Fragmentation – A Challenge for Development Cooperation under the 2030 Agenda

Joint Event by JICA Research Institute & German Development Institute (DIE)

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Overview

1. What is Fragmentation?

2. Impact and Consequences of Fragmentation

3. How to Overcome Fragmentation?

    a) *The United Nations and "Delivering as One"*

    b) *The EU and "Joint Programming"*

4. Outlook

Part 1

What is Fragmentation?

Is development cooperation like buidling an A380?

➢ A380: 'fragmentation' in terms of actors, activities, processes and parts

➢ Before it can be assembled, the fuselage construction is completed in Germany and France, the United Kingdom is specialised in manufacturing the wing and tail, while the fin and pitch elevator are made in Spain. Final assembly in Toulouse / France.

4 million individual parts which are produced by **1,500 companies** across **30 different countries**.

It would be **impossible** to construct a aeroplane like the A380 **without a highly specialised planning, construction** and **assembly process.**

➢ Is **development cooperation** an activity **like** building an **aeroplane**?

➢ If development cooperation need to construct an aeroplane: **Are all donors doing similar things**—for instance,are all donors building a tail? Is any actor, recipient or donor, in a position to play the role of the lead engineer or the CEO of the aircraft company?

➢ **Or** are things **much more straightforward**?

Fragmentation of policy areas:
International relations as a patchwork approach

Fragmentation of development cooperation

- Challenges of **coherence**
- No more universal use of **aid coordination platforms** and key concepts (private actors, emerging powers, etc.)
- Integration of separation of **climate change** mitigation?

Fragmentation of institutions

- **Increases** in both bilateral donors and multilateral channels
- New relevance of **private aid providers**
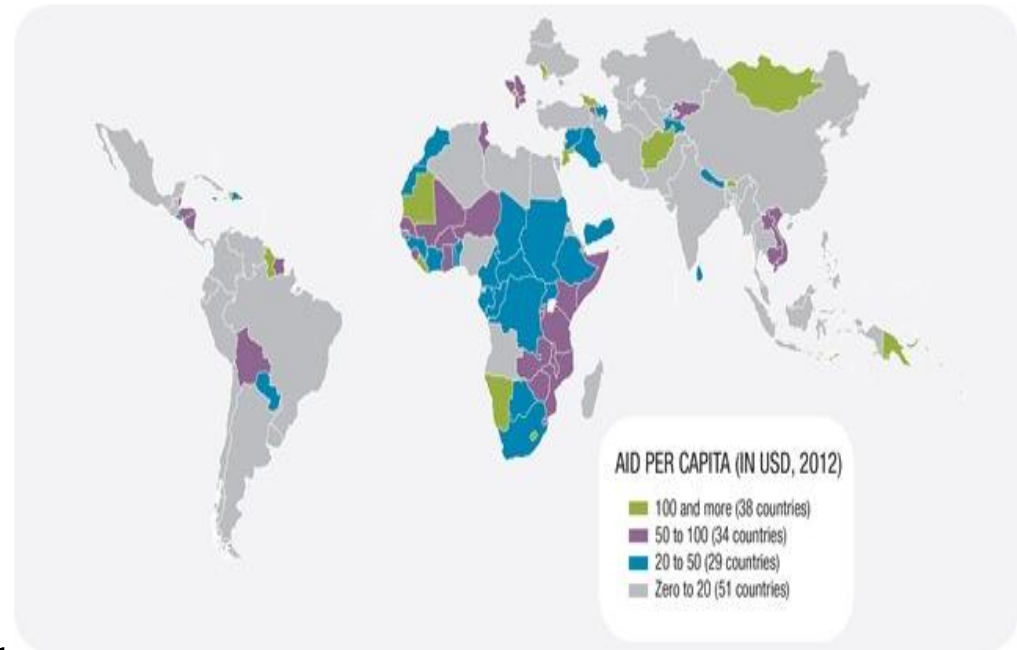- New approaches of cooperation by **emerging powers**

Fragmentation of interventions

- Increase in **areas of international operations**
- **Increase of number and types of development cooperation** providers
- Increase in **aid interventions**

Financial Significance of Aid Relations*: Four types of Aid Relations

- **Concentrated and significant**: More than global aid share AND among large providers (together 90%/ total)

- **Concentrated**: More than global aid share BUT still among smaller providers (together10%/ total)

- **Important**: Less than global aid share BUT still among large providers

- **Non-significant:** Less than global aid share AND among smaller providers

AID PER CAPITA (IN USD, 2012)
- 100 and more (38 countries)
- 50 to 100 (34 countries)
- 20 to 50 (29 countries)
- Zero to 20 (51 countries)

＊Based on Country Programmable Aid (CPA)

- ODA minus unpredictable aid and flows w/o cross-border flow, not part of cooperation agreement, not country-programmable by provider

Image source: OECD

Example: Drivers and Actors of Fragmentation

Role of New Actors and fragmentation?

South-South Cooperation

- Proliferation of Actors & Approaches

- Coordination of an increasing number of actors: Challenge for providers and recipients: Global governance challenge

- Trade-off: Increasing transaction costs, but more choices?

→ **Is SSC (deliberately or unwantedly) eroding traditional aid system?**

Vertical Funds

- GFATM, GAVI, Global Fund for Education etc.

- Rising transaction costs for providers and partner countries

- For development to be effective, donors must pursue different priorities within a coherent development strategy

→ **Do Vertical Funds either foster pluralism or increase fragmentation?**

Part 2

Impact and Consequences of Fragmentation

➢ Term 'fragmentation' points to negative aspects of the complexity of development cooperation. At the same time, development cooperation and partner countries in particular might benefit from an approach that includes more competition stemming from diversity.

➢ Diversification of development cooperation providers and approaches may also be viewed from a positive perspective: it increases the potential for mutual learning, innovation and competitive selection among the various different providers of development cooperation → making aid more effective by creating a 'market for aid' and thereby more choices

➤ Fragmentation leads to important unintended consequences for donors and partners alike, which can undermine attempts to increase the effectiveness of aid.

➤ **Each aid relation** carries **transaction costs** that **burden the administrative capacity**; each additional aid relation **complicates efforts to co ordinate** effectively, which increases the **likelihood that sectors and countries are neglected**, **efficiency suffers** and **policy incoherencies** are intensified

Two typical challenges:

(i)   Developing countries suffer either from 'too little aid from too many donors' (**cross-country fragmentation**)

(ii)   and/or from 'donor spread across many sectors at country level and small project size' (**in-country fragmentation**)

- Unfulfilled pledge (Busan) "address issue of countries that receive insufficient assistance & agree principles to guide action by 2012"

- OECD Watch list of potentially **under-aided countries** (2012)

- **Aid Darlings vs. Orphans**: Underlying causes? (Pietschmann Ch 6)

  - Trade-off between assisting many in need vs most in need

  - Most people in need live in MICs

  - Institutional quality and capacity tends to be lower in neediest countries

→Aid Orphans are a symptom of weaknesses in aid architecture / slow aid coordination

On Multilateral Agencies

- Trend of increased earmarking ("multi-bi "aid) and trust funds mirrors system-wide proliferation of multi-actor funds

- Changing role of multilaterals as "pass-through orgs" or "implementers"?

- Reinsberg Ch. 13, Thalwitz Ch. 7

Sectoral Consequences (Furukawa , Ch 12)

- Project aid fragmentation raises transaction costs of recipient governments

- Donors promote similar projects over time without coordination among each other or even collective learning
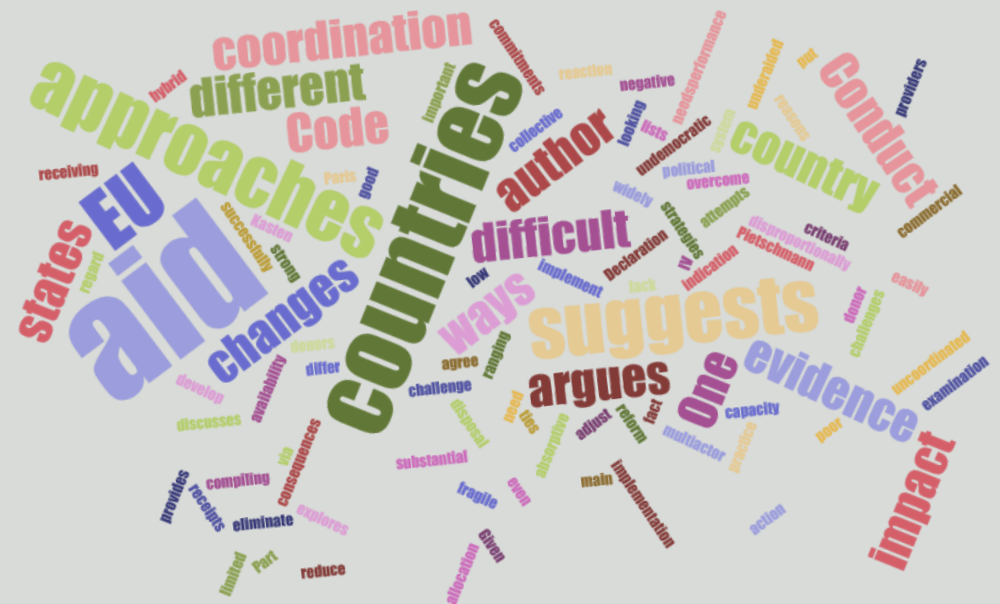
Governance Impact

- Worsening governance in recipient countries not necessarily associated with less aid proliferation, and may even lead to more aid proliferation if budget support scaled back and project aid rises

Part 3

How to Overcome Fragmentation?

➤ How to overcome challenges and problems:

–   cross-country fragmentation

–   in-country fragemnation

–   global aid architecture (GPEDC & DCF plus OECD / DAC)

–   reflecting on overlapping international regime mandates

Managing Diversity (Busan outcome document)

- Reduce number of donors? strong mutual monitoring?

- Improve conditions for dialogue and policy discussions at international level

Multi-actor Coordination

- Harmonisation of policies, practices, instruments, strategies

- Alignment with government priorities

Use of Multilateral Channels

- Upscaling ／ pooling

Merge / Reduce Development Channels

- Reduce number of Channels

- Program-based approaches (e.g. budget support, pooled funding)

- Joint Programming and implementation

Structural level

- Loose network (under umbrella of GA and ECOSOC) rather than "system"
- Double-layered: Isolated and non-hierarchical management and governance
- Vertical "silo" structure: entity-thinking without system-interests?
- Differing independence and intra-organizational integration

Operational level

- UNDG as main coordination mechanism inadequate to respond to fragmentation challenges (consensus-oriented decision-making etc.)
- Number of horizontal ("system-wide") instruments such as Resident coordinator, Delivering as One etc. clash with vertical organization structures

Delivering as One (2006)

- Four "Ones": Harmonisation of policies, practices, instruments, strategies

- Joint Programming and implementation: Reduce level of funding under fragmentation and competition

- Resident Coordinator to fill horizontal leadership gap?

- Reduce earmarked funds and increase resources available for implementing internationally agreed strategic plans

Fit for Purpose (2015)

- 2030 Agenda provides opportunity for comprehensive makeover

  - ECOSOC dialogue on "long-term positioning" of UN development system; Independent Team of Advisors (ITA) Report; QCPR Resolution 2016

- Comparative advantage of UN: "expert organisations" for many SDGs

Policy level

- EU pushes aid / development **effectiveness agenda** (4 High level forums and GPEDC)

- Cross-country aid allocation to address aid darling/orphans (Agenda for Change, EU **Code of Conduct** on Complementary and **Division of Labour**)

Programming level

- **Sectoral Division of Labour** induces improvement in efficiency (sectoral over/underfunding, reducing competition) and effectiveness (though limited impact on fragmentation):

- **Joint programming**

Implementation level

- **Programme-based approaches**, particularly Multi-Donor Budget Support to for harmonisation, alignment, ownership and use of country systems

Part 4
Outlook
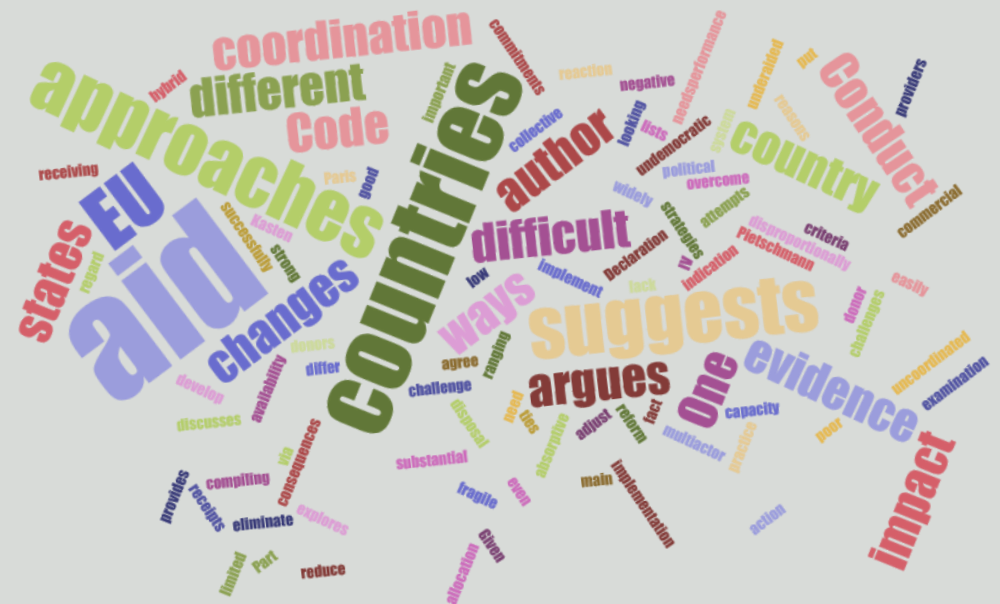
Country Ownership (still) fundamental

- **Ownership reduces collective action problems**, strengthens institutions and capacities

- Suitability of "**managing diversity**" (Pooling, DoL, Coordination) varies depending on country context (quality of institutions, capacities, strong leadership)

  → **no single best approach**

- Leadership in managing diversity through **setting standards and criteria in aid policies**:

  → **Bargaining power and donors' readiness to conform crucial**

- Securing implementation through **effective aid management institutions** (country results frameworks, aid information management systems etc.)

- Partner countries' **willingness to take lead** in coordination often undermined by fear of losing funding, reduce bargaining power and undermine ownership

Strategic changes on the Donor Side

- **Context:** Fundamental shifts in development landscape: How to incorporate SSC, vertical funds, private funding etc. into coherent "development narrative"?

- **Funding:** Stop and reverse trends of bilateralization and fragmentation in global development landscape?

- **Channels:** Revitalize multilateral approaches and institutions?

- **Modalities**: Comeback of budget support? Results-based approaches (RBA)?

Thank you for your attention

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FRAGMENTATION: A KEY CONCEPT FOR DEVELOPMENT COOPERATION

RETHINKING INTERNATIONAL DEVELOPMENT SERIES

THE FRAGMENTATION OF AID

CONCEPTS, MEASUREMENTS AND IMPLICATIONS FOR DEVELOPMENT COOPERATION

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4 main topics

Measurement of Fragmentation

Drivers and Actors of Fragmentation

Consequences and Impacts of Fragmentation

Policies to Adress Fragmentation