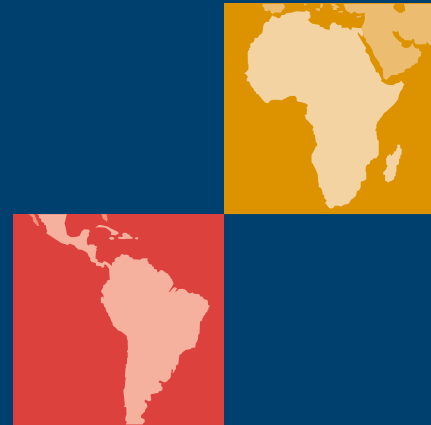


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# Policy Dialogue under the New Aid Approach: Which Role for Medium-sized Donors ?

## Theoretical Reflections and Views from the Field

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Theoretical Reflections and Views from the Field<sup>[1]</sup>

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## ABSTRACT

The new aid approach (NAA) pays particular attention to the politico-institutional dimension of development. It is largely centred around a reform-driven governance agenda. Donors must facilitate and support reform, and this implies that they move away from micro-managed and donor-driven projects towards more aligned and harmonized modalities of aid like capacity building TA and budget support, which are allocated and spent according to recipient priorities. But the trust that donors have is seldom complete, and the quid pro quo of working with and through the recipient is a policy dialogue (PD) where donors can advise the government but also exert some pressure. In this paper we look critically at the policy dialogue between recipient government and donors in order to find out if and to what extent a medium-sized donor, can play a role and add value to the PD. To start with we enumerate seven principles that we think underlie the NAA, which we then contrast with what can be realistically expected from donors and recipient governments from a political economy perspective.

## RÉSUMÉ

La nouvelle approche de l'aide (NAA) prête particulièrement attention à la dimension politico-institutionnelle du développement. Cette nouvelle approche de l'aide est pour une grande partie centrée sur un agenda de réforme axé sur la gouvernance. Les donateurs doivent faciliter et soutenir les réformes, ce qui implique qu'ils doivent abandonner des projets micro-gérées par eux-mêmes et évoluer vers des modalités d'aide plus alignées et plus harmonisées comme l'aide budgétaire allouée et dépensée selon les priorité des bénéficiaires. Mais les donateurs ont rarement une confiance totale et le "quid pro quo" de travailler avec et à travers le bénéficiaire est un dialogue politique où les donateurs peuvent conseiller le gouvernement, mais aussi exercer une certaine pression. Dans cet article, nous examinons de manière critique le dialogue politique entre le gouvernement bénéficiaire et les donateurs afin de découvrir si et dans quelle mesure un donateur de taille moyenne peut jouer un rôle et ajouter de la valeur au dialogue politique. Nous commençons par l'énumération de sept principes que nous croyons être à la base de la nouvelle approche de l'aide, pour ensuite les contraster avec ce qui peut être attendu de façon réaliste de la part des donateurs et des autorités bénéficiaires à partir d'une perspective de politique économique.

## 1. INTRODUCING THE NEW AID APPROACH

The new aid approach (NAA) pays particular attention to the politico-institutional dimension of development. Development is not just about shiny strategy documents and impressive plans, it is also, and more so, about a political and bureaucratic system that promotes development. Aid must therefore be used as an instrument for reforming and strengthening institutions so as to turn them into efficient and effective deliverers of what citizens aspire. As a consequence, the good governance concept has gained momentum within the NAA. Governments must enact good governance, but donors must facilitate and support it, and this implies that they move away from micro-managed and donor-driven projects towards more aligned and harmonized modalities of aid like capacity building TA and budget support, which are allocated and spent according to recipient priorities.

But the trust that donors have is seldom complete, and the quid pro quo of working with and through the recipient is a willingness on the recipient part to accept technical assistance and to engage in policy dialogue (PD) where donors can advise the government but also exert some pressure. In this paper we look critically at the policy dialogue between recipient government and donors in order to find out if, and to what extent, a medium-sized donor can play a role and add value to the PD. In a first section we briefly describe the set-up of the research during the field visits to four countries (DRC, Mali, Tanzania, and Vietnam). In order to detect which useful role there is for medium-sized donors in this new multi-actor game, we revisit in the second section the official discourse on the NAA in general and on PD in particular. We enumerate seven principles that we think underlie the NAA, and conclude from official donor documents that the prospects for a successful PD should be good in two of the countries we visited, promising in one country, and problematic in the last. In section three we contrast these readings of donor discourse with what can be realistically expected from donors and recipient governments from a political economy perspective. From this confrontation of the donor discourse and the theoretical literature on aid the NAA appears to be overly optimistic. In fact, the robustness of the NAA is threatened by a complex set of collective action dilemmas, on the side of donors, on the side of the government, and in the interaction between the two. This does not lead us to dismiss the NAA, as it is the most sensible way yet imagined to incorporate the lessons from the past decades and zoom in on the most crucial development traps. But we think it is important to see the inevitable construction flaws in such an ambitious undertaking, especially if we wish to come up with recommendations for medium-sized donors which might help them to strengthen the new approach rather than undermine it. In section four we summarize the insights from our field visits. In the concluding fifth section, we distill a number of characteristics that a medium-sized donor would do well to pursue.

## 2. DESIGN OF THE RESEARCH

This study was requested by the Belgian federal Ministry in charge of development cooperation. The ‘existential question’ Belgium – as a medium-sized donor – is grappling with, is the role it could and should play in the NAA and the PD. Every aid modality has its particular arenas for policy dialogue. The aid modalities that are most associated with the NAA, general and sector budget support, give access to negotiating tables where typically many other donors participate. This is in contrast to projects and programmes where mostly bilateral relations dominate. This sheds light on why and how donors choose for certain aid modalities. It is not just about the relation with the recipient government, it is also about the leverage the donor hopes to exert around the negotiation table, vis-à-vis other donors. The reflection on leverage around the PD table is especially relevant for medium-sized donors like Belgium. Can it add anything useful? And even if so, will it be listened to? And will the addition of yet another negotiator not make it more difficult for donors to harmonize? Does the NAA offer other opportunities for medium-sized donors to collaborate constructively to a joint donor effort?

With these questions in mind, we visited the Democratic Republic of Congo (DRC), Mali, Tanzania and Vietnam where we interviewed selected donor staff, representatives from Civil Society Organisations (CSOs) and government officials, all of whom were involved in or at least knowledgeable about PD.

The missions provided extremely interesting insights. The interviewees shared thoughtful comments which allowed a better insight in what policy dialogue can and cannot do, and what PD looks like in reality, and provided a healthy antidote both to the upbeat rhetoric surrounding the NAA, and to the cynical outsider’s view that in aid nothing works.

In table 1 we give an overview of the actors with whom we conducted interviews<sup>[1]</sup>. An “x” indicates that we conducted one or sometimes several interviews with one or more representatives of the actor concerned. In Vietnam we did not conduct an interview with Dutch development cooperation, but rather with SNV, as indicated in the table. SNV is not a government agency, but a non-profit consultancy that works with subsidies from the Dutch government.

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[1] A complete list with the names of the persons we met is contained in annex to this paper.



**Table 1: list of interviews conducted**

	DR Congo	Mali	Tanzania	Vietnam
<b>BELGIUM</b>				
Ambassador	X	X	X	
Attaché	X	X	X	X
BTC	X	X	X	X
<b>MULTILATERAL DONORS</b>				
EC		X	X	X
WB		X		
UNDP		X		
<b>BILATERAL DONORS</b>				
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	
<b>GOVERNMENT</b>	X	X	X	X
<b>CIVIL SOCIETY</b>				
INGO		X		X
INGO platform				X
National platforms		X		
National CSOs			X	X

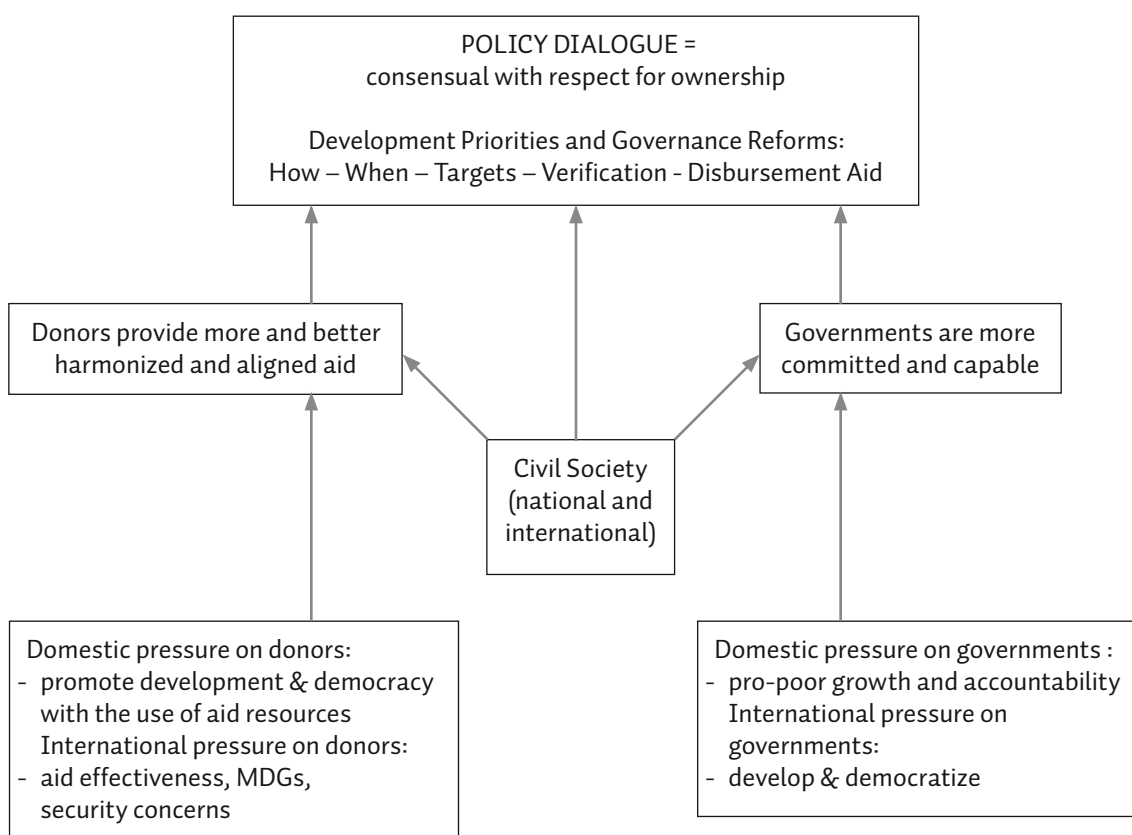
Of the 20 interviews we conducted with bilateral donors, the majority was with members of the ‘like-minded’ group. As table 1 indicates, we also met key multilateral players: WB, UNDP, and the EC. The EC was included in all three the countries, in part because this is the donor to which delegation of funds and responsibility in terms of PD is considered a viable option at DGDC headquarters in Brussels. In each country we had one, and typically several meetings with government officials, and also with national and international CSOs. Obviously there are many other interviews we could have tried to organise with highly interesting people. But our time was short, and, more importantly, so was the time of government, donor, and non-governmental staff in these countries.

### 3. REVISITING THE DONOR DISCOURSE: PRINCIPLES AND PROSPECTS OF THE POLICY DIALOGUE

#### 3.1. The Principles

Policy dialogue in partner countries is conducted at different levels and in many different forums. In fact it would be more correct to speak about it in the plural. Under the NAA a wide range of issues can be addressed through policy dialogues: from the technocratic (e.g. HIV prevention campaigns, electronic salary management, VAT reform,...) to the very political (e.g. change in the constitution to allow a president to stand for a third term in office, human rights issues... ). Sometimes a distinction is made between ‘political’ dialogue which addresses more politically sensitive issues, and ‘policy’ dialogue which tackles the more development-related issues (Stolk & van der Helm 2007:58). The focus in this paper is on aid and as such the more technocratic policy dialogue is our natural point of entry. But the political is never far away. Issues such as human rights or the political regime cannot be seen separately from the form development cooperation will take. So, more often than not politics is hiding just beneath the technocratic surface. Both dimensions are closely interwoven and this makes the policy dialogue much more political than is generally assumed.

**Figure 1: The logic chain leading to Policy Dialogue as envisaged under the new aid approach<sup>[2]</sup>**

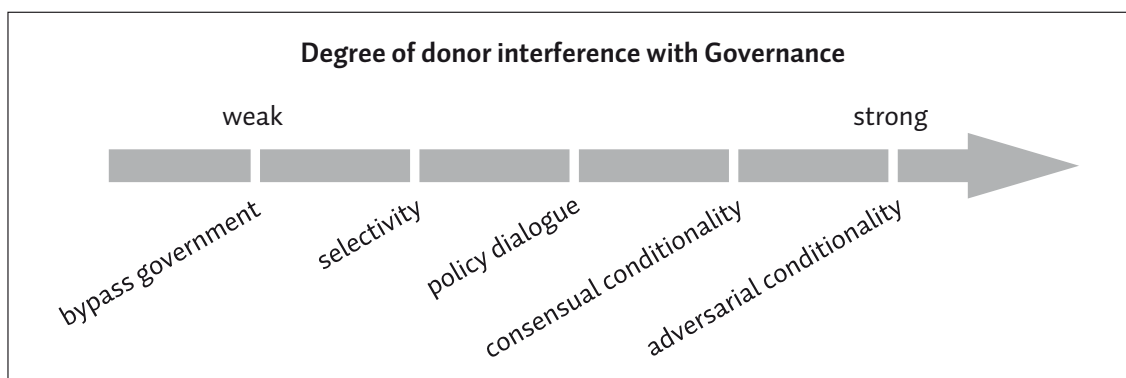


[2] arrows indicate links of influence and/or information

Figure 1 sets out the ideal picture. Policy Dialogue under the NAA is strongly reform-oriented, it is about donors dealing with and thus interfering with governance issues. In figure 2, five different ways of dealing with governance issues are presented: from weak interference (bypassing government, e.g. the

project approach) to strong interference (adversarial or coercive conditionalities). The NAA strongly emphasizes selectivity and consensual conditionalities to be negotiated through policy dialogue. In the following paragraphs we briefly highlight the current thinking around these instruments, especially focusing on the tensions between conditionalities and the ownership/partnership concepts which are so popular under the NAA.

**Figure 2: how donors deal with governments and governance**



In donor thinking, where terminological shifts are legendary, national ‘ownership’ is currently very fashionable. Without ownership, it is proclaimed, external advice, even if sensible, will not be heeded. This is not controversial. In fact, it is surprising that it took donors so long to grasp this elementary lesson: when reforms are politically and socially painful, and governments not genuinely convinced of the desirability of reform, either because what is proposed does not correspond to their strategic development priorities, or because it runs against their own political interests, donor pressure is unlikely to work. How then is the new policy dialogue to be understood? One view that has some support among donor bureaucrats, and probably even more among governments and International NGOs, is what we would call a process perspective on policy dialogue. During the preparation and the negotiation of the policy dialogue, positions (on both sides) can change. The interaction is dynamic with donors trying to persuade the government to undertake certain reforms, and governments equally trying to persuade the donors to change their initial ideas and positions or fund a programme they were initially critical about. As such the outcomes of these dialogues are never fully predictable. Such a policy dialogue might be considered the expression of genuine partnership (Morrissey 2005; Morrow 2005:200).

This is a lofty view, but the reality of donor-recipient relationships is far more complex and reflects an uneven power balance, and both donors and recipients acknowledge this unofficially. A solid policy dialogue is not something recipient governments are hankering after. If it has taken such a prominent place, it is because donors insist on it. One could argue that policy dialogue is just another donor conditionality. Donors tend to eschew such blunt phrasing, and therefore this fact is hardly ever mentioned in the official discourse, but it is implicit if you

read between the lines of the NAA. But there is more. If donors insist on policy dialogue, it is not because they want to learn from recipients. They want recipients to listen to them. Therefore the policy dialogue is one-sided right from the start. The fact that donors can impose it, derives from the power that providing aid money gives them. Such donor-driven policy dialogue is backed up by an implicit threat: be prepared to talk to us, listen to our advice, or else... This leads to the first of a series of principles underlying NAA and PD

**Principle 1:** *although the ideal would be different, it is by now acknowledged that the policy dialogue is donor-driven. Recipient governments engage in it because they see it as part of a deal, as a donor conditionality that comes with more flexible aid. But recipients will try to minimize its importance and try to limit the areas open for discussion.*

If an important lesson from structural adjustment policies is that donors are not so powerful as to be able to impose policy reforms on a reluctant government through **coercive or adversarial conditionality**, then it is also clear that the new aid approach, with its large degree of trust in the recipient government, can only be applied if there is a certain match between the priorities of donor and government. If coercive conditionality cannot be relied on to bring government and donors to the same position, **selectivity** may ensure that there is sufficient common ground. Selectivity may be regarded as an ex post conditionality, in the sense that the donor unilaterally signals under what circumstances he is willing to provide support, and verifies whether these circumstances are satisfied. Selectivity however is not strictly a conditionality because there is no contract. And, important from the perspective of this paper, neither is there policy dialogue. In this sense, selectivity precedes policy dialogue and is a condition for its success.

**Principle 2:** *The policy dialogue is facilitated when donors are selective and in particular restrict the more flexible aid modalities of the NAA to countries where the government is capable and willing to pursue the same pro-poor results as donors.*

If donors insist on conditionality, the new aid approach also acknowledges that coercive or adversarial conditionality is futile. If donors wish to exert influence, **consensual conditionality** (Morrow 2005) might be the most they can bargain for. It can be defined as a conditionality for which there exists a genuine measure of ownership on the recipient side. Donors here push for policy reform for which there may not be universal applause, but for which there are at least some powerful national supporters. Consensual conditionality is a way of formalizing and also 'locking in' a reform that has been agreed upon, forcing the government to stick to the terms of the contract when the going gets tough. Nevertheless the expression 'consensual conditionality' has an odd sound to it. If there is consensus among two parties on a course of action to be undertaken, why insist on calling it a condition imposed by one party on the other? Killick (1998) prefers to label it 'pro forma' conditionality, conditionality in name but not in substance, in contrast to the 'hard core' conditionality of the past<sup>[3]</sup>. By the end of the 1990s more and more voices from outside and from within the donor community were claiming that consensual conditionality was the only one that would work. It was for instance a major theme in the influential study 'Assessing Aid' (World Bank 1998).

**Principle 3:** *Conditionalities under the NAA are mainly of the consensual type.*

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[3] In our own work we have also used 'harmonious' conditionality to designate the new variety, and 'dissonant' to describe the former.

Policy dialogue can be understood as negotiations between donors and recipient government in order to draw up the terms of a donor-driven aid contract and its subsequent verification. This can be broken down into four logical steps: (a) setting the strategic objectives to be pursued, (b) selecting specific targets to be met, (c) assessing whether targets are met and attributing responsibility for success or failure, and (d) deciding on the release of funds. Once a cycle is completed, it can start all over again. If donor funds are released before it is assessed whether targets have been met, a conditionality is called *ex ante*. If funds are only released after the assessment, the conditionality is *ex post*. Multi-tranch structural adjustment loans from the World Bank typically had *ex ante* conditionalities attached to it. This means that the country received a first tranche of the loan on the basis of a signature on the reform programme document that was agreed. This in effect meant that it received aid on the basis of a promise of reform to be undertaken in the future. Often, the government did not what was expected, and the programme collapsed. Later a new loan was negotiated and started, just to collapse in turn. In this way a country could keep on getting additional amounts of aid money for promises it never held, in some cases for the same promise. Critics have convincingly argued that *ex ante* conditionality is not a very credible way of contracting. Therefore it is now generally accepted that the better conditionality format is the *ex post* variety (Gunning 2006). This means that some conditions have to be fulfilled first before the donor starts to deliver aid. Another feature of the 'new' conditionalities is that their focus shifts from inputs and policy actions (things the recipient must do) to outputs and outcomes (things the recipient must achieve by the means of its own choosing). This is in line with the results-orientedness of the NAA.

**Principle 4:** *Conditionalities under the NAA are mostly ex post, and result-oriented.*

When donors are selective in where they apply the NAA, and when conditionalities are consensual, *ex post* and results-oriented, the first two steps in the aid contract should not pose much of a problem. However, the third step, assessing whether targets are met and attributing responsibility for success or failure, can be a source of considerable tension. This is because logic chains of development interventions are notoriously complex and controversial, at the same time most M&E systems are weak, and the stakes are high.

**Principle 5:** *The monitoring and evaluation of the outcomes and impact of the use made by the recipient of the flexible new aid modalities constitute, for both technical and political reasons, a major issue in the policy dialogue between recipient and donors.*

The NAA explicitly addresses the issue of accountability by the government for the use of aid. It provides mechanisms for increasing lateral accountability (within the public sector) and downward accountability (to the general public). The latter point is of considerable importance, and has strong political overtones. From the beginning, the NAA identified 'civil society' as a major interlocutor in this downward accountability, but it has since been recognized that the legislative branch of the state must be equally included. One expects that this influences the way donors will perform in policy dialogue: more pressure will be put on the government to allow space for a constructive but independent role of civil society and Parliament.

**Principle 6:** *The policy dialogue fosters downward accountability. Donors in particular facilitate the involvement and contributions of civil society and Parliament. In their pursuit of an increased involvement of civil society at the macro level, donors adapt their financing modalities and move away from funding service delivery projects (of INGOs and their local partners) that are often substituting for core functions of government*

Obviously the principles of the PD, as enumerated so far, assume that the partners involved are committed to development, poverty reduction and the reforms it entails.

**Principle 7:** *Both donors and recipient governments are development maximizers.*

### 3.2. Which prospects for a successful PD?

The NAA is still quite young, launched in 1999, and with regards to development effectiveness, one could argue that the jury is still out. Nevertheless there are some efforts to monitor the aid relationship and how donors and recipient government are handling some of the principles. Table 2 provides some information on the four countries from the recent DAC survey on the Paris Declaration. The assessment of the aid relationship differs sharply among the countries. In DR Congo, a fragile state emerging from a protracted period of internal war and political instability, donors are just preparing to move towards structural aid with the newly elected government, and not surprisingly the scores are poor. Tanzania and Vietnam on the other hand get good scores, with Mali being situated somewhere in the middle. The table also provides some information on the importance of new aid modalities. The ratio of programme based aid (PBA) to total aid that is provided in the table is however misleading in that it does not bring out sufficiently well the important differences between the countries in terms of access to new-style aid modalities. Tanzania and Vietnam are champions in terms of overall volumes of GBS. Mali gets much less, and DR Congo does not get at present any new style GBS<sup>[4]</sup>.

**Table 2: DAC Survey on the Paris Declaration**

	DR Congo	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 USD - 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%

Source: authors' compilation on the basis of DAC (2007).

[4] In DR Congo there has not been any new style budget support yet, but the possibility of Belgium participating in the future in some structural budget support can certainly not be excluded. The three other countries all offer interesting applications of the NAA. Tanzania and Vietnam are among the most important beneficiaries of general budget support under NAA anywhere. Belgium is involved in NAA in all three. The data in table 2 regarding Belgian programme-based aid do not correspond to internal information used in DGDC. Using the (expansive) definition of budget support of DGDC Brussels, which includes sector related basket funding, Belgium has since 2000 committed (and partly executed) budget support of 5 million € in Vietnam, 15 million € in Mali and 20 million € in Tanzania. Most of this is in education, except for Tanzania, where there is also support for decentralization and legal reform. This constitutes 29% of all Belgian budget support in the same period (ADE & HERA 2007: 23-27).

For some additional information, we turn to the scores produced for the Comprehensive Development Framework (CDF) that also served as an input for the DAC Survey just mentioned (World Bank 2005). In table 3 we present summary scores that we calculated on the basis of the information in the document<sup>[5]</sup>. Vietnam scores best on long-term holistic view (quality and realism of the development strategy and government capacity to implement it), and on country ownership (by the government, but this category also refers to the involvement of civil society, the private sector and Parliament). Tanzania scores best on country-led partnership (degree of alignment and harmonization) and on results-focus (quality and openness of M&E). DR Congo scores poorly on all the summary indicators, and Mali is somewhere in between, but without convincing scores<sup>[6]</sup>.

**Table 3: CDF scores of the countries visited**

	DR Congo	Mali	Tanzania	Vietnam
Long-term holistic view	2.20	3.00	3.80	4.20
Country ownership	2.33	3.00	3.33	3.67
Country-led partnership	1.33	2.67	3.83	3.50
Results-focus	2.00	2.33	3.67	3.00

Source: authors calculations on the basis of World Bank (2005: 40-42)

Both the World Bank and DAC propose relatively upbeat readings of these results, as is the practice in donor circles. Of the government of Mali for instance it is said that it “has been making consistent efforts to take the lead in co-ordinating external development assistance” (World Bank 2005b: 182). Tanzania is said to meet the target of having largely developed operational strategies, and that the country should be able to do even better and get the highest rating for this category by 2010 (DAC 2007 country chapter on Tanzania). And in Vietnam “government leadership and co-ordination of development assistance is strong. Annual Consultative Group meetings and the ongoing Partnership Group on Aid Effectiveness institutionalize a strong government-led partnership” (DAC 2007 country chapter on Vietnam). Such interpretations suggest that the PD is already smooth and successful in Vietnam and Tanzania, and promising in Mali.

[5] We assigned numerical scores to the World Bank categories as follows: ‘substantially in place’ =5; ‘largely developed’ =4; ‘action has been or being taken’ =3; ‘elements exist or being considered’ =2; ‘little or not action’ =1. The scores we produce are averages for the sub-indicators used by the World Bank for each category.

[6] To us, a score of 3 or less does suggest that the situation is problematic. At most, ‘some action has been taken’. Only with scores 4 and 5 is there any guarantee that something substantial is being done.

#### **4. BACK TO REALITY: HOW DONORS AND RECIPIENT GOVERNMENTS TICK. A POLITICAL ECONOMY PERSPECTIVE**

The aim to increase aid effectiveness is laudable, but the NAA is based on principles for action for donors, recipient governments and civil society (as presented in section 2), which in several respects stand in stark contrast to the historical behaviour of these same actors.

##### **4.1. Donor weaknesses**

We distinguish four weaknesses that one can expect donors do exhibit. The analysis focuses on the bilateral donors, but some of those weaknesses by extension also affect the multilaterals that are controlled by the bilateral donors, such as the World Bank and the EC.

##### **4.1.1. Non-development objectives**

Donors are not necessarily using aid as a leverage to achieve greatest pro-poor effectiveness. Geo-political motives may for instance overrule the development agenda (Lancaster 2006). The Cold War era provided many examples of the “he is a bastard, but he is our bastard” type (Belgian support to Mobutu, US support to Somoza). The new concerns of donors regarding security, migration, and some of the perennial ones, such as access to fuel and mineral resources, lead to similar weak aid contracting under the NAA. Such non-development concerns may pit donors against another. British-French competition in East and Central Africa illustrates this point. In one respect donor behaviour may be expected to be more pro-development than in the past, more particularly when it comes to governance issues. The attacks of 9/11 made it clear that poverty in developing countries is linked to governance problems which affect security and welfare in developed countries. Development and governance have therefore become central features in foreign policy in Western capitals. Although these topics now rank high on the agendas of both Foreign Affairs and Development Cooperation departments –with a promising convergence of concerns - it would be nevertheless naïve to think that no conflicts of interests arise.

In this way donors may use policy dialogue to pursue goals that are not consistent with pro-poor development, or not mutually consistent among donors. This undermines the effect of the policy dialogue. If several donors apply the NAA and engage in PD without sharing the same development priorities, a coherent and harmonised position during policy dialogue seems difficult to achieve. If for instance donors, for foreign policy reasons, apply the NAA in countries that are not development-oriented, this would provide a reason why the policy dialogue may not be successful.

##### **4.1.2. The vagaries of domestic policies**

On the donor side, a change in government can provoke a turnaround in national policy, in foreign policy and thus also in development policy (Lancaster 2006). The list of partner countries may change, aid volumes may cut back, or a new government may have reservations about the NAA. For example, notwithstanding the very long standing aid relationship between Sweden and Vietnam and Sweden’s unswerving support for the NAA, a switch in Swedish government meant that further budget support for Vietnam was no longer evident. This il-



illustrates that donor commitment is linked to an ideologically coloured political assessment of the recipient. And PD, especially where it relates to broader political issues, is very much part of foreign policy of bilateral donors. Harmonizing policy dialogue is a huge challenge, not only because political agendas, priorities and assessments differ between donors, but also because the domestic pressure for visibility remains. Harmonization is furthermore troubled by the fact that for some donors it is not easy to change administrative routines and procedures. The NAA requires flexibility and a willingness to change and adapt procedures and incentives to suit the harmonization and alignment agenda. All these factors shape a donor's capacity to engage in the harmonization agenda (de Renzio & Mulley 2006:9) and contribute to a stronger and more coordinated PD.

A complicating factor is that an important gap tends to exist between the complex reality in the recipient countries and the way the media in donor countries report on it. Ministers of Development Co-operation are accountable to Parliament and public opinion, and the information gap may make for some unrealistic expectations and unhelpful advice that is fed into the PD. To make matters worse, the time horizon that politicians face (typically the time between general elections) is very short compared to the lead time in getting robust results in the field. This makes donors sometimes unreasonably impatient to see results that their own experts know will not be discernable for a very long time to come. We thus expect the policy dialogue to be at least in part driven and influenced by political evolutions and administrative procedures in the donor countries, and we expect donors to be sometimes impatient, incoherent, and unreasonable.

#### **4.1.3. The painful governance trade-off**

Even if we only consider the well-intentioned side of donors, there is another serious issue that undermines the policy dialogue. Donors are caught in a contradiction of their own making by pursuing at the same time political and technocratic good governance without acknowledging the trade-off between the two. The NAA tends to assume that being democratic and being a development maximizer are mutually reinforcing tendencies. Donors pursue democratic values in recipient governments, and also expect governments to be development maximizers. They seem to believe that if you push the democracy button, you also get good technocratic governance. We are profoundly sceptical and argue that technocratic and democratic good governance are very different both in what they mean, and in the conditions necessary for their blossoming. Some countries that are doing exceptionally well in economic terms, are not necessarily doing so well in democratic terms (Leftwich 1996). And the opposite can be equally observed. The interesting question is not whether some mythical "Denmark" where democracy and high levels of development go hand in hand lies at the end of the road to be pursued by developing countries. To that question the answer is unequivocally yes. The really daunting question however is "how to get to Denmark" (Fukuyama 2004).

In the present crucial stage of the development process most LICs are involved in electoral competition that can have a negative impact on economic reform. Ill-considered public spending sprees in the run-up to elections are not uncommon, while fuelling inflation and compromising economic reform. Public money is diverted to finance the incumbent party's campaign and bribe voters. Large amounts of money are obtained through corrupt means, raiding social security funds or selling privatized enterprises to political clients at a bargain price in exchange

for support (Brown 2005:191). Furthermore, young democracies often run the risk of being fairly weak, heavily subjected to popular pressures and thus unable to press for unpopular yet necessary reforms (Leftwich 1996). Another point is that politically fragile states often need sophisticated and complex mechanisms for decision making in order to maintain political stability, yet this may hamper the design and implementation of strong and coherent policy frameworks for sustainable economic growth (Hyden et al 2004).

That donors pursue democratic and bureaucratic good governance at the same time is legitimate, but they ignore at their peril the painful trade-offs between the two. This may lead to donors being either too soft or too tough, both on technocratic and on political good governance. We expect in particular that bilateral donors will soft-pedal on technocratic governance with regimes that have democratic legitimacy, and that multilateral donors, somewhat less exposed to Parliamentary scrutiny and less vulnerable to criticism by NGOs, will soft-pedal on political governance with regimes that perform well technocratically.

#### **4.1.4. Non-credible sanctions**

Another issue that undermines PD is donor inability to stand firm when the occasion demands it. There is a long history to this. Take financial conditions associated with ODA loans: recipients have massively defaulted on their soft loans, and gotten away with it (HIPC initiative). There were good political, moral and economic reasons to grant debt relief, but it did not enhance the reputation of donors as tough negotiators. Or take structural adjustment loans. The IMF and the World Bank have granted new loans again and again to governments that had an established record of defaulting on their part of the contract (policy reforms). In fact aid has almost always been associated with some conditionalities or other, right from the beginning, and donors do come out consistently as weak players. Such donor behaviour does not go away just by changing the discourse. Several factors will continue to plague donor resolve and expose them to excessive leniency in face of recipient non-observance of the aid contract. There is the weakness that comes from being development-oriented and having to deal with a non-development-oriented recipient government. The concerned donor gets caught up in a Samaritan's Dilemma that leads it to bail out a recipient government that is unwilling to reform. This tendency is amplified by spending pressure. Where budgets are on the increase, donor bureaucracies are under pressure to spend. As budget support is 'easily spent', pressure is higher than elsewhere. Yet being tough in policy dialogue is only possible if there is a credible sanction, including non-disbursement. Pro-aid non governmental lobbies, with their often unworldly naivety, reinforce the tendency to be soft on conditionalities, and so does the MDG discourse. All this weakens the donor position in the policy dialogue, and provides recipient governments ample opportunity to resist reform.

#### **4.2. Consequences of donor weaknesses**

The above-mentioned donor weaknesses are all structural problems. By this we mean that they are likely to occur as a consequence of the way foreign aid is embedded in national politics. They need not occur in all circumstances, and some donors have shown admirable drive in escaping them, but they are what our understanding of the political process in donor countries leads us to expect. So what are the consequences for the PD, if these donor weaknesses materialise, as they probably will to some extent? We see four major problems.

#### 4.2.1. PD proliferation

As under NAA donor funds are intentionally fungible, and as typically several donors are involved in providing new aid modalities, the associated policy dialogue is a multi-donor undertaking. This is an essential feature of policy dialogue under the NAA, yet it creates its own set of collective action problems. Under NAA donors practice aid modalities that are characterized by reduced earmarking and reduced donor involvement in implementation. Budget support of one donor is mixed with that of other donors and with the fiscal resources of the national treasury and thus becomes undistinguishable. Donors thus give up visibility of the outcome of their effort and incur considerable political risks. Bilateral donors risk losing the support of their public opinion at home if the news coming from LICs keeps being bad and they cannot, like before, claim fake successes in their own islands of development (i.e. their projects). The prize they get in return is the ability to participate in the policy dialogue. This imparts influence and power, and also a new type of visibility at input and process stages of the aid contract. This new visibility allows politicians to convince their public opinion at home that they do more than just write checks to recipient governments or passively support the policies of the larger donors. But this desire to be visible and to be seen to have an influence leads towards overcrowding the policy dialogue: too many donors sit around the negotiating table. Donors no longer plant their flags on projects, they plant it on the negotiating table.

#### 4.2.2. PD fragmentation

It is not just a question of too many donors participating in the PD. The eagerness of donors to be part of the game will also lead to too many negotiating tables being set up. This follows from the fact that policy dialogue is held at many different levels: macro-political, macro-economic and institutional, sectoral, sub-sector programmes, and projects. A further distinction is between central and local government. This matters a lot in view of the fact that most LICs have ambitious but unfulfilled programmes of decentralisation that are actively supported by the donor community. One political reason why donors are so keen to get involved in policy dialogue, even if they at the same time see that the proliferation and fragmentation of the policy dialogue is undermining its efficiency, is that it is more attractive for an individual donor to align (gaining influence) than to harmonise (sharing influence). This is a classical collective action problem. In sum we suspect that there will be a tendency towards fragmentation of the PD: too many negotiations being conducted with different departments and at different levels of government at the same time, without there being proper donor-level harmonization.

#### 4.2.3. Agenda overload

From the fragmentation and proliferation problems a third related problem results. Grindle (2001) argued convincingly that – in spite of all the ownership rhetoric – the list of reforms to be undertaken by governments has boomed during the last decade. We suggest that this will not diminish under the NAA. On the contrary, there is an inbuilt tendency to overload the reform agenda. This results from a combination of factors that include the proliferation of donors and the proliferation of policy dialogues, incomplete knowledge about institutional engineering, and the non-existence of blue-prints.

#### 4.2.4. Fumbling donors

To the extent that donors are driven by domestic agendas, their policies can change for reasons that are unrelated to what is happening in the recipient country. If we take into consideration that domestic debates on international aid are often hampered by distorted information and a lack of appreciation of the complexity of development issues, it can be concluded that donors will sometimes act in –for the recipient- unpredictable and unreasonable ways. The different time framework will further undermine good aid policies. Donor politicians may find it difficult to listen to the advice of their aid agencies. Instead of going for the long haul, they will tend to be impatient for results that it is unreasonable to expect even in the medium term. The NAA is more susceptible to these problems than the traditional project approach which seemed much simpler to grasp by domestic audiences, had a shorter time horizon, and gave the false impression that donor interventions were somehow insulated from the humanitarian crises and corruption scandals that make the headlines in Western capitals.

#### 4.3. Weaknesses of recipient governments

On the recipient side there are also pressures which threaten to undermine the NAA and the effectiveness of the PD. We discuss three points: the degree to which governments are development-oriented in their policies, the internal coherence and strength of the government and its bureaucracy, and the nature of civil society.

##### 4.3.1. Developmental states everywhere? Ownership over pro-poor development

If governments have to choose between staying in power and pursuing development, political science suggests that they will choose the former. In trying to understand how effective and pro-poor policies are likely to be, local political dynamics are thus a key consideration. In the typical aid-dependent low-income country the political system is, if democratic at all, only superficially so, with a neo-patrimonial system hiding underneath. It might be naïve to think that most aid-dependent low income countries have political systems that force the government, under democratic pressure, to behave as development maximizers. The NAA, by assuming this, underestimates the inherent disagreements between donor agencies and recipient governments regarding development. The recipient government tends to be in general less pro-poor than the donor agencies. This is not because of an uneven division of individual morality across regions, or because of ideological differences. It is due to the fact that bureaucratic and political cultures in different settings have been shaped by radically different historical forces and face very different incentives. This point reinforces several of the previous critical points raised: the donor-driven nature of the policy dialogue is exacerbated; the importance of M&E and the likelihood that a considerable part of the policy dialogue is taken up with haggling over what is going on is increased; donor softness in imposing sanctions and the ability of recipients to resist donor pressure are both enhanced. It also makes it less likely that consensual conditionalities will be respected. Finally it puts the earlier suggestions about donor fragmentation and donor proliferation in a more sinister light. Such tendencies now become potentially much more damaging.

#### 4.3.2. Shaky government bureaucracies

The assumption that the recipient government behaves like a strong, coordinated and united team is unwarranted. Most low-income countries, especially in Sub-Saharan Africa, have Balkanized administrations, with little or no policy coordination and almost no mechanisms for rewarding or sanctioning performance (Booth, Christiansen & de Renzio 2006:195). Although it is expected that the NAA empowers government, it would be more correct to say that it generates two dynamics within government institutions: dynamics of change, but also dynamics of resistance to change. Which one of these dynamics will be more forceful, and which groups and factions will appear on the scene and how successful they will be is impossible to predict with any precision. What can be said for sure is that the NAA empowers certain departments, generally the Ministry of Finance and that of Planning (often they are the same, and often this is the result of donor pressure). It is no surprise that line Ministries may resist this move and prefer to continue to deal with donors directly. Bureaucrats may resist the NAA because they lose the considerable perks associated with projects (per diems, better offices, international travel). Yet on the other hand a new elite is often being created in special units in support of the NAA, such as the PRSP unit, or planning and budgeting department, with great incentives for them if they make the NAA work well (for instance travel or future career opportunities at the World bank).

Government is thus multilayered with a multitude of actors, departments, all with interests which can converge or collide. This provides an opportunity for donors to discover pockets of ownership and strengthen these through the modalities of GBS and policy dialogue, while hopefully weakening forces of resistance. At the same time however, this complexity poses an additional challenge for applying the selectivity principle in a very straightforward way. How many pockets of ownership and willingness to reform must there be, and, at which levels, for donors to successfully engage in NAA and PD? A related point is that the openness to policy dialogue is different according to the stage in the political cycle in the recipient country. To illustrate this point: the honeymoon period at the beginning of a new legislature may be a good moment to put pressure on the government. The end of a legislature, especially if accompanied by general elections, is for the same reason probably a bad moment to put pressure on the government.

#### 4.3.3. A weak civil society

Finally we return to the special place reserved for 'civil society'. Basically, donors seem to assume that a civil society that is equipped with all the desirable features is always present, waiting in the wings. It is just a question of calling them in and giving them a little bit of support here and there. This ignores the institutional limitations that causes civil society to suffer from much the same weaknesses as government. Civil society may not defend the interests of the poor, it may not be independent, it may not be strongly organized, and it may not be internally accountable. It may also not be independent of government, or easily manipulated by the same government (Molenaers & Renard 2007). Thus civil society is not the deus ex machine donors like to imagine. When called in into the policy dialogue, it is therefore far from sure that it is able to play the role envisaged for it. If donors want civil society to play a new role and give inputs in the policy dialogue, they must understand that supporting and strengthening civil society is in itself a complex and ambitious task that requires time, resources and appropriate aid instruments.

#### **4.4. Consequences of country weakness**

The weaknesses that we have enumerated can be found to different degrees in most countries that are being offered the NAA. This will influence what can be expected from PD in real life circumstances.

##### **4.4.1. Power mechanisms**

Behind the government there is a political party or a coalition, or some other power configuration. It is at this level that politics, real power, and real decision making takes place. Development concerns as defined by donors are just one agenda more on the political table of the recipient government. In neo-patrimonial political regimes all state resources, including budget support, are instruments of patronage that allow governments to keep their clients happy and consolidate their hold on power. PD, even if intended to have effects that are hopefully systemic and deeply political, does not seem to reach the core of politics. Often this is a sphere beyond the policy dialogue as practiced by donors. Bureaucratic and diplomatic staff from the donor side, even if they reside in the country, are often unable to influence and reach into the arenas of real political power in the recipient countries (Hyden 2006).

##### **4.4.2. Further PD fragmentation**

We have argued in a previous section that a fair degree of PD fragmentation will be caused by donor dynamics. If we now also accept that on the side of the recipient government there is a tendency for governments to be fragmented and for ministers and senior public officials to have different and often contradictory agendas and to seek their own pockets of influence, this donor tendency may be amplified by the reactions from government stakeholders in the PD.

##### **4.4.3. Limited absorptive capacity**

Much of the PD is about reforming state institutions and procedures. But this requires strong capacity on the part of the bureaucracy. If this is not present, the risk is that PD is taking place on isolated islands of expertise, where donor experts and national experts meet and concoct reforms that are beyond the reach of the bureaucracy proper to implement.

##### **4.4.4. Limited contributions from civil society**

Civil society will often not be able to live up to the expectations of the NAA. As a consequence, one central component of the theoretical construction behind the NAA crumbles. Civil society was brought onto the scene because donors did not believe that political representation through the ballot box, a system of political parties and an independent Parliament would be able to curb the excesses of political power vested in the executive branch of government. But if civil society is not up to this ambitious task, and donors do not have faith in parliamentary democracy and political participation and control, then they cannot delegate this important function to any national institutional actor and they are forced to be even more concerned about accountability, and thus to play a role that is even more political.

#### 4.5. Which role for medium-sized donors?

After having worked through a long and by no means exhaustive list of potential pitfalls, one might start to doubt the usefulness of the new aid approach. This is certainly not the impression we wish to convey. The NAA is better than anything the donor community has ever imagined in the past. By-passing the government with donor-managed micro-interventions and achieving in this way sustainable effects proved a Herculean task with limited success. Bullying the government into structural adjustment programmes did work, but to a limited extent only. Politically and socially complex and painful institutional changes in particular cannot be forced on a reluctant government. So NAA has it right in engaging with the government. The new approach has the great merit of recognizing that the politico-institutional dimension of development is crucial and that it is right and proper for donors to use their aid to help the state doing its development job better.

But the discourse on aid is about good intentions, it is a rallying cry for better policies, and as such it inevitably needs to be optimistic. If one takes a more cool analytical approach, some of the impressive expectations about the PD discourse inevitably unravel and fall apart. The intention of this paper is not to undermine the hopes and ambitions of reformers in governments and in the donor community, but rather to support their endeavours by setting realistic targets.

An underlying theme of this paper is that this new game is much more about politics than donors like to admit. Although donors recognize the political side of development, they still fail to think politically when it comes to the nitty gritty of managing the supply side of aid. The institutional concerns linked to development are still too often perceived as separate from politics as if these are two different universes. From a political science perspective, power and politics is about allocation and distribution of resources (who gets what, where and when, and who decides over allocation). Pro-poor development and poverty reduction is thus very much about politics, political choices and the political will to muddle through the power clashes that certain choices entail. Donors, whether they like it or not are part of this power configuration, and they stand –sometimes unaware - in the middle of bitter power struggles that their presence provokes. From that perspective, donors are profoundly political players, even when fully aligning to government priority setting and implementation, fully respecting the principles of ownership and partnership and refraining from using conditionalities. If the NAA and PD are to achieve the results they propose, development actors must become good political analysts. As we have argued elsewhere: ‘think politically, act technocratically’ (Molenaers & Renard 2007).

Fortunately, not all the problems that we have enumerated need occur at all times and in all circumstances. As the insights of the field research indicates the quality and nature of policy dialogue varies strongly from one case to the next, in function of the nature of the political regime, the quality of the leaders and the composition of the donor landscape.

#### 4.6. Implications for medium-sized donors?

Especially for medium-sized donors, understanding the collective action dilemmas of donors and the complexities of a particular context are crucial. What useful role a small to medium-sized donor can play in such a complex multi-donor undertaking can vary substantially.

The analysis throughout this paper suggests several reasons why ‘medium-sized donors should stay out of the kitchen’, some political and some technocratic. A political argument is that policy dialogue, even if labelled consensual, is at times tough. If too many donors are sitting around the table, all of them expressing slightly different viewpoints, then they will not be able to act decisively together, or they will act on a consensus that reflects the lowest common denominator. Another political argument is that too many donor experts sitting at one side of the table reduces the chance of a genuine exchange of views. Donors will dominate through their sheer number, and local ownership is less likely to have a chance to emerge. There is also a technocratic argument related to this: too many white faces will dwarf local insights and expertise, and unorthodox but workable local solutions will be buried under copy-pasted imported ‘best’ practices. Another technocratic reason is that it is highly unlikely that the umpteenth donor will add any genuine new insight. If you have the World Bank, the EC, the Scandinavians, Canada and Switzerland already at the table with all their experts, what is the brilliant idea that yet another expert from a medium-sized donor could bring? The argument is not that medium-sized donors would field less experienced staff, or be less competent because of their size, but rather that adding experts to the table is subject to the law of diminishing marginal productivity. Should medium-sized donors not better stick to being silent partners, as far as policy dialogue is concerned? This is the existential question that must be addressed. The issue is especially relevant with respect to general budget support. In the case of sector budget support, the number of donors may be typically much smaller, and the problem proportionately less acute.

During the 1990s policy dialogue was dominated by the World Bank and the IMF. The World Bank has underwritten the NAA, in fact it was one of its major architects. At the same time it is keen on guarding its own strong position, and has a tendency to impose its own views. For the bilateral donors, the NAA offers the opportunity to gain influence, but this will only be the case if there are enough bilaterals joining and enough financial resources are brought to the table. Big players (US, UN) do not need to participate in the NAA to gain influence, but medium-sized donors have to. But then they can gain considerably, especially if they work closely with similar donors. From this perspective medium-sized donors might be particularly keen to participate in the NAA.



## 5. VIEWS FROM THE FIELD. POLICY DIALOGUES IN VIETNAM, TANZANIA, MALI, AND DR CONGO

### 5.1. Political and institutional assessment of the Policy Dialogue

In this section we will focus on how the donors involved in the countries we visited assess the nature, the scope and the quality of the PD, and to what extent the above mentioned collective action problems are effectively encountered at the level of PD.

First of all we briefly sketch the situation of the four countries in terms of political and technocratic governance and link it to the donor assessments of PD<sup>[7]</sup>.

**Table 4: World Bank 2006 Governance indicators**

	DR Congo	Mali	Tanzania	Vietnam
Voice and accountability	-1.62	0.34	-0.26	-1.42
Political stability	-2.31	0.01	-0.17	0.42
Government effectiveness	-1.61	-0.41	-0.31	-0.37
Regulatory quality	-1.51	-0.41	-0.40	-0.49
Rule of law	-1.68	-0.32	-0.47	-0.43
Control of Corruption	-1.43	-0.56	-0.37	-0.66

Source: World Bank Governance website

Note: scores vary between -2.5 and +2.5. Higher scores indicate a better governance situation.

[7] It is important to mention that the selection of countries was not meant to be representative in any way. DGDC Brussels had written a letter to the development cooperation attachés in all 18 Belgian partner countries, explaining the purpose of the missions, and asking whether they would like to host a mission. From our side, we were eager to include at least one Francophone and one non-Francophone African country, and one non-African country. For pragmatic reasons, we decided to limit the number of missions to three. We got positive reactions from Mali, Tanzania and Vietnam, and were happy with that mix. We also got a request from the attaché in DR Congo, and although this country did not fit well in our criteria, we decided to include a mission to DR Congo as well. However our terms of reference for that mission were different. We were invited to give a seminar on the NAA and on PD for the donor community in Kinshasa. During the mission, we had some further contacts with Belgian development cooperation, but we did not organize a similar series of interviews as we did in the three other countries. Most of the paper is therefore based on the interviews in Mali, Tanzania, and Vietnam, although we will sometimes bring DR Congo in the picture. Both authors were present, often accompanied by an attaché (their names are listed in annex) from the Belgian embassy (development cooperation) The selection of the persons to be interviewed was the result of an exchange between the authors and the Belgian embassy. We indicated a preference for the so-called 'like-minded' donors because of their active involvement in NAA and PD, but we were also interested in seeing some of the other agencies, including some of the multilaterals. We were interested in Canada and Switzerland, because they often select a similar Francophone-Anglophone mix of recipients in SSA, and because they are close to the like-minded without being completely assimilated in the group. In addition we wanted to meet with the government, and with some national and international CSOs. We asked the embassy to select a list of people who responded to our criteria, and who in addition were experienced, outspoken, and willing to share their insights. The embassy often suggested additional donors who were interesting in their opinion, and once the list was completed, they contacted the persons and organized the meetings. We managed to meet most of the people on the list. We used an open-ended list of questions, with every interview taking approximately one hour. We asked about the experience of the interviewees, who where all involved in some way in the policy dialogue. We asked them to explain the policies of their agencies in the country, and how they themselves experienced the role they were playing. When interviewing government officials or representatives from CSOs, we likewise asked the views of their government or CSOs. In all cases we explicitly asked what advice they would offer to a donor of the size of Belgium. As the interviewees were partly chosen for their personal experience and qualities, we were interested in their personal assessment, as much as in the positions of the institutions they worked for. We emphasized that we would not quote them or otherwise identify their personal views. We also took ample time to discuss with Belgian public actors in the countries we visited. We were interested to hear the views of the ambassador, the development cooperation attachés, and selected BTC field staff and experts working for Belgian development cooperation about the same issues, and how they saw the role of Belgium in PD.

### 5.1.1. The case of Vietnam

According to the well-known World Bank Governance Indicators summarised in Table 4, Vietnam has relatively good scores on technocratic governance (government effectiveness and regulatory quality). In terms of political governance the picture is more complex: voice and accountability score quite low, but this seems not to be related to political stability, which scores high. The picture that emerges from the literature and that was confirmed during the interviews is one of a state eager to move in a direction that largely conforms to the liberalization agenda of donors, not because of donor pressure but because of national political priorities. The government is therefore relatively open to the advice from donors in this regard, but at the same time it is reluctant to engage in policy dialogue on the more political issues like human rights, press freedom or an autonomous civil society. There have been some noted successes which donors claim to have obtained through PD. For example, Vietnam has infused its own socialist top-down five-year planning approach with the principles of the PRSP. The outcome is a Socio-Economic Development Plan (SEDP II 2006-2010) that is more comprehensive, less top-down, and more participative than before. The budget is now debated and voted in the National Assembly, and is published. And the state auditing office reports to the National Assembly where the debate is becoming more vigorous and frank, and where the government has come under strong attack because of corruption. Finally, although the authorities remain wary about anything resembling Western style NGOs, some openings are being made. All these changes represent positive evolutions very much in line with what donors hoped to achieve, and our interlocutors suggested that aid has been an important contributing factor.

On the other hand, some donors mentioned that general budget support has a centralizing effect which might not necessarily be positive given the already very centralized nature of the state. One way of dealing with this tension is giving budget support to lower levels of government. Quite some donors believe in the healing effects of decentralization: to give some counterweight to the national state, to improve planning, formulation, to increase coherence, etc. And this is not just in Vietnam. In Mali and in Tanzania, almost all of the interviewed actors expressed their belief in the potential benefits of decentralization and PD at that level. One may ask whether such a strong belief in decentralization, that stands in contrast to the critical view from literature (eg Moore & Putzel 1999), could be in part interpreted as an attempt by donors to find a fix for not being able (through the NAA and PD) to fully push the central government toward the so aspired reforms and better development performance.

Some of the positive results in Vietnam are perceived as attributable to the harmonization and alignment efforts of donors. Donors try to harmonize and coordinate in order to deal with a headstrong and committed but also authoritarian government that is economically highly successful and not really aid dependent. Donors accept that they do not have enough clout to push the Vietnamese government much on some more political issues such as political and civil rights. The PD in Vietnam and the harmonization efforts on the donor side partially reflect this assessment. The World Bank dominates the scene to an extent seldom seen elsewhere, and the PD is highly technocratic in nature, with conditionalities that are almost exclusively consensual. Donors seem to suggest that this is the best tactic in the circumstances. It was repeatedly said during interviews that adversarial conditionalities are just not an option in Vietnam. An interesting incident was reported. Sweden was unhappy about the fact that the Vietnam Development Report 2007, the joint donor response to the reporting by the Vietnamese side, did not contain a

stronger reference to the human rights situation. As the World Bank refused to give in, Sweden marked its displeasure by symbolically refusing to sign the report. Also during our visit a consultancy report was being discussed that argued for a larger role for the other donors in the PD by suggesting for certain sectors a system of co-chairs with the World Bank (Bartholomew & Dom 2006). The World Bank was at that stage reluctant to concede on points that seemed quite reasonable. Although the bilateral donors were thus grumbling about World Bank dominance, they were only mildly contesting the present PD setup.

Sweden seemed to follow an interesting two-track strategy: a supporter of NAA and active in donor forums, it did no longer provide general budget support, for reasons discussed above and related to the political evolution in Sweden, substituting slightly less aligned and harmonized aid modalities, and exercising bilateral influence through its close contacts with the political authorities. Sweden provided support to the National Assembly and the press, but also to the Vietnamese Academy of Social Sciences, an official body which is close to the Communist Party, and seemed to manage to be close to the regime while at the same time remaining critical. Because of its support of Vietnam during the 'American war', it retained its privileged access to the highest authorities, and used this to press its own points on political issues that many other donors regarded as off limits.

The bilateral donor representatives we met demonstrated a clear understanding of the limited role that civil society was allowed to play, and they were very prudent in their support for national CSOs. This suggests a realistic approach we tend to agree with. There seems to have been some modest progress over the years<sup>[8]</sup>. With the active support from the donor community, one national CSO platform (the Center for Sustainable Rural Development) was allowed for the first time to participate in the annual Consultative Group meeting in December 2006. This same CSO was chairing the Working Group on People Participation, one of many such groups set up in the framework of harmonization. Representatives from local and international CSOs indicated that the NAA gives more autonomy to the state in implementing national development plans. They acknowledged this as a strong point, but felt that there was no matching effort by the donor community to strengthen civil society. This point was made in almost identical terms by representatives from CSOs in Tanzania and Mali. It seems unfair to expect civil society to adapt and change its role in order to make the NAA work, yet when it comes to strengthening civil society, donors mainly stick to funding mechanisms for local CSOs that are deemed unworkable for governments<sup>[9]</sup>. Funding modalities often remain project-based, and donors do not seem to harmonize or align their endeavours to strengthen civil society organizations. Why do donors not apply the same principles of good donorship when it comes to national civil society? Why not grant results-based core-funding, the equivalent of budget support, to selected CSOs that can provide guarantees of financial propriety? Donors could where needed insist on institutional reform and capacity strengthening. Some donors undertake efforts in this direction, but there is not anything equivalent of a Paris Declaration for the relation between donors and CSOs.

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[8] This is what donors but also representatives of civil society told us. This is also our own impression of the changes that had occurred since our last visit to Vietnam in 2004 during which we focused in particular on the role of civil society.

[9] Programme funding has become a dominant way for bilateral donors to finance INGOs at headquarters, but the same is not true for the so-called direct funding of CSOs in the recipient countries.

Whichever way, Vietnam is a promising case for the NAA and the PD because what might be considered the mother of all principles underlying the NAA (the second part of principle 7 of section 2.1) is fulfilled in this country: there is national ownership over development programmes and there is willingness and capacity to implement development-oriented reforms. It is also a country that gives ample illustrations of how technocratic improvements can have political consequences. It is more questionable whether these improvements are mainly due to donors. Yet even if donors can be given only partial credit for what is happening in Vietnam, that is in and by itself laudable.

### 5.1.2. The case of Tanzania

Tanzania has slightly better scores on political governance than on technocratic governance. One weak spot, however, worries the donors: the lack of capacity in the public sector. Even the crucial Ministry of Finance was said to be overstretched and lacking in qualified personnel. But there is more. Many donor representatives were acutely aware that the PD did not reach deep into the arenas of political power. The GBS donors were conducting most of their PD with Principal Secretaries<sup>[10]</sup>. In interview after interview we heard the representatives of the donor agencies express their doubt about the genuine commitment of the government to implement the major reforms convened with the donors, such as public sector reform and decentralization. One donor interlocutor stated quite openly “they’re milking us like cows, and we let them”. Several interviewees indicated that the donors would not let the image that Tanzania was a success story be shattered by a critical attitude, and were so keen to keep high levels of aid flowing to Tanzania that putting pressure on the government to perform better was out of the question. Typically, field staff blamed headquarters and politicians at home. It was suggested that the Tanzanian political elite was very much aware of this, and therefore did not feel really under strong pressure to reform.

Tanzania has a multi-party political system, elections are regularly held, and the country is hailed as one of the more stable democracies in Africa. Yet several interviewees reminded us that the same political party (CCM) has held a tight grip on power since independence. Even if it is admitted that within CCM there is relatively open debate and that CCM is sensitive to public opinion, crucial debates and contests of power are taking place behind closed doors, and power rests with a handful of party leaders. Corruption is a major issue, and the political elite is not willing to promote private sector economic development, not so much for ideological reasons as for reasons of self-interest. It is not that donors are not sensitive to such political and institutional dimensions. On the contrary, since the advent of the NAA several donors have commissioned valuable studies on the political system in Tanzania<sup>[11]</sup>. Individual donor representatives were aware of the importance of this dimension, but as a group donors did not seem willing or able to wield their collective influence as providers of generous GBS to be as stern with the government as their professed commitment to pro-poor development would dictate. An incident illustrates the state of mind of the donors. In 2006 Denmark was providing GBS with a 20% variable tranche that was linked to an indicator picked from the Performance Assessment Framework (PAF), and that concerned an anti-corruption bill that the government had to

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[10] This illustrates a mismatch in the new style PD that we encountered in most of the countries that we visited over the years: donor technocrats and middle-ranking government officials talking to each other about governance problems that only the highest authorities can address.

[11] See Hyden (2007) and the references cited there.

bring before Parliament. The target was not achieved, and Denmark decided not to release the tranche. Some representatives from other donor agencies indicated during the interviews that they did not agree with this principled stand taken by the Danish, although it was all according to contract, the government had no good excuse for not meeting the target, and this type of donor reaction is of the essence of PD. On the more positive side, donors also pointed out areas where progress was taking place. A new procurement law was mentioned, as was the better integration of the budget in the PRSP, and the creation of a National Audit Office.

The support that donors provide to CSOs did not seem very well thought through. In the NAA strengthening CSOs is a way of promoting downward accountability. But donors do not do this very effectively. Although there are a number of positive cases, such as the fact that donors have been supporting independent national think tanks (like the organization REPOA), or have put critical studies in the public domain, so that the media and CSOs can make use of them, we heard several complaints about donor weakness. Donors do not seem to have developed a coherent strategy in their efforts to strengthen domestic accountability, through CSOs and otherwise. This is something that we have come across in many other countries where we have conducted field interviews on the role of civil society during the last years.

### 5.1.3. Mali

The story that can be told about the political reality in Mali has many resemblances with Tanzania, which is in a way quite unexpected if you only look at donor indicators. Just like in Tanzania political governance in Mali is better than technocratic governance. Yet Mali seems to have bigger problems on the technocratic issues. This reality sets the scene for an interesting pattern in donor behaviour, which in some ways is strikingly similar to the Tanzanian experience. Given the turbulent region, donors highly appreciated the political stability and the electoral democracy. Quite some donors were charmed by the ‘consensual politics’ the president employs. These strong political points have led to the provision of generous aid, including, prudently, new aid modalities. On the other hand, the NAA is not fully deployed in Mali. Although the country received generous support from the EC, it had not received flexible aid from the World Bank (PRSC) on a scale comparable to countries like Senegal or Burkina Faso. Also, the ‘consensual politics’ were perceived by some as a hindrance, a time-consuming, inefficient, non-transparent and costly mechanism over which donors have neither control nor insight and which sometimes led to questionable results.

But the good political track record in the end seemed to overrule such reservations. Several interviewees suggested that donors were not pressing the government enough on the really important issues such as corruption and institutional reform of the state. One donor representative felt that donors were too ‘timid’ during PD. Mali seems to demonstrate the tension between promoting political and technocratic good governance. Several donor representatives we met showed a keen awareness of these issues. In the informal setting of the interview, one interviewee said in an exasperated voice that with regards to development there was zero leadership and zero ownership on the part of the government. The government just accepts anything donors propose, but then does not “take ownership for it” and therefore does not implement. Other interviewees referred to the neo-patrimonial nature of the state in Mali, but they were apparently unable to influence policies in headquarters on such sensitive issues, and the impression

we got from the interviews was that donors were too uncritical of the major flaws of the regime. A slightly different reading of the same phenomenon, offered by another interviewee, acknowledged the lack of political ownership at the highest level of government, but added that there was also a serious lack of bureaucratic ownership because of capacity problems. The bureaucracy had been fatally weakened under structural adjustment reforms and this also in part explained why national staff sitting in on the PD were cowed into accepting everything donors proposed, but without having the autonomy or capacity to carry this through to the level of execution.

CSOs in Mali seemed to be much weaker organized than in Tanzania. Several donor representatives complained about the many structural weaknesses of local civil society, and the fact that it seemed unable to get itself organized. During the interviews we did not find much evidence of any serious efforts at donor harmonization in their support to CSOs, a situation echoing what we found in the other countries. CSO representatives on their part complained about the donors. Donors said that CSOs had an important role to play, and they also argued that civil society in Mali was weak and divided, but they did little to help CSOs to become better. It was a question of funding levels that were too low, but also of a lack of selectivity, and of the choice of inappropriate aid modalities.

The Tanzanian and Malian experience are – in terms of trade-offs and tensions in the NAA and PD – quite similar. Both contexts show the limits of the NAA in a neo-patrimonial state. Although on the surface many necessary ingredients for the NAA and PD seem to be in place, the ‘real’ politics at play are situated on a level beyond the influence of donor technocrats. It is never very clear how much ownership there is over what exactly and there seems to be a constant tension between the power of vested interests and the development-oriented reforms the country needs. From the donors’ perspective, these countries, which fulfill the formal requirements of democracy, are allowed to get away with a lot of developmental (hence technocratic) underperformance. They pose no threat in terms of domestic accountability in the donor country. This is important since budget support is a direct support to the system, hence soft-peddalling on development oriented technocratic issues is less likely to provoke protest in the donor country. There is a tension between the democratic system which builds up credit at the donor side (especially at headquarters) and the need to push for development oriented reforms and take harder positions in that matter (felt by some field staff).

#### 5.1.4. DR Congo

DR Congo scores on governance almost fall off the charts, in the negative sense. It is therefore not surprising that the NAA is not being applied in DR Congo: structural aid still had to resume on a full scale, and not even the World Bank is providing budget support. Yet both the government and donors are greatly affected by the new way of thinking about aid. The government prepared a PRSP and had expectations of the donors moving towards the new aid modalities. And donors were prepared to think along these lines. They had jointly prepared a reaction the PRSP, where they set out the major issues. Everything was being prepared for a new style approach in the relations between donors and the government, including PD. But it was too early to even predict where things are heading at the time of our visit (March 2007). The poor scores in tables 2 to 4 above provide an indication of the difficulties ahead. Yet the reality of DR Congo also gives interesting insights in the potential of the NAA. Although many of the conditions for structural GBS are not fulfilled, it may well make perfect sense to proceed much more rapidly in

some sectors, in particular in health. A fully fledged health SWAP may not be realistic, but significant steps may be possible in that direction.

### 5.1.5. In summary

To end this section we briefly mention the four points that struck us most and that are bound to affect the role that a medium-sized donor will be able to play in PD.

First, the NAA is reshaping in profound ways the aid relationship in all the countries we visited. The new approach is no longer just a discourse and a set of intentions, it is becoming reality. Especially striking was that France and Germany, countries that in the beginning had reacted in a reserved manner to the NAA and had been reluctant to go along with an agenda set by the World Bank and the like-minded countries, were espousing crucial elements of the NAA and assigned a central role to PD. The same is true of donors such as Canada and Switzerland. It is true that important bilateral (US, Japan) and multilateral (UN system) donors are still operating in another mode, and it is certainly the case that here is still much old-fashioned donor micro-managed project aid going on, but the NAA and PD in particular are becoming more and more important.

Second, donors have a very long way to go in making sound development-oriented political analysis and harmonizing the ensuing insights in the PD. We found the PD dominated by technocrats, and their approach weak on political thinking, even though most of the problems they encounter in their daily work under the NAA and the PD are profoundly political, and they are aware of this. Strangely enough this 'political awareness' in daily practice doesn't seem to find its way into the arena of joint donor discussions. The NAA suffers from a very strong technocratic bias and this 'technocratisation' leads to overestimating the feasibility of reforms, the illusion that one can buy change, the risk of exaggerated donor optimism, turning a blind eye toward failure, a continuous search for fixable and manageable problems, while political consequences or preconditions for certain reforms are disregarded. Technocratic reform, even if often highly complicated, is easier to harmonize around: agreeing on what constitutes a good diagnostic for PFM (such as PEFA) and subsequently agreeing on how to prioritise public finance reform is much more straightforward than to make a similar diagnostic about the political system and how it impedes the developmental agenda and to decide what priorities for reform donors should jointly be promoting. Even staunch bilateral champions of the NAA such as the like-minded countries are often jealously protecting their own bilateral arenas for PD, and there is not much hope that this will change in the near future. The fact that the PD is only being harmonized for the technocratic dimensions of governance will remain a weakness of the NAA, for without concerted donor efforts on the political and institutional front long-term success is unlikely.

Third, in all the countries we visited decentralization was a major issue. It seems to be both an opportunity and a threat for the PD. Many thoughtful donors are investing in lower levels of government and wish to apply the NAA there as much as at the central level. This seems reasonable. Yet on the other hand it is difficult to imagine how donors can strengthen local government, and put pressure on local authorities for better governance, if too many issues remain unresolved at the central level. Nevertheless, decentralization may be one of the interesting niches for a small or medium-sized donor.

Fourth, donors have a lot of homework to do in their support of CSOs in the NAA. We found their analysis often superficial, and their actions inconsistent.

## 5.2. Putting it together

In this section we confront the field findings with the theoretical arguments put forward earlier in the paper where we highlighted weaknesses on both the donor and country side and where we hypothesised the likely effect on the quality of PD. The question is whether what we witnessed in the three countries confirms or contradicts these theoretical expectations. The answer is mixed. On some points the missions led to a confirmation, in others to a qualification, and in still others the approach followed in our field work did not allow any conclusion either way. Let us look at the results in some more details. We start with donor weakness and its effects on the PD. The results are summarised in table 5.

**Table 5. Donor weakness and its consequences: field findings**

		Mali	Tanzania	Vietnam
	<b>Donor weakness</b>			
1	Other goals	?	?	?
2	Dynamics at home	?	?	?
3	Technocratic – political balance	low: technocratic issues poorly addressed	low: technocratic issues poorly addressed	moderate: political issues addressed only timidly
4	Credibility of sanctions	low (some donors' darling)	low (most donors' darling)	low (donor darling and not aid dependent)
	<b>Consequences</b>			
5	Donor proliferation in PD	low success in tackling it	moderate success in tackling it	effectively addressed in GBS, moderately elsewhere
6	Fragmentation of PD	a serious problem that is poorly addressed	a serious problem that is moderately addressed	a serious problem that is poorly addressed
7	Reform overload	probably	probably	?
8	Fumbling donors	?	?	?

Let us start with the question marks, the unknowns. We do not wish to make generalising statements on donors pursuing other goals at the expense of development, or on the dynamics at home that thwart their good judgement (rows 1 and 2 in table 5). There was quite some anecdotal evidence that points in this direction, but we did not pursue the issue far enough during the missions to come to a firm conclusion. Similarly, the field missions did not produce irrefutable evidence of what we have labelled 'fumbling donors' (row 8), a behaviour that in an earlier section in this paper we associated with these two failings. However, we do not completely absolve the donors. The fact that we cannot be more affirmative has to do with the fact that some issues were sometimes too sensitive to talk about during interviews, that we did not have sufficient time to really go into things, and to the limited number of countries we visited and interviews we conducted. When it comes to reform overload (row 7), the same limits to our conclusions arise. It may well be that this is a problem, especially in Mali and Tanzania, but these are partial impressions on our side.



In all three countries there was considerable evidence of the donors mishandling the trade-off between technocratic and political dimensions of governance (row 3), much as we had predicted. The scale in Vietnam tipped the other way than in Mali and Tanzania, in that in Vietnam donors were under-stressing the political side of governance, whereas in the other two countries they were under-stressing the technocratic side. We appreciate that in Vietnam there is not much room of manoeuvre anyway so that the balance is only slightly tilted. In Mali and Tanzania on the other hand donors err considerably. We likewise found confirmation of the fear expressed earlier in the paper that donors may not be able to make the option of cutting aid or switching to less attractive aid modalities look very credible (row 4). In all three countries donors seemed far too eager to pump in the money to use to best effect the leverage they had. Vietnam is not aid dependent, and thus better able to withstand donor pressure. On the other hand, it is a keen 'globalizer', and from this perspective may be sensitive to criticism of donors who are also major trading partners. But the sanction of reducing aid is not very effective. Mali and Tanzania are much poorer and aid-dependent. Yet donors did not seem to use their negotiating power to put the government under more than very mild pressure. This is what most interviewees, especially on the donor side and civil society, told us, and we agree with this analysis.

We found considerable evidence of PD fragmentation and donor proliferation in PD in all three countries (row 5 and 6). Whereas proliferation is acknowledged as a problem and some measures have been incorporated in the architecture of the PD (one MoU for GBS donors, one PAF, joint annual consultations with all donors, rotating chairmanships, division of labour exercises), the problem of fragmentation, although acknowledged, is not tackled in a similar structured manner. This is of special importance for medium-sized donors who specialize in the lower end of the range of aid modalities: they risk engaging in PD whose results and issues will not be carried upward to other negotiating tables and risk being forgotten or discarded.

In table 6 we turn our attention to weaknesses on the part of the government and civil society, and their consequences.

**Table 6. Country weakness and its consequences**

	Mali	Tanzania	Vietnam
<b>Country weakness</b>			
<b>Willingness</b>	low	moderate	high
<b>Government strength</b>	low	low	high
<b>Capacity</b>	low	low	moderate
<b>CS capacity</b>	low	low	low
<b>Consequences</b>			
<b>High level PD</b>	low	low	moderate
<b>Absorption</b>	low	low	moderate
<b>CS contribution</b>	low	low	low

We felt more confident about the country weaknesses than about donor weaknesses. Given that we organised field missions to the countries and not to donor headquarters, this is not so surprising. The picture that we obtained is varied. In Mali all the problems we foresaw on the part of the government were indeed present. In Tanzania the situation was better, but only slightly so. Government willingness may be less of a problem, but even so this is not a developmental state, by a far stretch, and capacity is a major issue. Vietnam is a very different country, and qualifies in most people's definition as a developmental state. The observed government failings in all countries quite naturally had detrimental effects on the PD. It proved for instance difficult to get a concerted PD going between donors and highest level of government. In Vietnam the situation was better, and the issue less threatening. The same picture applies to absorption of PD results in the bureaucracy. This problem is present in all three countries, again with a slightly better score for Vietnam. Turning from government to civil society, our rankings in table 6 are similar for all three countries: on the basis of the interviews and our own expertise in this domain, we judge capacity low, and the contribution of civil society to the PD is no better.

The above links back to some of the issues we raised in section 3.3. Recipient governments are heterogeneous, multilayered, with different openness to policy dialogue at different stages in the political cycle, and with conflicting interests among many of the actors. This on the one hand weakens the possibility of a coherent policy dialogue, but it also offers donors a possibility to react to opportunities to support 'drivers of change'. This requires a sophisticated understanding of the political dynamics in the country concerned. Something similar is also true of donors. The NAA would not be so influential if it did not carry so much support in the donor community. And indeed most donors say they support it and are moving towards it. But progress is uneven, and some donors remain hesitant. The success of a particular policy dialogue therefore in part depends on the mix of donors involved, the level of decentralisation and the quality of the field offices. With regards to the mix of donors, some (the like-minded donors and the World Bank) play a strong role in pushing for the new approach, while others remain on the fringes because they have genuine doubts, or because institutionally they cannot engage in it. In some contexts big powerful donors take up the whole playing field without leaving much space for others, while elsewhere smaller and larger donors alike cooperate, coordinate and think about division of labour. In some contexts the donor landscape is polarized or divided, in others not. Levels of donor decentralization play an important role in terms of engaging in flexible forms of cooperation and harmonization, but even with increasing levels of decentralization the quality of field offices varies a lot. As a consequence of all these different factors occurring in different combinations, the quality, scope and the nature of the policy dialogue is uneven, varying with the particular donor mix and the talents of the representatives of the lead donor. This variable degree of donor capability and willingness to engage in the NAA is a factor that has to be assessed in order to determine how much is possible and of exploiting opportunities for important gains through the NAA and PD.

## 6. RECOMMENDATIONS

### WHAT DOES IT TAKE TO BE A GOOD (MEDIUM-SIZED) DONOR?

The implicit hypothesis in the set up of the combined field missions was that the bilateral donors we met (see table 1) are in many ways doing a good job. That was one reason why they were selected<sup>[12]</sup>. Admittedly, the selection was based on the informed judgment of the field staff working in these countries and ourselves as authors of the study, rather than on some more objective set of criteria<sup>[13]</sup>. All in all we are convinced that we met committed and competent donors, and useful lessons about PD can be distilled from observing their aid policy and management practices. On the basis of the field interviews, complemented with other information we have about these donors, we comment on six features: they have clear vision/mission, they are internally harmonized, they are fairly decentralized, they specialize, they have well-trained personnel that receives good backup from headquarters, and they are active networkers. We discuss these points, which to us seem interesting features for small and medium sized donors to emulate, in turn.

Good donors have **clear missions and views**. Hence they know when to focus on what and why, they know which battle to pick, and on which issues to raise hell. The donors we used in our study mostly compared favourably on this score with Belgium.

Good donors are **internally harmonized**. ‘Harmonization begins internally and at home’ would be a useful slogan in this regard. Counter indications are complex setups where different Ministerial departments are responsible for chunks of development cooperation, as is for instance the case in Japan or France, or where separate entities are responsible for implementation, as is for instance the case in Germany (GTZ, KfW, and others) and Switzerland (SECO and SDC). We leave France outside the picture here, because we have the impression that it is less well harmonized internally, notwithstanding some recent efforts at restructuring. We were informed about the plan being discussed in Germany to bring about an internal reform that would lead to a much higher degree of harmonization. Both in Vietnam and in Tanzania, the representatives of German development cooperation mentioned that a study on division of labour, eventual integration, and delegation to the field had been completed by PWC and that the German Audit Office had also been involved in the exercise. It was now up to the political level to take a decision. What struck us was that, in contrast to Belgium, the problem had been acknowledged and that solutions had been studied. German development cooperation tries to present a more united front to the outside world with a common office, and what looked like clear lines of authority. For instance GTZ or KfW may be doing the actual PD on behalf of Germany. But regular meetings at the level of the embassy ensure that these individual contributions are part of a

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[12] There obviously were other equally committed and competent donors that we did not have the occasion to visit or that did not meet some of the selection criteria. We want to make it clear that we do not make any explicit or implicit statement about the donors that we did not visit. The only point we make is that the donors we did visit were chosen in such a way that we could learn from them.

[13] A more objective method would have been to compare DAC peer reviews, or take donor rankings into account that are produced within the aid community (e.g. SPA, or the DAC monitoring of the Paris Declaration) and outside (such as the ranking produced by the Washington based Center for Global Development, or the implicit rankings that can be derived from econometric research into donor motivations). But such rankings do not quite capture what we wanted to include. We also repeat that our list is not only based on an informal assessment of their quality as donors. We in particular wanted to meet with donors with a good reputation but whose situation was also comparable in some respects to that of Belgium. And we wanted to talk to individuals who were experienced and willing to share their thoughts with outsiders.

coherent strategy of German development cooperation, and that inputs are passed on from one table of negotiation to the next, In Switzerland similar efforts are being accomplished to better harmonize the work of SECO and SDC. In Tanzania the head of Swiss development cooperation is at the same time representing SECO and SDC.

For most of the other donors this internal harmonization is not a big issue, because they have unified organizational structures or because integration has been achieved in the past. This means that there is no stark division between a department in charge of policy and another in charge of implementation. In Vietnam the representative of SNV indicated that it worked together smoothly with the Dutch embassy. SNV is autonomous from the Ministry and acts like a consultancy. It works at the subnational level, but links up with the embassy that takes over when it comes to PD. Official development aid is the responsibility of the Directorate General for International Development that is fully integrated in the Dutch Ministry of Foreign Affairs. In Sweden SIDA, the official government agency, is equally integrated in Foreign Affairs. In Norway NORAD has a similar status, and so has DANIDA in Denmark. Apart from France, the other donor in our list that has a separate agency for implementation similar to Belgium is Luxemburg.

Good donors are also **decentralized** to a much larger extent than is the case in Belgium. The World Bank and all the bilateral donors we met gave more autonomy to their field delegations. This is among others the case for the Scandinavian donors and for the UK (DFID). This does not mean that headquarters is not involved. At the EC for instance decisions on budget support are essentially taken at headquarters, sometimes against the advice of the field delegations. But even if the financial decision power remains with headquarters, field delegations of these donors have a considerable degree of autonomy when it comes to deciding on the release of annual funds. The head of the field delegation has a very strong influence, also in headquarters. Canada experimented with the full transfer of its geographical desk from Ottawa to the field in among others Mali, but the experiment was not generalized, mainly for bureaucratic reasons. A new experiment was under way in Mali at the time of our mission, whereby the country director was in the field. This means that the Mali desk in Ottawa was under his responsibility. In the case of another donor the delegation of authority to the field went so far that most policy decisions strongly dependent on the personal appreciation of the head of delegation. This might lead to a situation where the rotation of the head of delegation would lead to a major overhaul and change of direction in aid strategy. But that is an extreme case, and donor agencies have many mechanisms whereby headquarters ensure that notwithstanding a high level of autonomy heads of delegation implement the policy guidelines as set out at headquarters.

Good donors also concentrate and **specialize** to a much higher degree than is the case in Belgium. With almost no exception, the representatives of bilateral donors we talked to were able to describe clearly the way they were specializing. A donor for instance might concentrate on natural resources, or rural development, or decentralization. If more than one sector or theme was being selected, as was often the case, the donor at least tried to see how those two focuses could be combined so as to reinforce each other. Moreover such choices were mostly based on a clearly articulated diagnosis of the major challenges facing the country, on what other donors were doing, and on the expertise of that donor. A donor might further specialize in a peculiar policy issue, say ethnic minorities or anti-corruption, and intervene in PD from that perspective. Admittedly most interviewees also complained about there still being too many interventions being funded that were not coherent in such an overall strategy. This is also what

comes out of the DAC monitoring of the Paris Declaration. In Tanzania for instance the government was working together with the donor community on a division of labour plan to reduce the disparity of activities funded by every donor. Many of the representatives acknowledged that they would have a difficult time going all the way and limiting their scope to one or two sectors. Nevertheless we came away with the impression that this issue was seriously addressed by the donors we talked to in a way that was not the case yet in Belgium.

We were also struck by the **quality of the staff** we met. This was partly the consequence of the careful selection we had made of the people to be interviewed, and thus predictable. Nevertheless our positive findings in this regard suggest that the better donors are in effect able to attract very qualified and experienced staff and to groom them to become effective field managers. Some of the people we met were relatively new to their job, some came from the private sector, others had worked for other donor agencies, but many others had just grown through the ranks. This says something about the quality of human resource management that goes beyond hiring rules. Although we did not come across cases during the present field missions, we also know that the like-minded countries sometimes pool staff in one of the agencies that takes the lead on behalf of the others. What we did hear during the interviews was that there was often good backup from headquarters. This might for instance take the form of a temporary reinforcement of the field office when a donor takes the rotating chair of a donor group. These donors also commissioned relevant studies and hired external experts to support field delegations when required. Good quality of staff is also found at the World Bank. We were much less enthusiastic about the EC, where some of the delegations are clearly undermanned, and where staff is being side-tracked in excessive administrative tasks, leaving little time and energy for analytical work and PD.

Finally it is not surprising that good donors find each other and **mutually collaborate** effectively. The like-minded group, a very loose but highly effective network, is a good case in point. Collaboration at field level is much facilitated by the fact that there are similar exchanges at the level of headquarters, including at Ministerial level. In Vietnam the existence of a like-minded platform was mentioned. But the importance of networking is not necessarily measured by the frequency of the meetings. Donor field staff probably are in too many meetings already, so it is not evident that additional meetings are so useful. Much of the networking seems informal and ad hoc, and its power is related to the fact that there is a genuine degree of similarity in the way they look at things. This does not mean that the representatives of like-minded donors agree on everything, or that no mutual frustrations arise. We heard several critical remarks from people inside the network. But the overall impression is that at crucial moments they have ways to consult each other. This is important because PD is increasingly a collective effort, and it helps a lot to know that you are among a group of people who are effectively 'like minded'.

All the above characteristics are desirable for all donors, but there are some additional points which smaller donors might wish to explore. A point mentioned in almost all the interviews was that smaller donors may have an edge in being more narrowly focused and more flexible: they are mainstream but not entirely in the sense that they may try to fill in holes left by others, or they can care for orphan issues (because the bigger donors do not care or find those interventions too small), or they can try to be innovative on smaller scale experiments (it's better to be big in small things than to be small in big things). We heard very favourable comments for instance on Luxemburg because it specialised in one particular poor region in Mali, and had

developed strong expertise there. And, importantly, smaller donors can play a very important role within the donor community because they can take up responsibilities that require more neutrality and less agenda-setting interests. This was explicitly mentioned by the Swiss when commenting on their role as rotating co-chair of the GBS group in Tanzania, and this is also the experience reported by the Belgian attaché who co-chaired the donor group in Mali, again on a rotating basis.

At the close of this paper it is worth reminding the reader that our analysis has been heavily influenced by the fact that the NAA is a collective effort by design, much more than traditional projects and programmes. Medium-sized donors should feel comfortable in such settings in the sense that there is no strict way in which speaking time or influence is apportioned to the financial contribution. In PD it is not so much a question about money as about ideas, and medium-sized donors can compensate for their lack of money by being better at ideas. This is what some of the medium-sized donors such as Canada, Denmark, Finland, Norway, Switzerland, or Sweden or New Zealand are demonstrating. The advice that we asked their representatives to give to Belgium can be summarized as follows ‘Do not send big money, send a big<sup>[14]</sup> team, and give them responsibility’. This is of course a view from the field, and the advice concerns the field delegations. It should be obvious that there is also quite some work to do at headquarters, in addition to heed this advice. A field team will only be good, for instance, if there is strong human resource management at headquarters, and if field personnel is constantly backed up by headquarters. Providing some autonomy does not mean that field delegations are just abandoned. And much of the vision and drive must be developed at headquarters.

As far as strategic choices are concerned, medium-sized donors do have an important role to play in PD, once it is recognized that the NAA is about much more than GBS. Medium-sized donors can select from among a large number of possible niches. They can go for sector support, and from there construct a strong portfolio down to the level of projects. In this way they can provide a reality check for some of the larger donors that specialize in the macro-issues. It was the first time in more than five years doing field work in this area that this message was so loud and clear: new-style projects, emphasizing alignment over donor control, combined with programmes and sub-sector or sector support can be very relevant and highly useful. A portfolio approach and specialization are keys to success. Medium-sized donors may in addition opt for decentralized levels of authority, for instance in one or two poor regions. It was also suggested that medium-sized donors can afford to be more innovative and to take more risks, compared to larger donors.

Whether medium-sized donors also have to buy the ticket to a higher table of negotiation – in particular GBS – depends very much on the specific country settings. We think it is justified as a second-best strategy in cases where the trust among donors and the level of harmonisation is insufficient. This remains a difficult assessment, and as the interviews in Vietnam testify, different donors interpret the same reality in different ways. Experimentation and diversity can be a virtue in a domain where absolute certainties do not exist. If you are good, if you are flexible, if you have a clear idea what you want, if you specialize, there are many ways of being a smart donor. What is certainly part of being a smart donor, is to acknowledge what runs as a constant theme throughout this paper: that in the end the quality of the political diagnostic is crucial, together with the capacity to infuse technocratic PD with these political and institutional insights.

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[14] ‘big’ in expertise, not in size.

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## **ANNEX: PERSONS INTERVIEWED DURING THE MISSIONS**

### **VIETNAM**

#### **Belgian development cooperation**

*De Bouck Patrick*, Development Counsellor, Embassy of Belgium

*Lietaer Carlos*, Development Counsellor, Embassy of Belgium

*Smis Tom*, BTC Res. Rep., BTC

#### **Government**

*Lê Minh Hu'ng*, Director International Relations Department, State Bank of Vietnam

*Le Phi Yen*, Senior Expert, External Financial Department

*Nguyen Hai Yen*, State Budget Department

*Nguyễn Hong Yen*, Deputy Director, External Financial Department

*Nguyễn Thành Đô*, Director External Finance Department, Ministry of Finance

#### **Donors**

*Akkermann Patrick*, Attaché, Office for Development Cooperation of Luxembourg

*De Baan Pieter*, Country Director, SNV

*Egan John*, First Secretary and NZAID Manager, Embassy of New Zealand

*Eggenberger Markus*, First Secretary – Development & Cooperation, Assistant Country Director, Swiss Development Cooperation Office

*Laursen Charlotte*, Counsellor, Deputy Head of Mission, Embassy of Denmark

*Lerch Maike*, Director of Special Programmes, KFW office Hanoi

*Lien Molly*, Embassy of Sweden

*Lynne Kathryn Racine*, Development Counsellor, Embassy of Canada

*Ngo Minh Huong*, Development Advisor on Governance, Embassy of Norway

*Nordström Lennart*, Minister, Deputy Head of Mission, Head of Development Cooperation Section, Embassy of Sweden

*Seppala Pekka*, Counsellor, Embassy of Finland

*Vanderberghe Willy*, Head of Cooperation, European Union Delegation of the European Commission in Vietnam

*Waldvogel Markus*, Counsellor – Development & Cooperation, Country Director, Swiss Development Cooperation Office

#### **Civil society**

*Pham Thi Lan*, Programme Manager, Save Children UK

*Thomas Steve*, Country Programme Manager, Oxfam Great Britain

*Trine Glue Doan*, Co-Director, VUFO-NGO Resource Centre

*Zwack Geraldine*, Acting Country Director, Care International Vietnam

### **TANZANIA**

#### **Belgian development cooperation**

*Maddens Peter*, Ambassador

*Boonen Herman*, Counsellor for international Cooperation, Embassy of Belgium

*Shone Nebeyu*, BTC

*Von Oertzen Isabell*, Natural Resources Management Advisor, Ministry of Natural Resources and Tourism

#### **Government**

*Kabagire Alfred L.R.*, Programme Manager, LGRT

*Magonya Ngosha*, Commissioner for external finance, Ministry of Finance Tanzania

*Mdoe Charles*, Assistant Director Wildlife Development, MNRT Wildlife Division

*Mololo*, Desk Officer, Ministry of Finance Tanzania

*Ngingite*, Assistant Commissioner, Ministry of Finance Tanzania

*O'Discroll Brendan*, Chief Technical Advisor, LGRT

**Civil society**  
*Leach Valerie*, Coordinator for Policy Analysis, Repoa

*Rajani Rakesh*, Executive director, NGO Hakielimu

#### **Donors**

*Dal Winter Jacob*, First Secretary, Embassy of Denmark

*Nokkola Marko*, Counsellor, Embassy of Finland  
*Santala Satu*, Counsellor/Deputy Head of Mission, Embassy of Finland  
*Sirrs Reid*, Head of Development Cooperation, Canada High Commission  
*Spitzer Hanno*, Embassy of Germany  
*Stanton David*, DFID  
*Wennubst Pio*, Country Director, Embassy of Switzerland  
*Wolseley Jonathan*, Attaché, European Commission  
*Woringer Frédéric*, Attaché, European Commission

## **MALI**

### **Belgian development cooperation**

*Bertrand Daniel*, ambassadeur  
*Dynoodt Rudy*, conseiller de l'ambassade chargé de la coopération internationale belge  
*Rochette Ludo*, attaché de la coopération, 2<sup>ième</sup> secrétaire, ambassade belge  
*Van Impe Paul*, Représentant résident, BTC  
*Ziegler Mark*, Consultant indépendant  
*Paul Elisabeth*, conseillère, ministère de la santé

### **Government**

*Kade Sibidé Abdel*, Maire, Commune III Bamako  
*Samaké Ousmane*, Planificateur, Ministère de l'Economie et des Finances CSLP Mali  
 Civil society  
*Ahmadou Maïga Abdoulaye*, Secrétaire permanent, CAFO  
*Aïcha Cissé Nana*, Secrétaire administrative, Coordination des Associations et ONG féminines du Mali, CAFO  
*Alaye Touré Boureïma*, Président, CNSC/Conseil National de la Société Civile  
*Diakité Youssouf*, Directeur exécutif, AMM  
*Gindroz Anne-Sophie*, Directrice, Helvetas Mali  
*Lapointe Claire*, agente de communication, UNITERRA  
*Sangaré Sékou*, Coördonnateur, CNSC/Conseil National de la Société Civile

### **Donors**

*Diawara Alassane*, Représentant Résident, Banque Mondiale  
*Gagné Darquis*, Conseiller/Directeur-adjoint de la Coopération, Ambassade du Canada  
*Johansson R.*, Commission Européenne  
*Mathoma Pandelani T.*, Ambassadeur, Ambassade de l'Afrique du Sud  
*Pétillon Yves*, Ministre-Conseiller, Directeur de la Coopération, Ambassade du Canada  
*Sako O.*, PNUD  
*Sawadogo Malick*, Pool Technique, Banque Mondiale  
*Sissoko Bouaré Fily*, Chargée des opérations Senior AMMFL, Banque Mondiale  
*Steenks F.*, Ambassade Pays-Bas  
*Tranquilli Franco*, Conseiller Principal, Chef de la Coopération, Commission Européenne  
*Traoré N.*, Coopération Pays-Bas  
*Versé Didier*, Conseiller, Commission européenne  
*Vignacq Lionel*, Adjoint au Chef du Service de Coopération et d'Action Culturelle, Ambassade/Coopération française  
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