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## Practitioners Network –WG on Division of Labour, 17 March 2009

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# Delegated Cooperation with EC

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2. EC Context
3. The Assessment: state of play
4. Division of labour: state of play
5. Delegated cooperation: state of play
6. Challenges (for discussion)

# 1. EU context

## Code of conduct on Division of Labour

### Guiding principle 4: Delegated Cooperation/ partnership

“If a given sector is considered strategic for the partner country or the donor, **EU donors may enter into a delegated cooperation/** partnership 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. [...]”

# 1. EU Context

## Council conclusions, April 2006

- Urgent need to **revise some of existing EC rules**, in order to put them in line with the requirements of the Paris Declaration - in particular regarding joint EU co-financing activities [...] (**done for all instruments, end of 2007**)
- Develop a flexible format for joint financing arrangements (already in CC of Nov 2004...)
- Develop a methodological framework to allow enhanced financial co-operation addressing all Member States adequately, and in particular the new Member States

## 2. EC context Terminology (1)

- **Parallel co-financing** – clearly identifiable sub-actions, exclusively funded and following rules / procedures of each individual donor
- **Joint co-financing** - cost of action divided amongst donors and funds pooled, so source of funding can't be identified
- **Delegated cooperation** when one **fund managing donor** acts with the authority on behalf of one or more other donors, while using its rules & procedures

## 2. EC context Terminology (2)

Entity	Management mode	Legal instruments	Procedures
<b>1. international organisation</b>	joint management	standard contribution agreement	procedures of the international organisation
<b>2. public or private body with a public service mission</b>	indirect centralised management	<b>delegation agreement</b>	choice between the EC rules or that of the delegated body
<b>3. beneficiary country</b>	decentralised management	financing agreement	choice between the EC rules, that of the beneficiary country or that of other donor
<b>4. European Commission</b>	N/A	<b>transfer agreement</b>	Commission's rules

## 2. EC context

### Two ways of EC delegated cooperation

- **European Commission delegated by others**  
MS, other donor countries and international organisations
- **European Commission delegates to others**  
MS, other donor countries and international organisations
- **Guidance of EuropeAid for staff** approved in December 2007
- **Templates** approved in May 2008

### 3. EC Approach as delegating donor, required assessment

- **Art 56 assessment approved (6):** SONA, (NL Antilles, AfD (FR), KfW and GTZ (DE), ADA, (AT), BTC-CTB (BE),
- **Draft reports (4):** DFID, NL, IPAD (PT), LX
- **Assessment started (1):** DK, FL
- **Expressed interest (1):** Sida
- **Potential:** 42 EU MS institutions (criteria: public, federal, and development cooperation)

## 4. Division of Labour in Practice

### Monitoring of fast tracking countries

- 21 countries monitored



- Donor **mapping** and **self-assessment** of comparative advantage well under way  
**BUT**: sometimes only provide general or superficial data
- **Lead donor arrangements** in place  
**BUT**: seem to vary across countries and sectors

## 4. Division of Labour in Practice

### Monitoring (ctd.)



- **Lack of ownership by partner country** (political environment, fear of aid reduction and donors' ganging up)
- **Reluctance** by all donors to concentrate on **fewer sectors**
- Reluctance by **non-EU-donors** (UN, WB, Japan, US)
- **Delegated cooperation** in its infancy
- HQs sending **contradictory signals**

## 5. Delegated cooperation in practice: pipeline

- *Overview based on info from AIDCO geo-directorates and Delegations for AIDCO management (still work in progress)*
- 44 in pipeline at different stages
- 31 Delegation Agreement, 13 Transfer Agreement
- Africa 29, Asia 7, LA 4, Regional 2, EU 1, Pacific 1
- From 0.7m up to 38.5m, total 227m, average 6.3m (not all proposals incl. amount)
- Example Mali: 6 proposals already while division of labour process still has to be started

## 5. Delegated cooperation in practice: process within EC

1. [Decision on sector concentration]
2. Preliminary discussions with partner (13)
3. Draft Identification Fiche (IF) prepared (6)
4. IF validated by Quality Support Group (QSG) (3)
5. Action Fiche (AF) validated by QSG (1)
6. AF to inter-service consultation through Annual Action Programme (AAP) (1)
7. AF+AAP submitted to Management committee
8. Financing decision by College (4)
9. Delegation or Transfer Agreement (2)

## 5. Delegated cooperation in practice: final stages

- Financing decision:

1. DA, Benin, Local Authorities, GTZ
2. DA, Vietnam, Health, GTZ
3. DA, Mali, Commodities, AFD
4. TA, Vietnam, Health, Lux
5. ? *Siera Leone, Pitcairn, DfID, waiting for assessm.*

- Signed:

1. DA, Neth. Antilles, infrastructure, SONA
2. TA, regional, environment, Sweden

## 5. Delegated cooperation in practice: pipeline

	DA	TA	Total
• ADA	1		1
• AFD	9	1	10
• BTC	2	1	3
• DK	3	2	5
• GTZ	9		9
• IT/Environ	1		1
• KFW	?	?	?
• Lux		1	1
• NL+NLAntil	1	1 (SONA)	2
• SE (Min/Sida)		2	2
• UK	5	5	10
• Total	31	13	44

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## 6. Challenges

- Legal formulation of templates → Treaties NL/UK
- Administrative costs and fees
- If leading donor uses country systems (AFD/Mali)
- Too small scale; only two donors
- DC as part of wider division of labour
- Communication with country level
- Global overview: how to keep track
- Balance in contribution of leading and delegated
- 42 candidates: preference, reciprocity, competition <sup>15</sup>

## 6. Challenges

- ***Current developments put into question:***
- ***Effectiveness/efficiency of instrument of delegated cooperation.....***
- ***→ ..... Solution?: EU framework***

## 7. Elements for a EU framework

- **Assure link between DoL and DC**
- **Central database (EC-MS, MS-MS on practitioners website)**
- **Acceptance of EC audits/assessments**
- **Structural and coherent approach to legal and financial issues**
- **Development of template for Joint Financing Arrangements**
- **Communication: e-mail network; regular meetings; joint guidance for field staff**

## 2. EC principles for delegated cooperation

- Agreement by **partner country**
- **Two or more donors** have agreed to fund partner country program
- For EC participation: **within its strategies (CSP) and programming**
- One of the donors **has technical and financial management capacity and will to lead**
- Fund managing donor **ensures continuous presence in programme sector**

## 2. EC principles for delegated cooperation

- Ensuring **political visibility and impact of EU actions**
- Quantifiable **efficiency gain and reduced transaction costs for partner countries**
- **Large programmes** and not part of a project identified by another donor
- **Appropriate visibility** of each of involved donors ensured
- **Reciprocity:** not one way only; however not on case by case basis

### 3. EC Approach when fund manager

- **AIDCO drafts proposal** (normally included in Annual Action Programme)
- Political decision at **College or Commissioner level**
- Activities financed must be covered by **programming documents and focal sectors**
- Delegating donor signs **standard transfer agreement**
- Delegating donor funds treated as **assigned revenues & included in EC budget**

### 3. EC Approach when fund manager

- **Governed by relevant EC procedures** (comitology, procurement, contract, financial management, monitoring, audit)
- Cofinancing activities included in **Identification sheets** reviewed by AIDCO Quality Support Group and **Annual Action Programmes (AAP)** adopted at College or Commissioner level
- Delegating donor funds transferred to **bank account** managed by DG BUDG
- **Level of delegated authority** to be determined up front (silent or active in parts of programme)

## 4. EC Approach as delegating donor

- **Once and for all: ex ante assessment to verify compliance with EC financial regulations**
  1. Transparent procurement and grant-award procedures
  2. Effective internal control system for management of operation
  3. Accounting system that enables correct use of EC funds
  4. Independent external audit
  5. Public access to information
  6. Annual ex-post publication of beneficiaries
- **Report with recommendations**, subject to contradictory procedure, **lead to decision**

## 4. EC Approach as delegating donor

- **Normal procedure for PCM** will be applied (Identification sheets, AAP, Comitology)
- **Signing a written commitment** using the standard European community delegation agreement for indirect method of implementation, including conditions for delegation (format to be finalised)
- **Level of delegated authority** to be determined up front (silent or active in parts of programme) in agreement