



# Policy dialogue: from discourse to practice

Workshop in preparation of Indicative  
Co-operation Programmes (ISP/PIC)  
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# Outline

1. Concepts and theory of policy dialogue
2. Five principles for effective policy dialogue
3. The practice of policy dialogue
4. Five principles for effective donorship
5. The practice of effective donorship
6. Closing the gap?

# 1. Concepts and theory

- Policy Dialogue (PD) : a place/space where donor and recipient negotiate about aid related reform
- Multiple areas of intervention, multiple modalities → multiple policy dialogues
  - At GBS, SBS, Swap, project levels
- Political dialogue versus policy dialogue
- 'Formal' dialogue versus 'informal' exchange

# Why donors want policy dialogue

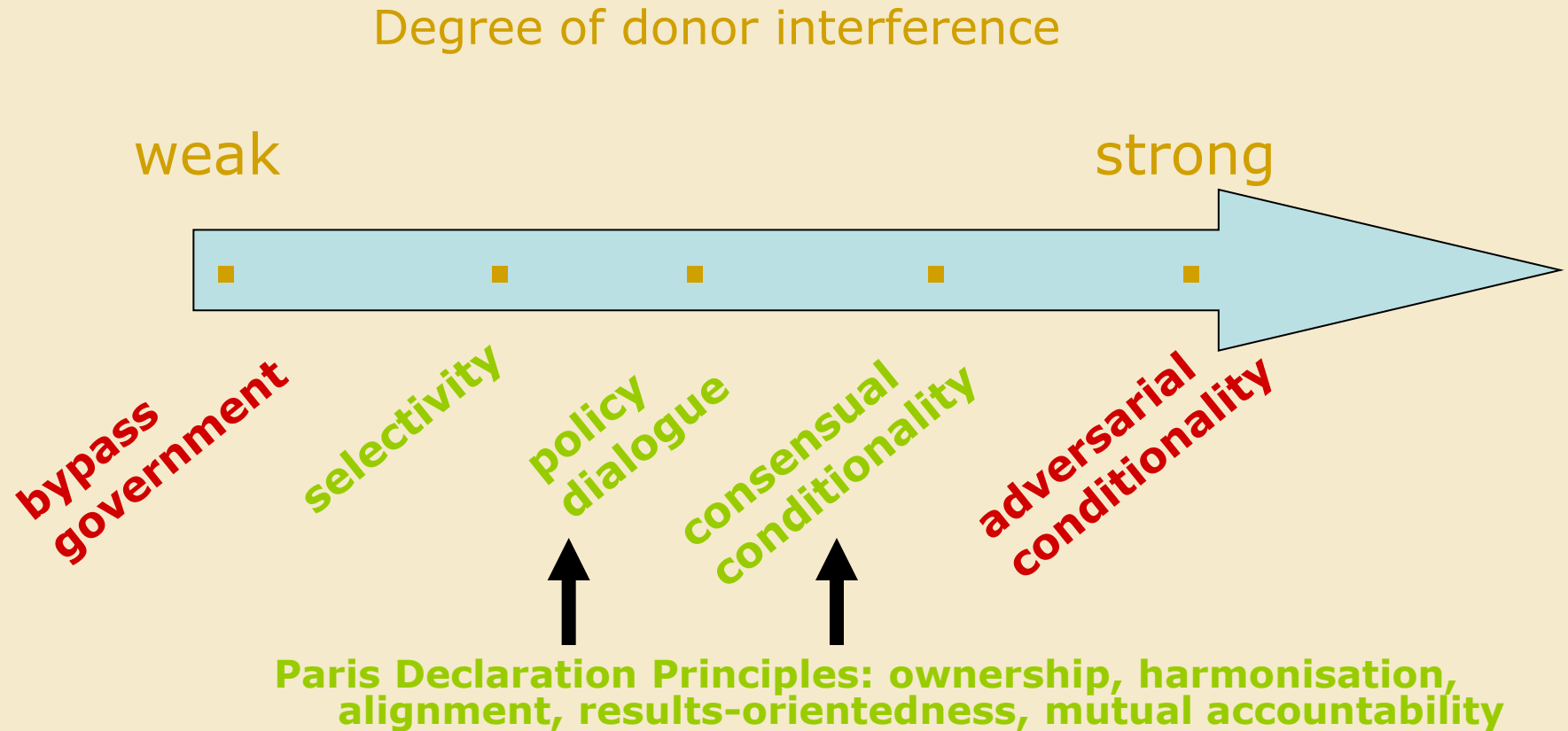
Why do we donors need policy dialogue?

- Aid effectiveness considerations
  - Reform is conceived as the goal of much of structural aid
- Accountability issues
  - Aid money is taxpayers' money
- Principal-agent issues
  - Donor preferences and recipient preferences differ
  - The necessary 'evil' of conditionalities

# Different conditionality styles

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

# Different ways of dealing with governance



# Policy dialogue and the history of aid

	Projects	SAP	NAA
<b>CHARACTERISTICS</b>			
<b>Period</b>	1960-1980	1980-2000	2000-
<b>Constraint on development</b>	Fysical and human cap.	Macro economic policy	Lack of ownership and good governance
<b>Solution</b>	Projects	Structural adjustment	PRSP, BS, policy dialogue
<b>Attitude towards gvt</b>	Bypass	Bully	Persuade, align
<b>CHARACTERISTICS PD</b>			
<b>Drivers of reform</b>	external	external	internal
<b>What is discussed</b>	/	Economic reforms	Institutional reforms
<b>Solutions suggested by donors</b>	Micro donor driven proj.	Standard recipes 'Wash. consensus'	No standard recipes
<b>Conditionalities</b>		Ex ante - Adversarial: input, policy	Ex post - Consensual: output, outcome, process
<b>Negotiation style</b>	/	Monologue	Dialogue
<b>Actors on donor side</b>	Bilateral initiative	IMF and WB Mainly staff head quarters	Multi- and bilateral donors Increased role field staff Increased input civil society

## 2. Five principles for effective policy dialogue

### 1. Enhanced selectivity

- Countries
- Volumes
- Modalities

### 2. Frank and open dialogue linked directly with decision making and implementing power

### 3. Consensual, ex-post and results-oriented conditionalities

### 4. Fostering of recipient accountability

### 5. Donors acting in synergy



## 3. The practice of policy dialogue

### 1. Selectivity: clashing issues

- Eligibility criteria differ widely between donors → mixed signals  
=> Widely varying views on what Budget Support (BS) should realize
- Democratic governance versus technocratic governance

### 2. No frank and open dialogue linked to power to decide and implement:

- Scope of policy dialogue restricted (PAF, SWAP agreement,...)
- Technocratically desirably vs politically feasible
- 'Genuine' ownership fluctuations
- The importance of individuals

## 3. The practice of policy dialogue

### 3. Consensual, ex post and results-oriented conditionalities: differing approaches and views

on the side of the donors:

- Different interpretations of status of Underlying Principles in Memorandum of Understanding: link with Performance Assessment Framework? link with BS?
- Conflicts over assessments ('unplanned, unforeseen events' ex. corruption scandal Zambia, Elections Mozambique)
- The power of the 'Denmark Orthodoxy' versus BRICs

## 3. The practice of policy dialogue

### 3. Consensual, ex post and resultsoriented conditionalities: differing approaches and views

on the side of recipients:

- Aid dependency influences compliance (ownership?)
- Absorption and coordination constraints
- Weak implementation/M&E systems

## 3. The practice of policy dialogue

### 4. Recipient accountability

- Little to no input from civil society
- PD can undermine the role of parliaments, political parties, civil society

### 5. Donors acting in synergy

- Policy dialogue proliferation (too many donors) and fragmentation (too many tables)
- What to discuss where and by whom?
- Division of Labour as a quick fix for harmonization tensions?

## 4. Five principles for effective donorship

### 1. Know the context:

- Geo-strategic importance of the country
- Strength of government
- Aid dependency
- Nature of the state (neo-patrimonial, developmental, both?)
- Developmental bottlenecks - democratic bottlenecks

### 2. Know the players:

- Donor landscape and (geo-)strategic interests
- Civil society
- Private sector
- Heterogeneity of government and wider state institutions

### 3. Identify objectives - define your strategic role

### 4. Be realistic and modest in setting objectives

### 5. Invest in detective/diplomat/translator skills

## 5. The practice of effective donorship

1. Insufficient knowledge about politics
  - Development is an ugly conflict ridden process
  - Reform entails winners and losers
  - The need to identify drivers of change
2. Tendency to forget/overrule players:
  - Parliaments, civil society...
3. Overloading instruments with multiple (contradictory) goals
4. Tendency to be overambitious
5. Too little diplomatic skills, not enough political savvy

## 6. Closing the gap?

The gap is caused by weaknesses at both sides:

- Donor weaknesses
- Recipient weaknesses

## Donor Weaknesses

- Politics in donor countries do matter
  - Political dynamics play (e.g. change in gvt)
  - International security issues, immigration,... interfere
  - Missing feedback loop makes public opinion easily manipulated
  - Pressure groups interests (NGOs, universities, commercial lobbies,...)

=> Donors may pursue other goals that are not consistent with pro-poor development and may prove unpredictable
- Donors in part driven by bureaucratic routines
  - Spending pressure
  - Non-disbursement sanction not very credible (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



## Country Weaknesses

- Corruption, neo-patrimonialism
- Governments are often weak and fragmented
- Bureaucracies are balkanized and lack qualified staff
- Civil society is no *deus ex machina*

## Realistic steps towards a better PD

### At FQ

- A good PD strikes a balance between the desirable and the possible:
  - Development oriented political analysis and political savvy
    - Detecting windows of opportunity
    - Build coalitions
    - Think politically, act technocratically
- Layered PDs need nesting: horizontal and vertical articulation
- Formal is overrated

### At HQ

- High-level of political dialogue in tune with FQ
- Address domestic accountability pressures
  - Communicate and educate Parliament and public opinion

## Role for small donors?

- There is plenty of room for small donors in PD
- Portfolio approach to aid modalities has become dominant strategy of most donors
  - Smaller donors specialize in lower range modalities
- Two-sector discipline adopted by Belgium
  - Makes us important players at sector level
  - But linking up with macro-level remains important
  - Our projects should inspire our contributions to PD, but also be inspired by them

## Conclusions

- High hopes of the new approach that started with the PRSPs, and continued with the Paris Declaration, are not being fulfilled
  - Good principles but the underlying 'model' about stakeholder behaviour is unrealistic
  - This has led to expectations about the PD that are overly optimistic
- But there is no brilliant new aid paradigm appearing on the horizon
  - PD success and impact will be checkered
  - But it remains the best game in town

# Thank you

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