



# How Can DFID Work to Eliminate Poverty in Difficult Environments?

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# DFID Goals

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- Legally mandated goal = **poverty reduction**
- Compliments but not identical to other UK foreign policy goals
- Promote following broad objectives
  - Economic growth
  - Pro-poor social and political change
  - Human Development



# Dominant Poverty Reduction Model

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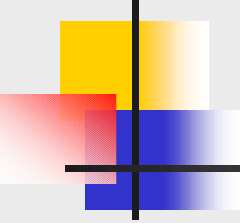
- Monterrey Consensus:
  - *Partnership* with recipient governments
  - *Alignment* of donors behind national poverty reduction strategy
  - *Allocate* aid to strong policy environments:
    - Sound macroeconomic policies
    - Good governance



# Why do we use a partnership approach?

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- Donor fashion
- Experience showed that other approaches did not work:
  - Little or no growth in poor policy environments
  - Conditionality failed
  - Conflicting and multiple donor policy goals are counter-productive
- End of the Cold War: strategic aid → effective aid



# How to work with poorly performing countries?

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- While DFI D and other donors are good at engaging with pro-reform governments, we often fail in the poorly performing countries
- What do we do where the principles of partnership, alignment with government policies, and rewarding good performance are not possible?



# Difficult Environments

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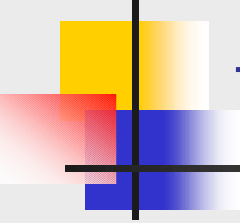
- A difficult environment = where the state is *unable* or *unwilling* to form a poverty reduction partnership
- Broader than conflict, broader than failing states



# Characteristics

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- States *unable* to be development partners because:
  - they have collapsed (e.g. Somalia),
  - have partial territorial control (e.g. Nepal),
  - are conflict affected (e.g. DRC, Sudan),
  - are politically unstable (e.g. Central African Republic)
  - or have highly dysfunctional governance structures (e.g. Nigeria)
- Or states *unwilling* to be partners because:
  - They have repressive or isolationist governments (Burma, Zimbabwe)
  - Elites solely committed to self-interest or staying in power rather than developing poverty reduction policies (e.g. Angola)

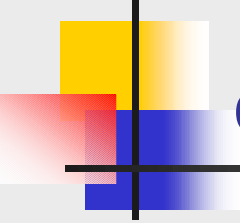


# What ideas are emerging? – Twelve proposals for action

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- Stay Engaged
  - Costs of abandoning countries is high (e.g. Afghanistan, DRC)
  - isolating and ignoring states is not proven as an effective change strategy
- Revisit aid allocation priority to 'good performers'
  - Global trend to allocate more aid to 'good performers' (MCA) for aid effectiveness reasons
  - But have we calculated the real costs of long-term decline and regional spill-over effects?





### 3. Understand the *internal causes* of conflict and poor performance

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- structural factors (e.g. Past conflict, demographics, economic change, greed or grievance)
- drivers of change: *who benefits* from erosion of state capacity and/or policies that do not respond to the needs of poor people?



## 4. Understand the external systems that allow poor performance

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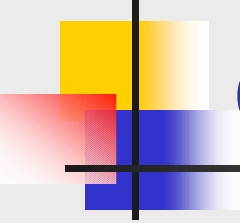
- Strategic rents (esp during cold war, but also war on terror?)
- Trade in small arms and light weapons
- International money-laundering
- Extractive industries: oil, diamonds, etc
- Rent-seeking from sovereignty: e.g. flags of convenience (Liberia), overflight fees, offshore internet and telephone income, etc.
- Havens for elite exit strategies: promise of comfort and impunity



## 5. Move from reaction to prevention

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- Distinguish between symptoms and causes
- Develop better prediction systems
  - Both structural trends and event analysis
  - Conducted regularly
- Link prediction to action (Strategy Unit)
  - Explicit decision-making procedures within Whitehall



## 6. Ensure that donors do not contribute to the problem

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- Donor co-ordination mechanisms to prevent 'donor-shopping' by unresponsive elites
- Rigorous donor action to fight corruption and fraud within their own systems
- Ensure we support systems so that elites respond to their own people rather than to donors



## 7. Delivery services through non-state partners

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- Commit to delivery of basic social services (water/sanitation, health care, education, security)
- Work through other partners
  - Local NGOs
  - International NGOs
  - Community groups
  - Independent Service Authorities?



## 8. Integrate security, diplomatic, and developmental tools

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- Co-ordinate interventions across Whitehall; work closely with Whitehall partners
- Ensure that security provision, peace negotiations and development work together
- Military presence: important deterrent to renewed conflict
- Challenges: common position on conditionalities
- Example of tripartite group on post-conflict reconstruction



## 9. Focus down on strategic interventions

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- Cannot do everything at once
  - Will swamp limited local capacity
  - Increased opportunities for rent-seeking from donors
- LICUS idea of 'zero-generation' reforms: what is essential to do first (e.g. security, public financial management)
- Need to get other donor signed up to a common targeted strategy



## 10. Develop new aid instruments

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- Wider use of social funds
- Quick-start projects
- Anticipatory engagement (e.g. Sudan)
- More flexible strategy and planning instruments, incorporating scenario analysis

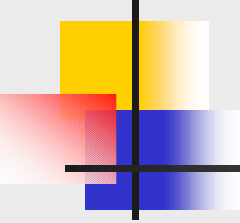




## 11. Support Global incentives for improved management of economic resources

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- General: reduce flow of income to unresponsive or self-serving elites
- Extractive Industries Transparency Initiative
- Kimberly Process on Conflict Diamonds



## 12. Enhance the capacity of the international system to respond

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- OECD Development Assistance Committee – dedicated group on difficult partnerships & co-ordination
- Int'l Financial Institutions:
  - World Bank LICUS initiative
  - IMF: political consequences of macro-economic policies
- EU: new security strategy
- Regional initiatives: eg regional peace and stability pacts

OECD DAC:

# Learning and Advisory Process on Difficult Partnerships

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- Establishing a common web site for donors:  
analysis, case studies, country strategies
- Work on donor co-ordination
  - Inter and intra-government co-ordination
  - Linking diplomatic, security, development responses
- Work on aid allocation
- Meetings to develop common country strategies  
– first meeting to be on DRC



# Possible consequences for DFID

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- It takes two to tango: we may be the cause of a failed partnership
- Deploy more staff than money in difficult environments
- Work more closely with FCO, MOD, Cabinet Office
- Better aid co-ordination & collaboration with other donors
- Need to move quickly (quick impact projects) *and* take risks