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JOINT LEARNING AND ADVISORY PROCESS ON DIFFICULT PARTNERSHIPS (LAP)

Workplan

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DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

WORK PLAN FOR THE JOINT LEARNING AND ADVISORY PROCESS ON DIFFICULT PARTNERSHIPS (LAP)

I. Introduction and Mandate

1. “There is broad agreement that aid tends to be more effective for poverty reduction in countries with sound institutions and policies. At the same time, the DAC has agreed on the need to work with fragile countries or ‘difficult partnerships’ by promoting the mutually reinforcing goals of peace, security, respect for the rule of law, human rights, and social and economic development – all of which are supported by dynamic representative political structures.¹ Donors recognise that it is imperative to secure the implementation of the Millennium Development Goals (MDGs) in all contexts, and ensure everyone participates fully in the development agenda. It is recognised that strategies to address the problem of difficult partnerships will include: i) promoting the conditions that enable political systems to respond to the needs of poor people, ii) maintain support for social services to poor people through both state and non-state entities, and iii) enhance effective donor coordination in difficult environments.² By establishing the LAP, the DAC seeks to continue to bring together experience of various donors in pursuing these and other strategies.

2. The purpose of the Learning and Advisory Process is to enable and facilitate partnerships and coordination among bilateral and multilateral donors. This will build on a knowledge base drawn from experience, research, and lessons learned on the design and implementation of development approaches in "difficult partnerships", including conflict-prone countries. It is also a unique process for bringing together experts on governance and conflict prevention and reconstruction to share methods and build on existing tools to enhance approaches to ‘difficult partnerships’.”³

3. The Work Plan of the LAP is designed to facilitate development agency collaboration in tackling the problem of difficult partnerships and look at specific country cases. This document may be adjusted on the basis of interests, priorities and commitments from participants. A development partnership involves political commitments to poverty reduction as well as financial and technical engagement by all partners. The capability of a developing country government to make such a commitment depends on its political system in particular how responsive the system is to the interests of the poor. A lack of political commitment is most often exacerbated by weak capacity in the government to develop and implement policy as well as the institutional weakness of non-state actors. Problems such as this — as well as human rights violations, political repression, high levels of corruption and violent conflict — characterise difficult partnerships [See DCD/DAC(2002)11/REV1]. In these circumstances, development agencies are reluctant

¹ It is estimated by the UNDP that over 500 million people live in such difficult country situations. When considering spillover effects of crisis or conflict, these numbers are even much higher.

² ‘Development Co-Operation in Difficult Partnerships’ [DCD/DAC(2002)11/REV1] (19 April 2002)).

³ Quote from Mandate in the “Draft Terms of Reference and Mandate for the Learning and Advisory Process on Difficult Partnerships (LAP)”, [DCD/DAC(2003)5/REV1].

to or unable to maintain full government-to-government relationships or to base their assistance on partners' development frameworks, if they exist. These types of partnerships require special attention and, over the years, development agencies have developed expertise for dealing with the problems these countries face. This group will bring together existing expertise and build on it where possible.

4. The main function of the LAP will be to serve as a point of reference in the donor community for sharing information, documentation, and experience in difficult partnership situations, as noted in the Terms of Reference and Mandate [DCD/DAC(2003)5/REV1]. It should use email, web-based sharing, teleconferencing and video conferencing where possible. It is sponsored by the DAC Networks on Governance (GOVNET) and Conflict, Peace and Development Co-operation (CPDC Network) and will draw on the work and expertise of other DAC Networks and Working Parties.

II. Draft Work Plan Items

5. At the first meeting it was agreed that the LAP would facilitate joint work on a small number of key policy topics relevant to difficult partnerships and look at country cases as members bring them forward (e.g., Canada suggested contributing work on Haiti, Germany on Cambodia and Australia on Papua New Guinea). Participants also made a long list of topics, and three of those substantive areas (in addition to the web page development) are proposed below as a starting point for the work plan. The work on these topics will be illustrated by country case studies whenever possible.

- A. Donor co-ordination and working with local actors.
- B. Developing and sharing analysis and evaluating risk.
- C. Understanding aid allocation criteria and trends.
- D. Developing and maintaining a web-based resource centre

6. The LAP is committed to producing a progress report on the development of common bilateral/multilateral best practices in dealing with difficult partnerships (or preliminary good practice papers) by the fourth quarter of 2004 (NB: This work may be moved to the second quarter 2005, as there were some delays in launching the LAP in the DAC. However, since it a "progress report" it may simply be delivered in a preliminary version in 2004 and a more complete edition in 2005. The members need to discuss timing.) [DCD/DAC/A(2003)10/RD1]. The topics and corresponding tasks and outputs described below should be developed as components of this main output of the LAP.

A. Donor co-ordination and working with local partners

7. Enhancing donor co-ordination is in many ways the DAC's core business where it has greatest comparative advantage. This issue is also central to the dealing with difficult partnerships. Examining donor activity acknowledges that difficulties may arise from both sides of a partnership – and may be attributed to the actions of development agencies as well as partner countries.

8. Donor co-ordination is even more important where knowledge and analysis are thin: the most can be made of sharing scarce analytical resources. Yet since difficult partnerships often lack a PRSP or other agreed mechanism to guide co-ordination, the transaction costs of co-ordination are likely to be higher. This will also require building on local partnerships in civil society, local and non-state actors and often local government, an aspect that could be covered under co-ordination as well. Building on DAC work on conflict, and on donor harmonisation, more work is needed to understand the particular challenges of donor co-ordination in difficult partnerships and the promising mechanisms for meeting those challenges. This aspect of the work plan will build on work being done in the Working Party on Aid Effectiveness which may be asked to contribute material to the LAP.

Proposed tasks and output

- Consider issues papers and presentations to clarify the questions and **promising models in donor co-ordination and collaboration, including review of country cases**. This could include for example, looking at donor approaches to: **dialogue** with partner countries in difficult partnership situations and; to participation and involvement of civil society and decentralised authorities in the regular dialogue.
- Commission a paper on the **analytical importance of selective and prioritised donor engagement**, including a survey of supporting mechanisms (i.e. pooled social funds in Nepal, the SWAP initiative in Tajikistan, and the tripartite donor strategy in Papua New Guinea).
- Commission a paper on the existing mechanisms to promote improved linkages between the political and security dimensions of engagement with the economic and social dimensions of engagement; (examples may include Art 8 of the Cotonou Agreement, NEPAD, the Commonwealth Ministerial Action Group, government-initiated strategies in East Timor, and the work of UNAMA in Afghanistan).
- Present an issues paper on **policy coherence between ministries or departments**, including examples of good co-ordination on analysis, strategy, and operational implementation (i.e., the UK Global Conflict Prevention Pool).
- Coordinate with the Working Party on aid effectiveness.

B. Developing and sharing analysis and evaluating risk

9. Sound, comprehensive analysis of the situation in a partner country that would ideally be shared among donors seeking to improve co-ordination is key to success in these complex situations. This would be an area where the LAP can draw on work done in the governance and the conflict prevention and peace building communities. Socio-political and political economy analyses are not new concepts in development co-operation, though their impact on donor policies is still limited. They are conducted in many parts of the international development community, though some of the multilateral institutions remain confined in this area. However, this analysis is often not shared or has little impact on the formulation of programmes. One challenge is knowing which practical conclusions to draw from complex social and historical analyses. In difficult environments where the range of donor activity should be more targeted, socio-political analysis becomes especially important since it can help to identify which reform initiatives should be supported, and equally important, which early initiatives should take priority and how subsequent initiatives should be sequenced.

10. There is a growing recognition that one-size-fits-all approaches are likely to fail since they do not take into account the political economy incentives that operate to thwart reforms, or the actual histories of 'turn-around' countries, which rarely match pre-fabricated policy models. In developing analytical approaches, this work plan area would also look at what these countries and consider what paths towards progress are feasible, given weak domestic capacity for change and high risk of conflict and political instability.

11. Part of improving analysis more generally would also involve looking specifically at existing work on risk analysis. The response of the international development community to countries facing conflict, repression, or dysfunctional governments has tended to be reactive rather than pro-active. Devoting a smaller amount of development assistance to preventing a deterioration in governance, whether manifested through political impasse, breakdown of state administrative functions, or increased conflict - -

may be more effective than a larger amount of assistance devoted to cleaning up the consequences. Understanding the risks of deterioration is critical in designing aid-programming to be flexible and, where possible, to minimise exacerbating risk while strengthening preventative mechanisms. This is important for fragile states, but it is also important for partnerships with countries that are now considered to be relatively strong performers, but face risks of an interruption or reversal of this process. The Members of the CPDC Network and others have already done much work on the risk factors and early warning indicators for violent conflict, so the work of the LAP should incorporate and build upon this. More work may be required to understand trajectories of deteriorating governance and changes in political economy, particularly in those states that are not immediately at risk of conflict.

Proposed tasks and output

- Survey and evaluate existing methodologies for conducting political analysis of reform.
- Conduct case studies of a small number of ‘turn-around’ countries to learn from actual trajectories of change, recognising the diversity of historical experience and review “live” country cases presented by LAP members;
- Develop a better understanding of the political economy of international and regional dynamics that may perpetuate poor policy environments.
- Examine the extent to which existing aid modalities (including the PRSP process, Common Country Assessment (CCA), United Nations Development Assistance Framework (UNDAF), and pre-requisites for budget support and capacity development programmes) are able to incorporate political economy perspectives, and on donor-financed capacity building for aid dialogue.
- Consider how to develop a methodology that combines an understanding of both structural factors predisposing countries to risk, as well as an event analysis that elucidates the trigger-points of collapse, looking at countries that have reached an impasse such as Togo and Burma as well as cases of state failure such as Somalia.

C. Understanding aid allocation criteria and trends

12. Development research in recent years has stressed the importance of strong policy environments for aid allocation. Countries with strong policies and institutional performance can absorb higher levels of aid, and are likely to be more effective in converting aid into economic growth and progress against the Millennium Development Goals. The current consensus on this point has led to a substantial swing in aid allocation priorities, with several donors choosing to focus their aid programmes on a smaller number of “good performers”. This has led to two distinct phenomena in aid allocations. On the one hand, aid effectiveness research has created a difficulty within donor countries and institutions in justifying any development support, even at modest and targeted levels, in the poorest performers. On the other hand, political and security considerations have often over-ridden aid effectiveness considerations, with continued relatively high aid flows to some countries with poor policy and institutional environments. In other words, donor practice often does not match the prevailing donor policy consensus.

13. Given the large number of poor people who live in poorly performing countries, and the large impact that conflict and other problems can have on neighbouring countries and the international system, there is a danger that these countries are not receiving adequate donor attention in aid allocation decisions. It may be the case that the ‘good performers’ agenda will not only irrationally abandon some of the world’s poorest people, but also promote under expenditure now that will result in higher expenditure once violent

conflict and other negative externalities become apparent. Since many countries under stress suffer from low absorptive capacity, frequently combined with high rent seeking behaviour, research into aid allocation will not necessarily point toward higher grant or loan resources. It may point toward more resources devoted to dialogue, knowledge generation and dissemination, and constructive engagement through non-state actors.

14. The DAC and the OECD Development Centre sponsored a seminar in March 2003 that covered this set of issues. One finding of that seminar was that the aid allocation literature does not adequately address engagement in difficult partnerships.⁴ Further study and policy development are strategically important to shaping the response of the international development community. At least three facets of the issue arise.

- Are the existing aid allocation studies analytically adequate in their emphasis on good performance? Have they looked at different forms of aid in different country situations including difficult partnerships? Have they properly accounted for the spillover effects, for example in spread of conflict or epidemic diseases, of neglecting poorly performing countries? Have they looked at staff time devoted to constructive engagement and knowledge generation and aid transfers? Have they looked at other alternatives besides staff time?
- How consistent are existing allocations with absorptive capacity as measured by policy, governance and institutional indicators, both across countries over time?
- Policy-based aid allocation criteria are frequently trumped by political and security considerations to allocate resources in favour of countries under stress. Could enhanced analysis of risk and spill over effects help to structure such decisions within a coherent policy framework that would enhance predictability and aid effectiveness? What lessons from past experience can be drawn from 'two-track diplomacy' on what may have worked initially, during turn-around and in sustained recovery?

15. To address these questions and look at ways to make development co-operation work more effective in difficult partnership situations, these issues need to be considered. It may be helpful to look closely at criteria and how it affects donors' allocation decisions to support work in this area.

Proposed tasks and output

- Request a study from a member on current aid allocations, performance, and absorptive capacity in poor performing countries, with the aim of identifying whether existing allocations meet, exceed or fall short of capacity for effective aid utilisation, and the potential for increasing this capacity through the use of particular aid instruments and selective policy improvements.
- Request a study from a member on the spill over effects of poor performance (through, for example, conflict and epidemic diseases), including costing these effects and considering how they might be taken into account in the aid effectiveness and aid allocation framework.
- Conduct a study on how aid allocation decisions are made. Can risk analysis, cost-benefit and aid effectiveness thinking help support such decisions?

⁴ http://www.oecd.org/document/51/0,2340,en_2649_37413_2501555_1_1_1_37413,00.html

D. Developing and maintaining a web-based resource centre

16. Since the main function of the LAP is to provide a structure for sharing documents, experience, and information resources, it follows that its earliest and most important activity will be developing an infrastructure to facilitate these exchanges. This will only be possible if one or more members are willing to manage and/or finance it.

Proposed tasks and output

- Secure Member resources, in contributions or in kind, or both, to design and maintain a web page on difficult partnerships.
- Appoint a policy competent information manager to manage the reception, presentation, and posting of material on the web page, and to liaise with the editorial committee.
- Establish a small editorial committee to propose a conceptual structure for the web page, to advise on content, to take decisions on the extent to which content is available to the public outside the LAP and exercise a light supervisory capacity over its management.
- Periodically review and update the structure and content of the web page.
- At the end of the LAP, take a decision on the future of the web-based resource centre.

III. Proposed modalities for organising the work⁵

Participation and Modalities

17. The Learning and Advisory Process will conduct most of its business through email exchanges and establish an OECD-based website for members. Meetings can be held upon request. As much as possible, video and teleconference means will be used for communications.

18. Participation in the Learning and Advisory Process is open to all DAC Members and Observers, i.e. the IMF, the World Bank Group and UNDP, which have been supporting the interface with the DAC in this process. Other organisations and individuals would be invited to participate as expertise is required on specific issues or regions of the world. Such invitees may be from Member and Non-Member countries. Regional organisations would be encouraged to participate.

19. Voluntary contributions will be required to recruit staff to facilitate this process, commission work by consultants, and fund the participation of experts from developing countries. DAC Members and Observers would be expected to contribute financial resources.

Role of the Steering Group

20. The purpose of the Steering Group will be to take an active leading role and facilitate decision-making and functioning of the LAP. Interested participants from the DAC Members or Observers can take part in the Steering Group. The DAC Secretariat will also participate in the Steering Group. At least one representative from both the GOVNET and the CPDC Network will participate in the Steering Group in order to ensure a close interface between the LAP and these Networks.

⁵ This section is quoted from the “Draft Terms of Reference and Mandate for the Learning and Advisory Process on Difficult Partnerships (LAP)”, [DCD/DAC(2003)5/REV1].