



MINISTRY OF FINANCE AND ECONOMIC PLANNING



DONOR DIVISION OF
LABOUR
IN RWANDA

JUSTICE, RECONCILIATION, LAW & ORDER AGRICULTURE **WATER & SANITATION**
DECENTRALISATION / CDF **MANUFACTURING SERVICES & OFF-FARM INDUSTRY**
ENERGY TRANSPORT & ICT **EMPLOYMENT** HEALTH & POPULATION **EDUCATION**

SEPTEMBER 2010



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ENHANCING QUALITY OF AID THROUGH RATIONALIZATION AND REDISTRIBUTION

Introduction

1. The initial internal study of donor division of labour in 2008 noted that donors are not equitably distributed across EDPRS sectors, with overcrowding some sectors while some sectors with limited DP engagement. Un-equal distribution of donor support not only distorts equitable development of sectors, but it undermines national leadership of the development agenda.
2. Due to overcrowding of donors in some sectors such as governance and health, transaction costs have also increased in receiving different multiple, often duplicative, donor missions. Moreover, limited local capacities in these sectors to coordinate and lead dialogue with a large number of donors remains a challenge.
3. To this end, the commitment to implement a nationally led donor division of labour at the country-level stems from a common understanding that too often, aid is delivered in a fragmented manner, with many stakeholders and continuous dialogue to manage on the part of partner country governments such as Rwanda. This reduces the effectiveness of

aid, notably through an increase in transaction costs for both donors and partner country governments, and also through the risk of poor alignment to national priorities and donor duplication of efforts.

4. The concept of the Division of Labour in Rwanda was first discussed in the Development Partners Retreat (DPR) in February 2010, which was followed up by bilateral consultation and negotiation between the MINECOFIN and individual donors. The sector allocation of DPs (DoL) – the outcomes of bilateral negotiation of DP sector engagement – was presented and endorsed at the DPCG meeting in July 2010. This document summarizes the concept of the DoL and agreed Division of Labour in Rwanda, with the aim to ensure effective implementation of the DoL.

Rationale for a donor division of labour in Rwanda

5. The government-led streamlining of aid delivery (Division of Labour) in Rwanda aims to bring about the following benefits to both the Government of Rwanda and its Development Partners:
 - a. Reduce transaction costs for GoR through more streamlined donor relations, reduced missions and better coordinated policy dialogue;
 - b. Increased use of delegated cooperation/silent partnership, providing access to dedicated expertise of donors, improving policy dialogue and reducing further the risks involved in the delivery of assistance in sectors in which the donor does not have a comparative advantage of significant expertise;
 - c. Continued improvement of fund management and reporting as multiple requirements is reduced;
 - d. Quality of programme management; and
 - e. Reduced risk of duplication of efforts.

Criteria for the Division of Labour

6. The following criteria guided the DoL in Rwanda:
 - a. Financial/Budget gaps in EDPRS priority sectors;
 - b. Ability of donor(s) to provide GoR's preferred aid modality / type;
 - c. Historical track record in sector; contribution to key development results;
 - d. Mandate of donor (e.g. vertical funds, or UN system, GF);
 - e. Donor's record against a range of aid effectiveness indicators;
 - f. Donor expertise and experience globally.
7. The Division of Labour in Rwanda observes the maximum 3 sectors per donor/DP, while optimally utilizing the delegated cooperation/silent partnership agreements with the view to allow for a phased approach in which a given donor could continue to support a large number of sectors in the medium term, while at the same time taking steps to streamline policy dialogue and reporting.
8. A DoL exercise entails redistribution across sectors, observing the neutral impact on total aid volume. This means that the DoL exercise should not lead to the reduction of the total aid envelope to Rwanda. To this end, the Division of Labour considers a pragmatic approach to enhance quality of cooperation in case where the strict application of DoL leads to reduction of total aid.

Scope

9. The Division of Labour excludes the following elements:
 - a. Support to basket funds, including support to Public Financial Management (PFM) and support to capacity building to institutions managed through basket funds;
 - b. Support to exceptional expenditures, such as demobilization, regional projects (including large infrastructure projects supported from regional window), and emergency assistance, etc.
 - c. Support to NGOs and private sector entities (noting much of support provided in manufacturing services & off-farm industry goes through NGOs and private entities).
10. The agreed Division of Labour will be implemented under donors' new development cooperation framework/country assistance programme and plan. Therefore the DoL will not affect ongoing projects/programmes, while the use of delegated cooperation/silent partnership arrangements can be considered as an interim arrangement under the on-going development cooperation framework if appropriate and feasible.

Delegated Cooperation/Silent Partnership

11. The use of delegated cooperation/silent partnership is encouraged in order to (1) reduce transaction costs associated with administering and managing project/programme funds while ensuring adequate support provided in a given sector/thematic area, and (2) enhance quality of policy dialogue through dedicated expertise of partners. To this end, the Government prefers formal delegated cooperation arrangements,

whereby one partner manages and administers funds and engages in dialogue on behalf of others¹.

12. However, in cases where the strict application of formal delegated cooperation arrangement is considered not feasible, other options of silent partnership could be negotiated in case-by-case basis through consultations between the Government and Development Partners. Such silent partnership should lead to the extent possible reduction of transaction costs to the Government.

Implementation of DoL

13. The agreed DoL will come to an effect with the implementation of a new development cooperation framework of various DPs. Given that many bilateral and multilateral partners have already aligned their programming cycle with the GoR's EDPRS, which runs to 2012, significant changes may begin in 2012/2013. The period 2010-2012 is therefore considered a transition period, where some DPs start its DoL implementation while others could adopt pragmatic approach to implement the DoL as early as possible.
14. To this end, there will be a need to plan for smooth transition at sector level, with the Sector WGs playing considerable roles in monitoring and ensuring effective implementation of the sector DoL while strengthening MTEF process further to inform the effective sector-level coordination and planning.
15. DPCG will provide overall monitoring of the effectiveness of the DoL, particularly in light of the EDPRS implementation, considering adequacy, quality of aid, progressive shift in modality of aid delivery, and increased use of delegated cooperation.

¹ The definition of a formal delegated cooperation arrangement is included in the Annex A (drawn from the definition used in the DPAF exercise).

Agreed Division of Labour²

	Education	Health & Population	Social Protection	Employment	Youth, Sports & Culture	Transport & ICT	Energy	Water & Sanitation	Agriculture	Forestry, Land & Environment	Manufacturing services & off-farm industry	Decentralization/CDF	Justice, Reconciliation, Law & Order
Belgium	S	X					X					X	S
Canada	S ¹								X				
Germany	X	S		X								X	
Japan	X					S	S	X	X				
Netherlands	S						X					X	X
Sweden			X							X			X
UK	X	S	X						X				
US		X		X					X				
AfDB	S					X	X	X					
EC			S			X			X				X
WB		S	S			X	X		X				
Switzerland		X										X	
France					X		X						
Austria								X					
Luxembourg		X											
FAO									X	X			
ILO				X									
UNDP					S					X		X	X
UNEP										S			
UNESCO	S				S								
UNFPA		X	S		X								
UNHCR			S										
UN-HABITAT								S		S			
UNICEF	X	X	X		S			X				S	S
UNIDO							X				X		
UN Women													S
WFP	X		X						X	S			
IFAD									X			S	
WHO		X	S					S					
UNECA						X							
UNCDF												S	

² X represents internal UN Lead

³ S represents silent partners providing Sector Budget Support.

16. While the rules for the DoL are clearly defined, flexibility and pragmatic approach to the DoL is needed in order to ensure effective DoL implementation in support of national development and poverty reduction priorities. Self-discipline and transparency are essential elements of the implementation of DoL.

Annex A: *Definition of a Delegated Cooperation Agreement*

A silent partnership or delegated cooperation agreement is formal agreement in which authority for the management of an ODA contribution (or part thereof) is delegated to another donor, thus facilitating harmonisation and reducing the transaction costs faced by the GoR in managing multiple bilateral agreements.

An agreement is considered “formal” delegated cooperation arrangement if:

- A written agreement is in place, which resulted in a delegation of authority from one donor to another in the administration of an ODA contribution.

AND this agreement resulted in one donor representing another donor or undertaking on behalf of another donor at least two of the following tasks:

- Disbursement of funds on behalf of another donors;
- Policy dialogue at the sector/project/programme level on behalf of another donor;
- Monitoring, review or reporting activities on behalf of another donor.

