



# The Use of the Nordic Plus Practical Guide to Delegated Cooperation

Survey 2010



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*The definition of delegated cooperation is:*

*“A working arrangement where a Lead donor is given the authority to act on behalf of one or more donors, with the aim to increase aid effectiveness and reduce transaction costs for Partner countries, as well as donors”.*

# List of Abbreviations and Acronyms

Danida	Danish International Development Assistance
DK	Denmark
DC	Delegated Cooperation
DCA	Delegated Cooperation Arrangement
DFID	Department for International Development
FIN	Finland
JAM	Joint Assessment Matrix
JFA	Joint Financing Agreement
NOR	Norway
NL	The Netherlands
Norad	Norwegian Agency for Development Cooperation
UK	United Kingdom

# Preamble - looking forward

This survey gives us updated knowledge about the practice of delegated cooperation among Nordic+ donors. The fact that delegated cooperation has increased over the last years indicates that there is a commitment to aid effectiveness among the Nordic + donors. However, delegated is only one, and may be not the most significant means in the efforts to increase aid effectiveness. Notably some of the Nordic+ donors have ruled out DC as an aid modality, prioritising division of work and concentration on fewer sectors as a more efficient way to ensure aid effectiveness. There are several other ways of delivering aid in a way that reduces transaction costs and contribute to aid effectiveness. Division of work currently figures as the most prominent one in terms of policy declarations by the donors. In addition budget support, sector-wide approaches and co-funding of sector programs (joint financing arrangements) are relevant tools. As the scope of this survey is limited to delegated cooperation, we do not know exactly what progress has been made with regard to this broader picture, but there is certainly room for improvement, also among the Nordic +donors.

Today's aid scene is getting increasingly complex and fragmented, with new actors, both public and private, and a growing variety in the ways to deliver aid. In this context it is worth noting that the Nordic + countries have the advantage of a long lasting common platform and shared outlook on aid challenges, that could facilitate concerted efforts to strengthen aid effectiveness. It therefore seems most appropriate that the Nordic + donors now table this issue for discussion and concrete actions with the aim of setting examples of aid delivery that contributes to aid effectiveness. Headquarters as well as field offices together with our partner countries have a responsibility and a role to play in order to achieve this role.

Norad, Oslo  
June 2010

# Summary of the review

This report presents the results of a survey on delegated cooperation carried out at field missions and headquarter departments of the Nordic Plus countries. It is a review of the experience with the Nordic Plus Practical Guide to Delegated Cooperation which incorporates principles for delegated cooperation, a Template for Delegated Cooperation Arrangements (DCAs) and other tools; aiming at harmonisation in order to increase aid effectiveness. The review period is 3 years, from October 2006 to October 2009. The survey results are supplemented with information on policies, managements and monitoring of delegated cooperation in the Nordic Plus countries based on input from the headquarter departments responsible for aid effectiveness.

The findings can be summarised as follows:

- There has been a significant increase in Delegated Cooperation Arrangements between the Nordic Plus countries between 2006 and 2009. Generally, the missions view delegated cooperation as a relevant tool to enhance aid effectiveness.
- Most missions find the extra transaction costs associated with preparing DCAs acceptable and worthwhile.
- The Nordic Plus Practical Guide to Delegated Cooperation is disseminated and known to a large majority of the target group in operative management; however, there are differences between the countries with regard to familiarity with the Guide.
- The survey demonstrates that the Practical Guide is helpful in establishing (DCA) and that the donors adhere to the principles to a large extent.
- The respondents consider the Template for Delegated Cooperation Arrangements relevant and useful. However, the other tools that have been developed to reduce the donors transaction costs in the planning of DCAs are consulted only to a small degree.
- Most donors were found to be reliable, flexible, and open to resolve problems by informal communication.

- 43% of the respondents did not find it difficult to adhere to previously agreed roles and responsibilities during implementation. However, 40 % of the respondents report that there have been some difficulties in this respect. Challenges encountered were problems related to staying silent because the Lead donor did not play its role or the headquarters demanded a more active role. Receiving agreed information also constituted a main challenge for some during implementation.
- Five out of the seven Nordic Plus; Denmark, Finland, the Netherlands, Norway, and the UK states that there have been no major changes in their policy on delegated cooperation since the Nordic Plus agreed on a common framework in 2006. Ireland and Sweden have de facto changed their policy by deciding to fully exit sectors instead of entering into delegated cooperation. Delegated cooperation is commonly viewed as the “second best option” in the transition towards a more complete division of labour.
- The intention to identify a system to monitor whether DCAs contribute to the reduction of actual transaction costs as stated in the Practical Guide has not been followed up. Netherland has a system of registration in place. Denmark and the Netherland have set up “portals” for easy access to guiding material.

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# Introduction

The Nordic Plus countries - Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and UK have agreed on a number of joint initiatives in order to follow up the commitments to the international agenda of aid effectiveness. In October 2006, the Nordic Plus Practical Guide to Delegated Cooperation (DC) was published as a tool to enhance aid effectiveness and reduce transaction costs for partner countries and donors alike. Prior to the launch of the Practical Guide, the Nordic Plus countries had mutually agreed to approve each other as potential partners for Delegated Cooperation Arrangements (DCA).

A comprehensive study “Barriers to delegated cooperation: Joint assessments of policies and administrative practices of the Nordic Plus donors from September 2006” (COWI June 2006) preceded the Nordic Plus agreement to accept each other as partners in delegated cooperation and is also meant to be a reference document for the donors in the planning of a delegated cooperation.

The Practical Guide contains agreed Nordic Plus principles for delegated cooperation, a pre-negotiated Template on DCA and some other helping material that have been developed to make the donor dialogue more cost efficient. It presents good practices as well as some common pitfalls in the planning and implementing of delegated cooperation. Annex 1 includes a Summary of variations between the policies/administrative procedures of the Nordic Plus Countries (or Joint Assessment Matrix – JAM) and Annex 2 gives an Overview of financial management requirements for the Nordic Plus donors.

This report presents the results of a survey on the use of the Practical Guide and the experience with delegated cooperation at field missions as well as a few HQ departments.

# 1.1. Organisation of the Review

Norad has been responsible for organising the review and for drafting the report. Prior to this undertaking the Nordic Plus headquarters have been consulted with regard to organisation and the contents of a questionnaire to the operative units responsible for handling DCAs. The proposed scheme gathered broad support. However, Ireland and Sweden decided not to take part in the country level survey, because they did not find it relevant, as these two countries over the last few years have decided to exit sectors, rather than pursuing delegated cooperation arrangements when developing new country strategies.

A questionnaire was sent to embassies /field offices, including a few headquarter departments directly responsible for handling DCAs. Each country identified the recipients at the operative level. Denmark, the Netherlands, and Norway included all their embassies with aid responsibility whether they were involved in with delegated cooperation or not. UK and Finland chose to include only the embassies and field offices that they knew had experience with DCA. One hundred missions received the Questionnaire (DK 18, FIN 4, NL 32, NOR 25, and UK 21). Seventy missions answered.

In addition, key personnel responsible for aid effectiveness at the Nordic Plus headquarters (HQs) were asked to answer some general questions on the experience with the Practical Guide on Delegated Cooperation, on policy and the relative importance of delegated cooperation as an aid modality, as well as management and monitoring of DCAs.

The review team comprised of Senior Adviser Lill-Ann Bjaarstad Medina and Deputy Director Åse Seim, Department for Quality Assurance.

## 1.2. Methodology and limitations

The survey method was chosen to obtain the views of the missions responsible for aid management, which are the primary users of the Practical Guide. Thus, the review is perception based. The Questionnaire sent to the missions also included a quantitative section on the extent of DC.

Mapping Partner countries' experience with delegated cooperation is beyond the scope of the review.

The response rate of 70 % is acceptable to make valid interpretations of the views of the missions that participated in the survey. However, since two countries did not take part in the survey, the findings are not representative for the Nordic Plus as a whole. This, in particular weakens the analysis of the quantitative section in the Questionnaire where trends in the extent of delegated cooperation are identified. It adds to the limitation that Sweden is the country that the respondents reported to be the most frequent partner in DCA (77% of the respondents gives Sweden co-donor in 2006, reduced to 67 % in 2009).

Of the seventy missions that responded to the Questionnaire 11 were Danish embassies, four were Finnish, 18 were Dutch and 25 were Norwegian embassies. Thirteen of the respondents were DFID field offices, including a few HQ departments. All regions were represented, about 30 % were located in/or responsible for aid in Africa, 25 % in Asia, 12 % in Latin America and 3 % in the Middle East.

It should be noted the survey report does not represent a scientifically rigorous analysis. The general inputs from the headquarters give some valuable complementary information. The ambition of the review as a whole is to identify the perceptions and practice of delegated cooperation and to establish whether the Practical Guide has been a useful tool to promote such cooperation in the name of aid effectiveness.

# 2

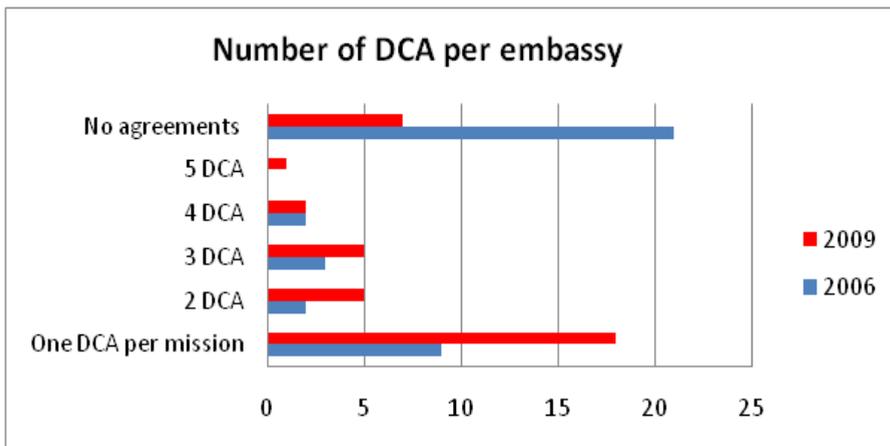
## Findings of the survey

## 2.1. The extent of delegated cooperation

Of the 70 missions that responded to the survey 41 missions (almost 60 %) reported to have experience with DCA with other Nordic Plus countries. Over the period 2006 to 2009 there has been a significant increase in delegated cooperation among the Nordic Plus countries. In 2006, there was a total of 35 DCAs reported. Three years later the total number of DCAs reported was 56 agreements, more than 40 % increase in three years. In 2009, 18 of the DCAs reported included other donors than Nordic Plus countries.

At the time of the publication of the Practical Guide, in October 2006, 19 of the 70 embassies/field offices that participated in the survey reported to have DCAs. Three years later 31 embassies reported to have entered into DCAs. This implies a 40 % increase in the number of Nordic Plus missions that have been involved in delegated cooperation over the last three years. Looking at the data from the three countries that included all their aid missions in the survey, more than 50 % of the embassies of Denmark and the Netherlands have experience with DC, while the equivalent share for Norwegian embassies are 44%.

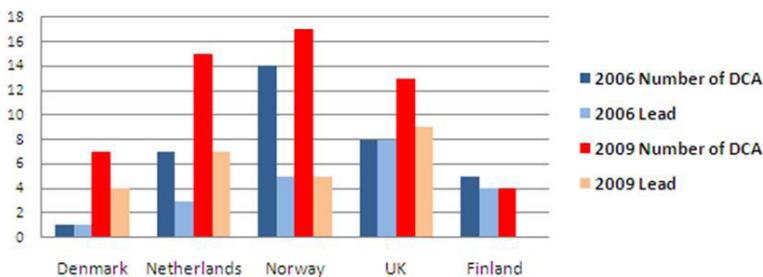
The material also shows a trend towards a slight increase in number of agreements per mission. Even if most missions only have one agreement, there was an increase in missions with two and three agreements from 2006 to 2009.



It should be noted that DCA competes with other aid modalities aiming at increasing aid effectiveness. The Nordic Plus Joint Financing Arrangement (JFA) is an alternative arrangement with equally good guiding material as delegated cooperation. The Nordic Plus Practical Guided for JFA was published in October 2007 one year after the Practical Guide to DC. During the same period division of labour or the principle of complimentary has been given increased emphasis by the policy makers. In this context, the data of the survey indicates that delegated cooperation has not lost its momentum.

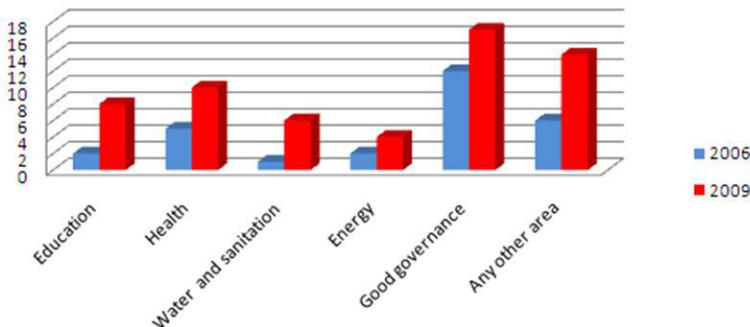
The material does not show a particular pattern of correlation between number of DCAs and taking responsibility as Lead donor. UK and the Netherlands report on approximately the same number of DCAs when summing up the two years. UK most often takes the responsibility as Lead donor. In 2006, the country was Lead in all its DCAs. The Netherlands is the active donor in almost half of its agreements. Norway has the highest total number of DCA, but the lowest share of being Lead. Denmark has relatively few agreements, but has a rather high share in being Lead donor.

**Proportion of Lead of total DCA per country in 2006 and 2009**



In 2006, the most frequent sector covered by DCA was good governance. There is no predominant area within good governance; the areas with equal importance are elections, media, support to Auditor General, and other anti-corruption measures. Over the three years studied, health and education increased its share of DCAs. In 2009, health and education combined reached the same level as good governance. This material is not bullet proof, but still it demonstrates an increasing trend towards choosing DCA as aid modality in social sector programmes.

**Sectors covered by DCA**



## 2.2. Reduced transaction cost as driving force

A large majority of the respondents were of the opinion that delegated cooperation is a relevant tool to strengthen aid effectiveness. Only one respondent disagreed with this statement.

The missions' expectations to reduce transaction costs for Partner country and the possibility to support a sector with limited administrative resources rank highest among main justifications for DCAs. Own prospects to reduce transaction costs co-financing donor are important for most embassies. Not so many missions highlighted that reaching input targets or that being instructed by headquarters to concentrate portfolio among the main reasons for entering into DCAs.

There is a general assumption that preparing for DCA is time and resource consuming. However almost all missions agree, at least to some extent, that the extra time invested in the dialogue leading up to the DCA was worthwhile. Only 5% of the respondents disagreed.

It is commonly recognised that that preparing DCAs is time-consuming endeavour. Many respondents confirm this in their comments. More surprising, however, is that an equal number of the respondents have commented that they did not find the preparation phase time consuming. Sporadic comments should not be over- interpreted, but still this may be taken as a sign that better guiding material has had some effect with regard to the transaction costs in the preparation phase.

The case studies on Barriers to Delegated Cooperation – Lessons Learned (COWI, June 2006) pointed to active involvement from headquarters, political objectives and input-targets as the most common incentives to set up DCAs. The survey indicates that embassies have become more active in taking the initiative to enter into DCAs. One-fourth of the embassies say that they have not involved HQ in appraising and approving DCAs. A possible reason for this is that authority has been delegated to embassies and that the access to good guiding material has made the field missions less dependent of guidance from HQ.

A majority of the respondents (60 %) fully disagree to opening up for charging administration fees to compensate for extra workload as Lead donor. Only two missions support the idea of professionalising this role. On the other hand, quite a few comments underline the prerequisite of equitable engagement among donors. Notably, long-term commitments and alternating in the roles as Lead and delegating donor seems to be an important principle to many.

## 2.3. Roles and responsibilities

Adhering to agreed roles and responsibilities is a pre-requisite to reduce the overall transaction cost for managing throughout the program. The respondents unanimously agree that the Nordic Plus agreement template covers the relevant and necessary provisions to secure a clear understanding of roles and responsibilities and relationships between the Lead and the silent partners.

When asked about roles and responsibilities during implementation 43 % of the respondents said that they did not find it difficult to adhere to what had been previously agreed upon. However, 40 % of the respondents report that there have been some difficulties in this respect. Challenges encountered during implementation were problems related to staying silent because the Lead donor did not play its role or the headquarters demanded a more active role. For some, receiving agreed information constituted a main challenge during implementation.

The notion of being “silent” as a donor may be seen as contradictory to being visible. Supporting this perception, half of the respondents agree fully or to some extent with the allegation that the role as delegating donor is not compatible with making the support to a sector or a country visible.

There are indications that some donors chose not to comply with agreed roles in order to be visible vis-a-vis the Partner. Supporting this observation, seven embassies note in their comment that they have not stayed silent, but taken active part in dialog and/or coordination.

## 2.4. Best practice

The Practical Guide gives guidelines with regard to flexibility, compliance and communication between the parties of delegated cooperation. These good practices are laid out step-by-step (in 15 items) following the phases in a programme cycle, to prepare and establish a DCA, and to implement the agreement.

Generally, the survey material indicates that a significant number of embassies that have used the guide, have also followed the good practice in preparing and implementing DCAs.

Most donors have not found harmonisation of administrative and financial procedures difficult. Half of the respondents fully agree that delegating donors have been flexible in accepting the principles, guidelines and formats of the Lead donor. However, one-fourth of the respondents reported that lack of pre-negotiated agreements on how to handle disbursement, accounting, and auditing have caused problems during the implementation to some extent.

Only in one case reported have requirements put forward by the delegating donor caused the negotiations on a DCA to fail.

Good practice has been followed when it comes to using informal problem solving. Almost all respondents states that informal contacts have contributed to solving unforeseen problems during implementation.

A majority of the respondents have consulted with headquarters one way or another during the preparatory phase. Still 27 % say they have had no contact at all. Here we have to take into consideration the fact that different countries have different procedures regarding consultations with the home office. Both Finland and Norway have mandatory procedures to seek legal advice. Comments from Finnish missions indicate that domestic legal issues constitute a major barrier to DCA.

One third of the respondents have not consulted the Partner country with regard to the selection of Lead donor. Still more than half appears to have followed this good practice one way or another. Different countries answer differently on this question. The Netherlands stands out as the donor who has promoted this principle to a large degree, followed by Denmark. However, the variation among donors is significant. For Norway, UK and Finland, between 40 and 50 % of the embassies say they have followed this principle at least to some extent.

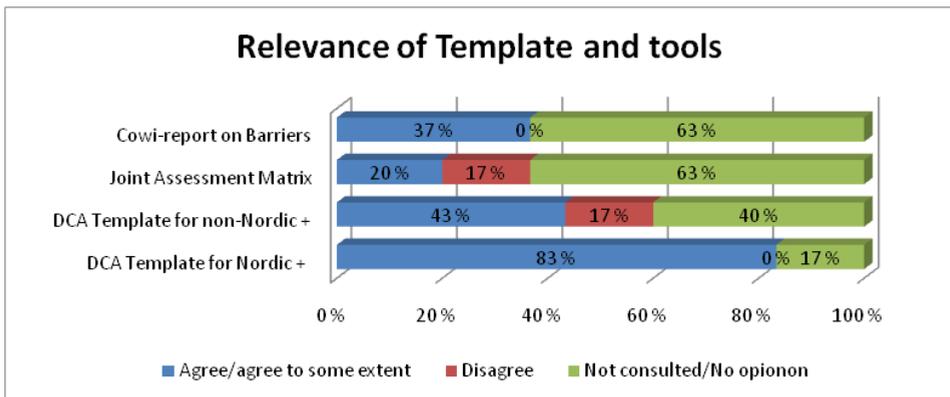
# 2.5. The usefulness of the Practical Guide

Three years since its publication the survey demonstrates that the Practical Guide is commonly known among the respondents. Of the 40 missions that reported to be involved in DCA, 30 are familiar with the Practical Guide. There are noteworthy differences between the countries. All Danish embassies with DCA were familiar with the Practical Guide. Around 90 % of the Dutch and Norwegian embassies knew it. What lowers the mean is that only half of the UK field offices were familiar with the guide and only one of the two Finnish embassies with delegated cooperation knew the Practical Guide.

A large majority of the respondents consider the Practical Guide, to be important for the completion of DCAs. Of these, more than 25 % consider it indispensable by agreeing that not having access to the Guide would have made the agreements less probable.

83 % of the respondents who report that they used the Practical Guide fully agree to the statement that Nordic Plus Agreement Template covers the relevant and necessary provisions to secure clear understandings of roles, responsibilities and relationships between Lead and delegating donors. When it comes to the usefulness of the Template for entering into agreements with non-Nordic Plus donors, a large proportion, 40 % of respondents do not have any opinion on the matter. However, as shown in the figure below of those giving an answer more are in agreement than disagree to the statement that Template covers the relevant provisions also for with non- Nordic Plus partners. Comments point to the fact that non-Nordic plus donors have very different requirements, and that is part of the problem.

For the other tools/instruments referred to in the Practical Guide, the picture is more diverse. A majority of the respondents have not consulted nor have any opinion on the Joint Assessment Matrix annexed to the guide, which shows similarities and variations in policies and practices of the Nordic Plus. Only 20% agree to some extent that this instrument is useful and timesaving while, just as many find it not useful at all. A similar pattern is revealed with regard to the COWI study that the JAM builds on. A large majority of the respondents have not consulted this report that elaborates on policies and administrative practices of the Nordic Plus nor have no opinion on its usefulness. The figure below shows the distribution of opinions questions whether the Template and other tools in the Practical Guide are relevant and useful:



# 3

## Policy and Practice of Delegated Cooperation

This part of the review sums up the answers that the headquarters gave on a set of questions on their countries' policy, management and monitoring of delegated cooperation.

## 3.1. Policies towards delegated cooperation and the agenda on aid effectiveness

Five out of the seven Nordic Plus; Denmark, Finland, the Netherlands, Norway, and the UK states that there have been no major changes in their policy on delegated cooperation since the Nordic Plus agreed on a common understanding on Delegated Cooperation Arrangements in 2006. Ireland and Sweden have de facto changed their policy.

In spite of the unchanged policies on delegated cooperation, many consider delegated cooperation as the second best option to division of labour and complementarity. Denmark considers DCA as an interim measure and second best alternative, when proper division of labour is not achievable. The Netherlands considers both DCAs and JFA as good instruments, particularly in the transition towards a more complete division of labour. Their approach is to harmonise as much as possible with other donors. Finland takes a pragmatic stance by maintaining that it is necessary to test the different aid modalities in practice and resolve problems related to them.

Sweden and Ireland, the two countries that have taken steps to change their policy have similar strategies. Since 2007, the Swedish policy has been full exit of sectors instead of staying on through delegated cooperation. The internal instructions within Sida have been to enter into delegated cooperation as a second best option when division of labour is not possible. Ireland updated its guidelines for development of Country Strategy Papers in 2008. These guidelines do not exclude delegated co-operation, but Ireland has opted to exit from sectors instead of remaining in a sector under a silent partnership or delegated cooperation.

In summary, the policy has not changed for the majority of the Nordic Plus, but division of labour is considered the first option by most. Sweden refers to recent developments within the EU and in particular the EU Code of Conduct on Complementarity and Division of Labour in Development Policy as part of the justification for changing their practice when preparing country strategies.

## 3.2. Managing and Monitoring Delegated Cooperation

The aim of identifying a system to monitor whether DCAs contribute to the reduction of actual transaction costs as stated in the Practical Guide has not been followed up. The only country that has a system in which to register DCAs is the Netherlands. Since May 2009 its embassies register in the administrative system whether they are active or silent partners in the cases where DCAs or JFAs have been signed. Denmark and the Netherlands have prepared specific 'portals' on Delegated Cooperation at their web page for their embassies to get easy access to guidance material. The portal of the Netherlands also, gives examples and lessons learned.

The response from the Nordic Plus headquarters confirm- that reduced transaction costs for partner countries and donors is the main justification for entering into delegated cooperation. Norway also points to rationalisation and concentration of its portfolio as important justifications.

The headquarters' perceptions of main challenges of DCAs are diverse. Norway considers readiness to withdraw from a sector that is prioritised a major challenge. Norway finds it important that delegated cooperation does not lead to a reduction of the overall aid volume.

The Netherlands states that responsibilities are not always very clear. Imposing sanctions when reporting obligations are not met is considered difficult. The Netherlands emphasises mutual trust between donors before entering into DCAs. It claims that one has to be certain that the delegating partner follows principle of silent partnership and that the Lead donor maintains a good dialogue with the receiving governments. The UK considers harmonising agreement templates and financial management, such as spending profile, disbursement, and auditing issues, the most challenging. Finland finds that the main legal problem is related to the issue of liability of misuse of funds. Denmark finds that lack of clarity and guidance on appraisals and reviews are one of the main challenges.

The HQs find the Practical Guide to Delegated Cooperation to be useful. No particular revisions are considered necessary. However, Denmark suggests that guidance on appraisals and reviews would have made it a better guide. The Netherlands feels that the Guide could be further improved by addressing lessons learned and adding experience with other donors than the Nordic Plus.

# 4

## Conclutions

# 4. Conclusions

- The overall picture is that the Nordic Plus donors who have participated in the review view delegated cooperation as a relevant aid modality to enhance aid effectiveness, albeit as a second best option to full division of labour.
- DCAs among Nordic Plus countries have increased from 2006 to 2009.
- In the years that have passed since the Nordic Plus donors initiated the common framework for delegated cooperation, the aid policy of the Nordic Plus countries and the EU as well as the international aid effectiveness agenda generally have reinforced the emphasis on division of labour as the first option for reducing transaction costs and improving aid effectiveness.
- The Practical Guide still seems to be a relevant and useful tool. Even if it may be outdated in some regards, particularly the overviews on policies, administrative procedures and financial management requirements, a revision of the Guide is not required.



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