

ROUNDTABLE 3: HARMONISATION

LEAD, ACTIVE, SILENT AND BACKGROUND DONORS IN DIVISION OF LABOUR ARRANGEMENTS

1. CONTEXT AND OBJECTIVE

The Paris Declaration (PD) on Aid Effectiveness commits donor and partner country governments to more effective Division of Labour (DoL). Furthermore, the EU Code of Conduct operationalizes Division of Labour principles for EU donors. Expressing the partner country perspective on the issue a group of partner countries used a workshop in Pretoria in early 2008 to develop a number of good practice principles on DoL. In all three documents, the Paris Declaration, the EU CoC and the good practice principles lead donor arrangements are highlighted as one element among others to enhance aid effectiveness by reducing transaction costs and improving coherence, transparency and effectiveness of policy dialogue.

In practice, lead donor arrangements – where an appointed lead donor acts in a given sector¹, or thematic area – have been established in a good number of partner countries. In addition to the role of a lead donor, the terms “active”, “passive”, “silent” and “background” donors are in use in some partner countries.

This note reviews the current understanding and use of the terms of “lead”, “active”,

“passive” and “background” donor based on documents from the Division of Labour processes in Zambia², Uganda³, Tanzania⁴ and Kenya^{5,6}. The objective is to contribute to an improved common understanding and – hopefully – to support a more standardized use of these terms. The proposed terms and definitions should be seen as non-binding and flexible guidelines to those partner countries which decide (together with donors) on ways to harmonize aid delivery. They should allow partner countries to develop and articulate their own definitions of DoL.

The review was based on documents from a small number of countries (mostly strategic documents, such as generic TOR or Joint Assistance Strategies). It seems that no broader assessment or analysis has so far been carried out on the topic and that, overall, current practice is inadequately documented. The note’s descriptive (instead of prescriptive) nature results from being based on country level documents and experiences. In the following sections, the note discusses country-level experience for the different donor roles, and concludes with some process observations and suggested questions for further research.

¹) According to the good practice principles on in-country DoL, lead donor arrangements can not only be agreed upon within sectors but also for particular thematic areas (e.g. cross cutting issues or decentralisation) or based on regional/geographical considerations.

²) Generic ToR for Lead Cooperating Partners – Final Draft – for guidance when preparing sector specific ToR, from the JASZ working group, November 05.

³) Division of Labour Exercise, Uganda, Overview of Development Partner’s current engagement and future plans, updated Aid Information Map.

⁴) Joint Assistance Strategy for Tanzania (JAST), November 2006.

⁵) Guidance for Terms of Reference for the Lead Donor or the Chair of the Donor Sector Groups, December 2007.

⁶) Experience from Asia shows that lead donor arrangements were setup in a similar way as in Africa. Feedback from Bolivia indicates that the idea of lead donorship might currently not be easily transferable to the Latin American context.





2. CURRENT UNDERSTANDING OF TERMS AND SUGGESTED DEFINITIONS

2.1 LEAD DONORS

Overall lead donors can be defined as the development partners who may act on behalf of a broader group of donors as coordination and main focal point for communication with the partner country government. Lead donor arrangements can be, but are not necessarily based on the sector categorizations of the partner country⁷. Lead donors should contribute a substantial amount of development assistance to the sector. To fulfil their specific role, lead donors should be able to contribute sufficient capacities (human resources, institutional structure on-site), have the trust of other donors, the partner government and commit themselves to be active in the sector throughout the foreseeable future.

Following functions or tasks are commonly attributed to lead donors:

1. Acting as the “main liaison” with government in policy dialogue and advocacy
2. Sharing relevant information with other donors and assuring the representation of their stated interests in consultations with the government
3. Building consensus among donors and/or reporting divergent positions and views to government
4. Coordinating joint analytical

work, reporting, monitoring and evaluation among donors

The following differences and variations were found regarding the extent and form of lead donors’ responsibilities:

1. Additional functions / tasks:

In addition to the functions mentioned above lead donors in Zambia and Uganda are also explicitly responsible for (i) facilitating funding and aid management and (ii) may also perform the management of funds for silent partners⁸ in the context of delegated cooperations. However, the role of the active partner in a delegated cooperation is not always attributed to the lead donor, but can be performed by other active donors as well. Responsibility for administering or carrying out specific tasks like work on subtopics can, if necessary, be delegated to other active partners in the sector in order to reduce the heavy workload attached to the lead donor role.

2. Number of lead donors per sector:

While in some countries the lead role is assigned to one particular donor, in other countries up to 3 donors perform this role at the same time. In addition, arrangements can be found where donors rotate in and out of the lead donor position (e.g. in so-called troika arrangements,

where donors are in-coming, “reigning” and outgoing each for six months, while always having 3 donors taking on the lead role at a time⁹). Some controversy exists regarding the optimal number of lead donors in a given sector; while at country-level arrangements with multiple leads seem appreciated, one reference in the scarce literature points at the need to limit the number of lead donor roles per sector.¹⁰ Generally the decision on the number of lead donors should be driven from the expected workload and the interests and expectations of the partner government and the donors.

3. Period of appointment of lead donors:

Although only unsystematic information is available on this point, it seems that the period of appointment for lead donors can vary quite considerably between countries. Depending on the need and capacities in a sector the period may extend from one year up to the whole term of a Joint Assistance Strategy (e.g. in Zambia).

4. Involvement of partner governments in the selection of lead donors:

Ideally partner governments should guide these processes and should be in the driver’s seat, which is the essence of the Paris Declaration. Nevertheless in practice some variations have occurred: While the

government of Uganda does not intervene in the lead donor selection, the government of Tanzania is actively involved in considering candidates' suitability. Although this aspect has not been reported systematically, it seems that in many countries the partner government at least has the chance to acknowledge the selection.

- 5. Contact to the partner government:** In some cases it seems unavoidable and more appropriate if bilateral and multilateral agencies contact partner government senior staff individually on certain key issues.

WE PROPOSE THE FOLLOWING DEFINITION FOR LEAD DONORS:

Lead donors may act on behalf of other donors by ensuring internal coordination and continuous communication with the partner government with regard to policy, strategic, budgetary, and operational issues in a sector or thematic area. They are the main focal point for the dialogue between donors and partner government, provide management and organizational support, co-ordinate joint analytical work, missions, reporting, monitoring and evaluation, and circulate "lessons learned".

⁷⁾ Lead donors can also be appointed for thematic areas. On the following pages the term "sector" is used for both, thematic areas like decentralisation and sectors like health and education.

⁸⁾ For the definition of the term "silent partner" please see chapter 2.3

⁹⁾ E.g. in Uganda four donors (Austria, AfDB, Denmark and Germany) were interested in taking the lead in the sector "Water and Environment". A rotating Troika turned out to be the most appropriate arrangement to satisfy donors' interest in the sector.

¹⁰⁾ E.g. in the study on division of labour by the German Institute for Development Policy (Holger Mürle, 2007: "Towards a Division of Labour in European Development Co-operation: Operational Options." DIE Discussion Paper No. 6/2007, German Development Institute, Bonn 2007, p. 25).

2.2 ACTIVE DONORS

"Active" donors remain operationally visible in a given sector but allow the lead donor to serve as the primary conduit for communication and dialogue between the donor community and the partner government. Although in most cases not directly interacting with the government in the sector dialogue, they are still able to engage and influence sector policies through consultation with other donors and the intermediation of the lead donor.

Each sector has its individual set of characteristics that may demand more or less active donors. The number of active partners should therefore be appropriately adapted to the situation at hand and the needs in a specific area and may vary substantially within a given country. As a norm, active donors who do not have a lead function should aim to be as "silent" as possible with regard to individual strategies and communication with the partner government. However, a special function often attributed to "active" donors is to represent non-active (background, silent) donors in a sector / thematic area and to make sure that positions of non-active donors are "equally heard". They can also provide specific knowledge concerning sub-sectors / cross-cutting issues or aid modalities. In addition they can function as focal points for these specific issues appointed by the donor sector group.

Nevertheless some variations regarding the role and functioning of "active donors" occur:

1. In Tanzania, "active" donors can represent interests of background / silent donors in a sub-sector-specific dialogue, while the lead donor remains the main focal point for communication with the government.
2. In Kenya, active donors can, besides existing lead donor arrangements, still maintain direct dialogue with the partner country government.

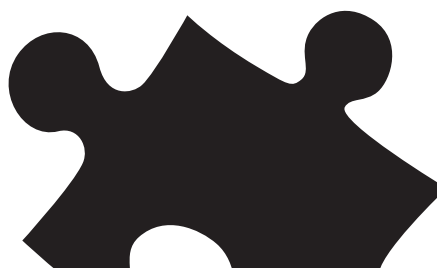
WE PROPOSE THE FOLLOWING DEFINITION FOR ACTIVE DONORS:

Active donors – while maintaining their own operational activities – primarily participate in the sector dialogue through the lead donors and may also channel positions of non-active donors. They support and supervise lead donor activities and limit unilateral consultation with the partner country government.

2.3 BACKGROUND AND SILENT DONORS

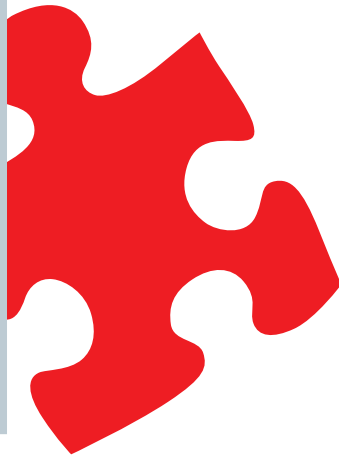
Besides lead and active donors a further distinction is made with regard to so-called non-active donors, being donors that are no longer actively involved in sector dialogue and, at times, in implementing operations. The available documents are much less explicit with regard to definition, roles, obligations of non-active donors. As their involvement in decision making processes can differ remarkably, a distinction is sometimes made between "background" and "silent donors":

- "Background donors" may consciously refrain from participating in sector communication with the partner government, but they are still interested in following progress and participating in sector meetings with an eye on current operations, future assistance or for reporting back to home offices.
- By contrast, "silent donors" no longer maintain own operational activities and choose to delegate their financial engagement to a second party to act on their behalf. They do not engage in the policy or sector dialogue with the partner government and will be represented by donors who are "active", but are still able to provide assistance within a framework of delegated cooperation (Tanzania).



WE PROPOSE THE FOLLOWING DEFINITION FOR BACKGROUND AND SILENT DONORS:

We recommend that the background donor by definition is not “actively engaged” and does not have any representative function but may still observe progress and attend meetings in the sector / thematic area. Silent donors have delegated the responsibility for field operations to other donors and are only indirectly involved into the processes via financial assistance and the voice of their delegated “active” partner.



3. GENERIC TERMS OF REFERENCE FOR LEAD DONOR ARRANGEMENTS IN DIVISION OF LABOUR PROCESSES¹¹

3.1 OBJECTIVE

Increase the quality, effectiveness, and coherence of sector-specific policy dialogue and of donor assistance, and reduce transactions costs to the government of donor assistance.

3.2 BACKGROUND

The model for donor sector work encouraged by the Paris Declaration suggests a lead donor be appointed to manage the day-to-day dialogue between the donor community and the government on sector¹² issues and to assist the government to lead coordination of development partner assistance to the sector. The lead donor actively encourages the other development partners in the sector group to delegate a large part, if not all, of the management to the lead. Several models may be adopted depending on the distinct characteristics of each sector group and the development partners that participate in them. While it is important to continue to strive towards the principles put forth in the Paris Declarations, this guidance note recognizes that a phased approach may be needed for those sector groups that have not yet organized themselves according to the lead donor model. Therefore, the lead role can also be assumed by a team of two or three lead donors or chairs, in the absence of a lead donor.

Similarly, sub-sector responsibilities may be delegated to active donors.

¹¹) We gratefully acknowledge that these generic Terms of Reference were developed on the basis of the existing ToR for lead donor arrangements in Kenya.

¹²) Lead donors can also be appointed for thematic areas. On the following pages the term “sector” is used for both, thematic areas like decentralisation and sectors like health and education.

Role and responsibilities of the lead donor, team of lead donors, or the chair

Lead policy dialogue on sector-specific issues

- Call meetings of donor sector group and ensure that agendas and minutes are produced and circulated to its members in a timely manner, and appropriate feedback communication takes place.
- Represent the common position of members of the donor group in meetings with government counterparts, but also incorporate minority positions and diverging interests.
- Coordinate preparation of joint donor position statements to the

government on technical, strategic, and policy issues.

Lead coordination of development partner assistance to the sector

- Lead implementation of the agreements on harmonization of development partner assistance specified in the Joint Assistance Strategy or other relevant country programs.
- Facilitate the planning and coordination of reviews and evaluations by the sector group (including the partner government) and ensure that findings and conclusions are discussed in the sector and policy dialogue with Government (e.g. via a joint government–development partner planning committee). Wherever possible, relevant civil society and private sector organizations should be invited to participate in this process.
- With the government, organize and facilitate discussions on sector performance, priorities, policies, aid modalities, and implementation challenges.
- Coordinate joint missions, studies, and strategy development. To eliminate duplication of studies,

encourage group members to share information on planned studies and the terms of reference with group members. Encourage the group to undertake planned studies jointly.

- Ensure that memoranda of understanding, formats, and formal descriptions of joint procedures are available as needed for the sector group (e.g. by posting them on a sector website).
- Assist the government in assessing the need for donor support in the sector and facilitate the achievement of an appropriate division of labor among the donors in the sector. This includes supporting the government in ensuring that the work of the donors is aligned with the government sector strategy and plans and that donors complement rather than duplicate each other.
- Together with the government, lead the dialogue with non-state actors on issues related to harmonization, alignment, and coordination of support to the sector.

Provide information and technical advice

- Serve as an information clearing house for the group, ensuring that all relevant information concerning the sector is updated and circulated to members of the group regularly and as requested and is available in a timely manner (e.g. by posting them on a sector website).
- Act as a point of contact for government, development partners, other stakeholders and other donors interested in supporting the sector program.
- Provide technical advice to the government and to other development partners as requested.
- Facilitate exchange of experience and mutual learning among development

Monitor donor and government performance

- Report periodically to the donors and government about the achievements

of the group in following an aligned and harmonized approach to assistance (including proposals for a revised division of labor) in line with the Joint Assistance Strategy or other relevant strategies.

- Ensure support to capacity development needs for annual work planning and progress reporting, as expressed by the Government.

Role of the non-lead donors

- Participate in the dialogue within the sector group and use their resources to assist and give guidance to the lead donors or chairs.
- To the extent possible, initiate projects and other aid interventions, discussions about sector-related issues, reviews, evaluations, assessments, and other studies only in consultation with the lead donor / sector group.
- Explore options to delegate the management of their aid interventions to the lead donor.
- Maintain dialogue with the government on necessary legal, financial and administrative issues in consultation with the lead donor, while ensuring that such interaction does not present an undue burden to the government.

3.3 QUALIFICATIONS OF THE LEAD DONOR

The lead donor in a given sector should be selected along the above mentioned criteria among relevant donors and in consultation with the Government. Lead donors should maintain a comparatively strong engagement in the sector. They should be able to provide the inputs and leadership required for the lead partner role. Comparative advantage is not a permanent condition and can change, for example, with changes in aid priorities of the agency at local, regional, or global levels or with the loss of key staff. Therefore, in determining the capacity to lead a sector group, donors should focus on both their current capabilities and on their willingness to sustain and invest in their own competence in the sector. Although the qualifications and capabilities

required to be a lead donor will vary by sector, they are expected to include:

- Available human resources at the local embassy or agency office, backed by the expertise of international staff, in-depth knowledge of the sector at the local level, negotiation and process management skills, understanding of the aid modalities already in place or to be used in the sector, and experience with joint working relationships. At times, a significant financial contribution may be important in gaining the trust and respect of the government and the other development partners; the group members will assess its importance in the context of the sector. Participation in a joint financing arrangement can, but does not necessarily constitute a criterion for the lead or deputy lead donor role.
- Trust and credibility with key stakeholders, including the government, other cooperating partners, and sector-specific stakeholders.
- Commitment and support of headquarters, including ability to act independently of headquarters to represent the wider sector group if required.
- Ability to make decisions related to sector activities quickly and efficiently, and to the extent possible, from country-based offices.
- Other abilities, including procedural ability and mandate to represent others, and ability to coordinate wider resources.



3.4 GOOD PRACTICE

Based on feedback received in consultation with donor sector group heads, some effective measures have included:

- Having a secretariat to manage the work of the donor group. The members of the group can share the costs of running a secretariat.
- Having a troika system with an incoming lead, a lead, and an outgoing lead serving together for a minimum of one year. Agencies holding the lead or chair would therefore be in a lead position for three years, ensuring continuity and consensus.
- Appointed leads of sub-sector groups will report back to the lead donor of the overarching sector group.
- Implementing activities funded by other donors (delegated cooperation / silent partnerships) and thus limiting the number of donors active in a sector.
- Organizing the appointment of the next lead donor on the basis of consultations with the involved government departments and other participating development partners to achieve consensus.
- Clarifying who is eligible to vote for chair or lead if a consensus on succession cannot be reached.

