



# The Role of Policy Dialogue in Development Co-operation

Joint DGDC-BTC Indicative Co-operation Programme (ISP/PIC) training

Brussels 4 September 2009

Nadia Molenaers & Robrecht Renard

## Outline

1. Some basics
2. The rise of policy dialogue
3. The inherent tensions in policy dialogue
4. Policy dialogue under a portfolio approach
5. How to improve the policy dialogue

## 1. Some basics

- Numerous levels, instances and formats of policy dialogue
  - multi-donor and single donor
  - technocratic and political
  - differing degrees of formality
- Formal policy dialogue mechanisms
  - PRSP progress reports
  - PAFs
  - Sectoral and thematic mixed working groups
  - Joint donor sector reviews
  - Joint commissions
  - GLOS/SMCL, ...

## 2. The rise of policy dialogue

- Importance hugely increased by shift from traditional project to new aid modalities
  - dialogue replaces direct donor supervision and control
  - new aid approach is reform driven **but**
    - reforms are complex
    - no simple blueprints exist
    - often far reaching political consequences
  - multiple donors support same programmes
- Closely linked to alignment and harmonisation principles of Paris Declaration
  - policy alignment
  - system alignment
  - donor coordination

# Policy dialogue through time\*

	<b>Projects</b>	<b>SAP</b>	<b>NAA</b>
<b>Period</b>	1960-1980	1980-2000	2000-
<b>Promoted modality</b>	Projects	Policy based lending	Multi-donor programme support
<b>Donor concerns</b>	Government continued support to project	Broad economic reforms	Complex political and technocratic reforms
<b>Actors on donor side</b>	Donor agency field staff	IMF & WB HQ staff	Multi-donor field staff

\* To be added for all periods: regular high-level political dialogue

### 3. The inherent tensions in policy dialogue

- Perverse incentives on the donor side
- Impossibility/undesirability to reach full harmonization
- Principal-agent relationship
  - = non-harmonious
  - ← divergent policy preferences
  - ← government commitment failures (especially but not exclusively in fragile states)
  - ← limited public sector capacity

## 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*

## Mitigating mechanisms

- Before policy dialogue: donor selectivity
  - countries
  - volumes
  - modalities (i.e. selectively applying Paris Declaration)
- Appropriate contractual clauses
  - ex post conditionalities
  - consensual conditionalities
  - results-oriented conditionalities
- Due to donor weaknesses, these are often not well applied



## 4. Policy dialogue under a portfolio approach

- Vertical articulation inevitable
  - 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 coherence, for which both donors and governments are to blame
  - ‘nesting’ of lower level dialogue in higher echelons
  - limited donor willingness to harmonise reform agendas
- Risk of policy dialogue fragmentation and proliferation

## Small donors as brokers

- Smaller donors typically specialize in lower range modalities
- Portfolio approach provides useful niches
  - a sector or sub-sector, a region
  - local authorities
  - an issue (ethnic minorities, sustainable development,...)
- They can act as brokers
  - bring issues up to higher tables ('eyes and ears')
  - bring issues down from higher tables

## 5. Advice for successful policy dialogue

- Make an in-depth assessment of the country situation
- Set realistic goals
  - do not overload reform agenda
  - pick your battle
  - be patient
- Be predictably firm
  - small donors can usefully dissent
- Be professional
  - policy dialogue requires special skills
  - provide field staff sufficient autonomy but also backup
  - harmonise internally: DGDC/BTC/Foreign Affairs

## On making country diagnostics

- There are no blueprints for success
  - with respect to reform contents
  - with respect to sequencing
- This does not imply nihilism, but calls for an approach that is context specific and heuristic
- A solid country analysis (politics, institutional economics, political economy,...) plus local expertise, is the starting point
- Some illustrations: Grindle, Rodrik, Keefer

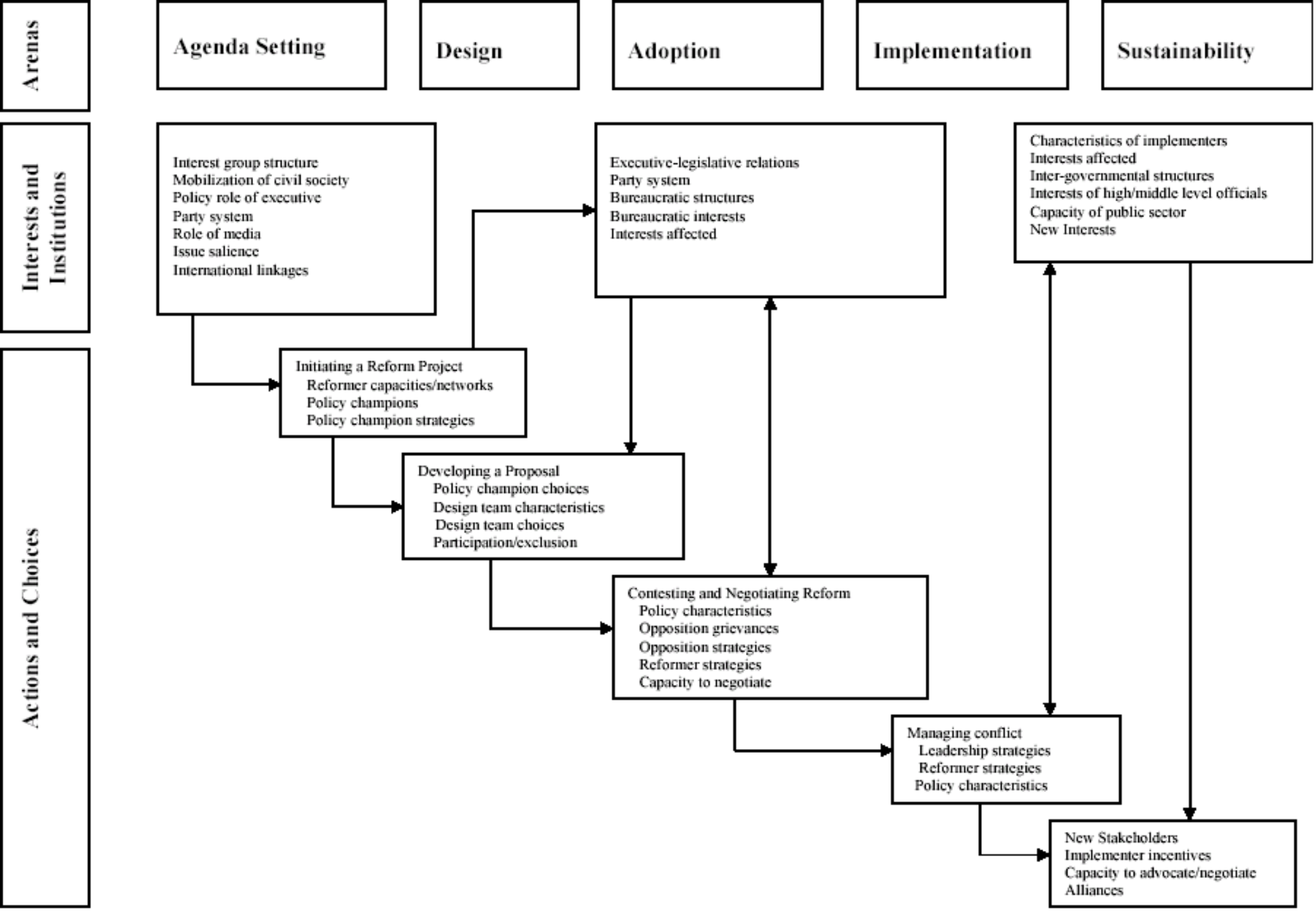
# Grindle on diagnosing political systems

Types of political systems	Characteristics	Institutional stability of the state	Organizational capacity of the state	Degree of state legitimacy	Types of policies in place
<b>Collapsed states</b>	There is no effective central government	Extremely low. There are no effective rules of the game that are agreed upon	Extremely low. It is difficult to identify organizations that have any capacity to produce results.	Low to non-existent. Those who wield power are outside the state.	No policies
<b>Personal rule</b>	Rule through personalities and personal connections. If political parties exist, they are based on personalities.	Stability highly dependent on personal control of power. Rules of the game emphasize power of elites and personal connections to elites; there is conflict over who controls the state	Low. Organizations respond to the personal and shifting priorities of powerful elites.	Low. There is often significant contention over who has the right to wield power; power is used for personal wealth creation.	Policies are unstable; a major objective is to enrich those in power; few basic public services are provided
<b>Minimally institutionalized states</b>	An unstable mixture of personal and impersonal rule, with varying degrees of legitimacy. Parties are based partly on personalities	Basic rules of the game are established in law and practice, although they function poorly and intermittently.	Low/Modest. There may be some organizations that are able to carry out responsibilities on a sustained basis.	Low/Modest. Conflict over the right to wield power persists in the absence of consensus about institutions for resolving conflict	There exist organizations to provide a range of basic public and welfare services; coverage is patchy and often based on patronage
<b>Institutionalized non-competitive states</b>	Rule through stable and legitimate organisations and procedures; no open competition for power. Political parties serve the regime or are hindered and controlled by it	Clear rules of the game and generally orderly processes of decision-making and public management are in place; generally centralized and authoritarian practices.	Modest. Many organizations carry out routine activities on a sustained basis.	Modest. Day to day legitimacy to carry on activities, but often in the presence of major questioning of the roots of legitimacy not based on consent	A wide range of basic and welfare services may be provided, but citizens have little influence over the range and type of provision
<b>Institutionalized, competitive states</b>	Rule through stable and legitimate organisations and procedures; open competition for power through programmatic parties	Rules of the game widely recognized as legitimate and not subject to significant change; conflicts resolved through appeal to the rules	High. Organizations challenged to improve performance on a sustained basis.	High. Legitimacy to make decisions and wield power persists even in context in which there is disagreement on the decisions and use of power.	A wide range of basic and welfare services. The range and type of provision are major themes in politics

Source: Grindle 2007 (adapted from Moore 2001)

# Political systems and reform priorities (illustration)

Governance characteristics	Collapsed states	Personal rule	Minimally institutionalised states	Institutionalised non-competitive states	Institutionalised competitive states
Personal safety ensured	P	P			
Basic conflict resolution systems in place and functioning	P	P	P		
Widespread agreement on basic rules of the game for political succession	P	P	P		
Government able to carry out basic administrative tasks		P	P		
Government able to ensure basic services to most of the population			P	P	P
Government able to ensure equality/fairness in justice and access to services				P	P
Open government decision making/implementation processes				P	P
Government responsive to input from organised groups, citizen participation				P	P
Government fully accountable for its decisions and their consequences					P



Governance reform: education	Opportunities for change	Constraints for change
What social, economic, political and institutional issues are supportive of change?		
What social, economic, political and institutional issues are likely to constrain change?		
What are the incentives that different actors have to support change?		
What is the role, power and influence of different actors likely to be opposed or support change?		
What is the role, power and influence of external actors such as donor agencies and other governments in supporting / constraining change?		
What are the expected payoffs for poverty reduction?		
How to operationalise the intervention?		



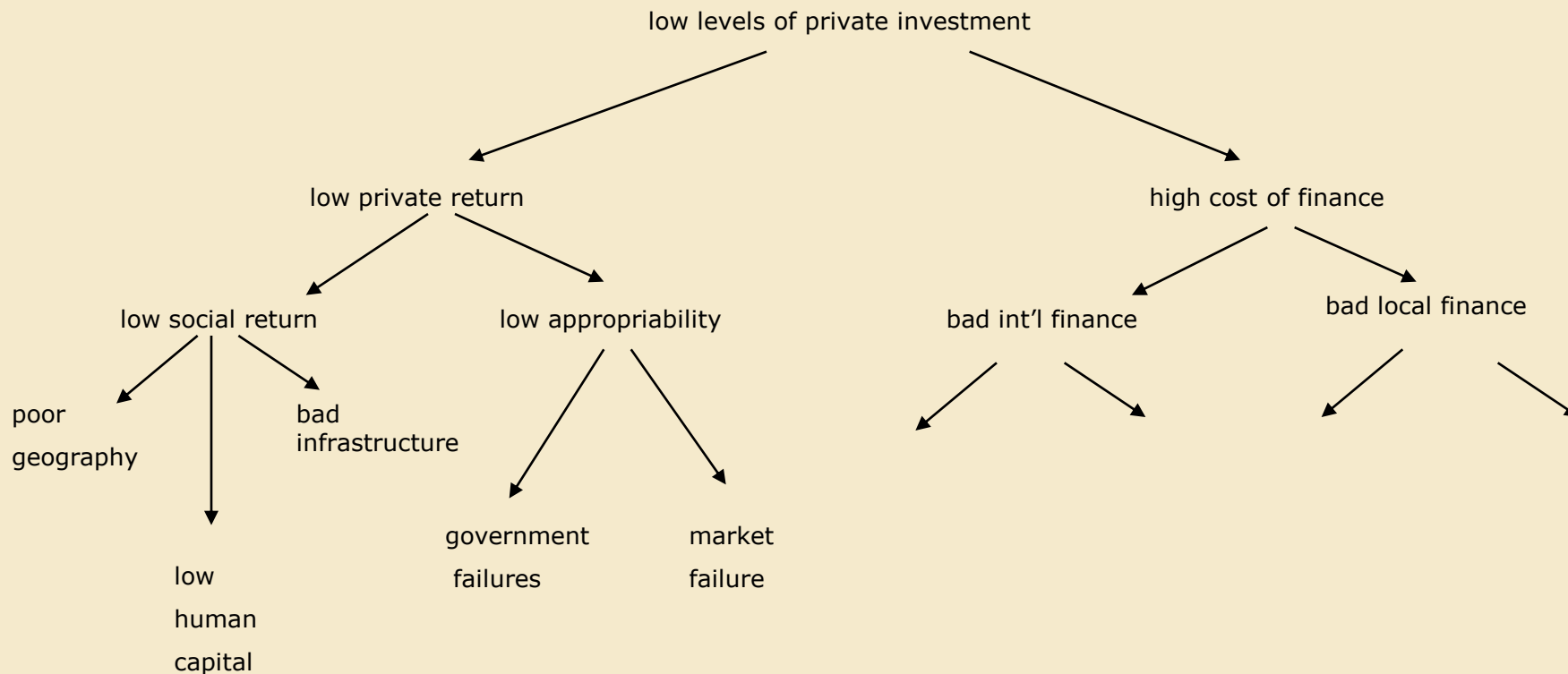
Intervention	Degree of conflict likely	Time required for institutionalisation	Organisational capacity	Logistical complexity	Budgetary requirements	Amount of behavioural change required
Increase salaries teachers	low	low	low	low	medium	low
Teacher training	medium	medium	low	medium	low	Medium/high
Civil service tests for teachers	high	medium	Medium/ high	medium	medium	high
Parent-teacher associations to monitor teachers	high	medium	medium	Medium/ high	low	high
Introduce performance-based management system	medium	medium	medium	medium	low	high
Etc...						

Intervention	Degree of conflict likely	Time required for institutionalisation	Organisational capacity	Logistical complexity	Budgetary requirements	Amount of behavioural change required
Increase salaries teachers	low	low	low	low	medium	low
Teacher training	medium	medium	low	medium	low	Medium/high
Civil service tests for teachers	high	medium	Medium/ high	medium	medium	high
Parent-teacher associations to monitor teachers	high	medium	medium	Medium/ high	low	high
Introduce performance-based management system	medium	medium	medium	medium	low	high
Etc...						

Intervention	Degree of conflict likely	Time required for institutionalisation	Organisational capacity	Logistical complexity	Budgetary requirements	Amount of behavioural change required
Increase salaries teachers	low	low	low	low	medium	low
Teacher training	medium	medium	low	medium	low	Medium/high
Civil service tests for teachers	high	medium	Medium/ high	medium	medium	high
Parent-teacher associations to monitor teachers	high	medium	medium	Medium/ high	low	high
Introduce performance-based management system	medium	medium	medium	medium	low	high
Etc...						

Intervention	Degree of conflict likely	Time required for institutionalisation	Organisational capacity	Logistical complexity	Budgetary requirements	Amount of behavioural change required
Increase salaries teachers	low	low	low	low	medium	low
Teacher training	medium	medium	low	medium	low	Medium/high
Civil service tests for teachers	high	medium	Medium/ high	medium	medium	high
Parent-teacher associations to monitor teachers	high	medium	medium	Medium/ high	low	high
Introduce performance-based management system	medium	medium	medium	medium	low	high
Etc...						

# Rodrik on growth diagnostics



## Kefer on post-conflict societies

- How best to help remove the most binding constraints
- Main constraint for post-conflict societies
  - absence of security (→ security interventions)
  - devastation of physical & human capital (→ reconstruction)
  - state incapacity (→ address political market imperfections)
- Kefer argues that third constraint is most important one
  - peace versus development conditionalities
  - address political market imperfections
  - second best: circumvent political market imperfections

## Bibliographical references

- Grindle, M. (2007) "Good Enough Governance revisited", *Development Policy Review* 25(5):553-574
- Hausmann, R., Rodrik, D., Velasco, A. (2008) "A Practical Approach to Formulating Growth Strategies," in Stiglitz J. and Serra N. (eds.) *The Washington Consensus Reconsidered: Towards a New Global Governance*, Oxford University Press, New York, 2008.
- Keefer, P. (2009) "Foreign Assistance and Political Market Imperfections in Post-Conflict Countries", *Foresight* 2(2): 1-14

<http://www.mcgill.ca/files/cdas/FORESIGHT.2.2.pdf>

# Thank you

<http://www.ua.ac.be/dev/bos>

