Division of Labour in Rwanda

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Enhancing effective development cooperation 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 remain 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 and implementation since then. This document summarizes the concept of the DoL, the rationale and the achievements during the first phase of DOL implementation.

Rationale for a donor division of labour in Rwanda

5. The government-led streamlining of aid delivery (Division of Labour) in Rwanda aimed 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.

Achievements under first phase of DOL

Although 2010-12 was largely a transition period for the DoL as donors completed their existing initiatives prior to alignment with the agreed sectors, several benefits of the division of labour process have already been reported by both Government and donors:

- Congestion is decreasing in some previously over-crowded sectors such as health.
- More time and attention invested in focus sectors, for example in terms of policy dialogue.
- Line Ministries are experiencing reduced transaction costs due to having fewer donors and fewer small, bilateral initiatives to deal with.
- Sector Working Groups are becoming easier to manage as the number of individual donors represented in them decreases.
- New partnerships are being established between donors, for example for sector budget support in silent arrangements.
- Firewall mechanism for DPs to resist fragmentation pressure from their headquarters in the form of requests to take on additional sectors or initiatives now that they have a signed agreement with Government to concentrate on certain specific sectors.

Success Factors

Several factors have been highlighted by both Government and donors as key to the success of the division of labour process in Rwanda:

- Strong Government leadership that has driven the process and ensured national ownership.
- Central coordination on DoL on behalf of Government - Ministry of Finance and Economic Planning in rationalizing the aid delivery and pulling out of sectors.

- A pragmatic and realistic approach that has allowed donors to complete existing projects and programmes and to engage in (limited) negotiation with Government on their sectoral earmarks.

Challenges

A number of challenges may be faced in taking the process further forward. Details of these, along with proposed measures to tackle them, are given below:

- Temptation to overstep the agreed sector occasionally citing directives from HQs.
- The commitment of Government and donors to establish a monitoring system embedded in existing mutual accountability frameworks indicates that this will happen.
- Some sectors may still be under-funded due to limited donor willingness and capacity in these areas.
- Some donors have funding allocations that are sector-specific and therefore may find themselves unable to shift between sectors while maintaining the same overall financing levels, leading them to break their commitment at this point.

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 maximum <u>3 sectors per donor/DP</u>, 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 <u>should not lead to the reduction of the total aid envelope to Rwanda</u>. 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. Sector Budget Support since it involves less transaction cost in the design and implementation.
    b. Support to basket funds, including support to Public Financial Management (PFM) and support to capacity building to institutions managed through basket funds;
    c. Support to exceptional expenditures, such as demobilization, regional projects (including large infrastructure projects supported from regional window), and emergency assistance, etc.
    d. 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 in line with DPs/donors' current and future development cooperation framework/country assistance programme and plan and where a shift in sector has been proposed, a transition arrangement will be considered and DOL will not affect ongoing projects/programmes. However, 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 others[1].

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 on 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.

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

Implementation of DoL

13. The agreed DoL will come to effect upon approval by DPCG and DPs will be required to align their programming cycle with EDPRS II which runs to 2013-2018.

14. DPCG will provide overall monitoring of the effectiveness of the DoL, particularly in light of the EDPRS II implementation, considering adequacy, quality of aid, progressive shift in modality of aid delivery, and increased use of delegated cooperation.

15. 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.

Agreed Division of Labour (DoL) for EDPRS2 Sectors

	Education (Including TVET)	Agriculture (Including feeder Roads)	Health	Transport	Water and Sanitation	Energy	Private Sector D. & Youth	Social Protection	ICT	Justice Reconciliation Law & Order	Environment	Urban & Rural Settlement	Decentralization & Governance	PFM (Including Economic Governance)	Financial sector
Belgium	B		X			X				B			X		
Germany	X						X						X	S	S
Netherlands					S		X			X			X		
Sweden	X						X	S			X				
UK	X	B						X			S			S	X
USA	X	B	X				X						S		
AfDB				X	S	X	X								S
EC		X				X		B					X	S	
EIB					X	X									X
WB		X				X		B				X			
Switzerland		X	X		S		X								
Global Fund			X												
France	X		X			S			X						
Luxembourg			X								X				
Japan	S	X		S	X	X									
Korea	X	X	S						X			S			
China	S		X	X		X									
India	X	X				X	S								
Kuwait Fund			X	X		X						S			
Saudi Fund			X	X		X	S								
BADEA				X	X	X	S								
OPEC Fund				X	S	X	X								
ABU Dhabi				X		X						X			

- **B**->represents silent partners providing Sector Budget Support
- S->represents delegated operations
- DoL excludes Basket funds and regional operation as well as support to NGOs

UN Agreed Division of Labour (DoL) for EDPRS2 Sectors

	Education (Including TVET)	Agriculture (including feeder roads)	Health	Transport	Water & Sanitation	Energy	Private Sector Development and Youth	Social Protection	ICT	Justice, Reconciliation, Law & Order	Environment	Urban and Rural Settlement	Governance and Decentralisation	PFM (including Economic Governance)	Finance Sector
FAO		X									X				
ILO							X	X							
UNDP							S	S		X	X		X		
UNEP						X					X	S			
UNESCO	X				X		S		X				S		
UNFPA	X		X				X	S							
UNHCR	X		S					X		S	X				
UN-HABITAT					S	S	X				X	X			
UNICEF	X		X		S			X		S					
UNIDO		S				X	X				X				
UN Women								X		X			X		
WFP	X	X	S					X							
IFAD		X					X				X				
WHO	S	S	X		X			X							
UNECA						X									
IOM	X							X			X				
UNV							X						X		
UNAIDS			X				X			X					
UNCDF	X												S		X
ITC							X		S						X
UNCTAD							X		S					X	X

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Annex A: Definition of a Delegated Cooperation Agreement

- Mindful of the scope of DoL scope in paragraph 9, silent partnership or delegated cooperation agreement will mean a 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.