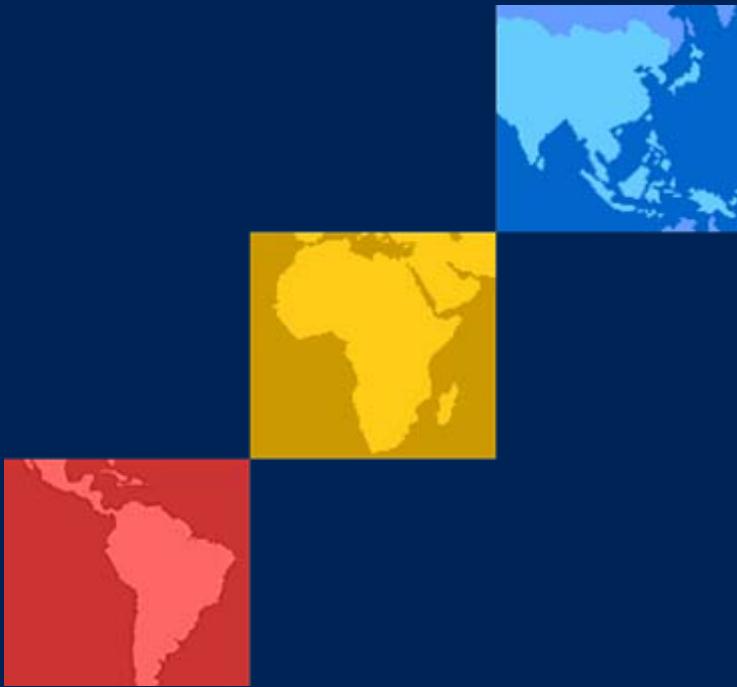


Policy Dialogue revisited

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Outline

1. A brief recap
2. Further theoretical reflections
3. 2007 missions
4. Mission findings
5. Characteristics of successful donors

1. A brief recap (from last year's presentation)

- Policy Dialogue (PD) is a forum of exchange and negotiation where donors support governance reforms
- A combination of selectivity, flexible aid, and conditionalities provide donors with the necessary leverage in PD
- Tensions between recipient and government are bound to arise: PD is not for sissies
- Notwithstanding harmonisation efforts, the large number of donors involved may render PD less effective (overcrowding)
- Not much is known about PD practice yet

2. Further theoretical reflections (paper I)

- The official donor discourse on the new aid approach (NAA) focuses on relevant issues and is coherent, but it assumes that both donors and recipients are development maximisers
- In reality there are problems with this assumption on both the donor and the recipient side

Donor Weaknesses

- Donors may pursue other goals that are not consistent with pro-poor development
- PD is in part driven by political dynamics and bureaucratic routines in donor countries
- Donor politicians downplay the trade-off between political and technocratic good governance
- Non-disbursement sanction not very credible

→ Consequences

- Tendency toward proliferation (too many donors) and fragmentation (too many tables)
- Tendency towards overloading the reform agenda
- Tendency to be soft, unpredictable, unreasonable and impatient

Issues for smaller donors

- Given the overcrowding problem, the active participation of small donors in PD may be counterproductive
- One possible solution is for smaller donors to make an extra effort at harmonising their contribution to PD through delegated financing and parallel financing

Country Weaknesses

- A neo-patrimonial system undermines developmental function of the state
- Governments are often weak, uncoordinated, fragmented
- Bureaucracies are balkanized and lack qualified staff
- Civil society is no *deus ex machina*

→ Consequences

- PD often does not reach into the arenas of real political power
- Further PD fragmentation
- Government bureaucracy has serious absorption constraints
- Civil society is not able to play the role assigned to it in the NAA. This is aggravated by inadequate support from donors

Conclusions

- Good principles but the underlying 'model' about stakeholder behaviour is unrealistic
- This leads to expectations about the PD that are overly optimistic
- PD success and impact will be checkered, the concrete outcomes donor and country specific
- But even in difficult environments there are opportunities for adapted use of the NAA and PD

3. 2007 missions (paper II)

- 4 countries: Mali, Tanzania, Vietnam, DRC
- Purpose: learn about PD in practice by interviewing donors, government and CS
- DRC mission had different ToR
- Missions not representative because of double selection bias:
 - donors
 - countries
- But useful insights in how PD functions and lessons for Belgium

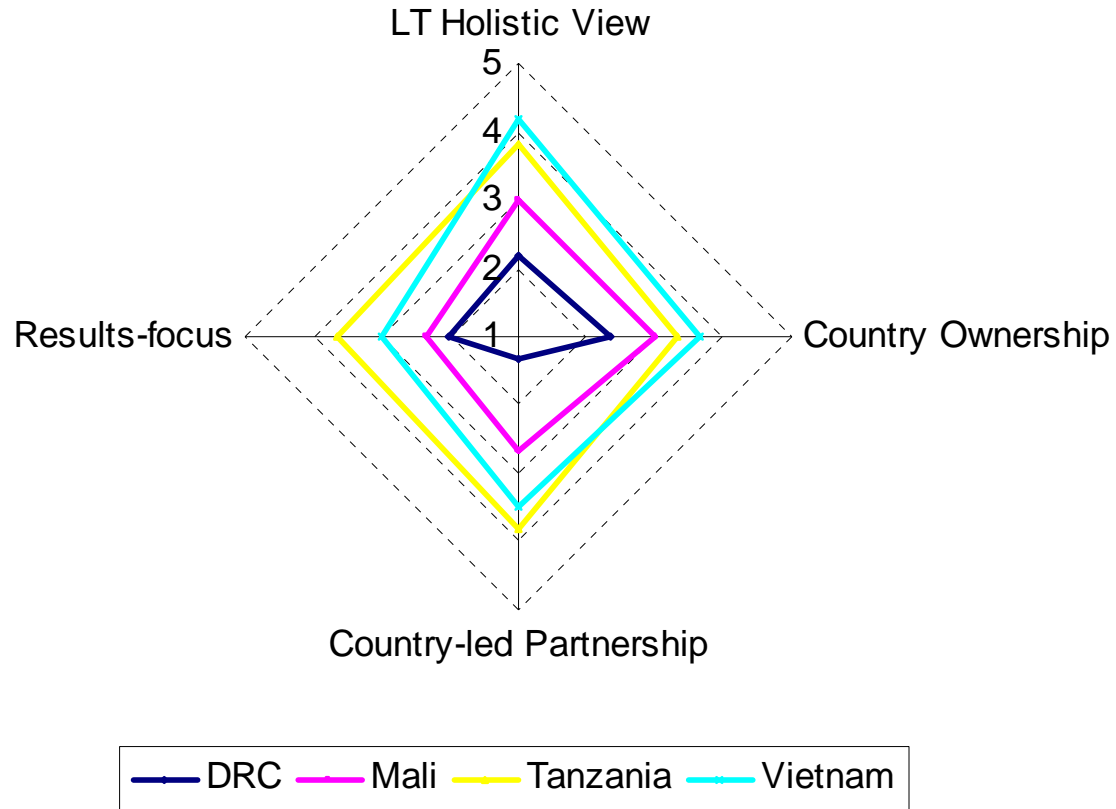
Bilateral donors met

| | Mali | Tanzania | Vietnam |
|----------------|------|----------|---------|
| Canada | x | x | x |
| Denmark | | x | x |
| Finland | | x | x |
| France | x | | |
| Germany | | x | x |
| Luxemburg | | | x |
| Netherlands | x | | SNV |
| New Zealand | | | x |
| Norway | | | x |
| Sweden | | | x |
| Switzerland | x | x | x |
| United Kingdom | | x | |

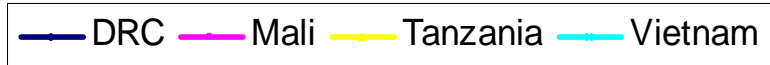
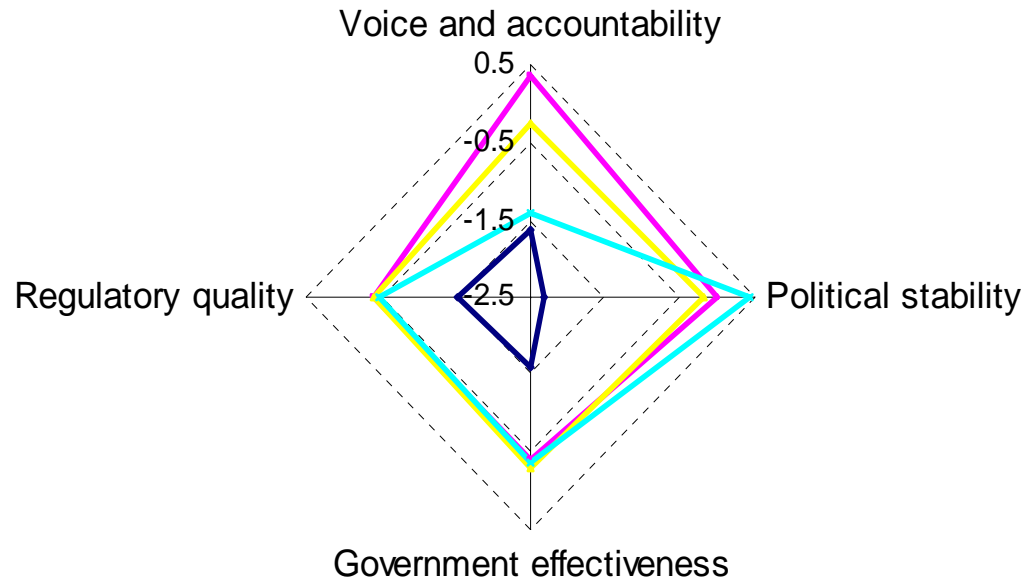
DAC 2007 Survey on Paris Declaration

| | DRC | Mali | Tanzania | Vietnam |
|---|----------|----------|----------|----------|
| Assessment of quality of aid relationship | | | | |
| Ownership | low | moderate | strong | strong |
| Managing for results | low | low | strong | strong |
| Alignment | moderate | low | moderate | moderate |
| Harmonisation | moderate | moderate | moderate | moderate |
| Mutual accountability | low | low | strong | strong |
| Programme Based aid (million US \$ 2005) | | | | |
| Budget support | 206 | 124 | 573 | 337 |
| Other PBAs | 297 | 176 | 222 | 338 |
| Total PBA | 503 | 300 | 795 | 675 |
| Total aid | 934 | 625 | 1433 | 1956 |
| All donors: ratio PBA/total aid | 54% | 48% | 55% | 35% |
| Belgium: ratio PBA/total aid | 0% | 0% | 53% | 100% |

2005 CDF Scores



2006 World Bank Governance Indicators



Donor weakness and its consequences

| | Mali | Tanzania | Vietnam |
|----------------------------------|--|--|--|
| Donor weakness | | | |
| Other goals | ? | ? | ? |
| Dynamics at home | ? | ? | ? |
| Technocratic – political balance | low: technocratic issues poorly addressed | low: technocratic issues poorly addressed | moderate: political issues timidly addressed |
| Credibility of sanctions | low (some donors' darling) | low (most donors' darling) | low (not aid dependent, but keen to globalise) |
| Consequences | | | |
| Donor proliferation in PD | low success in tackling it | moderate success in tackling it | effectively addressed in GBS, moderately elsewhere |
| Fragmentation of PD | a serious problem that is poorly addressed | a serious problem that is moderately addressed | a serious problem that is poorly addressed |
| Reform overload | <i>probably</i> | <i>probably</i> | ? |
| Soft donors | a serious problem | a serious problem | ? |
| Fumbling donors | ? | ? | ? |

Is the NAA being applied?

- New aid architecture is taken seriously by the donors we met. NAA seems to be becoming entrenched among important European bilateral donors, even if results are uneven and donor proliferation and fragmentation abound
- PD is taking place at all levels: from GBS down to new-style projects
- Portfolio approach to aid modalities is deliberate strategy of most bilateral donors we met
- Smaller donors specialize in lower range modalities

Country weakness and its consequences

| | Mali | Tanzania | Vietnam |
|-------------------------|------|----------|----------|
| Country weakness | | | |
| Willingness | low | moderate | high |
| Government strength | low | low | high |
| Capacity | low | low | moderate |
| CS capacity | low | low | low |
| Consequences | | | |
| High level PD | low | low | moderate |
| Absorption | low | low | moderate |
| CS contribution | low | low | low |

PD in practice

| | Mali | Tanzania | Vietnam |
|-----------------------|----------|----------|----------------------|
| PD in practice | | | |
| Importance of BS | low | strong | low |
| PD at GBS level | low | moderate | technocratic: strong |
| PD at sector level | moderate | moderate | low |
| PD at local levels | moderate | moderate | moderate |
| Donor harmonization | low | moderate | moderate |

And small donors?

- There is plenty of room for small donors in PD
- Portfolio approach provides useful niches
 - a sector or sub-sector, a region
 - local authorities
 - an issue (ethnic minorities, sustainable development,...)
 - defensive GBS to protect the portfolio ?
- They provide inputs that large GBS donors appreciate
- Small donors cannot sanction, but their actions can have symbolic value
 - Denmark in Tanzania
 - Sweden in Vietnam

5. Characteristics of successful donors

- A clear mission and views
- Internal harmonisation
- Decentralisation
- Specialisation
- High quality staff
- Networking

**Do not send big
money, send a
competent team
and give them
responsibility**



Thank you !

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