

# INCENTIVIZING GOVERNANCE

The EC's Governance Initiative  
for ACP countries

***CECOD***

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***ECDPM***

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# ***Intro - content***

1. Some background to the *Governance Incentive Tranche*
2. What it does...
3. And what it doesn't do.
4. What next?

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# 1. BACKGROUND

- EU policy on governance
  - Governance Initiative: Council Conclusions in 2006
  - *Governance Incentive Tranche*
  - Nice principles
  - Joint Review Process 2008

- Rationale for this tool:
  - EU will increase its ODA
  - Support to partners ‘that wish to progress towards better governance’
  - AIM: **‘to create incentives for a deeper political dialogue focused on governance’** (SWP)

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# What is GIT?

## How does it work?

- Composite tool
- Based on incentives not conditionality
- ‘Bold, innovative and visible’



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# **GIT: a composite tool**

## **Governance Profile**

- Analytical tool
- member states participate
- conclusions on identified weaknesses
- Conclusions shared with Gvt. (not public)

## **Dialogue**

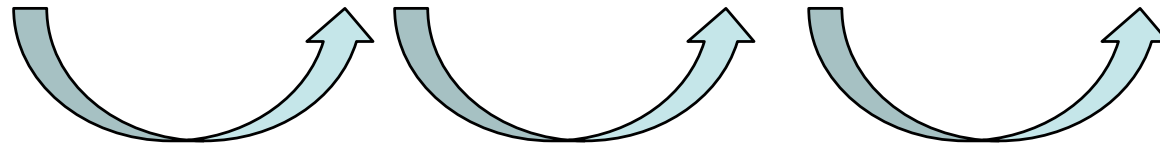
- Encouragement of partners to commit to G reforms

## **Governance Action Plan**

- 'contract' with commitments from partner Gvt.
- attached to Country Strategy Paper (public docs)

## **Incentive tranche**

- Qualitative assessment in Brussels, HQ and in EDF Committee
- 67 ACP countries received incentives of in between 10 and 30% top-ups



# How does it not work?

- EC Support Study (2008)
- EC Staff Working Paper (EC + EU MS experts)
- ‘Bumpy Road from Paris to Brussels’, Institute of Development Policy and Management ([www.ua.ac.be/dev](http://www.ua.ac.be/dev))

# The governance profile

## According to DG DEV

- Relevant and accurate analysis
- Rigorous in design
- Identifies weaknesses and priority areas for reform
- Enabling prioritization and informing dialogue

## Findings

- Too standardized
- Lack of insight in underlying causes of weak governance
- Not inclusive enough of other views
- Weak on fragility and state-building aspects

# Governance Action Plan

## According to DG DEV

- GAP relates to gaps identified in GP
- Firmly based on national PR strategies – ownership
- They contain no new conditionalities

## Findings

- Indeed GAPs are, on average, congruent with GP
- Yet, not sufficiently integrated in poverty monitoring frameworks
- Lack of realism: phasing, actions, funding
- Lack of prioritization, weak consultation, variable quality

# The incentive tranche

## According to DG DEV

- Central review and scoring to ensure consistency
- No transparency to avoid country ranking bias
- Emphasis on 'incentivizing' not 'punishing'
- Stronger governance in CSPs

## findings

- EC assessments of the GAPs is suboptimal
- Little differentiation between strong and better performers
- Weak financial incentive
- 'not always prominent ownership'

# Paris and effectiveness

## According to DG DEV

- In many countries, *'improved discussion between EU donors on governance issues'* – leading to shared understanding,
- There are a number of encouraging examples of greater coordination and cooperation among donors

## Findings

- In general, all that has not yet led to:
  - enhanced donor coordination,
  - joint action,
  - joint monitoring
  - or joint dialogue

# 3. GOOD NEWS: proposed changes

- Despite poor beginning
  - The big push
  - Mediocre review process ('Support Study', draft Staff Working Paper)
- A more realistic SWP (key EU member states involvement)

## Governance Profile

- new guidelines:
- use of local stuff
- draw on sector governance work: EuropeAid
- guiding principles: GOVNET

## Dialogue

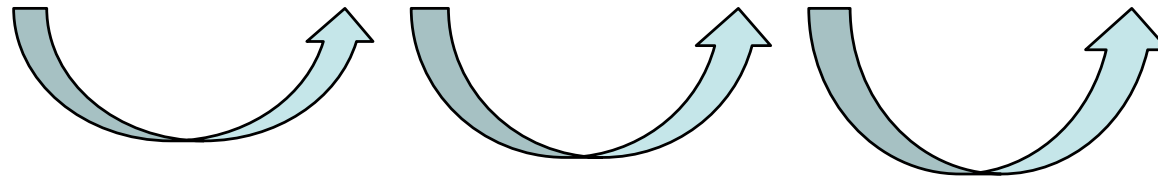
- Regular assessment of commitments
- + incorporation in political dialogue
- Political dialogue stepped up, systematic, regular and strategic

## Governance Action Plan

- new guidelines:
- greater inclusion
- monitoring and performance assessment
- integration in reviews

## The Incentive Tranche

- Modest incentive + member states bilateral programmes
- ***'CONCLUSION ON THE INCENTIVE NATURE OF THE GI IS STILL TENTATIVE'***



# More good news:

- MS recognition that maybe after all this is not such a great tool
- Concerns to be compatible with DAC
- Concerns to deepen governance diagnostics
- There is more research being undertaken

# 5. The bad news

- Strong push to spend
- Little interest to understand impact

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- There are a few conceptual, design and process flaws
- Review process:
  - Involves EC
  - And Member States
- Support Study + first Staff Working Paper

- Final SWP: more nuanced, some easy and hard remedies
  - Launched an initiative with “good potential to promote reforms owned by partner countries and to facilitate dialogue between partners”
  - “substantial improvements in EC/EU analysis of governance challenges”

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- “With an impact on programming and dialogue on governance”



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- Shortcomings
- Launched in haste
  - Lack of ownership
  - Lack of consultation
  - Lack of monitoring mechanisms on commitments

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- Knock ons:
  - Ownership
  - Alignment and harmonisation with other GAs
  - Inclusion of stakeholders

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- Next stages:
  - Method for monitoring and implementation of the GAPs
  - With a view of integrating governance into the 10<sup>th</sup> EDF MTR
  - Contribute to AE: move beyond information sharing, engage in joint analysis, joint responses,

- Within donor wide coordination mechanisms
- Situations of fragility: focus more on security and institution building where state building is of primary importance
- APRM: more “intensive interaction”

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- Work with MS so that
  - They can adhere more explicitly to this political dimension
  - The GP can become the EU reference for the governance analysis
  - The GAP can become EU reference for regular dialogue

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- Political dialogue:
  - Stepped up
  - Be more systematic
  - Inclusive
  - Regular
  - More strategic long-term perspective:  
set clear objectives

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# EC proposal: let's try harder..

- With the GP (better questionnaire, how-to manual, training of member states, etc.)
- With the GAPs (reliance on existing governance frameworks, joint donor monitoring of implementation, ..
- With integrating monitoring in the EC country strategy review mechanism

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### 3. What it doesn't do:

- Build on evidence of what has worked in the governance domain and what hasn't
- Integrate lessons from the EC's own work on governance and from MS experiences:
  - EuropeAid and sector governance
  - Public Expenditure and Financial Accountability
  - Drivers of Change analyses
  - GOVNET guiding principles on donor driven assessments

# What next?

Rather than try harder,

Try differently:

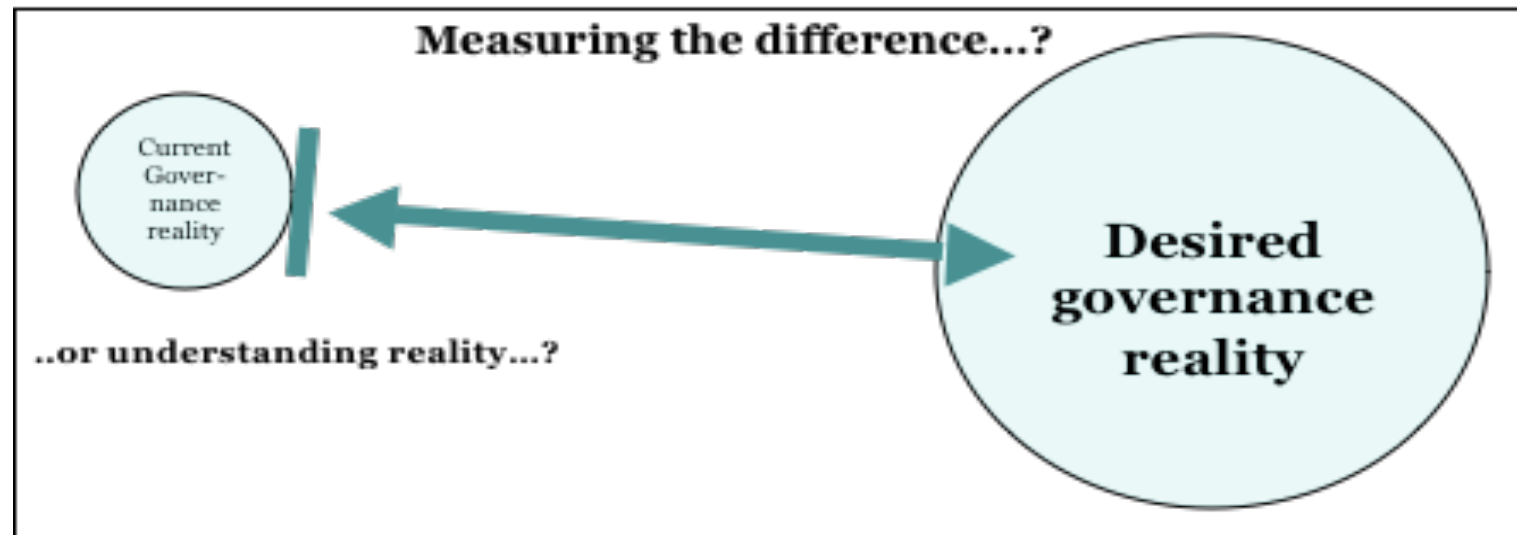
- *Change perspective*
- *Start from context – clever dialogue*
- *Adapt systems, tools and incentives*

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# *Change perspective*



# Example: the draft Burundi case study

- The case is poorly documented, poorly argued, and poorly analyzed – yet there are some interesting points
- The case is very critical of the lack of realism, lack of detail, lack of harmonisation, lack of incentive effects on governance programming and on political dialogue
- Moreover, the government developed two different governance action plans, one for the WB and one for the EC
- One obvious omission in the Governance Profile, the GAP and the country case: no mention of governance of the security sector

# *Start from context*

- What are existing dynamics and ongoing processes at strengthening governance?
- What are drivers of change? At pan-African level?
- At regional, national and local levels? What about the APRM?
- How can multi-actor dialogue inform the design of support strategies?

# ***Adapt systems, tools and incentives***



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# Quote-unquote

Question: Can anyone explain?

‘Governance is critical for building an effective developmental state because it strengthens the consensus on how we are governed’

EC Staff Working Paper

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