



Coping with Clashes: the political economy (PE) of policy dialogue (PD)

Nadia Molenaers

GTZ Professional Forum

'the political economy of reform processes in partner countries'

Bonn, January 13-14 2011

1. POLICY DIALOGUE UNDER NAA: the theory

| | Projects | SAP | NAA |
|--|----------------------------------|--|---|
| CHARACTERISTICS | | | |
| Period | 1960-1980 | 1980-2000 | 2000- |
| Donor perceived constraint on development | Fysical and human capital | Macro economic policy | Governance failures |
| Aid instruments | TA and donor supervised projects | Structural adjustment loans | Budget support |
| Attitude towards gvt | Bypass | Bully | Persuade |
| Drivers of reform | External | External | Internal |
| POLICY DIALOGUE | | | |
| What is discussed | Piecemeal micro reform | Macro-economic reforms | Institutional macro reforms |
| Solutions suggested by donors | Technical solutions | Washington consensus | No standard recipes |
| Conditionalities | Ex ante: inputs | Ex ante adversarial: inputs, policy | Ex post consensual: output, outcome, process |
| Negotiation style | Monologue | Monologue | Dialogue |
| Actors on donor side | Multi- and bilateral, NGOs | IMF and WB Mainly staff head quarters | Multi- and bilateral donors Increased role field staff Increased input civil society |

- The NAA recognizes: development is a political process

What is political?

- Political are 'all those activities of cooperation, conflict, bargaining over the production, allocation and distribution of tangible and intangible resources' (Leftwich Adrian)
 - More or less resources to people/groups will change their relationships and the powerconfiguration: ex: BS & power position of the Minister of Finance vs Line Ministries, ex: kids allowances
- Under the NAA aid is considered a leverage of change: this is political because it implies changing the production, allocation and distribution of resources in favour of poor/the poorest

5 conditions for a successful Policy Dialogue

- Enhanced selectivity
- Frank and open dialogue linked directly with decision making and implementing power
- Consensual, ex-post and resultsoriented conditionalities
- Harmonised endeavour
- Fostering accountability

2. POLICY DIALOGUE IN PRACTICE

- Clashing selectivity issues
 - Eligibility criteria differ widely between donors → Mixed signals
 - => Widely varying views on what Budget Support (BS) should realize
 - DEMOCRATIC GOVERNANCE VERSUS TECHNOCRATIC GOVERNANCE

- No frank and open dialogue linked to power to decide and implement:
 - Reductionist
 - Technocratic vs politically feasible
 - ‘Genuine’ ownership fluctuations
 - The importance of persons

- Clashing views and approaches to consensual, ex post and resultsoriented conditionalities:

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 especially with regards to 'unplanned, unforeseen events' (ex. corruption scandal Zambia, Elections Mozambique)
- The power of the 'Denmark Orthodoxy' versus BRICs

on the side of recipients:

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

- Clashes between PDs undermining harmonisation:
 - Policy Dialogue Proliferation (too many donors) and fragmentation (too many tables) → Strategic buy-in behaviour to get access to certain Policy Dialogue fora
 - What to discuss where and by whom?
 - Division of Labour as a quick fix for harmonization tensions?

- Accountability clashes:
 - Little to no input from civil society
 - PD can undermine the role of parliaments, political parties, civil society (ex Mozambique)

3. Why the gap between theory and practice? PE view on actors

Paris Principles ignore the fundamental political nature and subsequent incentive structure of involved actors.

- Donors and recipient governments are not necessarily development maximizers
 - Multiple constituencies – interests – power configurations
- Aid agencies are politically led hence the 'problem' of domestic accountability
- Citizens, Civil society in recipient countries no deus ex machina
 - Heterogeneous, not neutral, not necessarily pro-poor nor democratic.
 - Expect 'corrective' citizenship in weak institutional environments is to ignore existing power relations

4. Can PE improve the Policy Dialogue? Ways forward

YES,

- ex Zambia: corruption, a sector problem or a systemic problem?
- ex Moz: link political party – private sector – bank to the PD
- ex. Rwanda: joint governance assessment

- PE is an analytical tool, allows you to
 - Understand context, power dynamics
 - Set realistic goals – tackle burning issues at PD level
 - Make informed, strategic choices and programme accordingly
- But its functionality is determined by
 - A clear mission and vision, clear goals of the donor
 - The ability to prioritize, the willingness to address painful trade-offs
 - The willingness to take risks (no detailed roadmaps)

Baby steps towards a better Policy Dialogue

At FQ

- A good PD strikes a balance between the desirable and the possible: **PE+** = Development oriented PE analysis
+ 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

- A need to tackle domestic accountability pressures:
 - Communication
 - Capacity building

Thank you

This ppt draws in part on joint research with Robrecht Renard

nadia.molenaers@ua.ac.be

