



EU Position Paper on Division of Labour

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The EU Member States and the European Commission in Cambodia welcome the opportunity offered by the Royal Government of Cambodia to present the commitments and progress the EU partners have made to improve the division of labour amongst them which they see as a core tool for enhancing aid effectiveness. Given the current international and local dynamics for improved aid effectiveness, this is an opportune time to consider taking further steps for an effective division of labour amongst all development partners supporting Cambodia on its path towards the Cambodia Millennium Development Goals.

I. The International and Local Imperatives for Division of Labour

Building on the **Paris Declaration on Aid Effectiveness** (2005), the **Accra Agenda for Action**, adopted on 4 September, 2008, unequivocally calls for reducing the costly fragmentation of aid “by improving the complementarity of donors’ efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries.”¹ The Royal Kingdom of Cambodia and the large majority of the development partners present in this country have signed up to this document.

Already in May 2007 the European Union adopted the **EU Code of Conduct on Division of Labour**. The Code of Conduct presents operational guidelines for improved complementarity in development cooperation and aims at enhancing effectiveness by reducing transaction costs through division of labour. It follows a flexible and inclusive approach, and requests EU development partners to encourage and support the partner country in executing its primary leadership and ownership in in-country division of labour. Recently, the EU selected Cambodia as a fast track country for piloting the application of the Code of Conduct amongst the EU partners with Germany taking the lead to facilitate the process.

At the country level, the **2008 Aid Effectiveness Report (AER)** acknowledges the need to consider a 'division of labour' between development partners and identifies criteria for rationalising cooperation arrangements. In the AER the Royal Government of Cambodia indicates its readiness to set out its vision and to facilitate this process should development partners communicate their willingness to engage in such an exercise.

¹ Accra Agenda for Action, 4 September, 2008

With more than 30 development partners currently engaged in more than 750 projects the report builds on the analysis presented in the previous aid effectiveness AER 2007 which highlighted fragmentation of aid as one of the core challenges for improved effectiveness of international aid to Cambodia.

The spotlight is therefore on Cambodia and its development partners to take initiatives, and show progress in defining ways to overcome fragmentation and improve division of labour at the country level.

II. The EU Approach to Division of Labour in Cambodia

With the EU Toolkit for the implementation of complementarity and division of labour in development policy, the EU Commission presented a useful set of instruments which help to structure the division of labour process. The Toolkit highlights three important phases in the division of labour process:

(1) The assessment of the initial situation and degree of fragmentation, (2) the agreement on necessary improvements (based on comparative advantage assessments, partner and donor preferences) and finally (3) the implementation of agreed improvements, like reallocating and reprogramming, establishing lead donor arrangements and setting up delegated cooperation. Finally, the impact of this exercise needs to be evaluated.

At the Accra High-Level Meeting on Aid Effectiveness a set of good practice principles have been developed jointly by development partners and partner countries with the aim to summarize emerging standards of good practice at the country level. Many of those have been reflected already in the EU Code of Conduct earlier.

Following through on the international and country level commitments and principles, the EU development partners have made efforts to implement the division of labour principles in Cambodia. The process between EU development partners in Cambodia already reached the third phase of the EU Toolkit but there are still important tasks ahead.

Adopting a strategic approach towards division of labour, and embedding it into the broader aid effectiveness agenda, the EU development partners are developing a scenario of what their development cooperation might look like in the next three to five years. They agreed that by then EU development partners will have an operational division of labour which follows best practice in aid effectiveness, better aligns EU aid to the National Strategic Development Plan (NSDP) and is fully owned by government.

This vision includes *inter alia* the following elements:

- Individual EU development partners aim at focusing their active involvement in Cambodia on a maximum of three sectors (in addition there are possibilities for

instance to engage in budget support, silent partnerships, delegated cooperation and support to Civil Society).

- The EU (Member States and Commission) will seek to limit the number of active EU partners in any sector to a maximum of 3 based on their comparative advantages (*others may be involved through delegated cooperation/silent partnerships in principle to be delegated to a lead development partner*).
- Any necessary sector exit will be managed in a responsible way with full participation of the government and other development partners. Freed-up resources will be redeployed for other in-country activities.

Within the context of this strategic vision, the EU development partners in Cambodia have been working towards a division of labour **starting at the sector level**. The initial process commenced in three sectors in which there are more than three EU development partners engaged:

- Education
- Health
- Deconcentration and Decentralization (D&D).

At the sector level, the first step was a **mapping of the EU development partners' activities and engagement in the sectors** to identify areas of overlap and complementarity. This was followed by an analysis of the respective **comparative advantage** of the EU development partners engaged in the relevant sectors as a starting point for defining roles and responsibilities. EU development partners considered the following criteria in determining the comparative advantage amongst them (through questionnaire and self assessment) to enable identifying EU lead facilitators for the different sectors:

- Historical engagement and past experience in the sector, present activities, and commitment towards medium term engagement, including financial commitment
- Available human resources, capacity, and expertise at country level
- Relationship with government and other development partners
- Support from headquarters and willingness to make changes in the country programme as necessary

Terms of reference were then developed for articulating the **role and responsibilities of the EU lead facilitators** in each sector, as well as for the other active and silent partners. A process of detailed discussion based on the above led to the EU development partners taking the following decisions for the relevant sectors:

- **Education:** The European Commission (EC) acts as the EU lead facilitator in this sector, Sweden and Belgium being active, and France being active only in the higher education sub-sector. All other EU development partners have agreed to refrain from new commitments or to contribute to the sector as silent partners only.

- **Health:** Germany acts as the EU lead facilitator in the sector, with France and UK and Belgium being active donors. All other EU development partners have agreed to refrain from new commitments or to contribute to the sector as silent partners only.
- **Deconcentration and Decentralization (D&D):** Sweden will act as EU lead facilitator. As a first step the EU developed and endorsed a joint EU concept note on D&D division of labour. This provides the EU with a solid base on which to build effective partnerships with all stakeholders involved and for achieving better coordination and alignment.

The intensified EU sector dialogue in these initially three areas helps to design common EU positions on key issues in the sectors and thereby paves the way for more programmatic or delegated funding. Examples are the D&D concept note which will guide the EU during the design phase of the national programme on D&D or the increased focus of EU health partners on the alignment and harmonization of vertical programmes like the Global Fund on HIV/Aids, Malaria and Tuberculosis.

III. Extending the Division of Labour Exercise beyond the EU to fully exploit its potential for increased aid effectiveness

For Division of Labour to have a significant impact on the transaction costs in Cambodia, and to reduce fragmentation, duplication, and overlap, the process needs to be broadened. While the EU process created some momentum and provided some initial lessons learned EU development partners strongly believe that under the leadership and guidance of the Royal Government of Cambodia, now all development partners need to be engaged in a comprehensive division of labour process to fully exploit the potential this has for increasing aid effectiveness. Another challenge over the coming two years until preparations for the NSDP II might commence is how to get new development partners (including those not locally represented), as well as private foundations and vertical funds to participate in this, especially because some of these aid flows are significant.

The division of labour exercise can provide significant benefits:

- Lower transaction costs for Government system as well as for development partners
- A more rational link between country priorities and needs within the sectors and development partners support
- Better-coordinated technical assistance for capacity development support
- A more strategic orientation of the policy dialogue
- Economies of scale

A strong commitment and leading role of the Cambodian Government for a division of labour exercise can help to overcome certain challenges the EU development partners observed:

- Strong guidance from CDC and line ministries alike on a more rational division of labour will help to further strengthen alignment and will give local demands a

more prominent role in decision making. Therewith the lack of development partners decentralized decision making authority at the field level might be overcome.

- A clear demand from the Royal Government of Cambodia and a more systematic exchange about experience will help to accelerate progress to adjust and harmonize legal and financial procedures (delegated cooperation). At the moment, some EU partners have existing examples for delegated cooperation and others are in the process of developing partnerships.
- In addition, the strong demand of the Royal Government of Cambodia will allow overcoming the sometimes limited willingness among development partners to leave the lead in a sector to one single development partner and, particularly, represent others in policy dialogue. EU partners feel that this, however, is a necessary precondition for rationalizing the division of labour within sectors and that trust and confidence will grow over time.

IV. Possible next steps

We are convinced that improved division of labour in Cambodia has the potential to tremendously increase the effectiveness of international aid to Cambodia and can unleash new forces on the way to reach the Cambodia Millennium Development Goals. We are encouraged by the Aid Effectiveness Report that there is the intention of the Government to jointly tackle the issue of fragmentation during the coming years as we enter the second term of implementation of the National Strategic Development Plan (NSDP). The EU is committed to support the Royal Cambodian Government and in particular CDC as the focal point for aid coordination in executing its primary leadership and ownership for division of labour.

To further discuss the lessons learned by the EU, the local relevance of the basic principles for division of labour as derived from the Accra process, and options as well as possible obstacles and capacity constraints for a comprehensive move towards improved division of labour in Cambodia we suggest to jointly organize a workshop on “Division of Labour in Development Cooperation – Finding the right approach for Cambodia” (working title) in March/April 2009.

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