



## ***GOVERNANCE STRATEGY***

Governance has been at the heart of development for almost fifteen years now. The concern became particularly apparent after the failure of the first generation of structural adjustment plans, which demonstrated how important institutions and their environment are for economic reform (policies). Since then, attention has been focused on “good governance” as an instrument for achieving reform, and more particularly, economic reform, while maintaining political stability.

This approach later shifted to a broader understanding of the term. It is now recognized that not only the content of the policies themselves are important but also the way policies are drafted and implemented, notably with the participation of the stakeholders.

This shift can be seen among bilateral donors, and at the level of the European Union, as well as among multilateral institutions. For example, **bilateral agencies** have broadened their concerns to encompass a democratic agenda promoting a sound internal political base as a prerequisite for more successful development programmes. These agencies place great emphasis on governance issues, as can be seen in the latest white paper by on poverty and governance Britain’s DFID, or the discussions under way on governance strategies in other European countries. Many donors disputed the role of the State for years, but now all of them insist on the need to strengthen the State so that it can play its full role.

The European Commission is engaged in a process which aims to define a harmonised European concept of democratic governance. The Commission’s 2006 strategy sees governance as a process from which flows a broad and holistic definition of democratic governance. In this approach dialogue and partnership, legitimacy, human and institutional capacity strengthening, are core issues. Moreover, a provision for a financial incentive tranche linked to governance is envisaged as a lever for aid and a tool to deepen dialogue with the ACP countries. The need for a case-by-case approach is also emphasised. Since 1997 the UNDP in developing its concept of democratic governance has been engaged in an innovative new direction which emphasises human development. The World Bank, in its 2006 paper on "strengthening Bank Group engagement on Governance and Anti-corruption", recognises a widened definition of good governance, but highlights almost exclusively issues of corruption and make it a condition for aid increases/decreases or suspension.

### **Changes in ODA contributions from 2000 to 2004 (estimates by DAC)**

- Methodological note: the DAC statistics correspond to a narrow definition of governance (allocations made to assist “governments and civil society”: assistance for strengthening administrative structures and improving planning, activities to promote good management of public affairs and to strengthen civil society) and they are accessible to all. The DAC Secretariat is currently planning to provide statistics corresponding to a broader definition of governance (allocations for governance in all sectors). These statistical series assume that the member countries use markers. Access to such statistics is limited at this point, because, of 1/ a data coverage issue (not all of the countries belonging to the DAC complete all of the markers in their declarations) 2/ concern about avoiding interpretation problems and 3/ the risk of double counting. Therefore, these data should be used with great care.
- DAC member countries: on average, according to the marker system, DAC member’s allocations grew steadily from 3.4 billion dollars in 2000 to 14.4 billion dollars in 2004. Without the marker system, the increase in allocations was smaller and slower, rising from 2.6 billion in 2000 to 8.8 billion in 2004.
- France: allocations for governance, according to the marker system, decreased from 43.2 million dollars in 2000 to 27.8 million dollars in 2002, before leaping to 671.4 million dollars in 2004.

**France's approach** to governance looks beyond the issues of institutions and forms of government. It also encompasses the social coordination mechanisms that contribute to political action. It looks at the decision-making process in all political and social bodies (States, businesses, local communities, non-governmental organisations, etc.) and at all levels of government, from local to global. It looks at the drafting and decision-making process as much as at the decisions per se. Designing and implementing this approach requires the support and participation of all the stakeholders. France's approach to governance focuses on the process of negotiation.

Therefore, the definition of governance used in this strategy is as follows: **art of governing, articulating the management of public affairs at various levels of territories, regulating relationships within society and coordinating the interaction of the various actors.** This means that governance is not a set of rules or an activity; it is a **process**. The task is not simply a matter of providing assistance to reform the State; it is also a matter of helping a society to rethink its own management procedures and define a governance model that best suits the challenges that it faces. It is also a matter of giving the concept of ownership, which is at the heart of development policies, its full meaning.

The use of this approach and the resulting definition of governance implies a shift in our cooperation policy. In 1990, France embarked on a democratic conditionality doctrine (La Baule Declaration) that grew into a dialogue and partnership policy aimed at promoting the strengthening of rule of law, democracy and human rights. "Good governance and development" was the official theme of the 1996 France-Africa summit.

In this regard, France's cooperation policy developed primarily in the institutional field. It focused on the traditional sectors of public affairs management, which still correspond to our partners' needs (see Table in Annex 1), but now need to be broadened to meet the many challenges of development. Thus, France is now promoting the concept of **democratic governance**. This is built on several principles, which must give due consideration to the complexity of the issues if they are to contribute to sustainable human development:

- Governance concerns all dimensions: territorial (from local to global), the economy (public-sector, private-sector or a combination of the two), society (expression of users' needs through their participation), the environment, politics and culture. It therefore encompasses security issues as well. For a long time, development and security seemed to be two totally separate domains, but it has now been established that insecurity is linked to poverty and that there is a chain of cumulative inequalities, conflicts and crises.
- Therefore, governance involves both capacity-strengthening (human and institutional capacities) and interactions between various strands (social, economic, political, administrative, etc.), the various stakeholders (State, population groups, private sector, etc.) and various levels (local, national, regional, global). It makes it possible to address cooperation issues as cross-cutting approaches (particularly in sector policies) and as specific areas for action.
- **Governance is a process.** Accordingly a "turnkey" democratic development model becomes contradictory if it means that local choices are pre-empted. Such approach could widen the gap between legality and legitimacy. Therefore, the task before us is to promote the emergence and maturing of democratic governance procedures that are specific to each society and that comply with the universal and fundamental values of the democratic ideal that are recognised by international conventions and agreements. This means that the quality of cooperation should not be measured so much by its ability to lay down universal standards manipulated in the abstract through conditionality as it should be assessed by its ability to provide each partner with specific experience and expertise to enable them to develop their own policies.
- This approach highlights the importance of the human factor by reaffirming the core role of the individual in development policies, both as a development beneficiary and as a development player. It raises the question of how a society is organised to ensure equality (of opportunity) and equity (social and economic justice) for all citizens. Poverty has many dimensions. Governance policies fit into this context to ensure more effective participation by the population and to improve the effectiveness of poverty reduction strategies to enhance their contribution to achieving the Millennium Development Goals.

- Finally governance is an element used in aid allocation decision-making, but without being an automatic conditionality instrument. Measuring governance outcomes would not so much determine the level of assistance as it would clarify the types of instruments to be used in cooperation policies, thereby making it possible to identify the policies and tools that are best suited to any given situation. In this respect, the methodology that France has developed takes into consideration the following criteria: income level, governance quality, France’s political priorities and the fragility of the country in question. The results constitute a decision-making support for channelling aid and defining the relevant procedures.

## 1. Cooperation Priorities

### 1 – Action to re-legitimise the State

The boundaries of the State are changing. Traditional ways of governing and exercising power are being reshaped by strong social demands and the democratisation of political regimes. The State is still the custodian and regulator of the general interest, but it is now more open to the civil society through participation, transparency and accountability. Institutional strengthening, in terms of efficiency, transparency, the capacity to listen, the capacity to perceive, build and contribute to the defence of the general interest, is still fundamental if the State is to establish and conduct public policies and play its leadership and decision-making role. At the same time, we should support the organisation and strengthening of civil society, in terms of access to citizenship, participatory processes that require education, training and access to information.

#### a – Developing a democratic culture

The democratic functioning of institutions, which ensures their legitimacy, involves more than simply holding elections. It requires that the State be capable of implementing democratic principles, meaning transparency, equity, an independent justice system, defending the principles of the rule of law, promoting human rights and public freedoms, and accountability. Citizens must be able to exercise their rights, perform their duties and demand accountability. Under these circumstances, cooperation programmes work with governmental, legislative and judicial institutions. They facilitate relationships with the various components of civil society and between the private and the public sectors. They also support policies to deconcentrate and decentralise power.

#### b – Promoting the rule of law and defending freedoms

Sustainable development is inconceivable without an adequate foundation in compliance with sound constitutional, legislative and regulatory provisions, effective enforcement of the separation of powers and secure legal relationships. The State must also uphold human rights (right to life, right to human dignity, equal rights, respect for the human body, the fight against torture, inhuman and degrading treatment, civil rights and social and economic rights) along with public liberties, including trade union rights and freedom of association.

- ***Action to modernise the justice system:*** Cooperation actions are aimed at “cross-cutting” objectives: promoting better knowledge of the law by citizens and economic players; enabling citizens to defend their basic rights and freedoms and sharing our experience in the evolution of law. In practical terms, these three goals give rise to three types of action:

- \* actions to assist reform and renovation of the law;
- \* action to train judges, court clerks and lawyers to perform their duties in compliance with democratic standards, and in partnership with the relevant French institutions.
- \* actions to support the modernisation of courts and judicial organisations (including legal and technical documentation, assistance with the computerisation of courts and regional seminars).

Legal and judicial cooperation should also be immediately “useful” and facilitate international cooperation on criminal and civil cases through the gradual convergence of judicial systems on common standards.

### Justice in Afghanistan A French-German project

With funding from their respective governments (DGCID and Auswaertiges Amt), the Max Planck Institut (MPI) in Heidelberg and the Institut International Paris-La Défense (IIPLD) have developed an innovative project to train Afghan judges and lawyers in equitable rules of procedure for criminal trials.

The project is based on using expatriate Afghan lawyers living in Germany and France as trainers. After receiving training themselves, these lawyers provide training courses for Afghan lawyers in Afghanistan.

The coursework is based on a manual in Persian and English that has been developed and updated periodically as part of the project. The four training courses offered between February 2005 and October 2006 involved a total of 520 participants (judges, prosecutors, lawyers and police officers) and were very successful. They were given under the aegis of the Afghan Ministry of Justice.

At the request of the Supreme Court of Afghanistan, the French-German method, which has a successful track record, will be used for the initial training of newly-recruited Afghan judges. A new project has been launched, coordinated with the justice programmes of other donors, such as Italy, Canada and the United States.

**- enhancing cooperation on security** : The police, gendarmerie and customs administration are key elements for enforcing the rule of law and ensuring the security of persons and property in compliance with democratic rules through prevention, which involves social players, and enforcement. Cooperation on security builds up the capacities and efficiency of police forces via the effective training officers and staff. Teaching ethics and best policing practices is a key factor for increasing the professionalism of the police as part of the institution of the rule of law and democracy. This type of cooperation promotes operational cooperation, which enhances the impact of our action to fight crime, including cross-border crime.

#### **- developing respect for human rights and gender equality**

This is a fundamental element of French identity and values of diversity, modernity and tolerance. It must be one of the guiding principles for our cooperation action in any region of the world.

This theme is incorporated into all French cooperation programmes, along with capacity-strengthening for local partners, such including human rights advocates, professional bodies (judges, lawyers, journalists, etc.) and mediation institutions. The task is to develop the equality of all citizens before the law and in dignity and to develop equity in social relationships between men and women. France's action in this area will be enshrined in the Partnership Framework Documents, which will include sections on human rights and gender indicators. Technical assistance will also be developed in this area.

#### c – Citizen information and accountability: Corollaries of democracy

One of the prerequisites for democracy is **transparency**. Citizens need to have the power to supervise the use of public funds through independent audit institutions endowed with proper training and adequate resources to fulfil their tasks. Stakeholders' access to information about the state of the economy and society and about the impact of policies requires that such information be available and effectively disseminated to political authorities, economic agents, civil society and development partners through independent and pluralist media. There are two objectives: establishing an information and audit system financed out of the national budget, and increasing citizens' access to this information.

#### d – Renovating the administration and promoting local democracy

The State relies on an efficient, honest, transparent administration that is close to its citizens. France's expertise in this matter is more specifically related to three major areas: administrative organisational structures that ensure separation of powers, legal validity and implementation of public policies, a modernized and more efficient civil service, a renewed relationship with users in line with the deconcentration process and the opportunities provided by new information and communication technologies.

## **2 - Promoting the territorial reorganization and the emergence of local actors**

International discussion has focused on the interdependence and necessary coordination between different areas of local governance. Promoting renewed **spatial planning** policies that are applied at different levels of governance and discussion of **land-use issues are inextricably linked**.

#### a – Local governance and decentralisation

The local level is the anchor of social and cultural belongings. When conditions are right, decentralisation enhances democracy. It genuinely empowers populations and local governments in the management of public affairs. It is also part of the determination to find a new avenue for development and it represents a means of promoting **local development**, by providing financial and human resources to local decision-makers so that they can better manage and be more attuned to local needs.

There is strong demand to support the building of local powers (elections, municipal councils, capacity building, information for civil society, etc.), especially in Africa, along with demand to support the expansion of decentralisation and ensuring that decentralisation policies are consistent with more global issues. The financial resources provided to local governments to fulfil their tasks constitute a critical issue. We must discuss ways of promoting interaction between the population, economic partners and local governments.

#### **Municipal Development Partnership-MDP**

Africa is implementing regional integration and decentralisation policies to adapt to globalisation and local democracy. This makes capacity-strengthening for local governments a factor for economic growth and sustainable development. The PDM was created in 1991 to support such policies. It is based in Cotonou and covers the countries of Western and Central Africa. From its inception, it has played an active role in organising the “Africities” summits of the African municipal movement, which meet every three years. The PDM has also contributed to unification and recognition of the African municipal movement (United Cities and Local Governments of Africa (UCLGA)).

#### b – Regional integration and cooperation

The regional approach in key structural areas (reducing and harmonising trade tariffs, reforming the legal and regulatory framework, harmonising tax rules, etc.) enables the partner countries to pool their resources. Together they can obtain institutional and human resources that enable them to attain a level of technical and administrative competence that would be out of reach if they acted on their own.

In addition to political determination, another key to successful integration is effective regional institutions, with the power to frame appropriate policies and to help the member countries implement them. This is why our action continues to focus on the quality of governance in the Commissions of the WAEMU, ECOWAS, and EMCCA, through programmes to build up their human and material capacities.

The support to **the African Union** is another priority, centring on the New Partnership for Africa’s Development (NEPAD) and the implementation of the Peer Review Mechanism, which France supports. The major issues include regional integration and its coordination with the African Union project, and having the stakeholders themselves define these dynamics and, more generally, democratic governance.

### **3 – Promoting effective and transparent public action**

There has been a big increase in the technical cooperation provided with the backing of French economic and financial administrations over the last several years. This increase reflects the priority placed on improving economic and financial governance to ensure macro-economic stability, as well as making public finances more efficient and fighting corruption.

#### a – Contributing to macroeconomic stability

**The Poverty Reduction Strategy Papers (PRSPs)** provide a good basis for a dialogue about financial governance in association with the World Bank and the UNDP. The creation of a regional PRSP support centre will help build up the statistical capacities of the States concerned. The production of economic and social information is critical for the macroeconomic guidance of PRSPs and for monitoring development policies. France supports the building up of the capacities of beneficiary countries to analyse their macroeconomic situation, the consistency of their development strategy with poverty reduction, and the quality of public financial management. France also supports citizens’ participation in framing PRSPs.

Similarly, raising tax revenues is a major challenge. Citizens' acceptance of taxation is a challenge for public authorities and calls for educating, explaining, convincing and proving to demonstrate that tax produces a return in terms of the common good, not to mention the exemplary use that the State must make of the funds collected. Support for tax administrations is aimed at simplifying regulations and making them accessible; at developing a less confrontational relationship between tax authorities and taxpayers to promote the emergence of a culture of public service; at providing the safeguards of the rule of law, while improving the detection of tax fraud.

#### **ASTER, a computer-based capacity-strengthening project for budget execution reporting**

The impact of the Heavily Indebted Poor Countries Initiative (HIPC) and, more especially, development financing through Poverty Reduction Strategy Papers (PRSPs), is more closely linked than ever to governments' capacity to manage the relevant funds with the utmost transparency. Countries should develop plans of action for budget policy for this purpose, defining practical goals and performance indicators to measure the progress achieved in priority sectors.

The ASTER project addresses these issues. It is based on a software package that France has developed and provides free of charge to governments under the terms of an assistance agreement. Its purpose is to provide a public accounting management and reporting tool. In addition to introducing the use of a modern computerised tool, the project should enhance the States' financial transparency. Decision-makers need to adopt management rules based on the quality of information and the budget and accounting tools are designed to meet this need. The Treasury as the software user is at the heart of this dynamic, since it ensures the integrity and lawfulness of the State's financial transactions.

The software package is an extension of the harmonisation of legal, budget and accounting standards. It contributes to the provisions for convergence of fiscal policies set out in the WAEMU Treaty. ASTER is already operational in Côte d'Ivoire and Benin. It is to be adopted by Senegal and Gabon and could be extended to other countries at their request.

#### **b – Supporting transparent public financial management**

France's projects to enhance public financial management, along with the work of its experts and network of technical assistants, support the strengthening of budget execution circuits. This action is being carried out in close consultation with other donors (World Bank, European Union, and several bilateral cooperation agencies). France is also active in the modernisation, and more especially, the computerisation, of public accounting.

#### **An example of successful coordinated action by donors: PEFA**

The objective of the Public Expenditure and Financial Accountability initiative (PEFA), which is a partnership between the World Bank, the European Union, the IMF, the United Kingdom (DFID), Switzerland, France, Norway, and the Strategic Partnership for Africa (SPA), is to develop an integrated and coordinated approach to evaluating public financial management systems and to monitor the reforms implemented in developing and transition countries.

This programme is based on public financial performance indicators that were validated in June 2005. It will develop coordination of donors' actions, reduce transaction costs for donors and partner countries, enhance dialogue with governments thereby enhancing the implementation of public financial reform under way in these countries.

The evaluation tools developed as part of the partnership are now available and validated. This means that the first evaluations can start. A common public financial evaluation that is available to all donors constitutes significant progress towards the fulfilling of the commitments made on the harmonisation and coordination of assistance.

#### **c – Fighting corruption**

Corruption is understood to be the "abuse of power, authority or public office to obtain private advantages". It is not a new phenomenon, nor is it specific to a given geographic area. It is a negation of the basic values that the State and democracy are built on. It has a negative influence on citizens' trust in their government. It causes direct harm to the effectiveness of public services and creates a poor environment for

business, and for investment in particular. It also contributes to criminal exploitation of lawful financial circuits.

At the international level, the fight against corruption is a major concern for France. France was the first G7 country to ratify the United Nations convention against corruption. France also received a positive evaluation from the mechanism monitoring the OECD Convention on Combating Bribery of Foreign Officials. France supports strengthening the fight against corruption within multilateral development banks. It works towards ensuring that such efforts are coordinated and consistent with law and best international practices.

It is important to back up the partner countries' efforts to construct the necessary legislative framework, but, it is even more critical, to help them achieve effective implementation of the rule of law, especially in respect to the application of international conventions and national programmes drawn up jointly. We must also support the efforts of economic players who are committed to this combat. The critical issue with regard to action to fight corruption is **how effectively national anti-corruption provisions are implemented**, and how well they promote:

- a definition of corruption that corresponds to the reality of the corruption compact (criminalising the giving and taking of bribes, notion of undue advantage, third-party beneficiaries, etc.) and proportionate and deterrent penalties;
- adequate human and financial resources devoted to fighting such behaviour and to developing effective internal and external controls and punishment (corruption of court systems and the police is a real issue at this stage);
- Training personnel to detect and prosecute this type of criminal activity.

France is committed to international initiatives, chief of which is the Extractive Industry Transparency Initiative (EITI covering oil, gas and mining), and it will increase its support over the next three years.

#### **The Extractive Industry Transparency Initiative-EITI**

The Extractive Industry Transparency Initiative (EITI) was adopted by the G8 summit in Evian on 6 June 2003 and was incorporated into a more general good governance and transparency approach at the Sea Island G8 summit in June 2004. It has been included in transparency compacts signed with pilot countries (Nigeria, Nicaragua, Georgia and Peru).

The purpose is to ensure transparency by means of accounting audits and the use of revenues from the exploitation of natural resources for sustainable development. It is intended to counter the "curse" of natural resources that has afflicted some developing countries as result of conflicts and poor governance that may arise from the desire of parties in conflicts to capture such resources for their own use.

Twenty-two countries have officially signed up for the EITI. France has urged countries in the franc area to take part in the initiative. This urging has led Cameroon, the Congo, Gabon, Equatorial Guinea, Niger and Côte d'Ivoire to sign up. Other French-speaking countries have also signed up for the initiative, including Guinea (Conakry) and Mauritania. Not all of these countries have achieved the same degree of implementation. Even though they still have some further reform to implement, Cameroon, the Congo and Gabon are the most advanced countries at this point.

#### **4 - Capacity strengthening**

Building up institutional and human capacities is of critical importance for all developing countries. It strengthens the legitimacy and power of the State to provide public services and it develops individual possibilities for a genuine exercise of freedoms.

**Public space for dialogue.** Public space for dialogue strengthen interactions between civil society and institutions by creating an environment that encourages their interaction.

**Training.** Governance that is suited to specific needs and wants of societies in the twenty-first century requires much more than institutional change; it calls for a profound cultural shift affecting all stakeholders. Such a transformation is possible with generational change. This is the strategic value of training systems,

which must not only train senior managers, but also contribute to changes in administrative and management practices. The objective is also to help our partners develop their own capacity-strengthening resources. This involves two levels:

- Senior government officials. Joint interministerial training is a key prerequisite to complete more technical training needed in various areas of activity. An original training programme is to be designed in partnership with the countries concerned to increase the number of case studies and to expose trainees to a wide variety of responses, including international responses.
- Training of local actors. This training is aimed at all the grass roots governance players, including central and local government personnel, public service managers and the heads of social organisations.

## **5 - Contributing to international governance debates**

The European Union has made cooperation on governance a priority. The various Member States have redirected a substantial share of their bilateral cooperation effort towards governance issues. For lack of specific coordination of strategies, this diversity has backfired and Europe presents the spectacle of sometimes incompatible programmes. France is aware of the risk and will play an active role in work in achieving European convergence in this area.

Multilateral institutions are also thinking about governance issues. The World Bank is framing a new strategy that has given rise to a major debate within the Bank and with the Member States. “Democratic governance” also constitutes a major topic of discussion and action at the UNDP, in line with a rights-based approach. The OECD has set up a governance network (GOVNET) within the Development Assistance Committee. Its work focuses on the Convention on Combating Bribery of Foreign Officials, guidelines for multinational corporations on corporate social responsibility (implemented by national contacts).

France is participating in these debates and should increase its involvement to promote a harmonised definition of governance, which should make it possible to achieve better coordination between donors and a more in-depth dialogue about indicators and conditionality. The links between research and the administration should also be developed in order to draw up a joint research plan to better assist in international discussions.

### **2. A RENEWED APPROACH, DIFFERENTIATED FOR EACH COUNTRY**

Governance is not just one sector for action among other. It cuts across all of the sectors covered by France’s development policy. The Partnership Framework Documents deal with this aspect as a cross-cutting sector. The co-secretariat of the International Cooperation and Development Committee (CICID) draws up a report that is presented to the Strategic Orientation and Programming Conference (Cosp) each year.

**Governance also involves discussions about methods. All of the stakeholders in the French system are aware of the necessary changes in practices with respect to this concept.**

#### **1. Governance and sector policies**

- In sector practices: promoting coordinated management or co-management of natural resources, managing agricultural policies with the stakeholders, especially agricultural sectors (e.g. cotton), supporting the emergence of local governance (projects to support decentralisation, school and health centre management in conjunction with the different parties, etc.);

- In project management: consultation, participation and joint decision-making with the stakeholders, complementarity of representative governance and participatory governance, capacity-strengthening for stakeholders.

#### **2. Different issues for different areas**

Cooperation is aimed primarily at *developing countries*, especially the least developed countries, where democratic governance is a prerequisite for achieving the MDGs and where the State, which safeguards the general interest, must now act as a catalyst in an environment where a multitude of players are involved in the decision-making process. Furthermore, France’s action is focused more specifically on the Priority Solidarity Zone (ZSP), but it is adapted to the countries’ specific situations:

- *post-conflict countries*, action centers on re-establishing the social dynamic and intermediation between the population and public authorities. France's strategy in such difficult situations is aimed at achieving convergence of such processes as peace-keeping, humanitarian aid and development, to create an integrated system for post-conflict reconstruction that ensures the **consistency of policies and the synchronisation of programmes**.
- in *fragile States*: interministerial discussions will take place to draw up France's strategy up to 2007. This will make it possible to address the very notion of fragile States and to adapt our action to the specific features of countries in question.
- in *emerging and transitional countries*, France will focus on framing practical answers to the challenges of building and modernising the State, securing the legal system. There is very strong demand for such action and France has recognised experience in this field.
- in *countries applying for accession to the European Union and nearby countries in North Africa and the Middle East*, France will support European policy through twinning, in particular, which requires greater mobilisation.

### 3. New partners

The growing force of non-governmental players in international cooperation calls for a strengthening of consultation mechanisms aimed at greater harmonisation and effectiveness of assistance.

- **Decentralised cooperation.** Such cooperation plays a key role in developing local democracy and in capacity-strengthening (engineering, project management, etc.) Without trying to guide or control such cooperation, we need to build on the dynamic created by the Decentralised Cooperation Programme (DCP) to develop exchanges with local government and draw up joint projects through the various representative bodies in existence. We shall seek specific means of consultation with the administration and the French Development Agency (AFD) to develop greater consistency.

- **Action by NGOs.** Promoting interactions between NGOs from the South and the North enhances the forums for dialogue between players and makes it possible to give due consideration to social and cultural factors in development programmes, as can be seen in the concerted programmes developed in the Priority Solidarity Zone.

The participation of NGOs in the definition and implementation of such programmes makes it possible for development policies to set guidelines that are in line with population's needs. This means that NGOs have an important role to play in governance, when framing PRSPs and when examining Debt Reduction and Development Contracts (C2D), as well as when evaluating projects or as project operators.

- **The role of the private sector and social and environmental responsibility** In addition to its critical contribution to growth and employment, the private sector is called on to work alongside civil society and public institutions to make a major contribution to the improvement of social, environmental and ethical practices. Support of the private sector is a means of promoting corporate best practices with regard to social and environmental responsibility and fighting money laundering. It completes multilateral action carried out by the OECD.

The private sector can also play a direct role in implementing the objectives of government policy through public-private partnerships (delegation of management under the terms of a contract with a transfer of liabilities and risks to the private sector) or more complex structures based on various contractual arrangements to attenuate risks or provide incentives.

France supports the improvement of the business climate in Africa through the Organisation to Harmonise Business Law in Africa (OHADA). It contributes to the IFC's Foreign Investment Advisory Services fund (FIAS), which works to reform the business environment, and to the Private Enterprise Partnership for the Middle East and North Africa (PEP-MENA).

### **Organisation to Harmonise Business Law in Africa-OHADA:**

Business law harmonisation makes investments more secure and promotes economic integration and growth. France has supported OHADA since its inception in 1993 (entry into force came in September 1995) with contributions to its capitalisation fund. The OHADA treaty was signed by the 15 countries in the franc zone and by Guinea. Ghana is considering joining and the DRC announced that it would join. Meanwhile, Madagascar decided to amend its legislation without officially joining OHADA. Eight uniform acts were promulgated and many case law documents were written up. In 2005, for the first time, when the capitalisation fund ran out, the Member States covered much of the organisation's budget themselves, which shows how important they think it is. Several donors are involved: the European Union continues to support the OHADA school (ERSUMA) and the World Bank is looking at ways to provide more structured support. Canada, Belgium, Switzerland and the UNDP are also involved. France continues to provide support through drafting and disseminating documents, through training and awareness-raising actions, financing brochures and books, and through assistance in computerisation of the regional business and credit register.

#### **4. Instruments**

**Partnership Framework Documents** represent a key change in our development policy. They should ensure better governance of our different bilateral assistance instruments and incorporate governance as a cross-cutting aspect of our action.

- **Financial assistance.** Wherever possible, we must entrust implementation of programmes to the partner countries, regardless of which financial instruments are used to fund them. This will make true "ownership" of the programmes possible. Thus, pluriannual financial commitments (with the Priority Solidarity Fund – FSP), the budget grants managed by the French Treasury and political budget grants managed by the French Ministry of Foreign Affairs, will continue to incorporate governance concerns. **The co-secretariat of the Interministerial International Cooperation and Development Committee is holding specific discussions on the complementarity of these different instruments.**

Depending on requests from partner countries, Debt Reduction and Development Contracts (C2Ds) could now incorporate governance issues, even though their primary objective is still financial and they are intended to secure poverty reduction programmes. Furthermore, C2Ds will provide an opportunity to coordinate with other donors and intensify the dialogue with local authorities on monitoring and evaluating poverty reduction policies. The contracts will also make it possible to deepen the involvement of civil society players in framing and monitoring such policies.

- **Technical assistance.** Cooperation requires operators that help make the best use of French expertise, such as GIP-FCI, ADETEF and ACOJURIS. It is critical to promote an adaptation of technical assistance to practices related to governance and, more specifically, capacity-strengthening: training, sharing experiences, intermediation with donors and other networks, leading networks. This adaptation will require **broader recruitment** (with a priority on hiring French experts, other Europeans and experts from neighbouring countries), but more especially, **broader use** of experts to provide external assistance to non-State organisations, professional bodies, NGOs, foundations, etc. The use of technical assistance by "activity pole" is another form of support that should be explored, along with networking our technical assistance activities in a given sector and in a given area.

- **International organisations.** The major financial contributions that France makes to such organisations are consistent with and complementary to its bilateral action. Special attention is given to development banks, which have a growing list of governance-related projects.

- **Measuring governance.** Indicators were originally simple tools for ranking countries and conditionality. They should primarily be thought of as a method for observing and evaluating ongoing processes in a given society. They constitute a helpful basis and a necessary signal for the reforms that are required for development assistance. They should also be used to evaluate France's assistance system whenever possible.

This means implementing evaluation instruments and peer reviews that are consistent with governance principles, using more qualitative methods that are closer to reality and owned by the population

as a whole. For example, with regard to networks of governance training centres, we could look at setting up regional clearinghouses run jointly with civil society organisations, universities and research centres. It is critical to implement a dynamic policy in this area through capacity-strengthening for the partner countries and support for research programmes developed by French organisations, such as DIAL.

The current indicators are often too all-encompassing. They need to be supplemented with more narrowly targeted indicators that capture specific situations and issues that are the object of policies of great interest for various stakeholders. This concern is shared by many donors, including the World Bank.

France also supports economic analysis of law and its effectiveness. The World Bank's business climate research programme covers 155 countries. The primary objective of the exercise was to get a clearer idea of the factors that improve the business climate, especially in developing countries. This programme has led to the publication of the *Doing Business* report, which is receiving more and more publicity. The dialogue with the World Bank on this subject should continue, dealing with the relevance of the indicators chosen and the possibility of supplementing them with further indicators. Attention has wrongly focused on the aggregate ranking of countries, which is at odds with the results of macro-economic analysis.

## RESULTS IN THE MAIN AREAS OF COOPERATION ON GOVERNANCE

### I / RULE OF LAW AND PUBLIC FREEDOMS

Assistance on the rule of law and public freedoms is primarily provided to State institutions, and, more specifically to:

- **the justice system** responsible for interpreting the law, **and penal institutions;**
- **the police** responsible for enforcing the law while respecting individual and collective rights, and **security** forces in the widest sense;
- **parliamentary assemblies;**
- **high courts** (with the expertise of the Court of Cassation, the Council of State, the Constitutional Council, etc.);
- **institutions responsible for promoting and safeguarding human rights**, which ensure that democracy takes root and that there is ownership of human rights values;
- **various institutions** such as mediators (ombudsmen), bar associations, etc.

*Action:*

- **training:** the objective is to train judges, prosecutors and police officers to work according to the standards of a democratic State. The main operators are the National School for Judges (ENM), the Ministry of Justice and the International Police Technical Cooperation Department (SCTIP);
- **assistance for reform and renovation of the law;** the objective is to establish legal codes (civil code, criminal code, criminal procedure code, etc.), reform legislation (legal status of courts safeguarding the independence of judges, laws against organised crime, etc.); and to translate fundamental French legal texts, into foreign languages; etc.
- **modernisation of the court system, dissemination of legal and/or technical documentation.**

### II / CENTRAL GOVERNMENT REFORM AND DECENTRALISATION

A-Administrative reform

*Action covers three main areas:*

- **administrative structures that ensure separation of powers, legal validity and implementation of public policies;**
- **a more modern and efficient civil service;**
- **a radical change in relationships with users through the opportunities offered by new information and communication technologies.**

*Action:*

France's expertise in this area centers on the French National School of Public Administration (ENA) and the Council of State. It takes the form of:

- **advice, administrative engineering and training**, especially in central and local administrative organisation and relationships with users, in government work, in deconcentration, in regulation, in delegated management of public services and in verifying the legal validity of government acts;
- **projects to support national central government reform programmes.**

B-Decentralisation

Three types of action are initiated to promote local and urban development:

- supporting decentralisation processes and strengthening local government;
- promoting spatial planning and regional development;
- promoting sustainable urban development.

Action:

Most action takes the form of bilateral projects to support decentralisation and local development, spatial planning and urban development;

- **capitalising on decentralisation experiments in Africa and spreading them to other areas of the world;**
- **promoting the “spatial planning” approach** to States and regional organisations, and encouraging cross-border cooperation;
- **promoting local development** led by local governments.

### III / FINANCIAL GOVERNANCE

#### A-Public financial management

Our action is in line with the priority that the international community has placed on reducing poverty. The link that the IMF and the World Bank established between debt cancellation (Enhanced Heavily Indebted Poor Country Initiative) and the drafting of “Poverty Reduction Strategy Papers” (PRSPs) has made financial governance requirements more exacting.

Cooperation on financial governance benefits:

- **State institutions**, ministries of finance and the economy for matters dealing with the budget, public accounting, customs and internal revenue, as well as sector ministries so that they can strengthen their financial units;
- **African regional institutions** so that they can play a stronger role in multilateral supervision, customs union and the harmonisation of the Member States’ financial legislation.
- **higher institutions** providing external and independent supervision of public and local finances. The State audit office and regional audit offices provide experts and organise training courses and internships.

*Action:*

- **contributing to the framing of doctrine:** research on the collection of tax revenues in sub-Saharan Africa and on public expenditure management to propose practical recommendations that enable States to improve their public financial management systems.
- **developing appropriate tools and methods:** support for the African Capacity Building Foundation (ACBF) and, in conjunction with the Directorate General for Public Accounting, participation in the development of the ASTER public accounting software, which is provided to countries that request it free of charge.
- **support for public financial management** through projects aimed at:
  - securing government revenues;
  - reforming public expenditure management by shifting from budgeting resources to setting targets and measuring outcomes;
  - enhancing transparency and accountability in budget management;
- **training senior managers from financial administrations**, by providing scholarships to French financial schools or various training institutes.

#### B-Regional integration

Support for regional integration is a priority for the New Partnership for Africa’s Development (NEPAD), which encourages regional approaches to development.

*Action:*

Our support for establishing sub-regional political and economic structures in Africa is provided in two ways:

- **institutional support for regional integration bodies, with:**
  - special support for processes relating to the franc zone, from WAEMU in West Africa to EMCCA in Central Africa, which is aimed at promoting economic convergence and integration between the franc zone countries;
  - support for ECOWAS, which is responsible for implementing the NEPAD programmes in West Africa, and encouragement for an alignment with WAEMU;
  - support for regional integration in Southern and Eastern Africa (SADC, COMESA, EAC) with special emphasis on transferring experience from French-speaking regional institutions.

**- strengthening specialised regional organisations, such as the Inter-African Conference on Insurance Markets (CIMA) and the Inter-African Conference on Social Security (CIPRES).**

**PARTNERSHIP FRAMEWORK DOCUMENTS -DCPs  
TO IMPROVE OVERSIGHT OF DEVELOPMENT ASSISTANCE**

As part of the reform of France's Official Development Assistance (ODA) system, the Interministerial International Cooperation and Development Committee (CICID) meeting held on 20 July 2004 decided to create a pluriannual framework instrument for French ODA in the Priority Solidarity Zone (ZSP). The Partnership Framework Document is signed by both parties and made public. It will be used to initiate change and modernisation in France's assistance:

- The Documents are signed for a five-year term, ensuring greater predictability and enhanced ownership of the assistance by the partner country. The Documents are drafted in accordance with the beneficiary country's development strategy.
- The Document sets out the actions of all of France's public-sector assistance players, including the Ministry of Foreign Affairs, the Ministry of Finance, the Economy and Industry and the French Development Agency (AFD), research bodies, public institutions and local governments. It also incorporates the actions of international solidarity organisations and business corporations.
- The Documents set out the priorities for French assistance in the partner countries. This assistance focuses on up to three of the seven sectors contributing to the achievement of the Millennium Development Goals (MDGs). The selected sectors shall account for 80% of the spending and new appropriations in bilateral assistance relating to the MDGs. The share of assistance for cross-cutting sectors (governance, cultural, scientific, academic cooperation, etc.) is also specified. In this way, we intend to enhance the effectiveness and visibility of French assistance.
- The intention is also to enhance the complementarity of France's action with that of its bilateral and multilateral partners, and, more specifically, the European Commission, the Member States, and the European Union. The objective is to achieve greater coordination of the donors' action and to ensure the complementarity of our action across different sectors.

Three annexes sum up the Partnership Framework Document priorities and set out:

- the alignment of French assistance with the partner countries' development strategies;
- the coordination of French assistance with the actions of the various bilateral and multilateral donors (complementarity of assistance);
- a five-year outline programme for France's cooperation with the partner country.

## **EXAMPLES OF THE INTEGRATION OF DEMOCRATIC GOVERNANCE INTO SECTOR POLICIES**

In addition to the efforts that should be made to renew the State, governance should also transform current practices in each area. This calls for an educational approach. The players responsible for each activity sector should strive to change their own sector approach, and the cross-cutting discussions should help validate and enhance governance principles.

As a general rule, governance helps break up compartmentalised approaches and broadens them, but it still seeks to solve practical problems. The priorities are:

### **I-Delivering basic public services to the entire population in African cities**

The capacity of African cities to provide their entire populations with basic services constitutes a decisive test of decentralisation policies. Therefore, it was the unifying theme for the meeting of African mayors held in Yaoundé in December 2003. The meeting featured ten concurrent workshops that each focused on one basic service: water, sanitation, energy, waste, transport, markets, education, culture, security and health. A comparison of the proceedings in the different workshops shows that the same problems come up and the same solutions emerge from one service to the next. In addition to the specialised knowledge that different sectors may require, the capacity to deliver services to the population depends on the application of common governance principles.

Six principles were identified:

1: Basic services must be firmly rooted at the grassroots level, meaning that they must correspond to the population's cultural habits and to its technical and financial resources.

2: Delivering and managing basic services requires cooperation and co-production involving the central government, local government, the population and public services, the public sector and the private sector.

3: The public authorities may derive legitimacy solely from their capacity to provide services to the entire population and they cannot, in the name of modernity, restrict more sophisticated services to a limited section of the society, or to limited areas of cities. This is the inclusiveness principle.

4: In order to implement the preceding principles, we must design organisations that are truly capable of doing so, by virtue of their structure and by virtue of their members' culture, practices, training and experience. This is the institutional engineering principle: the institutions' operating procedures must be adapted to the principles that they are supposed to implement.

5: Institutions must be able to manage diverse situations and uniform problems, aggregating local problems into a global vision, and making their day-to-day action consistent with a comprehensive and long-term outlook. This is the aggregation principle.

6: The preceding calls for adequate human and financial resources, the ability to engage in dialogue and cooperation, and a vision that can only be achieved by sharing experiences.

These principles were highlighted at the Africities meeting, and they illustrate general governance principles. They are not restricted to any specific sector. They should guide the organisation and operation of local and central government, and govern the relationships between the two levels. Under these circumstances, the specific services being discussed matter little. Applying these principles to a specific service will set in train a process of change in public institutions' operating procedures, thereby triggering a process of change and learning that will bring benefits to other services.

### **II-Water policies**

Whether we address local delivery of safe drinking water or management of major catchment areas, such as those of the Niger, Senegal or Zambezi river basins, it is impossible to have a purely technical policy for building and maintaining such facilities as water networks, irrigation systems or dams. Water governance primarily calls for coordination between levels of governance. On the one hand, local governance, at the level of the end users of water, requires involvement by residents and communities and cannot work unless it relies on proven practices for cooperation between stakeholders, and knowledge born of experience,

for example water management in oases or traditional sharing of water and provision of water for livestock passing through. On the other hand, the very nature of catchment areas calls for a cross-border approach. Thus the need to define cooperation procedures for different levels of government and for different stakeholders. Similarly, it is impossible to frame water policy without looking at its impact on health and the environment. Parallel, but uncoordinated, policies in these three areas (water, health and the environment) undermines the effectiveness of any action. Therefore, legitimate and effective water governance can be achieved through partnerships at the local level, where the interactions between these three areas take place.

### **III. Implementing economic and social rights**

Africa is the continent where the countries have signed the most international agreements, especially those on economic and social rights. But in practice, these signatures have counted for little, since effective respect for economic and social rights calls for public action relying on resources that the countries do not have. This overblown lip service to such rights accounts for much of the loss of legitimacy of governance. International discussions are taking place on this subject. These discussions state that the implementation of such rights can only require public institutions at different levels “to implement available resources in the most appropriate and effective way to ensure the best possible exercise of such rights”. But what does “the most appropriate way” mean? This can be derived only from a comparison of the solutions adopted by different countries and the framing of principles that will become performance requirements for each level of government, as has just been described in the case of basic public services. In other words, the poorer a country is, the more urgently it shall be required to use its meagre resources effectively and appropriately. It will be possible to develop collective learning processes to achieve effectiveness through dialogue between communities and between countries, as part of an approach that should ideally be a peer-review approach, where the peers are not governments, but societies themselves.

### **IV. Co-production of housing**

The right to decent housing is one of the recognised economic and social rights, and constitutes a priority sector for cooperation. We have long known that governments, particularly in Africa, do not have the means to implement social housing policies aimed at using government subsidies to ensure decent housing for all. Such policies can at best benefit only a small fraction of civil servants. Housing policies must therefore be based on partnerships. Unfortunately, building a genuinely partnership-based policy requires the public authorities to be prepared for it, otherwise, what is called a partnership policy will merely be an invitation to the population to be associated with projects that have been planned without their input. Application of governance principles requires a major change in the approach. There has been much international debate on this subject, which was first summed up in the Caracas Declaration in 1991. It demonstrates how the appropriateness of government action in this area requires compliance with a number of principles that are easy to put into words, but difficult to put into practice, because they carry the seeds of a genuine cultural revolution in the way public institutions operate. Principles that are easy to put into words, but difficult to put into practice are what we find at every level and in every area of governance.

### **V-Land-use policies**

Land-use policies, which mean managing several competing uses for land and the rights attached to such uses have been a key aspect of governance since the beginning. Now, more than ever, they constitute an application point for governance principles as competition between uses and between urban/rural, local/foreign, and small/large users increase.

Land-use policies are a good indicator of the world’s uniformity and diversity. Throughout history, societies have developed and continue to develop a vast range of responses to ensure the social functions associated with land, to strike a balance between security of use, which is necessary for the society’s economic and social life, and to ensure equity, which is constantly under threat from ownership and concentration mechanisms. These responses constitute a pool of experience that can be used to come up with new solutions adapted to each circumstance. On the other hand, we have seen repeated failures of normative standardised solutions.

Experience has taught us that there is often a widening gap between the legal validity and legitimacy of land-use policies. This gap can be attributed to ignorance and defiance of the management practices built up over the centuries that are ways of identifying and combining uses and managing conflicts between them.

Land management cannot be implemented without a democratic debate at local and national level, since this is the only way to achieve a long-term consensus on land use. Land truly underlies social life. In this area, more than any other, a policy can only be effective if it is set for the long term. Furthermore, land is ultimately a common good, the security of individual uses of land can only be provided in exchange for responsibilities shouldered by the beneficiaries. Today, there is general agreement that land ownership cannot be absolute and it cannot be given with nothing in exchange. The balance between rights and responsibilities lies at the heart of land-use policies.

Throughout the world, there is general agreement on the importance of the administration's ability to be a social player for successful land-use policy. Such policy cannot stand alone; it must be part of a global urban or rural development policy. One of the best ways to build on experience, to ensure permanent movement between uniformity and diversity, and to make genuine negotiations and genuine cooperation possible is to build international exchange networks for residents, farmers and political and administrative players, with international clearinghouses accessible to all where appropriate. We could even say that the legal, financial, technical support and market access issues are so tightly interlinked that land-use policies are one of the most constant and most universal areas for learning governance.

For example, land reform and, more broadly, security of tenure policies, show that local dialogue and cooperation is even more critical than in other areas given the link between land issues and space. Yet, local policies can be deployed only within the framework of objectives and legal rules set out at another level. Appropriate land policies must be framed in a relationship where autonomy is granted in exchange for responsibility, which is typical of the principle of active subsidiarity.

The five major governance principles determine the appropriateness and effectiveness of land policies.

## C2Ds

Debt Reduction and Development Contracts (C2Ds) are France's bilateral instrument for reducing debt incurred as part of Official Development Assistance (ODA). These contracts are signed in addition to the multilateral Heavily Indebted Poor Countries (HIPC) initiative to reduce the debt of such countries. The Contracts use grants to refinance ODA debts: the countries continue to service their debt, but as soon as a repayment is made, France hands the same sum back to the country for use in poverty reduction programmes that have been selected through mutual agreement between France and the partner country. They will be implemented after the completion point of the HIPC initiative and will be added to the debt cancellations granted through the Paris Club. The projected amount of the Contracts is about 3.7 billion euros. Debt forgiveness is a long process, since the maturities of the debts often run to twenty years. Several successive C2D Contracts running for three to five years will be signed.

The Contracts enable France to engage in a dialogue with the authorities from the beneficiary countries on their poverty reduction policy, and to report on the use of debt forgiveness to the French Parliament.

The C2D Contracts are an instrument for financing the PRSPs (Poverty Reduction Strategy Papers) drawn up by the countries. The initiative covers 23 countries: Côte d'Ivoire, Cameroon, the Congo, the Democratic Republic of the Congo, Guinea, Mozambique, Madagascar, Mauritania, Burundi, Ghana, Rwanda, Uganda, Tanzania, Sao Tomé e Príncipe, Sierra Leone, Liberia, Sudan and six countries outside of the Priority Solidarity Zone: Bolivia, Nicaragua, Honduras, Malawi, Myanmar and Somalia. To date, nine countries have signed Debt Reduction and Development Contracts with France: Mozambique (in November 2001 and in November 2004), Uganda (in March 2002), Bolivia (in May 2003), Tanzania (in June 2003) and Mauritania (in July 2003 and in June 2006), Ghana (in November 2004), Madagascar (in February 2005), Nicaragua (in March 2005) and Cameroon (in June 2006).

In accordance with the directives issued by the Interministerial International Cooperation and Development Committee (CICID), C2D Contracts are drawn up jointly by the Directorate General of the Treasury and Economic Policies (DGTPE) and the Directorate-General for International Cooperation and Development (DGCID). The French Development Agency (FDA) is responsible for the implementation of the Contracts in the countries of the Priority Solidarity Zone (ZSP). The FDA examines and executes the appropriations. Every six months, civil society organisations are involved in monitoring Debt Reduction and Development Contracts. The documents presenting the Contracts and the relevant programmes are posted on the Internet. The purpose is to provide better information for all and, more specifically, for the civil society organisations that played a decisive role in the adoption of the HIPC process.

After five years of experience, changes were made to the system to make the instrument even more predictable and effective. Financing under the Contracts focuses on a limited number of appropriation points in the sectors that contribute most directly to reducing poverty. Seven sectors, covered by the MDGs, are priorities: education, water and sanitation, health and fighting aids, agriculture and food security, infrastructure development, environmental protection and developing the production sector. When public financial management is reliable, and when poverty reduction strategies are appropriate and credible, the appropriations can take the form of global budget assistance to support poverty reduction strategies or harmonised financing for sector programmes. We are seeking reinforced cooperation with other donors. Finally, civil society in the North and South must have the means to take ownership of the assistance programmes.