

**Sub national donors and the international quest for
aid effectiveness: case-study Flanders**

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1. Introduction

It is extremely difficult to demonstrate scientifically whether development aid actually works. Yet it is commonly assumed that while aid has often yielded positive results, this has unfortunately not always been the case and has caused frustration in the aid community. Although the explanation was initially sought within the recipient countries, the donor community has over the past decades increasingly acknowledged its own role in rendering aid ineffective. To improve the effectiveness of aid, several international high level meetings have generated important commitments to rationalize the aid environment. In contradiction to these well-intended commitments, there is a mushrooming of new aid actors and interventions that actually go against the intended rationalization and adds further complexity to the aid arena. In this contribution we zoom in on the contradiction between both trends by means of the example of the subnational donor Flanders. We advocate for a more pronounced and productive embedding of the Flemish development cooperation within the Belgian and European frameworks.

2. Aid effectiveness on the international agenda

Despite the positive effects development aid has had in many countries, it is widely acknowledged that a large volume of aid has not yielded the expected results². Although the explanation of such a failure was originally only sought among or within the recipient countries, various evaluations in the 1980s and '90s have convincingly demonstrated that donors are often at least as much part of the problem by imposing high transaction costs³, deploying blueprint interventions, disbursing funds in an unpredictable manner,...⁴ Therefore, aid effectiveness features prominently on the OECD's Development Assistance Committee's (DAC) agenda since the mid nineties. The Monterrey Conference on Financing for Development, organized by the UN in Mexico in 2002, put aid effectiveness on the international agenda. Besides pushing for more money, the Monterrey Consensus acknowledged that donors and international institutions should make their aid more efficient (Monterrey Consensus §43⁵). After the Monterrey summit, the follow-up of the quality of aid was delegated to the DAC⁶.

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² See eg. Worldbank, *Assessing Aid. What works, what doesn't and why*, Washington DC, World Bank, 1998.

³ Transaction costs are costs linked to the preparation, negotiation, implementation, monitoring and evaluation of projects and programmes. Coordination costs are those linked to coordinating the activities of different actors.

⁴ Wapenhans, *Effective implementation: key to development impact*, Washington DC, World Bank, 1992; Molenaers en Renard, *Ontwikkelingshulp faalt: is participatie het redmiddel?*, Leuven en Voorburg, Acco, 2007

⁵ UN, *Monterrey Consensus on Financing for Development*, International Conference on Financing for Development, Monterrey, Mexico, 18-22 March, 2002

⁶ Callewaert, L. 'Zal de Verklaring van Parijs de ontwikkelingshulp doeltreffender maken?' *Wereldbeeld*, Jaargang 32, nr. 145, 2008/3.

Following up on the Consensus, the DAC organized in 2003 the first *High Level Forum on Aid Effectiveness* in Rome. Three principles are at the centre of declaration donors endorsed at the Forum: ownership, harmonisation and alignment⁷. Progress in the implementation of these three principles would be evaluated in the run-up to a second *High Level Forum* in Paris.

2.1 The Paris Declaration

The second *High Level Forum on Aid Effectiveness* in 2005 culminated in the Paris Declaration on Aid Effectiveness (PD), signed by more than 40 donors and 60 recipients. Two new principles complemented the three principles of the Rome Declaration: results-based management and mutual accountability. To urge donors and recipient countries to implement the principles, monitoring indicators were added with specific targets by 2010⁸. Table 1 provides an overview of the principles, indicators and who is mainly responsible for implementation:

⁷ OECD, *Rome Declaration on Harmonization*, First High Level Forum on Aid Effectiveness, Rome, Italy, 2003.

⁸ OECD, *Paris Declaration on aid effectiveness: ownership, harmonisation, alignment, results and mutual accountability*, Second High Level Forum on Aid Effectiveness, Paris, France, 2005.

Table1: The 5 principles of the Paris Declaration and corresponding indicators⁹

	Progress indicators	
	Partner country	Donors
Ownership	1: Operational development strategies	
Alignment	2a: Qualitative Public Finance Management systems 2b: Qualitative procurement systems	3: Aid reported on budget 4: Coordinated capacity development 5a: Use of national PFM system 5b: Use of national procurement system 6: Stop use of PIUs 7: In-year predictability 8: Untied aid
Harmonisation		9: Use of PBAs ¹⁰ 10a: Coordinated missions 10b: Coordinated analytical work
Managing for results	11: Sound performance assessment (results oriented)	
Mutual accountability	12: Mutual accountability	

With the design of monitoring indicators and their wide-spread usage within the donor community, the PD has put aid effectiveness at the centre stage of the aid sector. While most donors have designed a plan for its implementation, recipient countries also use the declaration to pressurise donors into a reorganization of their cooperation.

2.2 The Accra Agenda

In September 2008, Ghana's capital Accra hosted the third *High Level Forum on Aid Effectiveness*. The even higher degree of participation demonstrates that the interest in aid effectiveness is still increasing. The main objective of the forum was to review progress in implementing the PD and to draw lessons for further implementation. The final document, the *Accra Agenda for Action*, therefore needs to be viewed as an addendum to the PD with concrete indications and directions to attain the PD-objectives by 2010¹¹. The second *Conference on Financing for Development* in Doha in December 2008 reconfirmed the importance of the aforementioned DAC initiatives¹².

2.3.Division of labour

A concept which was included in the PD, yet relegated to the background partly because it was not translated into a concrete monitoring indicator, is the 'Division of Labour' (DoL) among donors. To bring it back to the forefront, the German EU presidency put it in 2007 on the agenda of the European donors and developed a

⁹ Callewaert, L., 'Paris Declaration, from donorship to ownership'. Seminar at IOB, Antwerp, May 2008

¹⁰ A program-based approach (PBA) is 'a way of engaging in development co-operation based on the principle of co-ordinated support for a locally owned programme of development, such as a national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation'. Source: OECD, 'Harmonising Donor Practices for Effective Aid Delivery, Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management', DAC Guidelines and Reference Series, Paris, OECD, 2006

¹¹ OECD, *Accra agenda for action*. Third High Level Forum on Aid Effectiveness, Accra, Ghana, 2008

¹² UN, 'Doha declaration on financing for development'. International Conference on Financing for Development, Doha, Qatar, 2008.

'European code of conduct' (CoC), approved by the Council in May 2007¹³. The AAA lifted up the principle of division of labour to the international level and also involved the partner countries by pointing them to their responsibility¹⁴.

Harmonisation and alignment try to improve the way donors work in a recipient country, but do not question their actual presence as such. The choice of partner countries and sectors is left to the donors and harmonisation and alignment are deemed to be sufficient to contain the burden on the recipient. Although this may sound as a convincing argument, the implementation of new aid modalities demonstrates a limited net impact in practice, as the reduction in transaction costs on the one hand is usually neutralised by higher coordination costs on the other¹⁵. As these new aid modalities represent only a limited share of global aid, which is still predominantly channelled through donor driven projects, mere harmonisation and alignment will most likely not suffice to reduce transaction and coordination costs¹⁶. To effectively reduce the costs for the partner countries, the idea therefore gains ground to tackle the problem at its roots and to limit the number of active donors per country or per sector¹⁷. DoL tries to implement this by guiding donors' choice of countries or sectors. Every donor needs to position its support where its added-value is largest, taking into account other donors¹⁸. Not only will this entail a direct reduction of transaction costs for the partner as less donors will be active in the country, it will also diminish the costs of coordination as it reduces the number of donors around the table.

The need for a task division is most prevalent among European donors. While Europe is responsible for more than half of the global official aid volume, this aid is fragmented over 27 member states and the European Commission itself. As each of these donors can individually choose its sectors and partner countries, this often leads to a situation where up to 10 European donors are active in particular 'darling countries' (e.g. Tanzania, Uganda or Mozambique) or 'darling sectors' (predominantly health and education).

3. Action speaks louder than words...

In spite of the official declarations to rationalize and coordinate, the aid field has actually become even more complex over the last decades. Two trends are crucial in this:

3.1 Donor proliferation¹⁹

Mainly during the last decade, the number of donor channels has increased significantly²⁰. In addition to the traditional club of DAC members, a growing number of countries, of which many are themselves still aid

¹³ European Commission, *Communication from the Commission to the Council and the European Parliament. EU Code of Conduct on Division of labour in Development Policy*: 12, 2007.

¹⁴ OECD, 'Chair's summary of the Third High Level Forum on Aid Effectiveness', Accra, Ghana, 2008

¹⁵ P. Balogun, 'Evaluating progress towards harmonisation', *DFID Working Paper*, No. 15, May 2005

¹⁶ T. Williamson, Z. Kizilbash Agha, L. Bjornstad, G. Twijukye, Y. Mahwago and G. Kabelwa, *Building blocks or stumbling blocks? The effectiveness of new approaches to aid delivery at the sector level*. Irish Aid, 2008.

¹⁷ Action Aid. *Real aid. An agenda for making aid work*, June 2005 en J. Faust en D. Messner "Organizational Challenges for an effective aid architecture – traditional deficits, the Paris agenda and beyond" *DIE Discussion Paper, 2007, 20/2007*

¹⁸ OECD, *Paris Declaration on aid effectiveness: ownership, harmonisation, alignment, results and mutual accountability*, Second High Level Forum on Aid Effectiveness, Paris, France, 2005; European Commission, *Communication from the Commission to the Council and the European Parliament. EU Code of Conduct on Division of labour in Development Policy*: 12, 2007.; OECD, *Accra agenda for action*. Third High Level Forum on Aid Effectiveness, Accra, Ghana, 2008.

¹⁹ Donor proliferation refers to an increase in the number of channels through which donors provide aid. Source: World Bank, *Aid Architecture: an overview of the main trends in official development assistance flows*, Washington DC, World Bank, 2007.

²⁰ Some of these channels do already exist much longer, but have only recently come to the forefront.

recipients, have started up bilateral aid assistance²¹. This growing number consists of OECD countries that are (not) yet member of the DAC such as Iceland or Turkey...; new EU member states for whom the establishment of a bilateral cooperation program was a condition for EU accession, such as Bulgaria, Malta, Romania...; and lastly an increasing number of non-EU and non-OECD countries such as China, Brazil or Venezuela. In addition to the increasing number of national bilateral donors, there is also an especially European trend to bring development cooperation closer to the citizens in line with the principle of subsidiarity. As a consequence, subnational authorities such as regions, communities, provinces or cities are increasingly starting up their own bilateral development cooperation. At least 15 EU member states such as Belgium, Spain, Germany or France have vested such development cooperation authority in regional or local subnational structures²². Moreover, this expanding group of bilateral donors funds the lion's share of a growing number of international organizations, funds or programs, predominantly with a sectoral or thematic focus²³. Finally, the more pronounced role played by private or corporate sector philanthropic foundations such as the Bill and Melinda Gates Foundation, or various NGOs, religious organizations and local civil initiatives deserves specific mentioning²⁴.

3.2 Aid fragmentation²⁵

Parallel to the increase in donor channels, the number of donor interventions is also on the rise. While in 1997 the DAC already recorded 20,000 different donor funded activities, this number tripled to 60,000 in 2004²⁶. Yet the average funding per activity decreased in the same period from US\$ 2,5 million to merely US\$ 1,5 million²⁷.

Whether the described proliferation and fragmentation of aid has eventually resulted in a net increase in aid for partner countries is difficult to assess. It is however certain that the major part of the global aid volume is still provided by the larger DAC donors, but that the provision and delivery of this aid has become far more complex. The challenge for partner countries and donors is thus to reconcile the expanding number of actors and activities in the aid sector on the one hand - which is in itself recommendable in as far as it reflects an increased international solidarity and new opportunities in development cooperation -, with the daunting task of rendering aid more effective on the other.

3.3 Flanders' development cooperation

In 1993, Belgium granted its regions – Flanders, Wallonia and Brussels - and communities – Dutch, French and German speaking- the separate authority to devise and implement their own foreign policy. Two principles guide

²¹ World Bank. *Aid Architecture: an overview of the main trends in official development assistance flows*. Washington, D.C., World Bank, 2007

²² A. Desmet and P. Develtere *Subnational Authorities and Development Co-operation in the OESO-DAC Member countries*, Leuven, HIVA, 2002; J.A. Bidaguren, *The Role of Local and Regional Authorities in European Community Development Aid Policy: beyond Decentralised Aid*. 12th EADI General Conference: Global Governance for Sustainable Development. The Need for Policy Coherence and New Partnership, Geneva, EADI; European Commission, *The EU – a global partner for development. Speeding up progress towards the Millennium Development Goals. An EU Aid Effectiveness Roadmap to Accra and beyond. From rhetoric to action, hastening the pace of reforms*. Commission Staff Working Paper accompanying the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, European Commission, 2008..

²³ Amounting to 230 according to World Bank *Aid Architecture: an overview of the main trends in official development assistance flows*. Washington, D.C., World Bank, 2007.

²⁴ H. Kharas *The new reality of aid*. Paper presented at Brookings Blum Roundtable 2007 in Brookings Institute, Washington, DC, 1 August 2007; P. Develtere (2005) *De Belgische ontwikkelingssamenwerking*, Leuven, Davidsfonds, 317 blz.

²⁵ With the term aid fragmentation, the World Bank refers to the increase in the number of activities financed by donors leading to a decrease in the average funding per activity. (World Bank. *Aid Architecture: an overview of the main trends in official development assistance flows*. Washington, D.C., World Bank, 2007)

²⁶ Part of this increase can be attributed to better reporting.

²⁷ World Bank. *Aid Architecture: an overview of the main trends in official development assistance flows*. Washington, D.C., World Bank, 2007

the division of competences between the federal and ‘federated’ regional and community governments. According to the principle ‘*in foro interno, in foro externo*’ each governmental level is allowed to conduct foreign policy in the domain in which it has interior competence. The second principle implies the absence of a formal norm hierarchy between the federal and federated authorities. In domains where several levels of government are thus authorized to deploy foreign policy, they may operate in parallel. The support to the Mozambican health sector by both the federal and Flemish development cooperation, is a case in point. While constitutionally clearly ground-breaking, both politically and institutionally Belgium’s subsidiarity-based foreign policy framework is not an obvious venture²⁸.

As part of its foreign policy, Flanders conducts its own active development cooperation. The Flemish Department of Foreign Affairs (DiV) is responsible for the preparation, formulation and evaluation of aid policy, while a separate governmental agency is responsible for its implementation, the Flemish International Cooperation Agency (VAIS). In addition, other departments of the Flemish Government such as Education and Training contribute to Flanders’ overall ODA expenditures²⁹. The Flemish official aid volume has grown more than sixfold from €8.2 million in 1995 to €49.5 million in 2009. However, in 2009, only about €20,5 million is directly allocable to the Flemish budget for development cooperation, with the remainder sourced from various other budget lines³⁰.

Table 2 gives more details on the composition of Flemish ODA between 2006 and 2009. With regard to the aid channels used, the importance of bilateral aid has decreased. The Flemish ODA is characterised by a substantive shift towards multilateral and indirect cooperation. Other activities Flanders finances are initiatives of sustainable development, fair trade, entrepreneurship, development cooperation between municipalities in North and South, mobilisation and sensitisation of the Flemish public around development issues, scholarships and humanitarian assistance³¹.

Table 2. Composition of Flemish ODA (real expenditure 2006-2009)³²

	2006 (€)	2007 (€)	2008 (€)	2009 (€)
Direct bilateral cooperation	12,080,200	10,427,118	8,909,496	12,144,898
South Africa	6,487,402	3,052,978	3,428,285	3,646,056
Mozambique	2,764,805	5,222,563	5,102,488	3,522,359
Malawi	750,000	1,640,000	144,241	4,765,634
Other (Morocco, Chile,...)	2,077,993	511,577	234,482	210,849
Multilateral cooperation	2,139,000	7,216,018	9,309,812	11,154,406

²⁸ J. Velaers ‘De internationale bevoegdheden van gemeenschappen en gewesten: een evenwicht tussen de autonomie van de deelstaten, de eenheid van het Belgisch buitenlandsbeleid en de eisen van internationaal en Europees publiekrecht’, in F. Judo en G. Geudens (Eds.) *Internationale betrekkingen en federalisme*, Brussel, De Boeck & Larcier, 2006, p. 3-86; J. Velaers. *Federale deelentiteiten en het spanningsveld tussen staatsrecht en internationaal recht*. Colloquium Vijftien jaar Vlaams Buitenlands Beleid 1993-2008. Terugblik en toekomstperspectief. 20 oktober 2008 Vlaams Parlement Brussel. VSBB. Antwerpen, VSBB-Universiteit Antwerpen, 2008, 5-10; D. Crieckmans, *Foreign Policy and Diplomacy of the Belgian Regions: Flanders and Wallonia*. The Hague, Netherlands Institute of International Relations ‘Clingendaal’, 2009.

²⁹ DiV, *Het Vlaams ODA Rapport 2008*, Brussel, DiV-afdeling Beleid, 2009

³⁰ Figures are only available as from 1995.

³¹ Vlaamse Regering, *Beleidsbrief Ontwikkelingssamenwerking Beleidsprioriteiten 2006-2007*, Brussel, Parl. St. Vlaams Parlement 2006-07, 984-Nr.1, 2006 and DiV, *Het Vlaams ODA Rapport 2008*, Brussel, DiV-afdeling Beleid, 2009.

³² DiV, *Ontwikkelingssamenwerking en de Vlaamse Overheid. ODA-cijfers 2006*, Brussel, DiV-afdeling Beleid, 2007; DiV, *Het Vlaamse ODA Rapport 2007*, Brussel, DiV-afdeling Beleid, 2008; DiV, *Het Vlaams ODA Rapport 2008*, Brussel, DiV-afdeling Beleid, 2009; DiV, *Het Vlaamse ODA Rapport 2009*, Brussel, DiV-Afdeling Beleid, 2010

Indirect cooperation ³³	14,897,940	19,509,445	21,280,679	22,648,972
Emergency relief and humanitarian assistance	1,531,396	1,740,056	2,065,203	1,213,591
Administration	1,394,447	1,727,183	1,835,120	2,382,377
Total Flemish ODA	32,042,984	40,619,820	43,400,308	49,544,245

The bilateral aid component, which was initially very project-oriented, is now more inspired by the new aid effectiveness agenda: geographic concentration (South Africa, Mozambique, Malawi and a focus on specific provinces), sector or thematic concentration (health, agriculture, employment; of which maximum 2 per country), policy and system alignment, more result-oriented and longer term cooperation (PBA), and donor coordination³⁴.

4. Incompatibility of the agendas of aid effectiveness and subsidiarity?

Is the above portrayed increase in subnational aid channels inevitably at odds with the rationalization agendas of Paris and Accra? Based on the example of the Flemish development cooperation, we search for ways to include small subnational donors productively in the international quest for aid effectiveness.

³³ Indirect cooperation covers funding of scientific institutions, sensitisation and education, municipal development cooperation, sustainable trade and development initiatives,...

³⁴ Vlaamse Regering, *Buitenlands Beleid en Internationale Samenwerking Beleidsnota 2004-2009*, Brussel, Vlaamse Regering, 2004 and Vlaamse Regering, *Ontwerp van kaderdecreet inzake ontwikkelingssamenwerking*, Brussel, Parl. St. Vlaams Parlement 2006-07, 1033/9, 2007

4.1 The implementation of the Paris Declaration in Flanders' development cooperation

A mere technical assessment of the Flemish development cooperation on the basis of the PD- indicators reveals that Flanders attempts to integrate the principles of aid effectiveness in its policy³⁵.

1. Through an open partnership mentality, Flanders often takes on a flexible and sometimes even proactive stance (e.g. in South Africa) in terms of alignment to various aspects of the public finance management system (indicator 3 and 5) and implementation structures (indicator 6) of the partner country. This is usually well appreciated by the partner countries' authorities.
2. Some Flemish programs overestimate the implementation capacity of the partner and hence the opportunities for alignment, thus ignoring the need for technical assistance (indicators 4 en 6). A more realistic and critical assessment of the implementation capacity of the partner may not only contribute to a better ownership by the partners but also reduce the disbursement problems Flanders actually experiences as implementation is too slow (indicator 7).
3. Strictly following the DAC definition³⁶, most of Flanders' ODA is untied (indicator 8). Some forms of aid however, which are not strictly covered by the DAC definition of untied aid, may be considered as tied. The funding of a platform for capacity building by Flemish entrepreneurs in Southern Africa ('Exchange'), for example, is a form of tied technical assistance.
4. In those countries where Flanders is active, it often operates using a fairly structured and coherent portfolio of aid modalities. This portfolio could however still be optimized by emphasizing locally embedded PBAs and the integration of the different portfolio components (indicator 9).
5. Currently, missions of DiV and VAIS often occur in a fragmented way (indicator 10a). To lessen the transaction costs on the recipients, missions should be better coordinated within Flemish cooperation or with other donors.
6. The Flemish country strategy papers and evaluations can gain in quality by linking them up to multi-donor collaborations (indicator 10b). Joint analytical work may contribute to coherence and free resources for deeper and more critical analysis, especially in the areas and countries where Flanders needs to be actively involved in monitoring the interventions it supports.
7. The current ad-hoc open partnership and mutual accountability should be managed and documented in a more systematic way (indicator 12). Flanders can thus avail its experiences with an active involvement at the decentralised level more productively to the higher segments of the aid architecture such as donor pooled initiatives.

Evaluating the Flemish development cooperation by means of the PD-indicators, yields quite a favourable score. However critical gaps still exist in terms of harmonisation, especially the use of PBAs and donor coordination.

4.2 Can subsidiarity and aid effectiveness be reconciled?

³⁵ E. Waeterloos, *De MDG-gerichte programmering van de Vlaamse ontwikkelingssamenwerking met Malawi, Mozambique en Zuid-Afrika: een exploratieve evaluatie*, Antwerpen, Vlaams Steunpunt Buitenlands Beleid, Universiteit Antwerpen, 2008 and R. Renard en K. Verbeke, *Vlaanderen en de Parijs Verklaring. De uitdagingen voor een kleine, subnationale donor*, Antwerpen, Vlaams Steunpunt Buitenlands Beleid, Universiteit Antwerpen, 2009.

³⁶ The DAC definition of untied aid does not include important yet politically sensitive categories such as food aid, technical assistance and to a large extent the support to NGOs, which are in practice often tied Source: OECD, *DAC Recommendation on untying official development assistance to the least developed countries*, Paris, OECD, 2001.

Within the DAC, development aid by subnational entities is considered as an integral part of the donor country's national ODA. Even the funds generated by subnational entities themselves are treated as national ODA. Obviously this line of reasoning is followed in the DAC Bilateral Peer Reviews³⁷. The most recent Peer Review lauds Belgium for the significant progress it made in modernising and aligning its development policy to the international aid effectiveness agenda. However, it also recommends to contain the negative effects of its complex set-up of federal, federated and indirect actors. A common vision and coordinated approaches between the different actors is therefore advised to minimize undue transaction costs to Belgium's partner countries³⁸. In the same reasoning, the PD considers subnational aid as part of the national authority's ODA, the sole signatory of the PD³⁹.

The international declarations to improve the effectiveness of aid clearly aim for a sensible rationalization of the aid environment by limiting the number of donors that sign stand-alone bilateral cooperation agreements, engage actively in policy dialogue with the partner country, and in addition often head for separate technical assistance modalities and management structures. The subsidiarity principle on the other hand translates the good governance idea in as close a relationship as possible between the citizen and international and development policies. This closer involvement of citizens through autonomous subnational development cooperation is entirely at odds with the intended rationalization of the aid architecture. This tension in development cooperation between the aspirations of subsidiarity and rationalization is most pronounced within the group of European donors. Especially in the EU member states, subnational authorities increasingly conduct an autonomous active development cooperation policy⁴⁰. Should each of the 131 European regions for instance pursue a similar trajectory as Flanders, internal EU donor proliferation would increase drastically to 158 different bilateral (sub)national governments and authorities⁴¹. It is hard to imagine a stronger blow to Europe's stated ambition to make aid more effective through rationalization.

4.3 Complementary involvement of subnational donors

As indicated before, the most recent DAC Peer Review warned Belgium for the effects its highly complex and dissipated aid architecture has on the fragmentation of its ODA and the potential loss of effectiveness, coherence and harmonization⁴². An operational and manageable strategy should be designed, which exports the benefits of such a wide diversity of actors without increasing transaction and coordination costs to the recipient country.

³⁷ DAC Peer Reviews are evaluations of a member state's entire ODA portfolio, including subnational donors, indirect actors and multilateral cooperation. The evaluation are four yearly and performed by DAC experts and representatives of 2 DAC member states.

³⁸ OECD, *DAC Peer Review Belgium Development Assistance Committee*, Paris:OECD, 2010

³⁹ The PD defines a donor as 'a country, organisation or official agency – including state and local governments – that provides Official Development Assistance' Source: OECD, *List of frequently asked questions for the 2008 survey*, OECD DAC-website: <http://www.oecd.org/dac/hlfsurvey>, 2008l.

⁴⁰ OECD, *Aid extended by local and state governments. Pre-print of the DAC Journal 2005, Volume 6, No. 4, 2005*. The *EU Development Days* of 2008 featured the theme of decentralisation and local authorities in North and South prominently, and launched the '*European Development Cooperation Charter in Support of Local Governance*' of November 16th 2008. This Charter reconfirms the commitments and challenges vis-a-vis decentralisation and the PD Source: European Commission, *European Development Days Strasbourg 15-17 november 2008. Executive Summary*. Brussels, EC, 2008. Since 2010, the Committee of the Regions and the European Commission operate the '*Atlas of Decentralised Cooperation*', an overview of all development cooperation initiatives of the European Union's Local and Regional Authorities (LRA) <http://www.cor.europa.eu/atlas>.

⁴¹ See website Vlaanderen in Actie: <http://www.vlaandereninactie.be>

⁴² The need to coordinate the different Belgian ODA components stretches further than the public authorities only. In 2009, the Belgian NGO umbrellas signed an agreement with the federal government to strengthen the synergies between the different actors and to increase the complementarity of direct and indirect bilateral aid. In 2010, the federal government signed a similar agreement with universities. Source: OECD, *DAC Peer Review Belgium Development Assistance Committee*, Paris, OECD, 2010

Different forms of division of labour may provide a solution. A first form of task division consists of policy alignment, which profoundly integrates subnational development cooperation policies into the national one. Spain, for instance, has set out its general policy in a national ‘Master Plan’. The Master Plan was established based on consultations with all actors and sets out the general development cooperation policy framework for all ministries, subnational regions and civil society. The question remains though whether in a context of far reaching political decentralization, there are enough incentives for actors, such as Catalonia for instance, to comply with the policy set out in such a centralized manner. The DAC Peer Review assesses that as such, the Spanish set-up is conducive for realizing the comparative advantage of the subnational authorities in supporting decentralized authorities in the partner countries in a coherent approach⁴³. When subnational entities do however strongly assert their autonomy, such as is the case in Flanders, this policy alignment to the central level is highly unlikely⁴⁴.

A second type of division of labour consists of policy coordination and implies that the different actors opt consciously for the intentional coordination of their autonomous policies on the basis of the relative added value each can realize. In Belgium, this proved to be politically difficult in the past given the Flemish government’s officially espoused intention to “weigh heavier on Belgian foreign policy”⁴⁵. However, the present Flemish government commits itself explicitly to pro-actively engage in intra-donor coordination in the Belgian Inter-Ministerial Conference for Foreign Policy in order to improve the effectiveness and coherence of Belgium’s development cooperation⁴⁶.

A more pragmatic form of policy coordination is situated ‘in the field’. In countries where various Belgian actors operate, local harmonisation initiatives can be developed which are aligned to the harmonisation framework elaborated by the development partners. In the Democratic Republic of Congo, for example, the various Belgian actors of the federal and Walloon government, NGOs and the Flemish Interuniversity Council working in the educational sector coordinate in a formal way. Up to this date however, in-country coordination between Flanders and the federal development cooperation is predominantly informal and limited to information exchange⁴⁷. The leading role the local EU delegations have taken up since 2006 in exploring the DoL among member states, does provide a firm stepping stone for Belgian intra-donor coordination. In a similar way, the EU and its DoL may act as a catalyst in pulling together the various forms of external coordination which the Belgian governmental actors do entertain individually with other donor organizations, up to the Belgian or even

⁴³ OECD, *Development Assistance Committee Peer Review Spain*, Paris, OECD, 2007; OECD, *Aid Effectiveness. A Progress Report on Implementing the Paris Declaration. 3rd High Level Forum on Aid Effectiveness. September 2-4, 2008, Accra Ghana*. Paris, OECD, 2008

⁴⁴ E. Waeterloos, *Verslag Sessie 4 Decentrale koks in een internationale keuken: nieuwe recepten voor donorcoördinatie- en harmonisatie*, Colloquium Vijftien jaar Vlaams Buitenlands Beleid 1993-2008. Terugblik en toekomstperspectief. 20 oktober 2008, Vlaams Parlement, Brussel, Antwerpen, VSBB-Universiteit Antwerpen: 29-32, 2008; R. Renard en K. Verbeke, *Vlaanderen en de Parijs Verklaring. De uitdagingen voor een kleine, subnationale donor*, Antwerpen, Vlaams Steunpunt Buitenlands Beleid, Universiteit Antwerpen, 2009

⁴⁵ Vlaamse Regering, *Buitenlands Beleid en Internationale Samenwerking Beleidsnota 2004-2009*, Brussel, Vlaamse Regering, 2004

⁴⁶ Vlaamse Regering, *Een daadkrachtig Vlaanderen in beslissende tijden. Voor een vernieuwende, duurzame en warme samenleving*, Brussel, Vlaamse Regering, 2009.

⁴⁷ E. Waeterloos, *De MDG-gerichte programmering van de Vlaamse ontwikkelingssamenwerking met Malawi, Mozambique en Zuid-Afrika: een exploratieve evaluatie*, Antwerpen, Vlaams Steunpunt Buitenlands Beleid, Universiteit Antwerpen, 2008; E. Waeterloos, *Verslag Sessie 4 Decentrale koks in een internationale keuken: nieuwe recepten voor donorcoördinatie- en harmonisatie*, Colloquium Vijftien jaar Vlaams Buitenlands Beleid 1993-2008. Terugblik en toekomstperspectief. 20 oktober 2008, Vlaams Parlement, Brussel, Antwerpen, VSBB-Universiteit Antwerpen: 29-32, 2008 and 11.11.11, *De Belgische ontwikkelingssamenwerking in 2007*, Studiedienst 11.11.11, 2008.

European level. Flanders maintains for instance a formal collaboration with Denmark and Catalonia in Mozambique, while the Belgian federal development cooperation entered into an agreement of delegated cooperation with DFID in South Africa. However, both Belgian public authorities have not yet entered in such a formal agreement of mutual cooperation in either of the above two countries. The EU DoL might provide this bridge.

A portfolio approach, in which several aid modalities are strategically combined in a complementary and mutually reinforcing manner, can stimulate concrete forms of coordination in the field. The first benefit of a coherent portfolio is that it alleviates the disadvantages of the individual aid modalities through a considered and integrated use of the different modalities. 'Project donors' can document and nuance in national forums the actual implementation of policy in the field (bottom-up), and can embed the interventions they support better in the broader policy framework (top-down). The second advantage is that a portfolio approach also allows to better validate and utilise each donor's specific comparative advantage. Although the concept of a portfolio might suggest that every donor should implement the whole range of aid modalities from projects over SWAps and SBS to GBS, this is not always advisable⁴⁸. In national discussions, small donors usually provide little added value compared to the major donors; however in specific, localised or technical discussions, their input may be of utmost significance. Their niche can therefore be rather situated in the lower segments of the portfolio, where a modest yet appropriate support may represent a relatively higher added value. The Flemish development cooperation supports for instance some relevant and innovative programs at the provincial level in South Africa and Mozambique, and is open to alignment to systems of the partner country⁴⁹. Based on these experiences, Flanders can make a useful contribution to the policy dialogue with other donors at the national level, without necessarily being present itself as an operational donor at this higher level.

In practice, such a portfolio approach can help to streamline the Belgian intra-donor Division of Labour both in the field and in Brussels. It therefore seems opportune that in every partner country, both the federal and subnational development cooperation work out their profiles of comparative advantage and a related portfolio of active and passive partnerships. Only in this manner can smaller (sub)national donors represent a productive contribution to the harmonisation and aid effectiveness agenda of the EU and the international donor community. Because in the end, both the Belgian federal and federated entities play in the same league of small and medium-sized donors in terms of comparative advantage and DoL.

5. Conclusion

To enhance the effectiveness of aid, the international donor community has in various declarations committed itself to a rationalization of the aid arena. Yet at the same time, the aid environment has grown more complex and not in the least due to the expanding number of donors, among whom subnational authorities. Although such a widened field of actors may significantly extend and deepen the perspectives on aid and international relations, it also creates new challenges to aid coordination and harmonisation. By means of the example of Flanders, we

⁴⁸ D. Cassimon, N. Holvoet, N. Molenaers, R. Renard, *Ontwikkelingssamenwerking in de steigers. Een rondleiding*, Brussel: Politeia, 2009. (SIGMA reeks voor social en public management / Universiteit Antwerpen), 164p, 2009.

⁴⁹ E. Waeterloos, *De MDG-gerichte programmering van de Vlaamse ontwikkelingssamenwerking met Malawi, Mozambique en Zuid-Afrika: een exploratieve evaluatie*, Antwerpen, Vlaams Steunpunt Buitenlands Beleid, Universiteit Antwerpen, 2008

have demonstrated that the implementation of the Paris Declaration by an individual subnational authority does not provide a sufficient contribution to the collective venture of aid effectiveness. To that effect, subnational donors need to opt for a strategic involvement in harmonization and coordination with other donors. This need to 'scale in' strategically does not only apply to subnational donors but also to the increasing number of non-governmental organizations and private or corporate sector funds and initiatives, which all contribute to the proliferation and fragmentation of aid. Although some of these donors are already involved in rationalizing the aid environment, other such actors should also commit themselves urgently to this effort.



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