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**DEVELOPMENT CO-OPERATION IN DIFFICULT PARTNERSHIPS**

(Note by the Secretariat)

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Contact: Mr. Massimo Tommasoli, tel: +33 1 45 24 90 26; massimo.tommasoli@oecd.org.  
Ms. Monique Bergeron, tel: +33 1 45 24 19 79; monique.bergeron@oecd.org.  
Fax: +33 1 44 30 61 47.

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## **DEVELOPMENT CO-OPERATION IN DIFFICULT PARTNERSHIPS**

### **Purpose**

1. This note addresses the issue of “difficult partnerships” and how the international community can support development in countries where the government does not share the objective of poverty reduction and lacks ownership. In these circumstances, the normal DAC partnership model does not work effectively. This paper recommends a new approach that has specific objectives and involves a range of measures that are tailored to the nature of difficult partnerships and to the specific country context.

### **The characteristics of difficult partnership**

2. 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 political commitment depends on its political system – in particular, how responsive the system is to the interests of poor people - and how well authority is consolidated within the state. 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 weaknesses of non-state actors.

3. Human rights violations, political repression, high levels of corruption, and violent conflict are characteristic of the most severe cases of regimes that are unresponsive and lack capability. These problems undermine not only economic and social development and efforts at poverty reduction, but also the trust that must exist between partners if they are to work together. In such circumstances, development agencies are reluctant or unable to maintain a full government-to-government relationship or to base their assistance on partners’ development frameworks.

### **The building blocks for an action-oriented framework**

4. The problems of limited political and institutional capability, and the associated difficulties, are not restricted to a small group of countries. They may be found in varying degrees in many countries. The quality of partnership with countries is best seen as a broad continuum from very poor to very good. Development agencies find some elements of fragility in many of their partnerships.

5. In the less severe cases, partnership difficulties may merit special attention and dialogue within the context of a normal development relationship in which donor support continues to be provided through government to a country-led programme. In more severe cases, development agencies may decide that they must restrict the level or type of assistance they provide through government.

6. In making such judgements development agencies should assess the government’s performance, its policies and capacity, and political commitment to poverty reduction over the medium-term, so as not to overreact to isolated events. The particular characteristics of each country - politics, beliefs, interests, greed and grievances- are likely to be different and highly contextual. In order to understand the underlying

issues of a difficult partnership, development agencies will need – jointly where feasible – to carry out deeper and better on-the-ground social and political analysis. Ideally the signs of a failing state which is at risk of violent conflict, for example, should be recognised in time to allow the international community to take action.<sup>1</sup>

7. The work conducted recently by the World Bank<sup>2</sup>, which focused on the countries with the most severe situations, has demonstrated that only 2 out of the 28 countries they identified had improved enough to graduate out of this core group. This finding suggests that such countries are unlikely to improve autonomously, i.e. without support, and that where such countries have received support in the past, existing donor approaches have not been generally successful.

8. Although withdrawing entirely may at first seem appealing, it has the potential of worsening the situation. It would leave large numbers of the poor without prospect of escaping poverty. There are risks of a spillover effect, in particular, of conflicts spreading to neighbouring countries and creating other risks, from disease to terrorism, for the wider international community

9. We recommend instead that the international community should adopt explicit strategies to address the problem of difficult partnership. Such strategies would include the following:

- *Promoting the enabling conditions that would make political systems more able to respond and actually more responsive to the voice and legitimate interests of poor people.*
- *Maintaining support for services to the poor through a pragmatic selection of those governmental and non-governmental agencies that share a commitment to poverty reduction and as appropriate help them strengthen their capacity.*
- *Adapting donor co-ordination and furthering policy coherence so that the effectiveness of the international community's efforts are enhanced and not relaxed as is presently more usual with difficult partnerships.*

#### **A. *Promoting pro-poor change***

10. Development agencies are already engaged in many poor countries in supporting democratic institutions and the enabling environment for democracy in society. The experience of development agencies whom we consulted suggested that it was by no means impossible to maintain such efforts in difficult partnerships. In such cases the strategy should be directed more specifically towards change agents inside and outside the state, to expose key players to new ideas and promote debate. Even under difficult conditions there are change agents who are worthy of support including parliamentarians, judges, the media, professional associations, and trade unions.

11. Political leadership matters, as does consistent and patient support for leadership that shows commitment in difficult circumstances. Experience in Latin America points to the positive influence that a group of like-minded reforming technocrats in government, not necessarily career civil servants, can have

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1. There is ongoing work in the DAC Network on Conflict Peace and Development Co-operation (CPDC) on addressing donors' innovative responses to co-operation in fragile situations, which could be helpful in this regard.

2. The World Bank task force on "Low Income Countries Under Stress" (LICUS).

on the adoption of new policy. In another case, support for the analytical capacity of a business association led to successful advocacy for policy changes.

12. Development agencies can contribute to building the capacity of civil society, as well as to creating an enabling environment for its advocacy role, including through moral and diplomatic support for the fundamental freedoms.

13. The private sector can play an important role as a potential part of the change agenda. There are examples of the private sector's contribution to improving transparency, for instance, the willingness of British Petroleum to reveal the size of its royalty payments to the Government of Angola and the participation of the Diamond Council of Antwerp in efforts to curtail traffic in "conflict diamonds".<sup>3</sup>

14. The international community should not overlook those measures that work primarily over the medium term, such as training future leaders or supporting small and medium business entrepreneurs and associations. Such measures could also include supporting village-level associations (which were sustained through the period of offensive rule in Afghanistan for example). It is important also not to neglect measures that will pay off only over the longer term. One such vital measure is the education of girls which has transformational impacts on society and values, as well as on women's confidence in participating in political processes. It may even be legitimate to work with an otherwise unacceptable partner on such intergenerational change in order to contribute over time both to poverty reduction and to building conditions for better governance.

#### ***B. Maintaining development activities in support of the poor***

15. The World Bank estimated that there are 500 million people living in the core group of what they define as the "Low Income Countries Under Stress". Most of these people are poor. The prospects of achieving the Millennium Development Goals (MDGs) in some regions depend on maintaining services for them.

16. There is consensus in the international community on the importance of addressing the delivery of services to the poor despite the difficulties encountered. However there remains some debate on the means through which these services should be delivered. In cases where government services have failed, development agencies may be justified in addressing the need pragmatically and employing methods that achieve short term impact but may not be sustainable in the longer term. One way of building up government functions rapidly in post-conflict situations can be to finance the recruitment of expertise from the country's diaspora or the international private sector. This is a complement rather than a substitute for longer-term measures to build sustainable local capacity.

17. Independent agency arrangements have worked in countries with generally weak and corrupt public sectors, at least, for a while. But governments in difficult partnerships may be reluctant to agree to the creation of agencies if they will lose opportunities for patronage and corruption as a result. In addition, experience suggests that independent agencies often get "highjacked" after some time and lose their independence. It is important that any such arrangements are affordable and are consistent with longer-term institutional development and ownership.

18. In many countries, the private sector, faith groups, international and local NGOs play important roles in service delivery because of weaknesses in the public sector. Development agencies will usually

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3. There is related on-going work in the DAC CPDC Network on working with business in relation to conflict prevention and the political economy of war.

have the option of working directly with these groups if the international community decides it cannot work through central government. Even in these circumstances it may also be possible to work with local government or local parts of central departments. These arrangements worked successfully in Nigeria under the military dictatorship and the local partnerships that were developed proved a valuable investment when normal development relations were restored with the democratic government.

19. The challenge in future cases is to plan and implement these arrangements on a comprehensive basis for which adequate donor funding (including appropriate forms of debt relief) will be necessary. This may seem at first glance to be in contradiction to development agencies' concern to ensure that more aid is allocated to countries that can use aid most effectively for poverty reduction. In making aid allocation decisions in difficult partnerships, development agencies should compare the benefits and costs of such aid with the 'without aid' case. The latter scenario may mean that the risk of violent conflict and failed states is increased by the neglect of the international community. These cases can lead to huge costs for humanitarian assistance and reconstruction, as well as to "contagion" effects, including regional instability, the spread of disease and shelter for terrorism and crime. On the other hand development agencies should also remember that it will always be much more difficult to operate effective services with wide coverage if central government does not co-operate. It would be unfortunate to allocate large amounts of scarce assistance to what turn out to be highly ineffective programmes. Thus the importance of finding effective ways of working in these countries.

### *C. Adapting donor co-ordination and enhancing policy coherence*

20. Donor co-ordination is key to improving difficult partnerships. This does not mean that all development agencies need to stay involved, or work at the same level of intensity, in any given situation. Organising co-ordination for a difficult partnership could include identifying focal development agencies (one or two) for certain tasks: policy analysis; support to the private sector; support to strengthening the political system; or sectors. The focal role in each area should be primarily to act as a gateway, not to monopolise policy space. Piloting, innovation, and encouraging new networks and actors to enter should be part of the risk-taking role of a focal donor.

21. Effective co-ordination requires more efforts in: sharing analysis; building common criteria for assessment; agreeing on the most appropriate conditions for engagement; tasking focal lead agencies; and building on the comparative advantages of both bilateral and multilateral agencies. Co-ordination on difficult partnerships needs to take into account regional dimensions of good governance and conflict dynamics, including spillover to neighbouring countries, or opportunities for constructive participation of regional organisations.

22. All policy instruments need to be taken into account so as to encourage greater coherence of relations with countries in difficult partnerships. Policy coherence in donor countries is key since development assistance is only a part, usually not the most important, of relations with problem countries. Relevant coherence issues range from exports of arms to foreign policy including terrorism, drugs and national security issues, trade (particularly access to raw materials), investment, security sector reform as well as historical ties. It is important to have clear, coherent national policies for dealing with these countries and to align policy instruments behind that policy. Development agencies and foreign ministries have more knowledge than other parts of their governments about developing countries. And development agencies are best placed to put current problems in the longer-term context of development and of the broader consequences for the country and its neighbours of development failures.

### **Key principles for action**

23. Work to date points to some key principles for action:
- Remain engaged.
  - Improve analysis of country issues and context.
  - Adopt specific strategies to address problems of difficult partnership.
  - Promote change that will nurture the political environment that leads to more responsive and capable government.
  - Maintain services for poor people to the extent possible working pragmatically with organisations inside or outside government that have commitment and capability.
  - Assess the case for aid against the “without aid” risks for the international community and poor people.
  - Intensify co-ordination but make it economical.
  - Address coherence issues across government.
  - Support locally-owned peer pressure mechanisms (e.g. NEPAD).
  - Consider the role of neighbouring countries and key regional leaders.

### **Follow-up**

24. We propose to collaborate with the World Bank and possibly others (including the United Nations Development Programme and the African Development Bank), on a conference to co-ordinate approaches on difficult partnerships, strengthening collaboration efforts already under way. The World Bank Group is planning to co-operate with the UNDP on pilot countries to support the implementation of the LICUS framework for learning purposes.

25. We propose that development agencies consider establishing a joint virtual advisory unit to share analysis and offer advice on approaches for particular country cases and to fill current gaps in knowledge by organising research and evaluations. Possible areas for co-ordination and research include:

- a) Analysis and criteria for assessing difficult situations. Research done by the World Bank and some Members suggests that work on common assessment criteria, as a complement to closer co-ordination on individual countries, would yield to more coherent and co-ordinated approaches to development co-operation in difficult situations. A comparative study of the criteria used in assessing trends and making decisions would be a first step in this regard.
- b) Develop transparent benchmark criteria to allow development agencies as well as development partners to track progress and trends for decision-making. This would also allow for better measurement of the impact of development assistance on the population.