech (<http://www.indiabudget.nic.in/ub2003-04/bs/speecha.htm>), article 126; also Price (2004); de Groot et al. (2008).

## 5.2 Country cases

The selection of country cases from a recipient country perspective proved to be more difficult than the choice of donor countries. In most partner countries, division of labour processes is still in a very early stage, perceived as predominately donor-driven and politically too sensitive. In several countries, officials and advisors in charge declined to share more detailed information and/or stated that donor complementarity is not a priority for the national government. Finally, partner countries with low levels of aid dependence, for example middle-income countries, preferred to treat ongoing processes in donor concentration at the country level with a high degree of confidentiality, given the political implications..

This explains why only three country cases have been included in this discussion paper: Cambodia, Malawi and Uganda, while a fourth case, Mauritania, is explained more briefly in Box 5. Attempts at a better division of labour among donors in Mauritania have been aborted after the coup d’etat in 2008. All three cases are classified as Least Developed Countries by

**Box 5: Strategic positioning of development partners in Mauritania**

In the aftermath of the Paris Declaration, the government of Mauritania pursued division of labour through an assessment tool of donor activities at the programme level, presented in March 2007. With the assistance of the World Bank, Mauritania aimed at improving the basis for selectivity among donors using two aspects: the priority of a certain programme and the contribution of a certain donor to the planned outcomes of the programmes. Each aspect constitutes an axis within Cartesian coordinates which positions of each donor in four quadrants. For example, a high contribution of a donor with sensitive contribution to development results would imply that the donor should take the leadership, while low support with little impact in outcomes should lead to a phase-out of the donor from the programme.

The particular value of this tool lies in its three-fold approach to division of labour, including country needs, the comparative advantages of donors and the relative weight of each development partner. Both sides of the development partnership in Mauritania benefitted: the government of Mauritania was able to identify best placed donors in a given sector as well as to assess if support is sufficient or excessive in different sectors. For their part, donors could review their strategy of assisting the country.

Donors' comparative advantages were assessed by the government on the basis of the following criteria:

- Expertise and proficiency at the sector level, including institutional, team and focal point competence, reactivity and performance
- Regional experience, taking into account experiences in the same sector, but another (African) country
- Donor performance in programmes and projects, including achievement of results, team competences and reactivity
- Additional criteria such as advisory capacity, institutional support and coordination with other donors

More information on the process and tools in: IDA (2007); Rantrua (2007); Sidi-Baba (2007).

the World Bank and can thus be considered aid dependent, resulting in a much different position for negotiating and allocating aid than the emerging global power India.

### 5.2.1 Cambodia

#### *Context: Development and aid effectiveness*

Cambodia has achieved a medium human development and ranks 134th of the 179 countries covered by the UNDP's Human Development Index in 2008. With aid representing 7.7% of its GNI in 2006, Cambodia is a moderately aid-dependent country whose population obtained a GNI per capita of 2,920 USD in purchasing parity terms in 2006. Over the last few years, poverty reduction has benefited from a booming economy and increasing revenues from natural resources, while the consequences the genocidal regime, limited national capacities and rural poverty still pose huge challenges for future development. With an overall moderately weak governance, Cambodia's Country Policy and Institutional Assessment (CPIA) improved between 2005 and 2007 from 3.1 to 3.2.

The donor community encompasses around 30 bilateral and multilateral agencies, and includes several emerging donors such as China and Korea (both of which report on their funding and participate in the PD monitoring survey) as well as Qatar and Kuwait. The weight of the donors is quite homogeneously distributed, with Japan and China as the most important donors in 2007 (Royal Government of Cambodia 2008, ii). Thus far there are no practical experiences with phasing out, but at the beginning of 2009 Canada announced its exit from Cambodia, an option that, according to experts consulted, the UK is also studying.

Since 2006 Cambodia has invested heavily in a consistent and detailed set-up of its development and aid effectiveness framework, while also taking stock at different regional and global platforms. At the top of development planning, the second phase of the governmental Rectangular Strategy guides through the political priorities concerned about an enabling environment, economic growth and good governance. The National Strategic Development Plan (NSDP) 2006-2010 operationalises the Rectangular Strategy by establishing ten priority goals, nine of them country-specific MDGs and the tenth related to de-mining efforts. Although there are still some challenges to ensure budget linkage, recent reforms in Cambodia's Public Financial Management seem to indicate substantial progress towards an increasingly strong development strategy (DAC 2008j).

Jointly with Laos and Vietnam, Cambodia<sup>24</sup> is pioneering donor coordination in South East Asia. The government manages aid towards the NSDP priorities on the basis of the National Operational Guidelines and the Strategic Framework for Development Cooperation Management 2006–2010. Aid effectiveness is addressed in the Cambodia Declaration on Enhancing Aid Effectiveness (2006), which localises the Paris agenda in the national context, and the Harmonization, Alignment and Results Action Plan (H-A-R) 2006-2010, which prioritises activities, assigns responsibilities and tracks progress. Focussing at the sector level, the H-A-R measures the use of PBA, delegated cooperation, mission and studies calendar and donors' adaptation to the aid effectiveness principles.

### *Progress in division of labour*

Cambodia has casted a sharp light on fragmentation as one of the mayor challenges in achieving a more rational aid delivery, but uses a rather cautious approach to division of labour. The first Aid Effectiveness Report (AER), launched in 2007, offers a detailed and comprehensive view on the “*highly deconcentrated aid environment*” in Cambodia, described as “*one of the most competitive in the world*” (Royal Government of Cambodia 2007, 6). Fragmentation is elevated both at the sector<sup>25</sup> and the donor level.<sup>26</sup> However, instead of claiming for concentration as a solution, the government indicates its preference to preserve and manage diversity, conserving a broad range of policy perspectives, while simultaneously increasing the use of PBA and developing national capacities.

Subsequent official analysis maintains this prudent standpoint, but also opens a door for further work on division of labour. The 2008 AER identifies as main lines for addressing fragmentation the strengthening of PBA, the increasing use of delegated cooperation and “some form of division of labour approach” (ibid., 20). While presenting a first group of principles (see below), the document also highlights the difficulties for an aid-dependent

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24 The three countries have engaged in a regional Joint Initiative on Mutual Accountability which promotes South-South learning on reforming donor-partner relations at the country level.

25 According to the 2007 AER, education, governance, health and rural development are attended by a very large number of donors and projects. Less attention is drawn to consequently highly concentrated sectors such as food aid, budget support, banking and urban planning.

26 The 2007 AER introduces a composite index of project and sector fragmentation based on the Herfindahl Index and the average project disbursement, which shows that USA, the Global Fund, China, Switzerland and the UK are most concentrated donors, while New Zealand, Canada, UN, France and Australia contribute a very fragmented aid portfolio (page 7)

country to lead the division of labour and feed into the identification of comparative advantages as requested by the AAA.<sup>27</sup>

On the donor side, Cambodia's participation in the EU Fast Track Initiative has induced deeper discussions among EU donors on how to promote division of labour (Royal Government of Cambodia 2008, 20), focussing thus far rather on the processes than on outcomes (Wood et al. 2008, 29).

### *Emerging criteria for donor concentration*

The main landmark for emerging criteria for donor concentration arises from the 2008 AER which sets principles for guiding through further work on (in-country) division of labour, within the reservations expressed by the government about the overall capacity to lead donors' complementarity and the need for diversity of policy options. Apart from process-oriented aspects,<sup>28</sup> the government introduces the following donor-related criteria:

- Headquarter mandate and a recognised role in a sector activity
- Established sector expertise in Cambodia and commitment to maintaining technical presence
- Predictable and committed funding of the sector
- Aggregate consistency and complementarity of a partner's country programme profile
- Demonstrated trust and working relationships with Government counterparts
- Commitment to implementing agreed sector guidelines and aid effectiveness practices
- Capacity to accept some form of leadership or coordination role that has collective utility

Although focussing on sector complementarity, most of these criteria generate essential landmarks for geographic donor concentration as well. At the global level of donor complementarity, the recent Aid Effectiveness Evaluation of an Independent Review Team identifies additionally the following "institutional incentives inductive for compliant development partner behaviours" (Wood et al. 2008, 42):

- **Commitment to aid effectiveness:** The aid effectiveness principles should be embedded in the operational structure, skilled aid effectiveness focal points should be available and the working environment should enable learning on and dissemination of good practices
- **Flexibility and risk-taking:** Innovation as opposed to strict rule compliance should give room for a greater result-orientation
- **Integrity of the development agenda:** Commercial and political interests should not influence into the development agenda and focus on fighting against poverty

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27 The 2008 AER states that leading division of labour "may understandably be a fraught and precarious undertaking for an aid-dependent government" (page 20), while the 2008 Cambodia Evaluation of Aid Effectiveness find that "it would unquestionably be a difficult and uncomfortable task for the RGC [Royal Government of Cambodia] to play the expected leading role in this area" (page 35)

28 Such as the consideration of different levels of complementarity, the need for diversity, the prevention of orphan sectors, and the specific role of the International Finance Institution (IFI) and the UN.

In sum, these emerging criteria add up to a quite clear picture of the preferences of the government in Phnom Penh, while other influential factors should be taken into account, particularly in the realm of commercial and investment relations, particularly in sectors such as national resources, tourism and agriculture.

### 5.2.2 Malawi

#### *Context: Development and aid effectiveness*

Ranking 18th from the bottom of the Human Development Index 2008, Malawi is a highly aid-dependent partner country, with aid representing 30.5% of its GNI in 2006. According to the World Development Report 2008, GNI per capita amounts only 720 USD in purchasing parity terms in 2006. Malawi's huge development challenges are particularly evident in its vulnerability to external shocks, a fragile food security, the impact of HIV/AIDS and, often related to the latter, low national capacities. Malawi's CPIA remained stable between 2005 and 2007, achieving each year a rating of 3.4, indicating a moderately weak governance.

In contrast to its neighbouring donor darlings Mozambique, Tanzania and Zambia, the small land-locked country hosts a rather fluctuant and unstable aid community, with only the Department of International Development (DfID) as a "traditional", albeit most relevant, donor. Malawi has a sensitive history of donors' exiting the country. In 2002, Denmark pulled out after a diplomatic incident in only five months, which caused important damages in the agriculture sector. The Netherlands dedicated 5 years (1999-2004) for a more cautious phasing-out process with a view on sustainability (van der Meer et al. 2008). In 2009, Malawi is affected by the pull-out of Canada and Sweden (which implemented its aid in delegated cooperation with Norway). On the other hand, donors such as Ireland have entered the country (see section 4), while among emerging donors China is a mayor player after announcing a USD 6 billion aid programme and establishing diplomatic relations with Malawi in late 2007.<sup>29</sup>

Since Malawi's independence in 1964, country leadership was often undermined by corruption and bad governance (cf. as an example, Rakner 2004). Though, the government under president Bingu wa Mutharika, elected for a first period in May 2004 and confirmed for a second term in the elections on 29 May 2009, brought some positive changes in macroeconomic and public financial management, especially through fight against corruption. Over the last five years, Malawi invested in a second-generation approach to development policies and aid coordination. The Malawi Growth and Development Strategy (MGDS) 2006-2011 establishes five MDG themes: sustainable economic growth, social protection, social development, infrastructure and good governance, with health and education as overarching sectors. On this basis, MGDS annual reviews are being prepared informing the budgeting process and orientating both foreign and domestic resources. In spite of difficulties to translate the MGDS at the sub-national level and in consistent sector programmes, Malawi's national development strategy is perceived as "a sound basis" for achieving a solid ownership in 2010 (DAC 2008k). However, in face of a strong leadership and improving capacities at the

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29 Reuters: Taiwan says can't match \$6 bln China aid to Malawi, 8 January 2008

Ministry of Finance, there are still challenges to broaden country ownership to and share the agenda with other ministries (Afrodad 2007).

In parallel to the MGDS, the government also created the basis for the coordination and alignment of aid to national priorities. Designing different national and sector coordination mechanisms, the Development Assistance Strategy (DAS) 2006-2011 includes an action plan that sets 26 targets around the five Paris Declaration principles. Within the DAS, the targets on narrowed funding gaps and improved predictability are of particular importance for international donor concentration, since they relate to individual and collective responsibilities of the donor community. Finally, the Ministry of Finance in Lilongwe has been publishing an annual Debt and Aid Report since 2005, which includes a review on the progress in implementing the aid effectiveness (see below).

### *Progress in division of labour*

Since late 2008, Malawi has started a national process on debating in-country division of labour. On the basis of the 2007/2008 Debt and Aid Report, the fragmented deployment of donors among sectors is assessed. The available data indicate that among 17 donors, five major donors (more than 10% of total disbursements)<sup>30</sup> contribute 76.3% in fiscal year 2007/2008, while the five most lightweight donors amount to only 3.3% of total disbursements.

At the sector level, the report states that “seven of the seventeen donors covered (...) are involved in eight or more of the sixteen sectors”, being the most crowded sectors health, education and economic governance (with twelve donors each). A recent draft of a “Malawi Aid Atlas” includes in this analysis the number of projects and programmes per donor in each sector, showing huge disparities. As a participant of the EU Fast-Track Initiative, Malawi launched a kick-off meeting on division of labour in March 2009, in which both in-country processes, often still lacking of sufficient leadership at the sector level, and recent phasing-out processes, particularly on Sweden’s exit (see section 4), were discussed. Tensions have been identified in the interests and incentives of the Ministry of Finance and line ministries, with the latter often wanting to maintain control over sector funding of external partners. Thus far, rather weak practical impulses have come from the EU’s Code of Conduct which, partly due to the limited number of European donors,<sup>31</sup> is still not being implemented in a strategic way.

### *Emerging criteria for donor concentration*

The launch of the debate on both in-country division of labour and donors’ phasing-out has shaped a greater sensitiveness regarding possible comparative advantages at the sector level, although analysis of the relatively good quantitative data is still incipient. The government also states that existing fragmentation could be easily administered with “strong harmonization of procedures and alignment to a defined programme of work” under the leadership of the government, which is, however, a situation given in only “few sectors” (Ministry of Finance of Malawi 2008, 19).

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30 DfID, World Bank, European Commission, Norway and USAID (in this order).

31 Apart from the Commission, DfID, Germany, Norway (plus Sweden in delegated cooperation) and Ireland are part of the donor community in Malawi.

On the basis of the existing official documents, the following criteria for pursuing donor concentration under the leadership of the country can be identified:

- **Commitment to aid effectiveness:** According to the Debt and Aid Report 2007/08, the government highlights predictability, use of national (particularly budgetary) systems, PIU and programme-based aid (particularly general budget support) as major indicators for assessing donors' performance. Additionally, the DAS emphasises in the alignment of country assistance strategies to the MGDS, flexibility in financial cycles, untied aid, coordination of missions and analytical work, and the consistent participation in the Annual Reviews of the MGDS and the Annual Debt and Aid Reports.<sup>32</sup>
- **Capacity for and support to dialogue:** The DAS establishes a series of coordination mechanisms, inviting donors to participate in high-level and sector-level dialogue, as well as asking for support by donors for the implementation of the DAS by the national government, especially through capacity development at the sector level.
- **Narrowing funding gaps:** This central concern of the MGDS indicates the necessity for a donor's financial portfolio to have a certain critical mass in relative and absolute terms

### 5.2.3 Uganda

*Context: Development and aid effectiveness*

As a low income country, Uganda occupies the 156th rank of the 179 countries included in the UNDP's Human Development Index in 2008. Official Development Aid from DAC donors constituted 16.9% of its GNI (1.550 USD per capita in purchasing parity terms) in 2006, reflecting a relatively high dependency on external development financing. Decades of devastating civil war, which still affect the northern part of the country, and both political and economic instability have led to a low development. However, Uganda today is also one of the fastest growing Sub-Saharan economies, seems to be quite resilient to the global crisis and has recently discovered oil and natural gas reserves, which might boost national income in the near future (cf. Lundgren 2008). Uganda's governance is classified by the World Bank as moderately strong (CPIA of 3.9 both in 2005 and 2007), although corruption remains a challenge to be resolved.

Uganda hosts a large donor community, which apart from around 20 traditional donors also includes newer actors such as China, South Korea, the Czech Republic and Turkey. The country strongly attracts multilateral aid. In 2008, the World Bank was by and large the most important donor, followed by the European Commission, United Nations and the African Development Bank (DAC 2008m). Often dubbed a "donor darling", Uganda has not yet experienced phasing out of donors.

As an experienced and committed partner country, as early as 1997, Uganda set up a Poverty Eradication Action Plan (PEAP), which is Uganda's national development framework until

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32 With its Debt and Aid Reports, Malawi has introduced an interesting rating system for assessing donors' timeliness in submitting data on the (yearly eight) requests by the Ministry of Finance. For each timely data return (within two days of the deadline), donors earn 3 points. 1 point is given for providing data later than this, and no points for failing to provide responses altogether in a given occasion.

2017 and also works as a medium-term planning tool. Thus, the PEAP is being reviewed annually and updated by 5-year development plans, whose latest edition is currently being drafted. The 1997-2017 PEAP establishes four main pillars focussing on economic management, competitiveness, security, conflict resolution and disaster management, good governance, and human development. The consistency and coherence of Uganda's development planning, including at the sector and subnational level, is reflected in the fact that Uganda is one of only eight partner countries (out of 40) that already comply the ownership goals set out by the Paris Declaration, which refer to a consistent national development strategy as main ingredient. Additionally, public sector reforms are already underway in order to improve capacity and leadership among government staff.

Aid coordination is also a strong part of Uganda's experience in promoting aid and development effectiveness. In 2001, the government in Kampala agreed a series of Partnership Principles (PPs) embedded in the PEAP, which were updated in 2003 with an eye toward the Rome Declaration. The PPs were an early articulation by a recipient government of the need for improved donors' performance in harmonisation and alignment issues, while also addressing the possibilities to foster trust among both sides and reduce aid dependency over time. Building on early experience of the Poverty Alleviation Fund, budget support is highlighted as a mayor preference of the government wanting to improve the structure of its aid inflows. In 2004 a group of eight donors decided to moved towards developing a common aid strategy. This resulted in the Uganda Joint Assistance Strategy (UJAS) 2005-2009 which sets out an comprehensive and detailed framework for aid management. Three main principles guide the UJAS: support to the implementation of the PEAP, more effective cooperation among development partners and with the government, as well as focusing on results and outcomes as part of planning and implementation. Currently, the UJAS includes 12 donors that represent two third of total ODA (cf. Republic of Uganda 2008). Mainstreaming Paris principles and indicators, the UJAS process yielded a results matrix which aligns with the PEAP matrix and describes the specific contributions of the members of the donor community in terms of financing and analytical work. Progress was to be assessed on an annual basis along with the PEAP annual reviews, but is still pending at this stage. However, especially the World Bank and the African Development Bank reported major changes in their behaviour as a consequence of the endorsement and implementation of the UJAS over the last few years (World Bank 2007; AfDB 2006).

#### *Progress in division of labour*

The diverse donor community, high transaction costs and some especially crowded sectors (such as health, roads and humanitarian aid) have long been noted as a problematic obstacle for aid effectiveness. Already mentioned in the 2001/2003 PEAP PP, division of labour in Uganda has achieved international visibility as a result of the UJAS process which helped shaping a basis for discussing and implementing a more efficient donor complementarity. In 2005, the UJAS invited donors to "critically self-assess their comparative advantages" (UJAS 2005, 16), while also acknowledging that "the issue of who decides who has the comparative advantage in any given area was difficult to address" and "disengaging from sectors proved difficult for many UJAS partners" (UJAS 2005, viii).

Further steps on improved donor complementarity were taken by Uganda in 2006. Supported by the Overseas Development Institute (ODI) and as part of attempts to implement the Paris Declaration to local conditions, the government and the Local Development Partner Group,

conducted a “development partner division of labour” exercise. The starting point of this was to map aid flows against the governments own efforts (budget and PEAP) and facilitate the self-assessment of “past, current and future activities in the context of the PEAP” (Republic of Uganda 2006). It also included peer-reviewed self-assessment of comparative advantages of each donor in terms of “particular characteristics for a development partner leading on some aspect” at the sector level (ODI 2006; see details below). Although 29 donors returned completed questionnaires, the process lost momentum “temporally” in 2007, partly due to the focus on donor harmonisation and a subsequent lack of consistent country leadership (Republic of Uganda 2008, 33). Another possible caveat was the design of the comparative advantages which some bilateral donors perceived as “irrational” reflecting only existing operational and financial strength at the sector level (Afrodad 2007, 24). In general, two limitations arose from the first phase of the division of labour exercise: the need for breaking down division of labour in each sector and the more rational distribution of donors among sectors under the leadership of the government.

The government and particularly the Ministry of Finance is committed to launching a second phase of the division of labour exercise, which should inform the updated version of the UJAS, currently under preparation. A renewed impetus may emerge from Uganda’s role as a co-chair of the WP-EFF’s task team on division of labour and its participation in the FTDoL of the European Union.

#### *Emerging criteria for donor concentration*

At this stage, the debate on division of labour in Uganda is focussed merely on in-country complementarity among donors. To the extent that the exercise in 2006 and 2007 was rather donor-driven, question marks arise around the necessity to foster country leadership and to understand doubts and reservations of the government regarding a possible lack of funding at the sector level and the actual conditions for the government to decide on donors’ comparative advantages and subsequently assign areas of work.

Within these limitations, the following criteria emerge from the division of labour exercise (based on ODI 2006):

- **Headquarter and decentralisation:** Capability of taking operational and political decisions with a strong support by HQ
- **Financing and systems alignment:** Level, modalities, flexibility and alignment of development funding, predictability, and experience in programme-based aid
- **Dialogue, credibility and historical record:** Dialogue and negotiation skills, credibility with national organisms and number of years in a sector
- **Staffing and capacity:** sector expertise, process management, networks and working relations

These criteria already draw a quite clear picture on a possible reinterpretation for geographic donor concentration since they relate to the overall capacity of a certain donor to contribute high-quality aid and a good behaviour in terms of dialogue and negotiation. Additionally, both the 2001/2003 Partnership Principles and the UJAS offers some directions on deepening the understanding of country-led criteria such as:

- A clear preference and capability to **provide general budget support**
- The willingness and ability to **foster analytical work and policy analysis** in order to rapidly achieve PEAP goals
- Flexibility and capacity to **respond to emerging national needs**
- **Active involvement in sector coordination** and the overall harmonisation agenda (policy dialogue aid, missions, studies, etc.)

Beyond aid and development relations, Uganda still has not developed broader criteria, for example in terms of commercial and investment relations. As the country is moving towards the exploitation of natural resources, a bid for more policy coherence at the donor countries' side might become more relevant in the future.

### 5.3 Summary: What can be derived from country-led processes

- Thus far, even very committed partner countries have been adopting a rather prudent approach towards international division of labour for several reasons. Among these are the lack of consistent progress in in-country division of labour, the donor-driven character of division of labour, the fear of losing development funding, the sensitiveness of aid as central part of foreign relations, and the desire to manage diversity can be highlighted. However, even LDC such as Cambodia and Malawi are already affected by phasing out as part of ongoing geographical concentration processes of donors such as Canada, Sweden and UK. This exemplifies the urgent need of partner countries to overcome their rather passive role in the face of phasing-out at the country level and position themselves in a more structured dialogue with the donors at the global level.
- In all cases, clear criteria have emerged from the national context of promoting donor harmonisation in general and in-country division of labour in particular. Thus, a clear connection between in-country and international division of labour seems more than plausible for partner countries. Financial weight of a donor is a minor variable, which is an important finding for the ongoing discussion, thus far based almost exclusively on quantitative analysis of aid volumes and fragmentation. What matters for aid-dependent partner countries is the modality rather than the volume. In this sense, Malawi and Uganda have expressed their clear preference for general budget support. More relevance is giving to qualitative criteria, which are especially explicit regarding the capacities and commitment of donors to perform in accordance to the partnership paradigm reflected in the Paris Declaration and the AAA. One essential common parameter is found in the actual commitment to the aid effectiveness agenda, particularly regarding aid coordination, budget support and alignment (use of country systems). Apart from more operational issues such as staffing and expertise, also “softer” faculties such as trust, risk-taking, dialogue skills and credibility are essential for partner countries to assess donors' performance.
- In all cases donors are assessed against aspects related to aid delivery and partnership relations, but broader dimensions, such as policy coherence for development (PCD), do not yet form part of the reflections on the comparative advantages of donors. The case of Cambodia shows that PCD could become more important in the future, especially in view of the growing desire of partner countries to end aid dependency.
- In none of the cases, partner countries have used comparative assessments of donor countries' performance. Available data, such as the Commitment to Development Index

of the Center for Global Development, the donor performance in the monitoring surveys on the Paris Declaration or the World Bank Governance Indicators were not used.<sup>33</sup>

- Consultation and mutual learning among partner countries has not taken place so far, limiting the capacity to analyse and review the broader (cross-country) processes of donor concentration. This applies also to the countries participating in the EU Fast Track Initiative on Division of Labour.
- While the debate on in-country division of labour is generally embedded in a more or less clear policy environment, international donor complementarity is still not addressed in a structured way at the country level. The lack of strategic orientations and dialogue platforms for discussing and analysing the geographical concentration of donors thus far seems to restrict severely the engagement of partner countries in international division of labour.

## **6 Conclusions: Next steps for the dialogue on international division of labour**

Choosing an international partner will necessarily be based on a range of criteria, both for donors and for aid recipient. For instance, the urge not to alienate powerful international actors, or other strategic considerations, often not even originating in the realm of development orientation, will be part of the equation for both sides. However, the use of indices is a way of informing and substantiating decisions on the basis of criteria comparative advantages. The choice of criteria is thereby made more transparent and being made more open for political debate between donors and partner countries. This will presumably have to start at the level of what development policy is meant to be about, i.e. which indicator is most suitable to capture the poverty focus, the supportive role of donors, etc. For political processes – such as the selection of one or the other international partner – these indices are generally not a mechanistic or static tool, nor should they become one. Indices clearly cannot replace political decisions, but can orientate them within a broader framework of global development partnership. In other words, the use of solid data would not only lead to the ultimate political choice being more soundly based than just “hindsight”, but potentially embed international division of labour in the partnership paradigm underlying the Paris Declaration and the Accra Agenda for Action.

The mapping and review of donor- and country-led criteria for international division of labour reflect vividly the key challenges for an equitable donor-partner dialogue. However, the comparison of the criteria used also sheds some light on the opportunities to create a stronger basis for the future global consultations on geographical donor concentration.

The cases discussed show that international division of labour is faced by the following structural caveats:

- Donors pursue geographical concentration as part of their sovereign foreign policy agenda, which, while being legitimate, tends to enter in contradictions with the aid

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33 Partner countries might be interested in the political processes and institutions of a certain donor country. A study drawing on the voice and accountability variable of the World Bank Indicators and the Commitment to Development Index found a strong correlation between the democratic quality of a donor and his engagement in promoting development. For more details, see Faust (2007).

effectiveness agenda which claims for a global dialogue (and ultimately negotiations) among donors as well as between donors and partners.

- Partner countries still regard international division of labour primarily as a threat to funding levels and desirable diversity in policy options emerging from aid relations. This perceived menace is being addressed in a rather cautious, even passive way. However, donor concentration also affects (even more sensitively) the foreign policy agenda of partner countries.
- Thus far, division of labour has been implemented foremost at the country level, leading to a rather case-to-case assessment of the progresses, without having shaped mechanisms for mutual learning. Furthermore, the lack of institutionalisation of geographical donor concentration has led to a very weak basis for negotiations, consultations and exchange of experiences, particularly among partner countries.

A quick comparison of the criteria used by donors and partner countries leads to the following conclusions:

- When deciding on geographical concentration, donor countries usually draw on several compacts of formal criteria which assess the needs, absorption capacity and governance at the partner country side, as well as the contribution of the donor to the development of a certain developing country. Partner country characteristics are generally evaluated on the basis of existing indices. For their own comparative advantage, however, donors seem to have introduced more political discretion in the decision-making process.
- Partner countries tend to use criteria related to the commitment and capacities of a donor to advance in the aid effectiveness commitments, as well as (often rather neglected) aspects of partnership, such as trust, credibility or dialogue skills. While these qualitative parameters are assessed by each partner country individually, thus far there is no experience of using comparative data or rankings on donor performance. In contrast, for LDCs, aid volume as such plays a less dominant role than might have been expected, although certain modalities, particularly general budget support, appear to be the preferred option.
- In consequence, donors tend to use more solid data in selecting partner countries, which might be partly explained by the availability of various official and independent rankings classifying developing countries. Partner countries are more restricted in the comparative analysis of donors and have not yet draw on the more fragmented analysis of standards for donor performance in aid effectiveness or policy coherence.
- At a more general level, geographic donor concentration is still lacking mirrors of mutual assessment, particularly at the donor side. The classification of donor performance, e.g. on the basis of comparative advantages, is still incipient and fragmented, which also illustrates the multiple shortcomings in international mutual accountability (cf. Droop / Isenman /Mlalzi 2008). Though, for a consistent debate on how donors should deploy among partner countries in the future, it is necessary to deepen the understanding of a donor's contributions, along with the analysis of the conditions of the receiving partner country.

International division of labour needs to take into account the overall partnership paradigm underlying the aid effectiveness agenda and should thus be led by qualitative criteria of both donors and partners, apart from the more quantitative assessment of financial fragmentation. With an eye toward the donor-partner dialogue requested by the AAA, the following preliminary recommendations arise from the mapping and analysis of criteria for international division of labour:

<b>Table 1: Comparing country versus donor led criteria</b>	
<b>Country-led criteria</b>	<b>Donor-led criteria</b>
Funding, including volume, predictability and budget support (all)	Need and poverty (all) Aid effectiveness (all)
Commitment to aid effectiveness (all)	Previous linkages and regional agenda (all)
Trust, credibility and political dialogue (all)	Donor added value (all)
Institutional capacity (Cambodia, Uganda)	Governance (Germany and Sweden)
Flexibility and risk-taking (Cambodia and Uganda)	Common values and interests (Germany)

- ***Peer learning on criteria for international division of labour is a pending task for partner countries.*** In a first step it is paramount to foster the perspectives of partner countries on possible variables for donor deployment. In accordance to the overall dynamic of the implementation of the AAA, country experience and perspectives should be at the forefront of the efforts on international division of labour. Specifically, country-level workshops using creative tools could build scenarios for donor selection (see also section 5.1). Furthermore, partner countries could discuss and share their criteria at the regional level and promote South-South learning regarding international division of labour (for example, through existing Community of Practices). In this context, existing indices should be further adapted and guided towards standards for donor performance and practice. In sum, these tasks should contribute to a clear partner country perspective on international division of labour with the DAC task team as the only platform thus far available for assessing and taking decisions on geographic donor deployment.
- ***Communication among donors has also a wide margin for improvement and should be enhanced at the European and DAC level.*** Information and analysis of ongoing concentration processes in different donor countries, such as Canada, Sweden and the UK should be disseminated transparently in order to draw a clear image of the shifting distribution of donors across developing countries. Mutual learning and peer review of donor-led criteria for geographical concentration could be fostered within the task team on division of labour at the DAC.
- ***The use of criteria for the donor-partner dialogue on international division of labour should create synergies with the emerging international mutual accountability and its various “mirrors” of mutual assessment.*** Especially the assessment of donor contributions should be strengthened in the multilateral arena. Given that aid effectiveness (and overall aid quality) is one of the core priorities for partner countries, a comparative analysis of the donor data of the Paris Declaration monitoring survey might be an interesting point of entry.
- ***In order to ensure a consistent and equitable debate on this broader dimension of division of labour, the donor-partner dialogue should be pursued in coordination between the DAC task team and the Development Cooperation Forum (DCF) at the ECOSOC.*** Specifically, both the task team technical meeting in Paris (in November 2009) the task team kick-off workshop in Pretoria (in February 2010) should take into account the results and recommendations of the High-Level Symposium on Mutual Accountability of the DCF (on 11-13 November 2009). The shift of platforms would benefit from a pragmatic, non-exclusive approach of merging the task team’s technical capacities and DCF’s political legitimacy, for example by including DCF representatives actively in the task team work.



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# Annexes



## **Annex I: Partner countries of German development cooperation since 2008**

### Bilateral development cooperation in the context of country programmes

<b>Region</b>	<b>Partner Country</b>
Asia	Afghanistan, Bangladesh, China, India, Indonesia, Cambodia, Kyrgyzstan, Laos, Mongolia, Nepal, Pakistan, Tajikistan, Uzbekistan, Vietnam
South Eastern Europe / Caucasus	Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, Ukraine
Latin America and the Caribbean	Bolivia, Brazil, Ecuador, Guatemala, Honduras, Columbia, Mexico, Nicaragua, Peru
North Africa / Middle East	Egypt, Yemen, Morocco, Palestinian Territories, Syria
Sub-Saharan Africa	Ethiopia, Angola, Benin, Burkina Faso, Burundi, Ghana, Cameroon, Kenya, D. R. Congo, Madagascar, Mali, Malawi, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Zambia, Senegal, Sudan (southern Sudan), South Africa, Tanzania, Uganda

### Bilateral development cooperation in the context of regional / thematic programmes

<b>Region</b>	<b>Partner Country</b>
Asia	Timor Leste, Philippines, Sri Lanka
South Eastern Europe / Caucasus	Caucasus Initiative (Armenia, Azerbaijan, Georgia), Moldova
Latin America and the Caribbean	Caribbean Programme (Dominican Republic, Haiti, Cuba), Costa Rica, El Salvador, Paraguay
North Africa / Middle East	Jordan, Tunisia, Lebanon, Algeria
Sub-Saharan Africa	Fragile States in West Africa programme (Côte d'Ivoire, Sierra Leone, Liberia, Guinea, inter alia)

Source: [http://www.bmz.bund.de/en/countries/partnercountries/laenderkonzentration/tabelle\\_neu.html](http://www.bmz.bund.de/en/countries/partnercountries/laenderkonzentration/tabelle_neu.html)

## **Annex II: Priority countries of Swedish development cooperation after implementing its new focused bilateral development cooperation**

<b>Long-term development cooperation (12)</b>	
Africa	Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zambia
Asia	Bangladesh, Cambodia
Latin America	Bolivia

<b>Countries in conflict and/or post-conflict situations (12)</b>	
Africa	Burundi, Democratic Republic of the Congo, Liberia, Sierra Leone, Somalia, Sudan
Asia	Afghanistan, Timor-Leste
The Middle East	Iraq, West Bank-Gaza
Latin America	Colombia, Guatemala

<b>Reform cooperation with countries in Eastern Europe (9)</b>	
Europe	Albania, Bosnia and Herzegovina, Georgia, Kosovo, Former Yugoslav Republic of Macedonia, Moldova, Serbia, Turkey, Ukraine

Source: <http://www.sweden.gov.se/content/1/c6/08/66/21/496f32e6.pdf>

**Annex III: Ranking and final choice of priority countries of the Czech Republic for the period 2006-2010**

Country	Priority 2003-2005	Points	Priority 2006-2010	“Project country” since 2008
Ethiopia	Yes	36		Yes
Yemen	Yes	30	Yes	
Angola	Yes	29	Yes	
Vietnam	Yes	28	Yes	
Mongolia	Yes	27	Yes	
Mali	Yes	23		
Afghanistan	Yes	20	Mid-term	Yes
Burkina Faso	Yes	20		
Uzbekistan	Yes	19		
Ukraine	Yes	18		
Bosnia-Herzegovina	Yes	17	Yes	
Serbia (ex-Yugoslavia)	Yes	17	Yes	
Nicaragua	Yes	17		
Kazakhstan	Yes	16		
Bolivia	Yes	15		
Lebanon	Yes	15		
Palestine	Yes	10		Yes
Namibia	Yes	8		
El Salvador	Yes	8		
Macedonia	Yes	6		
Moldova		-	Yes	
Zambia		-	Yes	
Iraq		-	Mid-term	Yes
Cambodia		-		Yes
Kosovo		-		Yes
Georgia		-		De facto

Source: FoRS (2007, 22)



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