



Donor Approaches to Governance Assessments

OECD DAC GOVNET Conference on Governance Assessments and Aid Effectiveness

London, 20-21 February 2008

CONFERENCE REPORT

Introduction

During a 2-day conference in London on February 20-21, more than 100 governance specialists from 28 development agencies, 9 developing countries, civil society and academia discussed why, how and when donors assess governance in partner countries and which impact these assessments have.¹ The conference sought to take stock of present practices, stimulate mutual learning and find ways to cooperate so that assessments are better used by in-country stakeholders engaged in improving governance. The GOVNET event which was hosted by DFID built on a survey of the approaches actually used by donors and 10 country case studies.

The proceedings of the conference are reported here, focusing on the identification of key issues discussed and main conclusions/recommendations reached. The conference adopted innovative technologies allowing opinion polls to be made among participants on a number of questions. The results of these polls, as well as case studies, concept paper and case studies are available at the conference website.

Conference day 1: Exploring the field

The conference was opened by Ms. Alexandra Trzeciak-Duval, Head of Division, OECD/DAC who set the context and unpacked the conference objectives. With both governance assessments and aid effectiveness being issues high on the donors' agenda the conference was seen as an opportune chance to discuss how to combine the two areas of work: How can donors be better at coordinating governance assessment processes; at sharing governance methodologies and results? How can we make the best use of governance assessments? Can we look for replicable models? Given the plethora of approaches and assessment, it is timely to identify concrete practical outcomes towards harmonization of donor governance assessments.

In his keynote address, ***Governance Assessments, Domestic Accountability, the Paris Declaration and Beyond***, Mr. Mark Lowcock, Director General, DFID, further deepened the context by offering a historical perspective of governance assessments, looking back over the past 25 years. Tools have having evolved from technocratic models to current-days assessments encompassing political economy and social issues. The importance of governance assessments was addressed by presenting what senior management in agencies are seeking from the assessments:

- maximized impact of aid through improved programming;

¹ See conference website at www.oecd.org/governance/govassessment

- improved accountability to constituencies;
- enhanced dialogue with partners based on deepened knowledge of the country situation; and
- improved handle on political risks through enhanced risk analyses.

Two recommendations on how to enhance harmonization of governance assessments were offered. Firstly, to build on country ownership by supporting existing exercises such as the Rwanda self-assessment currently taking place, and the APRM country exercises. Secondly, for the multilateral agencies such as UNDP and the World Bank to take the lead within their areas of competencies, such as UNDP's source book/user guide development work and the Bank's corruption, public financial management and public administration work.

Following the keynote address, the findings of the scoping survey conducted in preparation for the conference was presented addressing ***stocktaking and emerging Issues: donor approaches to governance assessments***. The different tools in use were grouped in three categories: general, indicator based assessments which set up a general standard for governance and measure the gap between this standard and the reality; qualitative, political/institutional analyses trying to identify the causal factors behind the governance situation; and finally thematic and sectoral approaches which often combines qualitative and quantitative approaches and through their specificity may be more palatable and less burdened by grand assumptions than the general tools. A picture of "unprincipled diversity" was painted, urging participants to use the conference to advance towards:

- Clarifying assumptions behind the tools, and match tool & purposes carefully
- Exploring specific joint tools at sector or thematic level
- Supporting country processes and progressively rely on these rather than on own tools
- Be frank about the mixed incentives that donors face vis-à-vis harmonization in this areas
- Find the path to the high-level meeting in Accra and beyond in terms of specific actions to take this agenda forward.

The ***use and impact of governance indicators at country-level*** was then discussed, addressing primarily governance assessments making use of quantitative measures. Quantitative indicators were found to be effective and relevant when applied for benchmarking purposes comparing country performances; and this especially in the context of aid allocation decision-making. However, it was found desirable that there should be a separation between those developing indicators and ranking countries and those using the information for aid allocation in order to minimize risks of biases. Alternatively, as a minimum response to potential tensions, transparent review mechanisms of assessments results were welcomed, as it is now the case with the World Bank's CPIA.

In terms of impact on countries' governance performance, however, the general quantitative measurements were found to be less useful. Indeed, for the most, these assessments have not been designed for use in programming in contrast to specific quantitative instruments such as PEFA which serves as a basis for designing an action plan for improving public financial management. The warning against using general assessment tools for purposes they are not designed for thus came out clearly.

Nonetheless, the general quantitative assessments were found to play a positive role as advocacy tools and this especially for "almost-there" countries, where champions of reform can use the assessment results as an incentive for promoting positive change. Indeed, for the MCC programme it was found that the key incentive for change was not the funding that might be obtained if the governance score improved, but the fact that the assessment exercise helped getting governance on the agenda.

However, overall the governance snapshot indicators that the donor community applies today are not easily transformed into action at country level. The way forward may not seem to be in additional general and globally applied indicators, but rather in sector/thematic-specific indicators. Furthermore, the development of country-specific indicators should be pursued, tailored to the specific characteristics and governance context of individual countries. Many flowers have already bloomed in this area of work, such as e.g. the Mongolia case, but more needs to be done to enhance the impact of quantitative governance assessment tools.

Assessments applying power, politics and political economy analyses were discussed next in the session ***going behind the facade***, addressing instruments applying qualitative methods. It was found that somewhat in contrast to the narrower purpose of quantitative assessments, qualitative assessments have many different usages and users. The main purpose is to use the assessments results to inform programming and dialoguing at country-level. However, selectivity and accountability purposes were also deemed of value in so far that it allows a minister to defend a seemingly difficult/risky cause.

The practical difference resulting from making qualitative analyses is, however, yet to be assessed in a comprehensive manner. Several factors influencing how assessment results are used were mentioned. First, and foremost, it is a continuing challenge to make the assessments specific enough so that they are actionable. Secondly, in order to enhance usage of assessments by local stakeholders, the analyses need to be broad-based soliciting the views of the different agenda-holders. Such broad-based analyses should include assessments of the role of donors. Thirdly, in response to the high turn-over of staff, continuously training in qualitative assessment should be undertaken. This would also respond to the often experienced resistance and skepticism of field staff to new political economy approaches which are perceived as pointing to the need for a profound transformation of the way donors are doing business. Fourthly, donors should educate their constituencies about the fact that working for change requires not only a long-term commitment but also an institutionalization of the ownership idea: “this is a work of years and not of months“. Indeed, the experienced incompatibility between supporting ownership while aid agencies are input-driven illustrates the current weak institutionalization of ownership implications. It was underlined that country ownership should only focus on government ownership as long as the partner government is elected, inclusive and transparent. Fifthly, for those analyses pursuing capacitating of local stakeholders for change, the assessments should be made accessible and build in the extent possible on locally produced data.

The scope for harmonizing/rationalizing qualitative assessments was also discussed, concluding that both country- and HQ level initiatives are required. Regarding the latter, first steps are already taken with the recently conducted World Bank/DFID/Dutch informal meeting on the matter. For country-level initiatives, ad-hoc collaboration should be sought whenever possible, as illustrated in the recent Pakistan case presented at the conference. Further, local independent think tanks could have a special role to play as vehicles for greater ownership and harmonization/collaboration entry-points.

The morning session was closed with a partner country perspective on governance assessments: ***being assessed by others***. The impact of donors’ assessments on partners was first discussed; linking the issue to the purposes that donors are pursuing: the more aggressively the assessment is followed-up by demands for changes, the more potentially negative the reactions from partner country stakeholders. E.g. donors conducting governance assessments with the purpose of merely understanding the realities of the countries create little negative impacts unless sensitive information is handled carelessly. On the other extreme, assessments conducted with the purpose of advancing a donor driven political agenda may be problematic and potentially backfire.

Governance assessments can be made more palatable by involving country partners; and this ideally already as contributors to the tool development process as in the case of the Joint Venture for Procurement (JV-Proc) tool process. Further, involvement of partners in data collection and analysis enhances not only the overall quality of the assessment but is experienced as a more efficient mechanism for sparking change due to increased ownership of and buy-in to results.

To avoid pitfalls, broad-based consultation and participation is seen as critical. The overall conduct of the donors instigating the analyses is also critical: governance assessments require both moral and intellectual respectability, and this both at the local/national and global level.

In the afternoon **break-out groups** were formed to discuss the case studies and thematic assessments clustered around key issues:

- *Break-out group 1 focused on joint assessments* based on presentation of cases from Pakistan and Guyana on joint DFID/Dutch and IDB/CIDA/DFID/EU/UNDP assessments, respectively. In the ensuing discussion favorable conditions for joint assessments were identified such as a positive aid effectiveness context and country-anchored versus HQ- collaboration. Further, the harmonization issue was unpacked with the presentation of two hypotheses for when joint assessments were likely to occur: (i) if there is close alignment between foreign and developmental policy objectives then joint assessments are more likely; and (ii) in countries considered key in a strategically sense, the drive to conduct joint assessments is stronger. Finally, it was stressed that joint assessments do not necessarily mean full harmonization.
- *Break-out group 2 focused on multiple assessments in one country* drawing on the experiences of Mozambique and Uganda. A series of negative implications of multiple assessments on donor stakeholders were identified: increased transaction costs; lack of common agreement on the meaning of governance; and different donors drawing different conclusions from same assessments which may lead to mixed messages. For partner countries multiple assessments were seen as leading to more and better information. However, it was also recognized that more assessments do not (necessarily) lead to more governance improvements. Looking ahead, concrete actions for diminishing the costs of multiple assessments were identified: more research on costs/benefits of multiplicity; development of a common governance definition(s); and increased alignment to national processes.
- *Break-out group 3 addressed governance assessments and partner country participation and ownership* building on the cases from Madagascar and Cameroon. In order to enhance partner participation and ownership further clarification of terminology was required as a first step; including the distinction (i) between being assessed by and for others, and (ii) between consultation, participation and ownership – terms which are often (wrongly) used interchangeably. Further, the concept of governance also requires clarification including identification of the underlying normative issues. Three concrete actions to improve partner participation/ownership were identified: (i) align governance assessment processes to domestic needs and internal governance processes (and concepts), i.e. planning cycles and political calendars, rather than to agency programming cycles; (ii) build capacities and involve local research institutes and civil society constituents in conducting assessments; and (iii) partner with other donors in on-going harmonization processes, with a view to reducing transaction costs.
- *Break-out group 4 focused on the usefulness of assessments in conflict and crises* drawing on cases from Nepal and Kenya. Three lessons learnt were identified: (i) Good governance and conflict analyses may exist but may not be sufficiently used; (ii) there is a need for a whole of government approach to governance and conflict analysis; and

(iii) there may be tension between Paris Declaration ownership principles (sharing of assessment results) and the rigor of analysis.

- *Break-out group 5 addressed thematic and sector governance assessments on the basis of a transportation/construction/procurement case from Mauritania and a human rights case (right to food) from Nepal/Malawi. The presentation of the cases illustrated why such assessments are important: (i) thematic and sector governance assessments give concreteness and specificity which allow stakeholders to more directly relate to broader concepts and assessments of governance; (ii) the understanding of how sector/thematic governance inter-relate with the overall context can help identify constraints and entry points to what can be done at the sector/thematic level; and (iii) sector/thematic governance assessments can provide powerful insights into governance of aid and improved donor coordination at sector level. Also, it was stated that good governance and human rights are intrinsically linked and mutually reinforcing. The human rights normative framework helps inform the content of good governance efforts and provides performance standards against which governance can be assessed.*

The **plenary stock-taking** was concluded with the Chair, Mr. Steve Groff, Deputy Director, OECD/DAC summarizing the panel discussions of the morning and the reporting of the five break-out groups into conclusions/recommendations on harmonization of governance assessments:

The Chair pointed out that the principle of ‘good donor-ship’ is insufficiently embedded in the Paris Declaration. There is a tendency to state the obvious abstract principles and then go on with business as usual. In order to take the agenda on harmonization and participation further it is important to: (i) see and understand harmonization and coordination in their contexts; (ii) pay more attention to incremental steps towards harmonization if full harmonization remains distant such as cooperation around a common tool; and (iii) to be more attentive to the incentives that stimulate or discourage donors to cooperate. If harmonization was easy donors would have done it by now. However, the very limited number of data sources used for indicator development, and their possible circularity, could (euphemistically) be coined as ‘harmonization in action’.

Conference day 2: Challenges, opportunities and an agenda for future work

The second day of the conference was opened with a session identifying the **challenges and frontiers of opportunity** for harmonization of governance assessments.

In response to the first issue for discussion - how to harmonize given that different assessment approaches are hold different assumptions and purposes? – a typology model was presented as a possible model for harmonization within types of assessments (see box to the right).

More specifically it was proposed to either rationalize assessments within types and/or to promote joint approaches across types based on a competency-based division of labor among donors.

Three types of assessments:

Type 1: External Assessments of Quality of Governance

- Broad: WB CPIA, DfIDs CGA, EU Governance Profile, MCC, TI, KKZ/WBI
- Specific: PEFA, Global Integrity, Sectoral

Type 2: Political-Economy Assessments

- Broad: Dutch SGACA, DfID DoC
- Specific: WBs GAC for CASs, Sectoral

Type 3: In-Country Participative

- Government Led (Rwanda), CSOs/Think Tank (Bangladesh)
- APRM, Oslo, Metagora, UNDPs, WBI Survey Based.

It was stressed that all three types of assessments are needed as their focus of analysis differs from “how bad is the problem?”; “to why do we have the problem?” and “what can be done about it?”.

The issue of underlying governance assessment assumptions was further unpacked by the questioning of the relationship between “good governance” in the OECD sense and growth rates. Specifically, the cases of China and the East Asian Tigers were presented as models where above-average economic growth rates were attained based on strong, but non-democratic, government leadership. Hence, it was argued that it may be time to move from the standard prescription of good (democratic) governance to a more realistic path, focusing as a first step for the poorest and least dynamic partner countries on capacitating for strategic vision-making and launching of a regulation system. However, it is important that the model chosen is determined by country preferences as illustrated by the case of South African struggle where democracy was the chosen path to development for all: “development was not acceptable without democracy”.

In terms of enhanced partner involvement in assessments it was agreed that type 3 assessments were the way forward. A specific “bliss” model was proposed for enhanced partner ownership (see box below).

Assessment should not only be based on literature reviews and expert statements, canvassing of citizens is needed in order to ensure a bottom-up approach. Locally-led assessments should implicate participation in tool development *and* execution. The inter-institutional aspect refers to the need for connecting statistical agencies with human rights agencies for enhanced sustainability. Statistical plus underlines the importance of empirical evidence: “while the qualitative is necessary there is no substitute for the statistical”. Finally, the South-South collaboration refers to models such as the APRM exercise.

The BLISS model:

B = bottom-up: choose focus, canvas

L = locally-led

I = inter-institutional: statistical/HR agencies

S = statistical plus

S = South-South collaboration

Further avenues for strengthening of local ownership were proposed in the form of (i) national donor/partner/civil society trust funds to stimulate demand-driven governance assessments; and (ii) survey data to reflect the local voice of how governance is lived.

As an incremental approach to increased participation, local think tanks conducting type 2 assessments coupled with a moving towards the specifics, addressing sector/thematic issues (as per the PEFA model), was proposed as a next step. This requires not only strengthening of local capacities but also less risk averse donor behavior refraining e.g. from ring-fencing approaches to fiduciary issues which strengthens external but undermines local accountability. In terms of rationalization measures, the sharing of existing assessments and databases should be the next step forward, and this both at HQ and at field level (see also below).

The session **emerging principles and ways forward** was focused on summarizing the ideas and recommendations put forward during the various panel discussions/working groups. A specific proposal was presented for discussion (see box below).

The importance of strengthening capacities for type 3 assessments was stressed; supporting among others the APRM exercises. This requires development of policies and support-strategies for strengthening institutionalization and grounding of national APRM processes addressing South-South cooperation, capacity development, funding and monitoring and implementation of the Plan of Action. As proposed mechanisms for local capacity building efforts, PARIS 21 and METAGORA were mentioned.

In regard to the transparency issue, it was recognized that some assessments are intended for internal use only; making assessment results widely accessible, however, should be the guiding rule.

Further on sector tools, it was proposed that specific sectors, pilot partner countries and lead donors need to be identified in order to advance sector diagnostic work.

As to the DAC website/annual report, these were seen as mechanisms for information sharing and monitoring of governance assessments production and harmonization.

In the afternoon a new set of **break-out groups** were formed, this time with the objective of discussing ways forward and concrete actions:

- *Break-out group 1 was addressing the clarification of purposes, approaches and tools.* Four specific sets of actions were proposed as a way forward: (i) clarification of “hidden” assumptions underpinning assessments including underlying norms and priorities; (ii) clarification of the purpose(s) of the assessment; (iii) research evidence for assumptions such as e.g. the assumed linkage between formal property rights system and economic growth; and (iv) increased donor transparency in regard to assessment assumptions towards partner stakeholders in order to allow for more effective alignment to country processes.
- *Break-out group 2 focused on the using of governance assessments to stimulate governance change.* Five principles were identified for enhanced impact: (i) appreciate country specificity by adapting assessment tools to the local context; (ii) strive for greater transparency, publication, and dissemination of governance assessment results; (iii) refrain from one-off governance assessments as the promotion of an enabling environment for effective domestic processes requires long-term involvement; (iv) mainstream governance at sector level by demonstrating to sector specialists the value added; and (v) use aid modalities effectively to promote governance change.
- *Break-out group 3 addressed the involving and engaging of domestic stakeholders.* It was recommended that in order to strengthen partner involvement/engagement donors need to support domestic processes. In other words, feed assessments type 1 and 2 into assessment type 3. For enhanced participation it was recommended (i) to support the strengthening of the domestic research and diagnostic capacity to enhance the professionalism, integrity and technical rigor of APRM and other domestic assessments and mechanisms; (ii) to support civic education to enhance the capacity of citizens to effectively engage and participate; and (iii) for donors to accept the results of the

Proposal: can we...

Agree on typology?

Articulate 10 principles for external assessments?

No donor process where type 3 is in place?

Where there are many externals, one process?

Make them all public?

Sector tools?

DAC Website?

DAC annual report?

domestic assessments and support implementation of the Programmes of Action resulting from such assessment.

- *Break-out group 4 focused on how to strengthen donor incentives for harmonization.* Based on a broader discussion of underlying assumptions and donor and partner behavior, incentives for the conduct of joint/harmonized of governance assessments were identified, such as: (i) the diminishing of the cacophony of different/conflicting assessment results; (ii) the declining of transaction costs for donors in an era of growing aid budgets coupled with dwindling staff resources; (iii) the improvement of risk assessment for joint budget support/sector programmes; and (iv) as a derived incentive, the improvement of the development effectiveness of donor initiatives.
- *Break-out group 5 sought to formulate entry-points to the road to Accra and beyond.* Three entry-points for getting governance assessments on the agenda at the Accra High Level Forum (HLF) were identified: (i) on alignment, governance assessments can enhance the predictability of donor funding by offering more realistic risk assessments and thereby minimize short-term stop-go decisions of donors. This would be a key selling-point as predictability in aid flows is the top-priority of partner countries; (ii) in regard to ownership, governance assessments can help clarify the extent of partner commitment; and (iii) under mutual accountability, governance assessments can contribute to the monitoring of the required donor/partner behavioral changes for enhanced aid effectiveness.

The conference was **concluded** with the theme table rapporteurs and the Chair summarizing the proceedings of the two intensive conference days into forward-looking recommendations:

- *It is timely to clarify purposes, underlying assumptions and types of different tools and approaches.* This can help reduce the number and enhance quality of the multiple donor governance assessments which have emerged over the last decade as donors have realized the importance of governance for aid effectiveness and are seeking aid delivery modalities as budget support which is premised on minimal standards of governance. A starting point for this clarification process could be the development of a government assessment tool typology to identify avenues for rationalization/harmonization measures including division of labor. The typology proposed during the conference is not definitive but could serve as a useful starting point.

- *There is a frontier to be jointly explored at sector and thematic level.* While general governance assessments usefully may serve aid allocation and general advocacy purposes, sector-specific and thematic assessments hold promise for more actionable approaches.

- *Transparency should be the default option but should be carefully handled.* Depending on the purpose of an assessment it may be for restricted circulation – but donors and partners should push for more transparency. Assessment methodologies with their strengths and weaknesses should be made publicly accessible. OECD/DAC will launch a web-site to serve as a common entrance portal to the work in this area. OECD/DAC will also explore a simple and resource effective way of monitoring how GOVNET members make progress towards harmonization in this area

- *Much more can be done to strengthen partner country owned assessment processes.* While donor-driven assessments serve donor decision making, policy dialogue and programming, the key impetus for enhanced governance is coming from domestic political processes which are best stimulated by home-grown assessments of governance by government and civil society stakeholders. Demand-driven assessments should be enhanced through civic education and capacitating of partners, including think-tanks, universities and statistical offices.

- *Donor incentives to work together can be strengthened.* Joint learning and shared basic norms can make it more rewarding for agencies to work together. The prospect of better quality joint assessments of conflict risks and corruption vulnerabilities would be an incentive for senior level agency staff to push for joint approaches. However, harmonization should not be seen as an end itself, but as a means to generate better development outcomes.