

**Ministry of Foreign Affairs
Danida
Development Policy**

Nordic+
Complementarity Principles
(as agreed by the Nordic+ Director General's at their meeting
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COMPLEMENTARITY PRINCIPLES

This paper presents guiding Principles for the Nordic Plus donors engagement in the ongoing initiatives regarding complementarity in Tanzania, Uganda and Zambia, and possible similar initiatives elsewhere.

The aim is to enhance aid effectiveness by reducing transaction costs through a division of labour between donors. The principles call for each Nordic Plus donor to actively pursue issues of complementarity at the country level in close cooperation with the partner country and to focus on a maximum of three sectors in a specific country. The Nordic Plus donors will be guided by the partner country in the division of labour and the selection of sectors and lead donors.

Approach

The Paris Declaration on Aid Effectiveness states that excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. The principle of complementarity is a key component in the agenda for increased aid effectiveness. Through the Paris Declaration partner countries have committed themselves to provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country and sector level. Donors have committed themselves to make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks (Paris declaration para 33-35)

Increased division of labour between donors is the best way to reduce transaction costs of aid, both for partners and for donors. Such initiatives must involve the partner country and all donors, as division of labour cannot be implemented by one donor or a group of donors in isolation. This does not mean that all donors must be involved to the same extent and at the same speed. Some donors have legal and other restrictions that might not enable them to participate fully. There might therefore be situations where there are advantages that a more limited group of donors, jointly with and fully supported by the partner country takes an initiative for a division of labour. This has to be done in a fully transparent way on the basis of an overall assessment of the donor situation. Furthermore, the process towards a division of labour will not be simple. First of all, it will take time as all our cooperation is tied by agreements with different time spans. Secondly, a division of labour will have far-reaching consequences for our organisations and staffing both at field and headquarter level. Implementation will require strong management and guidance within the agencies.

While complementarity across countries is important, it is a subject for a different discussion and these guiding principles are limited to complementarity within countries. The ongoing work on Joint Assistance Strategies (JAS) in Tanzania, Uganda and Zambia provides opportunities to take the issue a step forward and test out complementarity in practice. Our participation in the processes in Tanzania, Uganda and Zambia could be seen as pilot cases for a common approach to complementarity. It is recognised that the objectives of JAS processes go beyond complementarity. The discussion of complementarity in this context is therefore not in disregard of other important issues in the JAS concepts.

Similar initiatives should be encouraged in other countries, and these guiding Principles shall form a basis for the Nordic plus donors engagement in any such initiative.

It is also recognised that experience and learning of complementarity issues is gradually evolving. The Nordic Plus donors will ensure that cross-country learning and sharing of experiences is encouraged.

All Nordic Plus donors provide budget support and some expect to increase the proportion of budget support while reducing project and sector support. Complementarity in choice of sectors is not in contrast to this development, but a realisation of the fact that most Nordic Plus donors will continue to provide support earmarked to specific sectors. The Principles should also encompass sector dialogue for donors providing general budget support for poverty reduction.

It is recognised that the JAS partners are not synonymous with the Nordic Plus group. The agreement of principles among the Nordic + donors shall therefore not lead to separate processes, but serve as a driving force for complementarity among all JAS donors.

It is also recognized that there may exist some challenges in promoting complementarity that need to be overcome. Such challenges might include the loss of visibility, political pressure to realise specific input objectives and possible loss of opportunities for Technical Assistance. For the benefit of donor domestic constituencies, delegated cooperation (silent partnership) and notional earmarking of budget support might be considered by some as a possible measure to counter such disincentives. Nordic Plus donors should also consider producing joint statements or MoUs that can clarify the purpose and mechanics of the division of labour in a particular country, as information to the respective donor domestic constituencies.

It is however also recognised that the Nordic Plus group of donors share certain policies concerning ownership and alignment that govern our interaction with partner governments. When limiting the involvement of each Nordic Plus donor one should therefore seek to avoid a situation where “like minded” donors are absent from a key sector that is strategic for poverty reduction.

Definition of sectors:

Poverty reduction strategies would in some cases discuss priority actions not by sectors, but by clusters (Tanzania) or pillars (Uganda), each covering the responsibility of many ministries. Experience shows that respecting the organisational mandates of the sector ministries simplifies management and co-ordination. If partner governments agree, major crosscutting issues, thematic areas or sub-sectors such as environment, civil service reform or primary education, could also be considered as a sector, General Budget Support for poverty reduction shall not be considered a sector. Regardless of the definition, the principle should be that Nordic Plus donors restrict themselves to a limited number of sectors according to Principles defined below.

Principles

While aware that the situations in Tanzania, Zambia, Uganda and other countries are different and that complementarity arrangements will accordingly be different, the Nordic Plus donors will strive to work according to the following principles:

- **Each Nordic Plus donor will aim in principle at focusing its active involvement with partner governments in a maximum of three sectors which meet the following criteria :**
 - **The partner government has formally identified the sector as a priority in its poverty reduction strategy (or equivalent)**
 - **The Nordic Plus donor has a comparative advantage, i.e.: long experience in the sector and knowledge of the sector institutions; possesses technical expertise; has the ability and capacity to take on a lead donor role, and is trusted by the government and the other donors**
- **The Nordic Plus donors will seek to be represented in all strategic sectors as defined by the partner government by a minimum of one and a maximum of three donors.**
- **In each priority sector, the Nordic Plus donors will seek arrangements among all donors to the sector on a lead donor arrangement between active donors that combines regular rotation of responsibilities with the need for continuity. Troika or similar shared lead donor models could be considered, with a rotation period that corresponds to the length of the assignment of the responsible officer of the lead donor. The lead donorship role might differ due to the varying need and situation in a sector.**

- **The Nordic Plus donors will be guided by the partner countries in the selection of sectors and division of labour. The partner countries will be encouraged to map donor involvement in each sector and to identify on the basis of this and their poverty reduction strategies areas for increased support and areas that could be given lower priority. The partner countries will also be encouraged to indicate their preferences as to which donors should be actively involved in each sector.**
- **If the sector is strategic and/or there is a financing gap the donor may enter into a delegated cooperation agreement with another donor and hereby delegate authority to the other donor to act on its behalf towards the partner government. A delegated cooperation role in a sector can be additional to the maximum of three sectors where the Nordic Plus donor is engaged.**
- **Nordic Plus donors will consider issues of staffing requirements as a consequence of a division of labour and strive to reach complementary arrangements also regarding staffing.**
- **Under the leadership of the partner country, field offices and headquarters of each of the Nordic Plus donors will work together to identify sectors in which to remain and propose exits from sectors from which they shall withdraw. The Principles should in no way lead to a reduction of the level of aid from any of Nordic Plus donor to the partner country. Increased budget support, or increased level of funding to a priority sector should make up for the reduction in aid to a particular sector from which a Nordic Plus donor exits.**
- **The headquarters of the Nordic Plus donors are committed to provide endorsement during the process of establishment of the division of labour in order for final negotiations to be concluded successfully at country level.**
- **Nordic Plus donors shall aim at a long term perspective with a minimum of 5-7 years, or a minimum of two periods of a national poverty reduction strategy, in its active engagement in a sector**