

The Code of Conduct for a better division of labour in the development policy – is it a real milestone?

During the German EU-Presidency division of labour in the development policy was one of the political priorities in the field of development co-operation. As a result of the consultation process the Council of the European Union adopted conclusions on the division of labour and a Code of Conduct. The German Ministry for Development Co-operation called the Code of Conduct “a milestone and best-practice model for the international donor community”. But what does it mean?

The EU accounts for more than half of the world-wide Official Development Assistance (ODA) and includes 15 of 22 bilateral donors organised in the Development Assistance Committee (DAC) (plus EC and New Member States). If the Member States of the EU stick to their Commitment and the Millennium Development Goals bilateral aid will be doubled in the next years. One of the big problems of development co-operation is that too many donors are concentrating their aid on the same countries and sectors. This leads to the nuisance that, on the one side, there are countries which receive high amounts of ODA in relations to their gross national income (so called “Darling countries”). On the other side, the DAC has identified a number of fragile states which receive little aid (so called “orphan countries”).

With the “Paris Declaration” in the year 2005 the Member States of the EU and the international community committed themselves and their organisations to increase efforts in harmonisation, alignment and managing of development aid. In addition there is the tendency in national states to concentrate their development co-operation on fewer countries and to reduce the number of partner countries. The German Ministry of Development Co-operation for example reduced the number of partner countries from around 120 before

the year 1998 to around 70 today. In the next years the number will be reduce to around 60 partner countries.

This change of strategy concerning the number of partner countries and the commitment to the Paris Declaration motivated the German Ministry of Development Co-operation to focus its agenda during the EU-Presidency on a possible reform of the division of labour in the development co-operation. The need for better efficiency and harmonisation of the development co-operation of the EU-Member States is well known. This is, for instance, reflected well in the declaration adopted by the development ministers of the EU in October 2006 on a set of guiding principles for better complementarity and division of labour in European Development Co-operation.

With the start of the German EU-Presidency in January 2007 Germany, together with their Triopartners¹ Portugal and Slovenia (the next presidencies of the EU), launched an independent study² on division of labour. The intention was to feed the debate with scientific analysis and submit concrete proposals for furthering the progress towards better division of labour in the European Development

¹ For 18-month, the three Presidencies due to hold office during that period prepare a programme of Council activities for that period. This programme reflects the political priorities of the three Presidencies on the context of the Union's longer-term strategic orientations. Germany, Portugal and Slovenia outlined the priorities under the title “Strengthening the European Union's Role as a Global Partner for Development” (see Internet links on page 4).

² The study was carried out by the German Development Institute (DIE), in co-operation with the Centre of African and Development Studies (CEsA), Technical University of Lisbon and the Centre of International Relations (CIR), Faculty of Social Sciences, University of Ljubljana.

Co-operation. In February the European Commission published a Communication on the issue and finally the Council of the European Union adopted in May 2007 its conclusions on the division of labour and the Code of Conduct. This was a big success for the German EU-Presidency.

The Code of Conduct is the EU's pragmatic approach to the division of labour to significantly increase complementarity and reduce transaction costs. Ownership of the partner countries is another crucial element for any division of labour in development co-operation. Following the "*Paris Declaration*" and the "*European Consensus on Development Policy*" adopted in February 2006, the EU sees the strong responsibility of donors to make proposals to better organise the ODA. In this sense, the new Code of Conduct presents operational principles for EU donors regarding complementarity in development co-operation. The aim is to enhance effectiveness by improving overall development results and reducing the transaction costs through a division of labour between donors.

Dimensions and Principles of the Code of Conduct

There are three dimensions of the division of labour: first "**in-country**" (how many donors are active in one country and in which sectors), second "**cross-country**" (darling versus orphan countries) and third "**cross-sectoral**" (where are the strength and comparative advantages of the donors). The Code of Conduct consists of two main principles and eleven "Guiding Principles".

Two main principles of the Code of Conduct

1. The primary leadership and ownership in "in-country" division of labour should first and foremost lie in the partner country government. If such leadership and ownership does not exist, the EU should promote such a process. In any case, the EU should always play an active role in promoting complementarity and division of labour. All initiatives need to be open for other donors, build on existing processes whenever possible, and be readily transferred to the government whenever appropriate. The EU should provide capacity building support to the partner countries to enable them to take on this responsibility.
2. It is crucial that the division of labour is not implemented at the expense of global aid volumes or predictability of aid flows and is carried out in collaboration with the partner countries.

Eleven guiding principles

The first five guiding principles refer to the "in-country" division of labour, the others to "cross-country" and "cross-sectoral" complementarity.

1. EU donors should concentrate their active involvement in a partner country on a **maximum of three sectors**.
2. Other **in-country activities should be redeployed**. This process should be based on local negotiations.
3. **Lead donor arrangement**: in each priority sector, EU donors will work towards and support the establishment of a lead donor arrangement in charge of all donor coordination in the sector thereby reducing the transaction costs for both partner countries and donors.
4. **Delegated Co-operation/partnership**: If a given sector is considered strategic for the partner country or the donor, EU donors may enter into a delegated co-operation/partnership arrangement with another donor, and thereby delegate authority to the other donor to act on its behalf in terms of administration of funds and/or sector policy dialogue with the partner government.
5. **Ensure an adequate donor support**: When implementing sector concentration, the EU should ensure that at least one donor with appropriate comparative advantage and sharing similar values and principles, is actively involved in each sector considered relevant for poverty reduction. EU donors, with full participation and ownership of the partner country, will seek to limit the number of active donors to a maximum of 3-5 per sector, based on their comparative advantage. Other donors can still take part in sector activities by means of delegated co-operation modalities.
6. The principles of in-country division of labour should be **replicated at the regional level** as well.
7. **Establish priority countries**: EU donors agree to reinforce the geographical focus of their assistance to avoid spreading their resources too thinly. They will strive to establish a limited number of priority countries. This process will be assisted by a dialogue within the EU, taking into account the broader donor engagement. It will also be carried out in dialogue with partner countries and with other donors.

In non-priority countries, EU donors may provide their support *inter alia* through delegated co-operation arrangements or by redeploying on the basis of responsible exit strategies prepared with the partner country. EU donors will share information on good practices. The European Consensus recognises its global presence as an added value for the EC.

8. **Address the "orphans" gap:** Committed to avoiding imbalances, EU donors will address the problem of "orphaned" or neglected countries, based on needs and performances, taking into account all financing flows from ODA and other aid flows. The specificity of those neglected countries calls for a redeployment of resources in their favour. "Orphaned" or neglected countries are often 'fragile states' whose stabilisation would have a positive spill-over effect on the wider region. This issue, amongst other, should be addressed and given as an input for the ongoing initiative of the OECD/DAC and other international fora.
9. **Analyse and expand areas of strength:** EU donors should analyse their comparative advantages regarding sectors and modalities with the aim to identify those in which they would like to expand, as well as those where they might be willing to reduce their own activities. The Commission will further develop its expertise and capacities in the areas where it has comparative advantages, paying particular attention to building the necessary capacity and expertise at the country level, in line with the deconcentration process and ownership of partner countries.
10. **Pursue progress on other dimensions of complementarity:** EU donors commit themselves to advancing within the other dimensions of complementarity. On vertical complementarity this refers primarily to the context of the work of relevant international fora such as the DAC and on the ongoing discussion on the rationalisation of the international aid architecture following the *Paris Declaration*. to further discuss, in the context of specific partnership and the implementation of joint/coordinated programmes cross-modalities and new instruments should be discussed and coordinated.
11. **Deepen the reforms:** EU donors recognize that in order to achieve a coherent division of labour between individual donors, strong political commitment and adequate support is needed both in headquarters and in the field.

Furthermore implementation needs to be based at field-level and a close coordination between headquarters and the field level is necessary.

The Code of Conduct is voluntary and flexible and should be implemented with a country-approach taking into account the specific situation of the partner country. It is a dynamic document that establishes principles and targets which the EU donors will strive to work accordingly to and which will be developed further. With the adoption of the Code of Conduct the Council sees the EU as a driving force in the international community for complementarity and the division of labour. Member States and the Commission commit themselves to implement the principles immediately and in a pragmatic way.

Traditionally, the international aid system has suffered from a lack of communication and coordination among donors. With this initiative the EU can foster the dialog among donors. The European context, accustomed to the coordination of actors in various political areas, undoubtedly represents fertile grounds for the application and feasibility test of new concepts like complementarity.

Further Steps

The actual policy planning of the Development Council covers a lifespan of 18 months which includes the EU-Presidency of Germany, of Portugal in the year 2007 and of Slovenia in the first half of 2008. This offers a reasonable time-frame for all European actors to consolidate the fundamentals of a new division of labour. This Trio-Partnership is a first step in the right direction for complementarity. Germany pushed the Code of Conduct, even though Portugal during its presidency is aiming more at the EU-Africa-Relations. However Slovenia is expected to stress again on the implementation process.

For the implementation of the conduct, the Commission and the EU-Member States are starting a broad discussion with partner countries and other donors on complementarity and division of labour. Two experts meeting are planned for this year. During the French EU-Presidency the third high-level forum on aid effectiveness will take place in Accra, Ghana, 2008. Before that meeting, the Commission will provide a report on the implementation of the Conduct in spring 2008. It would be big success for the EU if the French Presidency could present a comprehensive and positive report on the implementation of the Code of Conduct to the international community at the Accra-Meeting.

Challenges

There is still a long way to go. The division of labour will affect the bilateral aid. Development co-operation is a part of foreign politics. It is likely that ex-colonial powers will try to keep and focus their development co-operation efforts in former colonies, upon which they still often exert significant, indirect economic and political influence. Additionally national visibility has often priority over a more rational organisation of aid. As Dieter Frisch, former director of DG Development, emphasised, the political will is the crucial element for real division of labour. The lack of political force and economic interests has hampered the progress in the last years.

Critical voices say that the Code of Conduct places too much emphasis on operational models to the detriment of strategic and institutional fundamentals. The analysis of comparative advantages is strongly needed.

To do so, more transparency in the development co-operation of the EU Member States is required.

EU-Donors should reveal and discuss their plans in the different countries and sectors. Furthermore, monitoring and evaluation of joint programming is needed. This could be done by the European Commission, if more capacity for analysis and research will be passed to the Commission.

The implementation of the Code of Conduct depends now on the political will of the Member States and the European Commission. If there is a more transparent and open coordination of the international aid between all donors, then the Code of Conduct can be a real milestone in the development policy.

Kerstin Roeske, Policy Officer, EU-Office of Friedrich-Ebert-Stiftung Brussels

Editor-in-Chief: Dr. Ernst STETTER, Director of the EU-Office Friedrich Ebert Stiftung Brussels

For further information see Internet links:

Study: Mürle, Holger: *Towards a Division of Labour in European Development Co-operation*: (http://www.die-gdi.de/die_homepage.nsf/af0fd71d6b754171c12569ef00296a98/6bb8d6894fc84f89c125729900449b61?OpenDocument)

Case Study: Maja, Bucar / Maria Joao Marques / Anja Mesic / Eva Plibersek (2007): *Towards a Division of Labour in European Development Co-operation: Case Studies*: (http://www.die-gdi.de/die_homepage.nsf/af0fd71d6b754171c12569ef00296a98/413594e86a8bab47c12572fe0024d368?OpenDocument)

18-Month Programme on Development Policy of the EU Presidency of Germany, Portugal and Slovenia: <http://www.delcmr.cec.eu.int/webeu/fr/docs/1anx01en07.pdf>

Code of Conduct: <http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf>

Communication of the Commission: http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0072en01.pdf

The development policy outcomes of the German EU-Presidency: <http://www.bmz.de/en/service/infothek/buerger/Bilanz.pdf>

Comments by Schulz, Nils-Sjard: *Division of labour among European donors: Allotting the pie or committing to effectiveness*, FRIDE Comment, March 2007: <http://www.fride.org/eng/File/ViewLinkFile.aspx?FileId=1506>