



POLICY DIALOGUE UNDER THE NEW AID APPROACH

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Policy Dialogue: the concept

- A place/space where donor and recipient negotiate about the spending of aid
- Multiple areas of intervention → multiple policy dialogues
- Political dialogue versus policy dialogue

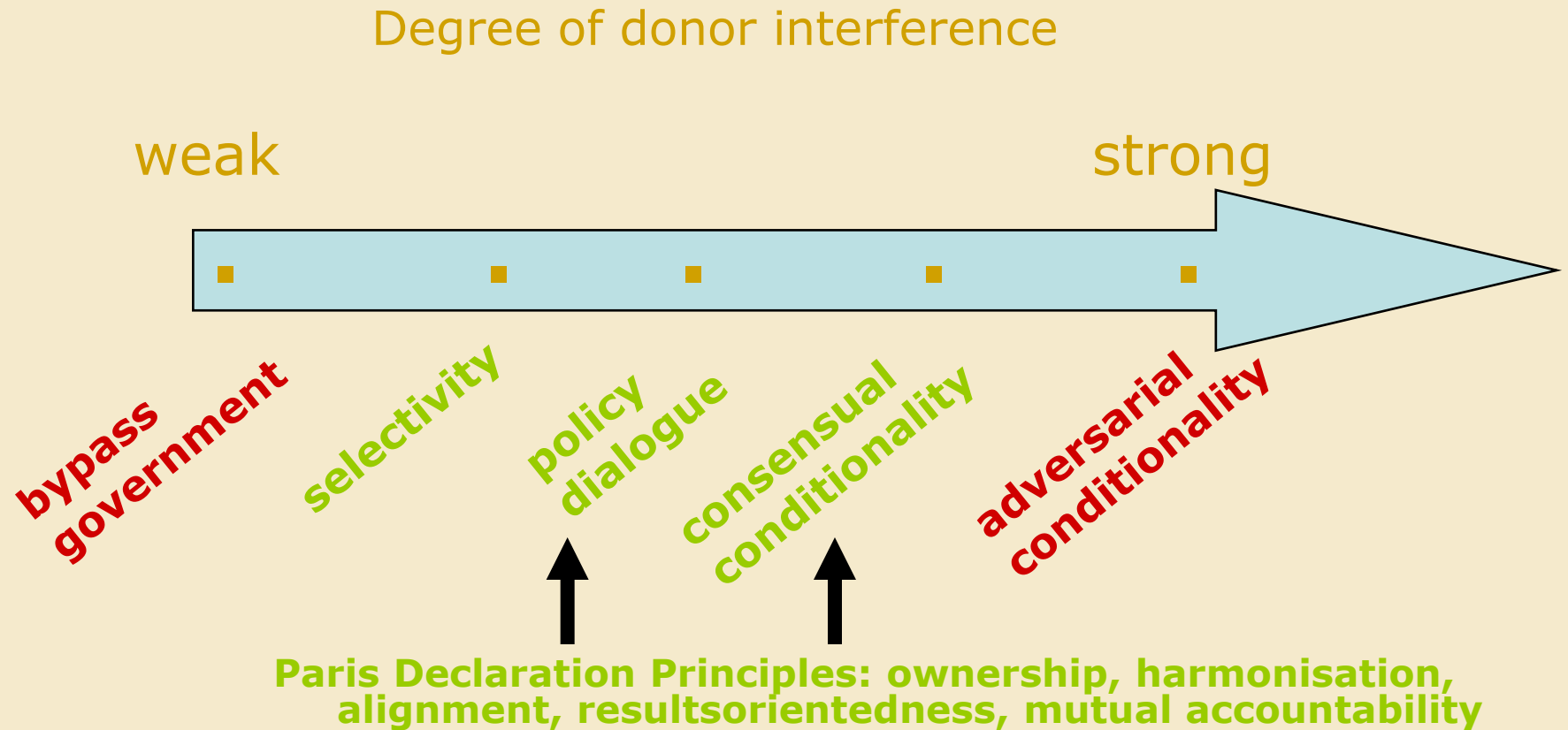
Why do we need a policy dialogue?

- Accountability issues
 - aid money is tax money
- To solve principal-agent problems
 - Donor preferences and recipient preferences may differ strongly

Policy dialogue throughout time

	Projects	SAP	NAA
CHARACTERISTICS			
Period	1960-1980	1980-2000	2000-
Constraint on development	Fysical and human capital	Macro economic policy	Lack of ownership and good governance
Solution	Projects	Structural adjustment	PRSP, budget support, policy dialogue
Attitude towards gvt	Bypass	Bully	Persuade
POLICY DIALOGUE			
What is discussed	/	Economic reforms	Institutional reform
Focus of reform	/	Inputs and policies	Outputs, results, processes
Solutions suggested by donors	Micro donor driven projects	Standard recipes 'Washington consensus'	No standard recipes
Negotiation style	/	Monologue	Dialogue
Actors on donor side	Bilateral initiative	IMF and WB Mainly staff head quarters	Multi- and bilateral donors Increased role field staff Increased input civil society

Different ways of dealing with governance



Conditionalities: past practices and present principles

	Adversarial conditionality	Consensual conditionality
Aid paradigm	Old Style Aid: SAP	New Style Aid: PRSP, Paris Declaration
Sequence	ex ante	ex post
Subject	<ul style="list-style-type: none"> • input • policy 	<ul style="list-style-type: none"> • process • output/outcome • final result
Drivers of reform	External	Internal

5 conditions for a successful policy dialogue

- Enhanced selectivity
 - Countries
 - Volumes
 - Modalities
- Consensual conditionalities
- Ex-post and resultsoriented conditionalities
- Fostering accountability
- Harmonised endeavour

However... in the field

- Selectivity: NAA = standard approach, selectivity applied inconsistently
- Consensual conditionalities, ex post and resultsoriented:
 - on the side of recipients: absorption and coordination constraints, weak implementation/M&E systems, unstable patterns of ownership and commitment, overloaded reform agendas
 - on the side of the donors: tendency to overload reform agenda, tendency to be soft, unpredictable, unreasonable and impatient
- Accountability: Little to no input from civil society
- Harmonised endeavour: Proliferation (too many donors) and fragmentation (too many tables) of policy dialogues

Why this gap between discourse and practice?

- 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: home politics matter

- Aid agencies are politically led
 - Political dynamics play (change in gvt in donor or recipient country)
 - Political interests play (Pro-aid lobbies vs non-development objectives)
 - International security issues play
 - => Donors may pursue other goals that are not consistent with pro-poor development
- PD is in part driven by bureaucratic routines in donor countries
 - Spending pressure
 - Samaritan's dilemma
 - A bias toward optimism
- Donors downplay the trade-off between political and technocratic good governance? Or have a strong preference for one or the other
- Non-disbursement sanction not very credible

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*

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

Ways forward in an imperfect world

Going against proliferation and fragmentation dynamics is an important challenge

- Proliferation-neutralising design features include:
 - common MOU
 - single PAF
 - parallel financing
 - Troika model of leadership
 - division of labour exercises
- Some vertical articulation of PD makes sense
 - macro ↔ meso ↔ micro
 - planning and finance ministries ↔ line ministries
 - central government ↔ local government
- Problem not so much the number of layers as the lack of integration, for which both donors and governments are to blame
- Adequate PD architecture not yet in place
 - ‘nesting’ of lower level PD in higher echelons

Role for small donors?

- 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
- 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

Characteristics of successful donors

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

Thank you

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