Section IV:
The importance of (political) power and vested interests in shaping development aid and its outcomes

The governance dimension in development aid

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Introduction

Governance can be defined as the ordering of the societal component of the environment – whether such environment is conceived in organisational, sectorial or broader terms- in which development is taking place. Governance determines whether and how development results can – or cannot - be achieved. It is probably the most important and most complex factor to be addressed by development stakeholders.

Previous sections described how modern aid architecture can address complexity and use a systemic approach to development in order to improve the effectiveness of the interventions. Systems are largely influenced, if not determined, by the environment in which they evolve. The world’s ever changing macro-economic situation, unpredictable climate changes or long-lasting internal and external armed conflicts are examples of important environmental factors at the macro-level that have a profound impact on development opportunities of a country and of a given sector within a country. Governance issues are believed to be important macro-societal aspects that determine development, hence development aid outcomes, continuously influencing any small or big societal elements. Governance also entails the structures, formal or informal institutions governing a development sector or theme. It determines the drivers and the relationships that underpin the functioning of any organisation. Governance is an important (multi-level) context factor for any development intervention.

We argue that donors cannot make significant progress in improving development outcomes and aid effectiveness without re-appraising 'how development happens'. It is therefore obligatory to pay attention to the role of governance within the development aid architecture. Planners in development aid and big donor agencies that concentrate on massive financial aid as a response to the “poverty trap”, largely ignore the importance of governance as a crucial factor for development (Easterly 2006).

The first part in this section defines governance and the basic principles to be taken into account by the aid effectiveness agenda. It also highlights the role of states and state institutions in the governance of the development process. The second part looks at the implications of a governance focus for development aid. In the third, the implications for cooperation programme design and implementation are highlighted.
Governance Matters

Defining the Concept

Over the past two decades the international community has gained increasing interest in the role of governance in the development process. “Governance” is not to be confounded with “government”. Although there is no unanimous, universally accepted definition of governance, it is widely accepted that governance is essentially about rules, interests, resources and power. Governance broadly refers to the exercise of power through a country’s economic, social, and political institutions (Klugman 2002). Governance determines how power is used, how institutions function, how the relations between the state, civil society and the private sector are organized and how sectors are developing (EuropeAid 2008). It can therefore be defined as “the process by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified” (Brixi et al. 2015; The World Bank, s.d.1).24 From a systemic point of view, we propose to define governance as the way societal systemic elements (institutions, organisations, communities and individuals) interact conform a specific set of cultural, social and political rules, norms and regulations. Governance refers to processes (how things are done and not the ‘what’ is done). Governance is therefore essentially relational and immaterial in nature. Most of these rules and habits are unwritten and therefore sometimes difficult to grasp. Governance is about the structures, relationships, interests and incentives that underpin the creation of formal institutions as well as the retention of informal ones.

Box 22 gives an overview of some global perspectives on governance that are being used by the international community.

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Box 22. Global perspectives on governance

**United Nations Development Programme (UNDP)**
Governance is the exercise of economic, political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their legal obligations, and mediate their differences. ([http://magnet.undp.org/policy/default.htm](http://magnet.undp.org/policy/default.htm)).

**Organisation for Economic Co-operation and Development (OECD)**
Governance denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled. ([http://www.oecd.org/dac/](http://www.oecd.org/dac/)).

**Commission on Global Governance (World Bank)**
Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal instructions and regimes empowered to enforce compliance as well as informal arrangements that people and institutions either have agreed on or perceive to be in their interest. ([http://info.worldbank.org/etools/docs/library/34565/docs/7th.pdf](http://info.worldbank.org/etools/docs/library/34565/docs/7th.pdf)).

**World Bank**
Good governance is epitomised by predictable, open and enlightened policy making (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law. ([http://www.worldbank.org/publicsector/overview.html](http://www.worldbank.org/publicsector/overview.html))

**Commission of the European Union**
Governance concerns the state’s ability to serve the citizens. It refers to the rules, processes and behaviour by which interests are articulated, resources are managed, and power is exercised in society. The way public functions are carried out, public resources are managed and public regulatory powers are exercised is the major issue to be addressed in that context (Governance and Development 2003).
Governance in its broadest sense is about authority, power and power relations between the different constituents of society (i.e. in a simplified representation the State, the private sector and the civil society, see Section II). It tends to focus on ‘normative principles' that guide the social and political public debate: the relations between the stakeholders in society are therefore assessed using key principles guiding the various processes by which “rulers and ruled” are selected, defined, and linked together, i.e.: participation, inclusion, transparency and accountability (EC 2008) (see Box 23). These principles can be considered as fundamental values within any society and are given shape by formal and informal institutional frameworks in which States operate. The quality of a country’s governance is determined by the degree to which its institutions and processes are transparent and accountable to the people, allowing them to participate in decisions that affect their lives. It is also the degree to which the private sector and organisations of civil society are free and able to participate as well as the degree to which attention is paid to the effective inclusion of the interests of the most vulnerable and marginalised populations (UN, s.d.).

Box 23. Governance Principles (adapted from The World Bank (s.d.))

| Participation: Participation is the process through which stakeholders influence and share control over priority setting, policy making, resource allocation and access to public goods and services. The assumption is that participation helps building ownership and enhances transparency and accountability, and in doing so enhances effectiveness of development projects and policies. Participation is also deemed to be conducive to formal empowerment of the society at large through citizen representation in government systems and other mechanisms that facilitate free, active and meaningful citizen participation in decision-making processes. |
| Inclusion: It is assumed that the systematic incorporation of a wide range of stakeholders, including the poor and vulnerable groups, into the development of policies and programmes, will increase the effectiveness of the development process. |
| Accountability: Accountability is about the government’s willingness and |

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ability to show that its decisions and actions are consistent with clearly defined and agreed objectives. Accountability is a pro-active process by which public officials inform about and justify their plans of action, their behaviour and results, and are sanctioned accordingly. The World Bank also promotes the “social accountability approach” which relies on civic engagement and whereby ordinary citizens and/or civil society organisations participate directly or indirectly in demanding accountability. Initiatives such as participatory budgeting, administrative reform acts, social audits, citizen report cards, community score cards, all involve citizens in the oversight of government and can therefore be considered to be social accountability initiatives (Ackerman 2005). In section II these aspects are labelled ‘giving voice to people’.

**Transparency:** Transparency at all levels of the development process - not only with respect to the political decision making but also including judicial, fiscal and public expenditure transparency as well as donor transparency and its outcomes at the national and local government levels is expected to build trust, ownership, and support among all stakeholders. Government actions, decisions and decision-making processes should be open to an appropriate level of scrutiny by other government agencies, formal check and balance institutions within and outside government, civil society watchdogs, media, etc.

‘Good governance’ is based on the application of these principles and should lead to higher effectiveness, respect for rule of law and improved equity. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voice of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources (The World Bank, s.d.2).

Good governance is often associated with democracy, with the rule of law and with the efficiency of public service delivery. These are definitely important benchmark indicators for assessing the quality of governance. However, for good governance to be effective one needs to look beyond the organisation of elections, or the degree of independence of the judiciary, or the quality of public services (The World Bank, s.d.2). Good governance exists when the authority of the government is based on the will of the citizens and is responsive to them. It implies open, democratic institutions allowing full participation in political affairs and respect of human rights that guarantees the right to speak, to assemble and to dissent (UN, s.d.). It is
determined by how societies deal with fundamental rights such as freedom of speech, freedom of assembly, freedom of religion and freedom of property. Intrinsically these freedoms have nothing to do with the western—or other-model(s) of democracy and the two cannot always be reconciled (Easterly 2006; Acemoglu 2012; Zakaria 2004). In other words, improving governance is a continuous challenge for all societies, no matter their degree of practising democracy.

Governance is thus highly contextual in itself. While it is possible to identify concepts and principles of governance, they make no sense without a contextual reference. ‘Good governance’ or ‘Better governance’ is not merely a set of a priori principles but, as any architecture, it is rather a set of practices arising from concrete challenges that a society must address (Unsworth 2010; Moore 2006).

This rediscovery of the ‘good governance’ and ‘democratic governance’ concepts – re-balancing a normative and prescriptive approach with a more analytical one– goes together with an increasing recognition of the importance of the political dimension of governance. The use of political economy analysis to understand local political dynamics is part of this moving away from a best practice approach to identify best fitted and politically feasible strategies for supporting reforms. Political development can be seen as the emergence of three separate institutions: a modern state, the rule of law, and democratic accountability. Each can exist separately from another, and different societies have put them in place in different sequences (Fukuyama 2015; Fukuyama 2011).

**Governance and Sector Development**

Over the past decades donor organisations have been investing primarily in technical sector reforms aimed at increasing sector performance and improving public service delivery. Although technical support is key for any sector development, history shows that the mere increase in technical and financial support is no guarantee for effective development (Easterly 2006). The responsiveness, the quality and the efficiency of public service delivery are also largely determined by the way in which a sector is governed.

The impact of aspects such as the organisation of a sector, its public resource management or the regulatory powers within the sector are gaining attention and become ever more prominent in sector development initiatives. A highly visible evolution can be observed in the development of
new aid paradigms towards the inclusion of ‘governance support’ and to combine technical sector support with sector governance support. From a systems thinking perspective, governance is a determining environment factor for sector development outcomes, more specifically defined as efficient and equitable service delivery. Governance issues must therefore be addressed simultaneously with other (technical) improvements in interventions.

The growing interest to integrate governance as one of the components in sector development programmes is an indication of increased recognition among development stakeholders of the complexity of the system in which changes take place. The integration of a governance dimension in sector development programmes must be based on an analysis of the underlying (power) relations in a sector and how these are determined by formal and informal rules, norms and values. Though less visible, the influence of traditional norms and values on the chances of effective sector reform cannot be underestimated (Easterly 2006; EC 2008).

Governance is multi-dimensional and requires a comprehensive approach aimed at strengthening systems and developing relations between different stakeholders (institutions, organisations) at different levels. Lack of institutional capacity, ill-designed systems or vested interests lead to poor policy outcomes. Improving the system through transparent and efficient public finance management, and rationalized public employment policies, is only part of the answer. Attention must also be paid to improve the broader governance environment in which the sector operates, so as to make the sector more responsive and accountable to all stakeholders, through its political representative bodies. Additional initiatives that can be taken include supporting institutions for public accountability (such as Parliaments and Offices of the Ombudsman) and tracking improvements by measuring the rule of law, state legitimacy and trust in government institutions. Efforts to reduce the risk of corruption are prominent in both of these (The World Bank, s.d. 3). But improving the political accountability and enhancing the voice and participation of civil society is probably the biggest challenge (The World Bank, s.d. 1). Like all changes, improving governance is a process that requires reforms which take time (EC 2008). The integration of governance

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with a specific focus on improved participation, inclusion, transparency and accountability in sector programmes does not only improve the results generated by the technical inputs aimed at improving the quality of public service delivery, but also contributes to increased equity and non-discrimination of vulnerable populations. In the health sector, already in the 70s and 80s of last century, development interventions were struggling with questions like equity, community participation and voice to the people. Box 24 illustrates how the health sector struggled over the past 50 years, trying to integrate certain governance aspects (and values) into the organisation of health services. The reductionist financing paradigm in development aid has too often overruled governance values such as transparency and giving voice to people.

Box 24. Health Care Financing Mechanisms as a Battle for Governance Principles

In Africa, health system financing remains a huge challenge. Ever increasing costs for health care service delivery are not matched by improved quality and hamper the financial accessibility for the majority of the population. Over the past decades a large range of systems for financing the health sector has been developed. Depending on the prevailing aid paradigm of the moment the focus shifted between economic priorities or more human rights-based principles such as equity, participation and accountability values. From the 1960s till the 1980s the ‘free health care for the poor’ (or ‘for all’) approach predominated. Though attempting to be equitable and inclusive, the services lacked transparency and accountability for quality. Informal payments became the rule and people (patients) were not able to claim any form of quality as the service was given for free. Primary health care became poor health care (Werner 1997).

In 1987 the Bamako Initiative was launched by UNICEF (with somewhat less vocal support from WHO) at a time when donors felt reluctant to continue paying the recurrent costs in the primary health care system. The initiative was initially meant to give a voice to the people through making them pay small amounts for the care they received; this would create an opportunity for the population to participate in the decision-making on the health care package they were willing and able to pay and on who should be exempted from paying (equity). But purely economic reasoning quickly started to predominate, in order to solve the problems of financing primary health care in sub-Saharan Africa. The initiative initially made the health services slightly
more viable but in the end it failed as governments withdrew from their obligation to finance public health services, increasingly putting the financial burden on the population. Fees consistently increased until the large majority of the poor did no longer have reasonable access to health services. Another factor explaining the lack of success was the poor institutional capacity to hold health service providers accountable and government failure to enforce observation of the rules and laws governing the health sector.

Since the early 2000s, mainly as a reaction on the structural reforms imposed by World Bank in the decade before, but also for immediate political gain, many developing countries returned to the free health care approach. They often did so, though, without building on the lessons learned from previous experiences showing that free health care in an environment of impunity and poor governance will not result in the required quality of services. Among others, Burundi, Benin, Senegal and Niger introduced free health care through presidential decrees nearly from one day to another, most of the time for specific ‘vulnerable’ groups in society. In all these countries, the necessary accompanying re-organisation and rules of law were not sufficiently following. This often resulted in empty public pharmacies obliging patients to buy expensive drugs in private pharmacies, unofficial payments, fake invoices for the ministry of finance to compensate for late reimbursements, etc. The increased ‘consumption’ of consultations was at least partially undone by decreased quality of services.

More recently, the 2010 World Health Report (World Health Report 2010) promoted ‘universal health coverage’ as a ‘new approach’ to tackle at the same time quality, equity and economic viability of the health services. The report recommended a systemic approach by addressing the different technical, financial and governance aspects of the sector simultaneously to gradually build up the system. Within this approach, universal financial protection should promote health equity. The system should be funded by a progressive tax-paying system, managed by the government and monitored by a provider–purchaser body with authority to ensure the required ‘checks and balances’ within the system. The universal access approach is inspired by the principles of equity, inclusiveness and accountability but can only fulfil its goal if the government succeeds in taking appropriate measures. Although universal health coverage is a promising systemic approach, the question is whether governments and their public institutions will be able to change their habits in accordance with all these principles.
Box 24 provides an overview of different health care financing mechanisms in the past decades and illustrates the importance of governance aspects to make systems work. It shows how governance aspects can be actively included or neglected in the sector organisation and how the absence of clear governance values can actually destroy the system. Technical, economic and organisational reasoning is balanced with governance considerations. Development aid interventions should equally include both aspects in their interventions and support.

**Understanding the Role of States and State Institutions**

Development processes often generate radical, potentially conflictual and far-reaching changes in society. They impact on distribution of wealth and power and on economic growth. Social transformation and political transition can destabilize vested interests and society as a whole. Ideally, such processes need to be guided by effective States that have the legitimacy, the will and the capacity to bring about the necessary changes. Effective States operate through public institutions and can rely on a widespread legitimacy as they are authorized, limited, held in place and maintained by sound political and judicial processes (Leftwich 2006).

States and state institutions are at the core of the development process and should provide an enabling environment for these processes to take place. In order to comply with this responsibility States need the capacity to enhance, orchestrate and manage these processes of change. Although many questions regarding State responsibility and the contribution of governance are left unanswered, there is a growing consensus that well-functioning and effective state institutions are crucial for successful development (Carothers 2013; Glennie 2013). Development is not only about deciding how resources are used, produced and distributed but also about how decisions affecting change are taken and about the politics which sustain, implement and extend them (Leftwich 2008).

Protection of the vulnerable and investment in the delivery of basic social services and infrastructure are two fundamental responsibilities of States without which sustainable development is impossible (World Development Report 1997).

In previous sections we repeatedly highlighted that development is the outcome of technical as well as political processes and that development is essentially a transformative process of change. Section II described
development as a continuous iterative learning process a bit artificially decomposed in a trickle-down process of policies, rules and regulations and a bottom-up capitalization process. It is about a complex interaction between a multitude of stakeholders who might on top change their stakes at any moments (see section I agents and structures). States must be capable of developing appropriate policies and have the technical capacity to translate broad objectives into programmes and projects, to allocate budgets to enable their implementation and to ensure the planning and monitoring. States are responsible for developing the normative and regulatory framework required to ensure quality and reliable government services. They must have the organisational capacity to ensure that they have the most effective and efficient structures and systems within each sphere of government that enable them to realize the development goals as well as to provide the necessary cohesion for delivering the results needed. They have to make effective use of intergovernmental and integrated planning across spheres of government, between different government departments and with non-state actors (see Section II). It was emphasized that from a complexity theory point of view, reality was more complex than above analytical description might suggest and that 'agents' (Section I) were in a constant interaction and in which the process was more important than the (long-term) objectives as such.

As such, the ideal formal State does not exist, and certainly not in a context of fragility where these formal functions are largely deficient. Conform the complexity theory and the reasoning in agents and structure, States do not exist - and therefore do not act- in isolation. States and its governance qualities emerge through the interaction of formal and informal relations between stakeholders in society. Public policies (or public action) are created through complex processes of bargaining between state and society actors and through the interaction of formal and informal institutions (Unsworth 2010). The State and other societal actors are inextricably linked to each other in a unique complex reality.

What needs to be supported is not 'state building' in isolation but 'public authority' through collective action, through an enhanced ability to form strategic alliances, set common goals, and mobilize actors around the “construction of a public problem”27. Enhancing state capacities is still key. However capacities are regarded not only in terms of, organisational

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competence (e.g., human, financial, and technical resources that it can mobilize) but also and above all, as capacities to forge and maintain synergies and relationships with different stakeholders of the society (Grandvoinnet 2015).

States should unite public and private stakeholders – including business, labour and civil society – in a common partnership geared towards the implementation of a shared programme. (Education and Training Unit, s.d.)

Figure 27. Society building capacities in governance language

Section II concentrated on the sector-specific technical capacities for sector development. Figure 27 draws the equivalent with the scheme of the development process as elaborated in Section II, but translates the needed capacities in a 'governance language'. Technical (sector) capacities can never be really dissociated from governance capacities. Government authorities

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should indeed not only be technically effective but also be capable of creating an enabling environment for all stakeholders to fully participate in the continuous dialogue and feedback learning cycle aimed at making policies and programmes conception and implementation more responsive and sustainable. Effective, accountable, responsive public authority evolves through complex interaction between state and society, public and private actors, formal and informal institutions.

A technically capable but unaccountable and non-inclusive State is incapable to fully play its role effectively and to deliver quality public goods for instance if the technical capacity is not supplemented by good governance aspects. In this respect support for strengthening state institutions should be aimed at increasing the technical capacity of the State to carry out its duties as well as at increasing the responsiveness, inclusiveness, transparency and accountability of the state towards all relevant stakeholders (domestic and external). All these tasks require a strong emphasis on strengthening State's governance capacities.

Strengthening state institutions including state-society relations and improving their performance from a development perspective, is a complex challenge which is hard to define, let alone to measure. This complex political process requires broad domestic support for the inevitable changes and reforms that should take place. The ultimate goal should enable States to assure inclusive quality public services without external support in the long term (Carothers 2013; Glennie 2013). This vision can only be reached through ‘action in complexity’, starting from the existing institutions, formal and informal, with strong or weak relations, as described in Section II. Change can only be introduced through incremental changes and muddling through a complex reality.

State coercive power is an important role of governments. Coercive power should be balanced at all times against the negative powers governments would like to correct. Coercive power needs therefore controlling agents to correct exorbitance. One could say that state authority is an emergent quality resulting from a complex interaction between imposing rules and corrective measures on the one hand and regulatory mechanisms of the degree of power used on the other.
Governance as Key Issue in Development Aid

Governance and the International Aid Effectiveness Agenda

Over the past decade the international aid effectiveness agenda has gradually taken an overt interest in sharpening its focus on governance issues as evidence grew that mere technical sector support can never generate long-lasting development results. There is a growing recognition among development stakeholders that governance is a key component in the formulation of policies and reforms and in the allocations of budgets aimed at poverty reduction, democratization and global security. They try to understand how formal and informal structures and systems are influencing development aid outcomes and how public service delivery can be made more efficient, responsive and flexible and of improved public accountability.

There is a growing interest among development stakeholders to pursue the application of the basic governance principles through their interventions aimed at supporting development processes. This evolution is reflected in the new EU agenda for change which builds on the hypothesis that inclusive and sustainable growth depends on good governance combined with the promotion of human rights, democracy and the rule of law (EuropeAid 2011). It is also embedded in a variety of international declarations aimed at improving the effectiveness and efficiency of Official Development Aid (ODA). The aid effectiveness agenda explicitly calls for an increased use of country mechanisms requiring partner countries to establish efficient public finance management and sector governance systems. The underlying principles of ownership, alignment, harmonisation, results-based management and mutual accountability highlight the governance dimensions of development and institutional capacity building.

Box 25 illustrates how the growing emphasis on governance in the aid effectiveness agenda has evolved over the past decade. While the Paris Declaration concentrated on the donor community’s development agenda and its relations with partner countries through mutual accountability, the Accra Agenda for Action and Busan Outcome Document emphasise the importance of supporting endogenous development processes (see also Sections II and III), whereby improved domestic accountability and strong governance systems are gaining importance for all efforts to improve sector
performance. Support for the establishment of mechanisms that enable citizens to hold their governments accountable are deemed to reduce development risks, such as the misuse of funds and corruption, and are therefore expected to contribute to increased aid effectiveness.

**Box 25. Recent historical evolutions in the international aid effectiveness agenda**

<table>
<thead>
<tr>
<th>The Paris Declaration (2005) enshrines moves to reform-driven cooperation through sector approaches, shifting the focus from ‘input and policy actions that the government must do’ to an output and outcome of something it has to achieve by means of its own choice (OECD 2008). Under this new type of partnership, development partners and recipient countries are mutually accountable for results, meaning that donors need to improve the governance of aid and mitigate its possible side effects.</th>
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<td><strong>The Accra Agenda for Action (AAA) (2008)</strong> expands the notion of ownership to include new actors outside as well as inside government. Extending ownership from the government to the country makes domestic accountability as important as ‘mutual accountability’, as governments have to account to their own citizens as well as to development partners (OECD 2008).</td>
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<td><strong>The Busan Outcome Document (2011)</strong> confirms this emphasis on domestic accountability, promoting interaction between central and local governments, civil society and checks and balances institutions. The Busan Partnership for Effective Development Cooperation includes pledges on human rights, democratic ownership and civil society, and announces a new deal for engagement in fragile States (OECD 2011).</td>
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**Governance: Both an Intervention Objective and a Cross-Cutting Issue**

Governance is essentially a relational quality between societal institutions. It is the way societal elements interrelate beyond the purely technical aspects of the relation. Problems with governance can be specifically addressed through sector programmes or as a cross-cutting issue affecting the outcome of whatever sector development intervention.

Strong governance outcomes are to be expected from sector development programmes as described in Section II, when intervening in sectors such as justice, public finance, security or civil service. Such sectors are specifically
addressing governance aspects in society. When for instance rationalising the justice sector, rule of law for people should improve, when public finance management is addressed, one can expect transparency and financial protection of the poor to improve. When political decentralisation processes in Local Government are supported, politics should come closer to the people and therefore should enhance their voice. Such interventions have a governance objective. Development interventions addressing specifically governance aspects such as democratisation processes, the promotion and protection of human rights, the strengthening of the rule of law, the enhancement of the role of civil society, the reinforcement of decentralisation processes and local authorities, public finance management or public service administration (EuropeAid 2008), should be considered as development sectors just like health or education sector and therefore addressed with a systemic approach in order to strengthen systems rather than punctual events. The sectors mentioned above have a particular influence on governance as a whole.

Another way of approaching governance as a developmental problem is to consider governance as a cross-cutting issue that must be integrated in all sector development programmes since these will inevitably touch upon governance problems in their attempts to bring about the necessary changes and reforms. Governance as cross-cutting issue also covers aspects such as anti-corruption, institutional and organisational capacity, public finance management, public tendering for investments, eliminating impunity, public service policies and rewarding systems, inclusiveness, and patients’ rights in the health sector.
Figure 28. Addressing governance transversally or through sector development aid

Both approaches to support governance through development aid are highly complementary. Figure 28 represents schematically how governance can be approached directly through specific sector development programmes (governance as a specific objective) or as a crosscutting issue or transversal theme. Each sector has specific technical challenges, but must simultaneously deal with governance aspects whereby the decision making process within the intervention framework must be guided by the promotion of key governance principles of participation, inclusion, transparency and accountability. This cross-cutting aspect of governance and the way to incorporate it in a project/programme architecture as described in Section II, will be further developed.

Box 26. Examples from the health sector on how power relations impact on health service outcomes

In many African rural areas, transport means are relatively scarce and local government authorities regularly confiscate ambulances for genuine service needs or personal use. In our concrete experience, local authorities used the ambulance to verify a rebel attack 200 km further using the district hospital’s car but also its fuel. The medical team had difficulties to refuse although it
was obviously incorrect. On other occasions, the ambulance was used for collecting firewood for the local governor. Evidently this goes against the interest of the health service organisation and the health of people. Despite frustration of medical staff and the population, local politicians seemed to have this power and did not see it as a problem. The district management team tried to negotiate with a retired president residing in the same community. He indeed used his social power by calling the local governor for fatherly advice. The situation improved and the ambulance vehicle was less misused for unauthorised services. The local medical doctors would never have had this power.

In the 1980s and 90s, the situation was quite different in Zimbabwe. The president had declared health and education as the national priority sectors, and everybody acting against this would be considered “a traitor of the nation”. In this context, with in those days little impunity, district medical officers sometimes requisitioned the cars of the local police station for evacuating a patient when the ambulance had broken down. Police would never refuse.

Both situations indicate the complex power interaction of different stakeholders in society and how they impact on the health service organisation. Governance relations are very different from one situation to another, outcomes for health as well.

Box 26 shows how governance aspects in society influence health service outcomes. Not taking them into account in a sector development programme would jeopardise all technical solutions.

**Integrating Governance as a Cross-cutting Issue**

Integrating governance as a cross-cutting issue into sector development programmes means that governance should be taken into account throughout the programme cycle right from the programme design. It also implies a strong focus on the promotion of the governance key principles with the aim to improve the governance relations between the different stakeholders as they determine the overall functioning of a given sector as well as the changes that can or cannot take place. In the philosophy of system’s thinking, the pathway towards development results (the process) is as important as the results (technical outcomes). It is indeed possible that interesting technical solutions and developmental progress are neutralised by a negative impact on the overall governance system.
Box 27. Example of how a health development intervention at the operational level specifically targeted governance aspects

In DRC, due to the chronic economic and political crisis, salaries of civil servants in the health sector have not been paid for decades and services are only symbolically subsidised by government. The system adapted itself over the years, and civil servants found other ways of surviving. They started living from patients’ fees, and in order to increase revenue, started commercialising care services. The logic was to prescribe and to invent medical procedures up to the maximum patients were able (willing) to pay. As a consequence, certain major surgical acts were organised at rural health centre level, were one single person played the role of surgeon, anaesthetist and lab technician. This resulted in an irrational, ineffective and commercial health care system. This phenomenon reached extreme proportions in DRC, but many African health care systems have the same tendency of commercialising health care, though in a lesser degree. This ‘commercialisation’ was structurally introduced in many health care systems in developing countries when patient fees were officially allowed for salary topping-ups.

In this environment of commercialised health care and impunity, a development project in DRC started its support to the local hospital and proposed to introduce measures to rationalise care and service organisation. Every proposal in that direction was immediately rejected because incompatible with the vested interests of the most important stakeholders. After 8 months of complete paralysis, the project started thinking about ‘de-commercialising’ the system and negotiated a new deal. It proposed paying salaries equivalent to what was the estimated (illicit) revenue of the personnel, based on a survey of how much patients were on average paying out of pocket. Patients would start paying a flat fee per disease episode equal to 50% of what they were paying on average according the survey, the other half being paid by the project. In this proposal, revenue for the hospital, hence for the personnel, would remain equal and would probably increase, as the average contribution by the patients would considerably diminish and financial accessibility would therefore increase. In such a system, over-prescription of drugs or lab tests or over-consumption of medical acts was against the financial interests of the personnel.

Negotiations lasted for six months, before the proposal was accepted. In the new system, the number of patients increased and the financial viability of the hospital improved. But most importantly, the staff also accepted
proposals to rationalise services, because these were no longer in contradiction with their personal interests. Only by addressing governance aspects, technical improvements became feasible.

Box 27 shows how a health development intervention targeted specific governance issues in order to ensure success, also from the technical side (quality of care). The extreme absence of government rules and regulations in the DRC context made the necessity for intervening on these aspects obvious. In other circumstances, governance problems might be less visible and the reason for failure would be generally labelled as ‘resistance to change’.

In the final analysis, governance is about human interaction, whether it is situated at the individual, organisational or institutional level. In order to understand governance issues, multi-stakeholder analysis is a useful tool. The analysis should not be restricted to a simple mapping exercise of the different stakeholders, but also look at the power relations between them, their interests and their incentives. Analysis should be made of where and how stakeholders in power share information, take decisions, allocate resources, offer space for participation, are held accountable for their actions and learn from the societal feedback through an endogenous policy dialogue (see Section II). and how stakeholders that have – or should have – the power but also the technical capacity to hold those in power accountable for their decisions and actions and participate in shaping public policies responsive to their needs (EC 2008). In an illiterate and poorly educated community, civil society will often be very limited to exercise its rights for lack of capacity. Figure 29 shows the different aspects that should be taken into account when assessing how a sector is governed: the context, the stakeholders, and the governance and accountability relations that connect them. It shows that governance is inherently relational. The underlying hypothesis is that governance aspects will contribute effectively to sector development, when on the one hand actors in power share information, take decisions within a clearly defined regulatory framework, allocate resources transparently, offer space for participation and are accountable for their actions. However on the other hand, non-state actors (media, civil society organisations...), independent watchdog organisations and check and balance institutions

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29 Governance and accountability are in this scheme somehow dissociated. We consider accountability as part of ‘governance’.

*Studies in HSO&P, 33, 2016* 211
(parliament, national audit authorities) should hold the actors in power effectively accountable (EC 2008).

Accountability relations are important to counterbalance the legitimate coercing power by political authorities. But this counterbalancing force is not given for granted by ruling elites, especially in environments of poor governance and deficient capacity in which democratic ruling easily evolves towards clientelism (Fukuyama 2015). Such clientelism causes civil society organisations and national rulers to confound, causing an obvious conflict of interest. Especially in fragile countries the role of civil society to defend the interests of the population is jeopardised. Therefore obtaining accountability is a matter of (political) empowerment and a major challenge in all interventions tackling the issue of governance (The World Bank 1997). Spheres in Figure 24 are distinguished for clarity of analysis only but they are not exclusive to each other. All actors play different roles and belong to more than one cluster, as already mentioned in Sections I and II (Parker et al. 2007; Byrne et al. 2014).

Figure 29. Governance analysis framework (European Commission 2008)
Analysis of context, actors/stakeholders and governance and accountability relations (systems approach) should give an answer to a set of specific questions:

- **Context**: how does the wider governance framework in a society set the stage for the specific governance in sectors? How is the overall public sector governance set-up? How does the local, regional and global context influence domestic sector performance in terms of governance?

- **Actors**: who are the stakeholders (all key players, also those who are excluded) in the sector? What are their respective power and authority, their interests and incentives for maintaining the status quo, or for change?

- **Governance and Accountability Relations**: What are the characteristics of the governance relations between actors in the sector? Are formal or informal relations dominant? How transparent is the decision making, the relations between stakeholders and the allocation of resources within the sector? Who is linked to whom, who has fought with whom, and by what means? (EC 2008).

The figure shows that all stakeholders are closely intertwined and have a role to play in a variety of governance and accountability relations that are determined by their respective mandate, functions, interests and power. Good governance should not only be measured in terms of the public sector’s capacity to perform its functions, but also to take the citizens’ needs and aspirations into account and to be answerable for what is – and is not – done (Eliminating world poverty 2006).

Improving domestic accountability has become a key concern for development aid. When stakeholders’ power and accountability relations are understood, development programmes can provide support and facilitate initiatives, identify and encourage ‘agents of change’. The objective is to understand the specific mix of governance mechanisms in a given sector and to adjust the programme response accordingly.

For a long time, donors used to solely support the “supply side” of governance, i.e. improving the capacity of the public sector to perform its functions, through investing in staff, procedures and systems. It was assumed that capacity support would automatically result in improved governance and thereby in better service delivery. However there is a growing recognition that support of the “supply side” is necessary but not sufficient for improved
sector performance. Donors should also invest in creating a strong “demand” for well-governed public services. Enhancing the “demand side” requires investments in supporting organised groups in society to enable them to exert pressure on the government to improve its performance and to be held accountable. Support to non-state actors as well as to checks and balances organisations is key in supporting the “demand side” of sector governance since in principle they are directly concerned with “demanding” compliance with rules, regulations and legislation (EC 2008). Citizens delegate power to government officials and elected representatives who have a responsibility to account for their decisions, actions and resource use (accountability). This is done through various lines of accountability: downward to the citizens, upward to higher levels of authority and horizontally to peers. Sector reforms are politically sensitive due to the fact that the lines of accountability are to be changed or because reforms may threaten vested interests.

**Box 28. Taking people into account improves quality of services**

Patient-centred and people-centred care have become well-known concepts in health care services and organisation. However these concepts are not necessarily recognised as important governance aspects of the sector. Patient-centred care is emphasising the quality of the relation between health provider and health care seeker. Plenty of examples exist on how the subordinate relation of the patient (health care user) vis-à-vis the care provider contributes to negative health outcomes.

In Niger, improving the responsiveness of family planning (FP) services remarkably improved uptake of FP. The official discourse always blamed culture and religion for low FP utilisation, but when responsiveness of the service, with a more client-friendly service was organised, utilisation increased with at least a factor four in a few months’ time (Bossyns et al. 2002).

In people-centred care, the relation between the local community and the health service are examined. In earlier literature community participation was the preferred term, but development aid paid little attention to the power relation between local communities and health services and the people’s rights. Empowerment was replaced by financial participation and ‘voice to the people’ was given only lip services. Literature on people-centred care gives ample evidence that governance aspects in health care organisation do have an impact on health outcomes (Sheikh et al. 2003).
There is a growing consensus among researchers on the need to understand coalitions that cut across the state and citizens divide. There is no such thing as a monolithic group of citizens on the one hand and government officials on the other. Many individuals can have multiple identities pertaining to different groups in function of the different roles they play in the public sphere. These categories themselves are not homogenous groups: their divergent interests, agendas, the different incentives they are responding to can be much greater than their ‘institutional categorization”. Civil society is not an autonomous area either, free from the logic of power or politics, they are also politically embedded bodies (Grandvoisinnet 2015). These aspects were already discussed in a system’s theory perspective in Section I (Elwell 2013; Strauss 1978; Williamson 2013). “Governance challenges are not fundamentally about one set of people getting another set of people to behave better. They are about both sets of people finding ways of being able to act collectively in their own best interest (Booth 2011)“.

A Systemic Approach to Governance

Whether addressed as a specific sector or as a cross-cutting issue, governance should always be understood as a complex set of relations in an open adaptive system, and cannot be tackled in isolation. Governance processes involve multiple stakeholders covering a broad set of tasks and responsibilities that are intertwined by a diversity of formal and informal relations that determine the quality of public service delivery as well as the responsiveness of the services to existing needs. Good governance is about how citizens, political leaders and public institutions relate to each other to make change happen (Moore et al. 2006; Eliminating world poverty 2006; Dahl-Ostergaard et al. 2005). Interdependencies and possibly conflicting goals and interests within and beyond the sector need to be considered and addressed in a systemic way. Supporting governance through development aid moreover increases the complexity of the interventions as it requires the involvement of a broad range of players with different capacities and agendas who must be encouraged to work together within and beyond a given sector and also learn how to negotiate in order to defend the interests of the majority of the population as well as of the most vulnerable.

Sector governance is more effective when government and non-governmental stakeholders demand accountability and when there is a genuine interaction between the two types of stakeholders (Brixi et al. 2015; The World Bank 1997). This is why sector programmes need to involve and
support both the demand side and the supply side involved in public service delivery, resulting in spaces for collective action, in order to improve sector performance. Sector development programmes are challenged to actively pursue the identification of opportunities for improving the complementarity and creating synergies with other interventions and stakeholders. They must also enhance the harmonisation of approaches and strategies among different donor organisations, be it bilateral, multilateral or NGOs.

Support to governance should be based on the same principles of critical alignment and double anchorage and be conceived as a continuous cycle of trickle-down and capitalisation, as described in Section II of this book. Governance must be approached in a systemic way, involving multiple stakeholders in a continuous search for incremental change. Rather than comparing a baseline situation with an ideal governance situation and attempting to bridge the gap between the two, programmes better start from an analysis of the governance and accountability relations within the sector. Programmes must be capable of identifying and seizing opportunities for change and to tackle problems as they arise throughout the implementation process. The aim is to support open-ended domestic processes over the long term, using innovative approaches, management and implementation tools and analysing what works and what does not work in a particular context and in a given sector.

Evaluating governance is particularly complex: difficult to quantify and difficult to predict outcomes in time. Classical evaluation methods based on indicators, targets and simple cause–effect relations are not suitable in this context (Rogers 2005; Jones 2011; Guthrie et al. 2005; Forss et al. 2011) (see Section I).

A Growing Focus on Institutional Capacity Building

Sector development programmes used to have an almost exclusive focus on individual and organisational capacity building as key components of structural support to the sector system. However, since sector performance also depends to a large extent on the governance and accountability capacity of the stakeholders in the policy making and implementation process, the aid effectiveness agenda put increased emphasis on the importance of strengthening governance through institutional capacity building. Institutional capacity building cannot be addressed as a stand-alone activity since institutional capacity cannot be disconnected from individual and
organisational capacity\textsuperscript{30}.

Institutional capacity building should be aimed at improving the ability of a State to design and implement its own development policies in a sustainable way. It is an endogenous process that involves different types and levels of human and social systems (individuals, organisations, networks, cultural rules, values). Institutional performance is affected by factors in the overall environment (norms, cultures, values), while institutional capacities and development are shaped by the interests and powers of the actors involved. In accordance with the Aid Effectiveness Agenda and the reflections in Section II, development interventions build on local and national ownership of reforms and promote greater reliance on domestic capabilities, institutions and procedures in project and programme implementation. States need certain core capacities to manage their development resources effectively. Therefore, development support should increasingly focus on strengthening the legitimacy and the delivery capacity of domestic institutions.

Box 29. Definitions of the capacity dimensions (ECDPM 2005; Vinod 2006)

<table>
<thead>
<tr>
<th>Capacity Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual capacity</td>
<td>Individual skills, insights and values obtained through schooling, training, coaching, scholarships, experience, etc.</td>
</tr>
</tbody>
</table>
| Organisational capacity | Internal: the capacity of organisations and departments to perform, manage and sustain themselves (regulatory capacity, priority setting, support functions, human resources, information systems, financial management, quality assurance, monitoring and evaluation systems).  
| | External: the capacity of organisations and ministries in their relation with other organisations. Specifically for ministries it concerns strengthening their stewardship role, inter-sectoral coordination, strengthening accountability relations between stakeholders in the sector. |
| Institutional capacity | The societal capacity to govern incentive structures, the political and regulatory context, regulating the accountability, |

\textsuperscript{30} see for instance the “Effective institutions Platform” coming out from Busan
Capacity building is a long-term process requiring a systemic approach. Improving governance calls for comprehensive approaches aimed at strengthening sector capacity at the individual, the organisational and the institutional level. The nature of the links between these three levels varies strongly though, depending upon the characteristics of the sector (Vinod 2006). This process does not start from scratch but builds upon already existing structures rooted in day-to-day realities, norms and values regarding accountability, collaboration and decision-making. This explains why capacity building should not only stick to the more “formal” tools of human resource development plans and changes in the organisational processes and the institutional framework. Capacity development for improved governance should equally pay attention to the management of informal relations between the different stakeholders at the different levels (Jones 2011). The socio-political environment is a determining factor in institutional development as it influences leaders’ ability and willingness to promote or resist change; while the political economy determines the spill-over effects of good practices and opportunities to scale them up. Support for institutional development needs to capitalise on internal factors and enabling environments that can provide incentives for change. It should not only strengthen different stakeholders’ capacity in sector governance and performance, but also address the institutional environment in the public sector as a whole (the rules and regulations for public sector governance, and inter-sector coordination). Institutional capacity is also intrinsically related with individual capacity and organisational capacity. Box 29 summarises the definitions of individual, organisational and institutional capacity. Box 30 provides an example on how a development intervention looked beyond the technical and organisational capacity of health facilities.
Box 30. A health project concentrating on reinforcing the three dimensions of capacity, including institutional capacity

In Uganda, the Belgian cooperation formulated a health project focusing on “improving capacity in management, planning and leadership of the health care managers at all levels of the health care pyramid”. The planning aspects were largely technical issues and therefore focused essentially on individual capacities. Improving management capacity referred to technical-individual capacity but also to organisational capacity. Performing management of an organisation implied not only a good manager at the head of the organisation, but also that different individuals and departments in the organisation work together in a structured way.

At first glance, improved leadership might seem to be the capacity of the leader, i.e. the health manager. But in this particular intervention, leadership was approached as the individual and organisational capacity to be responsible, flexible, pro-active and responsive. Irrespective of simple technical requirements, there is need for correct attitudes when dealing with personnel and clients and to guide by example. The leadership dimension of the intervention indeed concentrated on institutional capacity of the health organisation, keeping in mind, as mentioned before, that the three dimensions of capacity cannot be separated in reality. They form one global reality. In this context, health organisation leaders were trained in patient-centered and people-centered care. In patient-centered care, the rights of the patients were addressed together with respectful and high quality communication and empathy.

With people-centred health care services, the social dimensions, the people’s participation and transparency were discussed. It was highlighted that health care services should be accountable to its citizens. In the same intervention, much effort went to the local government authorities and their capacity to organize health care. The Ministry of Health made efforts to reflect on how financial transfers could be handed over from the Ministry of Finance to local government authorities for specific actions.
Implications for cooperation programme design and implementation

Starting from the Broader Context

The emphasis on country ownership and domestic accountability as underlying principles of improved aid-effectiveness is particularly challenging because development and change within a sector do not only require technical sector capacity, but also a thorough understanding of the political and institutional factors that shape development outcomes (Dahl-Ostergaard et al. 2005). Development partners must engage with multiple stakeholders who all tend to have different and sometimes even conflicting values, interests and power that are determined by institutional factors such as their organisational mandate. Full consensus on required reforms is therefore the exception rather than the rule. Reforms need a critical mass of ‘champions’ or ‘pockets of ownership’ in order to proceed and succeed.

The objectives, results, anchorage, interlocutors and partners selected for a programme are not value-free. Moreover, development interventions inevitably affect domestic power relations. Programme design should be based on informed decisions and should take into account multiple stakeholders positions. Involving less powerful actors like civil society organisations and local civil servants (rural teachers, doctors, nurses, etc.) gives these groups a voice and helps to empower them. Even when donor organisations fully support the sector reforms as proposed by the government of the partner country, they can still play a key-role in facilitating a constructive but critical dialogue between the different stakeholders in an effort to support consensus building.

Sector programme design should always be based on two kinds of knowledge: in-depth, sector-specific technical knowledge, on the one hand, and a clear understanding of the power relations and the institutional capacities within the sector, on the other. For technical interventions to have real impact on a given sector, it is important to ensure that their implementation is politically feasible. Right from the conception phase a programme must build on a thorough understanding of the policy cycle that steers changes in the sector (policy-making, defining and implementing strategies and action plans, reporting and evaluation) including also the
formal and informal structures and incentives that drives decision making processes, and citizen-state engagement with regard to this policy 'cycle'.

The best way to gain understanding of the context is to combine document analysis with a sustained dialogue with different partners, whereby attention is also given to socio-economic factors, the coordination capacity, the historical context and a deconstruction of notions such as “political will” (what are the institutional incentives that drives action of political elites in a country?) and legitimacy (‘what are citizens expectations with regard to the state and to state-society relations built on?’) of the government to bring about changes. All these determine the functioning of a given sector.

A comprehensive sector assessment should make use of multi-disciplinary approaches and of participatory methodologies that enable all development stakeholders at all sector levels to grow towards a sufficient consensus and to gain ownership of the kind of interventions needed and the strategies to be developed. A sector assessment should consider three levels, which are described in Box 31: the country level, the sector level and the institutional (organisational) level. Moreover, the need for sector assessments does not end with the conception of a development programme, it provides initial entry-points for support in the sector, which will be reassessed constantly as well as the assumptions underlying the ‘theory of change’. The exercise should be maintained throughout the programme implementation because of the unpredictability of systems in which stakeholders intervene and operate. The unpredictability of an ever-changing context demands flexibility and adaptation to newly gained insights.

Box 31. Continuous contextual assessments throughout programme conception and execution (Fritz et al. 2009)

<table>
<thead>
<tr>
<th>Country assessments</th>
<th>summarise the challenges and government responses, capacities and priorities in different countries. It helps to determine the cooperation strategy, to identify the priority sectors and to define the sequence of support for particular countries.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector assessments</td>
<td>include context and sector analysis, institutional analysis and an assessment of the sector coordination framework. Various elements need to be considered:</td>
</tr>
<tr>
<td></td>
<td>- Context: policies, legal and regulatory frameworks, organisational capacities</td>
</tr>
<tr>
<td></td>
<td>- Stakeholders: their roles, interests, power, resources, linkages and incentives</td>
</tr>
</tbody>
</table>
- Governance and accountability relations.

Institutional and organisational capacity assessments can be undertaken as specific, time-bound studies during project design, or (preferably) as part of the continuous process of context (sector) analysis during a development intervention. They focus on actors that have been identified as key stakeholders in programme support, and assess the main capacities organisations need to contribute to sector outcomes by fulfilling their mandate and delivering services efficiently. External aspects of the organisation are considered (user satisfaction, mission, inputs, outputs, stakeholders, and context) as well as internal aspects (structure, strategy, procedures and systems, formal and informal culture, management style, staff motivation, etc.).

Multi-stakeholder approaches to programme design and dialogue

Donors often tend to ignore the complexity of stakeholders’ interactions within a sector and to focus exclusively on the sector Ministry that is responsible for the reform they are supporting, rather than on dealing with the government as a whole, with civil society, sub-national authorities and the private sector. The sector ministry is expected to ensure policy coordination between domestic stakeholders, even when inter-ministerial and domestic coordination is notoriously poor to the point of undermining any attempt of reform. Such a top-down, hierarchical and one-dimensional approach disregards the multi-dimensional and complex power structures and interactions that determine the performance capacity of a given sector and may even produce adverse effects. It often appears that the lead Ministry does not have the legitimacy to federate other ministries around the reform, nor the decision-making authority to involve them in follow-up action or to facilitate the ‘whole of government’ reform. Box 32 illustrates this.
Box 32. Support of the decentralisation process as a typical example of the need for multiple anchorages of development programmes

As a result of growing decentralisation processes that occur in countries such as Benin, Burkina Faso, and Mali, local governments have acquired a mandate to organise primary health care at the decentralised level under the auspices of the Ministry of Health and the Ministry of Local Government. For this process to succeed, both ministries have to work closely together as the Ministry of Health has no direct control over the decentralisation processes that are under the mandate of the Ministry of Local Government. Ministries often resist reforms that are imposed on them. Sector ministries need strong ownership and vision to overcome this resistance, but seldom have the capacity and the competences to do so, due to a lack of incentives and compensation. Single anchorage strategies tend to overlook the fact that the Ministry of Health bears a high initial cost of the institutional and organisational processes involved in decentralisation. The Ministry of Health is expected to revise its sector budget allocations in order to promote a decentralisation process, which it does not necessarily consider to be a sector priority. In these circumstances it seems unrealistic to expect the decentralisation of the health sector to proceed smoothly. Unilateral support to the Ministry of Local Government implementation bodies, however, will inevitably suffer from similar weaknesses. The Ministry of Local Government tends to embrace reforms that will empower the local authorities, but they often lack the financial means and technical capacity to implement the reforms in the health sector. A single-anchor support programme can only strengthen capacity of local government actors, but will have difficulties to strengthen the indispensable inter-ministerial relations. The situation is even more complex, knowing that the Ministry of Finance and Planning is an important stakeholder as well.

Although the central government remains a key-stakeholder for development aid, sector support programmes should encourage a multi-stakeholder approach at both the ‘supply-side’ (lead ministry and other ministries) and the ‘demand-side’ for reform (civil society, check and balance institutions). Involving both sides will contribute to bridging the gaps between important players and to building strategic alliances and consensus. There are various ways to promote multi-stakeholder approaches, such as:

- Designing programmes that address both the supply and the demand side of the sector concerned as complementary and
synergetic interventions within one programme.

- Mapping stakeholders: sector assessments can help identify relevant stakeholders, who will vary according to the context and sector concerned.
- Managing the programme cycle in such a way that each phase can be used as an opportunity for multi-actor and multi-layer processes (ensuring that the necessary ‘process conditions’ are in place throughout the programme cycle).
- Promoting a multi-actor dialogue at the technical level and at the policy levels (technical working groups; sector forums, working groups, annual reviews).
- Linking up with national monitoring and evaluation mechanisms and participatory approaches.

Multi-level approaches and the double anchorage principle

As discussed throughout all sections, development programmes that are intervening in complex realities, first of all need to enable the endogenous policy dialogue between a variety of political and operational stakeholders, putting into practice the double anchorage principle between operational and political stakeholders. The dialogue's content can be of a technical, policy or political nature. Technical, policy and political dialogue constitute a continuum and always need to coexist. Technical dialogue should guide policy dialogue, which may in turn inspire political dialogue. This dialogue is different from the exogenous donor-partner country dialogue. The latter concerns the dialogue between the recipient government and donor agencies involved in development aid partnerships. Development aid consists of collaboration contracts between countries in the form of partnerships. Also at this level the dialogue can be of a technical, policy or political nature.

Governance considerations reemphasize the critical importance of supporting and maintaining a continuous dialogue between all stakeholders as driving force behind structural and sustainable development. Figure 30 gives a schematic overview of the two types of dialogue in the context of development aid. The confusion between the exogenous dialogue between the partner country’s government and the donor community and the endogenous dialogue between national stakeholders was discussed in detail in section II. These dynamics are repeated at this level because development interventions are particularly challenged to pay specific attention to
facilitating the ‘bottom-up dialogue’ in an environment of poor governance where the voice of citizens is often deficient. In countries with poor governance and weak organisational and institutional capacity, insufficient participation and voice of the population drives a society towards dictatorship (Fukuyama 2015).

Figure 30. Schematic representation of the most important dialogues for development

Fighting corruption

One of the key concerns for improving aid effectiveness through increased support for governance is the fight against corruption (Easterly 2006; Kaufmann et al. 2009; The World Bank 1997). Corruption can be defined as the abuse of public office for private gain and is widely recognised as a major obstacle for sustainable development since it weakens democratic institutions, leads to inequitable service provision and undermines economic development. The World Bank estimates global cost of corruption at US$ 2.6 trillion per year. This amounts to five per cent of total global GDP, and
by far exceeds Official Development Aid (Kaufmann 2009).

Development partners are challenged to address the fight against corruption at two levels, both internally within the partner organisation and externally within the environment in which development stakeholders are operating. At the internal level, action should be taken to counter the embezzlement of funds, bribery and favouritism in recruitment and procurement procedures. This can be done through firm internal management of financial and human resources, the development of coherent integrity policies and the establishment of responsive internal control mechanisms, underpinned by the promotion of anti-corruption sensitisation and awareness-raising initiatives.

At the external level, development partners often have to cope with problems such as impunity and poor salary incentives that affect the feasibility of whatever development initiative. Often there is a need to improve the overall financial management system in the partner country toward increased transparency and accountability and to act in favour of strengthening the relations within and between sectors, and within and between different governance levels.

Corruption entails a judgement. It is often approached as a widespread problem of bad individuals. But corruption can also be regarded as a symptom in a society with important governance weaknesses. Corruption is indeed shaped by cultural and social power relations, economic constraints and salary policies, and many other relations in society. Corruption is multidimensional.

In Box 27 an illustration of how corruption is a societal factor rather than an individual one was given. Box 33 illustrates the complexity of corruption: what an auditor would call corruption at first glance, is actually a balanced response, generated over years in which corruption only plays a minor role. Social relations, reciprocity in a specific environment with complex personal and cultural interactions are more powerful than administrative rules.
Box 33. ‘Corruption’ from the perspective of a complex societal environment

In Niger, a local district management team tried to operationalise a newly built district hospital and supported by the German Technical Cooperation. This facility considerably improved access to hospital care because before the population had to travel between 150 and 300 km to reach a hospital in the capital city. The medical doctors of the district management team were Hausa speakers, whilst the local population were Djerma. They had good relations with the local community, though, and their interaction could be considered as good and active. Efforts were made to provide the population with the necessary information on the use of the hospital, the referral system, the ambulance service, etc.

Important stakeholders in the dialogue were the local politicians (traditional village authorities), imams and small local businessmen. One of these small businessmen was particularly supportive for the hospital. After some years, the medical doctors expressed their difficulties and grievances to the German cooperation. The local business people were less enthusiastic because they got frustrated of not gaining any investment contract (small local businessmen were too expensive compared with big players in the capital city to win an open tender). The district management team who socially depended on this local elite and who had asked for active support from them in organising the hospital, felt embarrassed and complained about the sensitive relationship they now had with the local population. Therefore it was decided that, contrary to the regulations, some tenders would be directly attributed to the local business people.

This example shows how cultural, ethnical and social relations and even poverty shape the health service organisation, incomprehensible for outsiders. The decision should not be interpreted simply as a concession to corruption. It was made after considering the difficult and complex (power) balance between different stakeholders and societal values in a specific situation.
How to incorporate governance in development interventions

SHifting attention from inputs and outputs to outcome and policy dialogue

Rather than focusing on inputs, sector approaches should concentrate on public policy development, policy reform and policy coordination through enabling an enhanced policy dialogue between the different stakeholders involved. Policy dialogue is not only a vital part of the support for the partner’s sector reforms, but also important for ensuring accountability in official development aid. This shift towards policy dialogue is closely related to governance aspects:

- In sector programmes mutual accountability is based on policy dialogue rather than the input-oriented monitoring of technical dialogues associated with ad hoc projects (see Section II). Sector approaches shift the attention from tangible output indicators (number of health facilities built) to outcome indicators (improved system performance) that are more difficult to show to taxpayers.

- Even the most technocratic reforms extend beyond purely technical matters, as fiscal resources have to be mobilized and allocated according to policy priorities, and trade-offs need to be made within and across sectors. Sector programmes inevitably have a political dimension, partly because some technical options may be politically sensitive and controversial, but also because they are part of the broader domestic development and coordination processes.

Taking governance aspects into account in policy dialogue requires a good understanding of the framework in which this dialogue takes place, i.e. the ‘enabling architecture’. This is determined by the structure, the mechanisms and the rules of the game such as the different discussion forums, the rules of engagement, the information flows within and between domestic stakeholders and external development partners, etc. An enabling architecture should ensure effective follow-up and proper sequencing of the discussions. In order to build such an architecture it is important to invest in a continuous comprehensive sector assessment and to align and harmonize with other development partners. A continuous sector assessment should enable the donor community to determine how a development intervention - or development cooperation in general - can best position itself and contribute to domestic sector policy-making processes. This can be done by
the individual partner or in conjunction with other development partners. At any rate, donors should always seek to align and to harmonise their policy dialogue in order to ensure more coherence in their approach. All dialogue should be underpinned by field knowledge and technical experience.

**Box 34. Policy dialogue in the education sector in Vietnam**

Collaboration and clear communication between ministries is a challenge everywhere due to poor and sometimes contradictory institutional structures. In Vietnam, lack of coordination in the education sector made it hard to use resources efficiently at the local level (different ministries often gave districts conflicting information about the availability of resources) and undermined the ability of the Ministry of Education and Training to steer the sector effectively.

Belgium provided a package of earmarked budget support and expertise to ensure that policy formulation and planning in the capital was consistent with the implementation of the policy at the province and the district levels. It had developed a multi-level approach to establish links and to broker relations between numerous (often competing) stakeholders at various levels: the State Treasury, the respective Ministries of Education, Finance, Planning and Investment were involved at central level; the Bureau of Education and Training and the Direction of Education and Training at the local level.

The technical advisor in charge recognized the complex systemic ramifications of the institutional framework that prevented the lead ministry, i.e. the Ministry of Education and Training, from exercising real leadership. He was able to use his status as an external actor to bring all interested parties together and to support the negotiation of a coherent set of guidelines for the sector’s finances. Through establishing a shared understanding between the various institutions involved in the sector the intervention succeeded in creating a greater sense of transparency (improved sector governance) and helped the Ministry of Education and Training fulfil its role as steward of the sector.

**INSTITUTIONAL CAPACITY BUILDING**

Institutional capacity building is probably the most difficult level of capacity building as it is about changing the rules of management, which is even more resistant to change than individual and organisational capacity building. Institutional capacity building is an ever evolving and complex process, of which the outcome – and even the output – are determined by numerous
factors and hence are hard to predict. Development interventions can only accompany this process and facilitate the dialogue that is needed to bring about the necessary changes.

Supporting capacity building processes calls for new roles and attitudes from technical cooperation (ECDPM 2006). They need to facilitate reflective practices, to act as knowledge brokers (Pielke 2007) for the system in which they operate, to identify the most promising entry points for their interventions, and continuously to adapt their tools and methodologies to the needs and requirements of the different settings. These new roles and reflective practices call for a different kind of 'technical assistance', although a thorough sector technical knowledge remains essential (as described in Sections II and III).

COMBINING DIFFERENT AID MODALITIES

In order to activate a multi-actor and multi-level approach with a particular attention to governance issues a variety of aid modalities can be combined such as budget support, basket funding, projects, programmes and scholarships. Each modality requires the identification of specific entry points that optimally enable the development partners to promote the principles of good governance.

Budget support may be the best way to fund the implementation of existing public policies or to support the public administration. Budget support can also be complemented with macro-economic and sector performance monitoring to assess progress in the policy implementation and to identify remaining weaknesses in the sector’s performance.

Basket funding is a financing mechanism whereby different donor agencies join financial means to finance the lead ministry’s national development plan. This aid modality is more appropriate than budget support for intervening in weak governance environments because it controls far better the fiduciary risks, whilst concentrating nevertheless on global financing of the system. Piloting and innovation are difficult to realise through this aid modality.

Project and programmes (as described in Section II) are complementary to budget support and/or basket funding, but they are not the best modality for financing national sector policy implementation. They are more appropriate for initiating innovation and piloting experiences. They are also better placed to support stakeholders whose autonomy from the central government needs to be preserved (e.g. civil society groups) or whose voice
would otherwise not be taken into account (e.g. the local population or civil servants at the service level). Projects’ and programmes’ proximity with the operational level makes it possible to do a regular “reality check”, to invest in local capacity building and to enable a bottom-up policy dialogue. They are also better placed to introduce reforms on the basis of reflective action in order to further refine national policies. This can be done through projects whose budgets are more flexible and can be adapted to seize unexpected opportunities.

Scholarship programmes are still offered by many donor agencies. From the 1960s to the 90s many developing countries were not providing courses within the country; the need for scholarships, mostly international for high-level trainings was obvious. Gradually developing countries were more capable of organising themselves such courses. Scholarship programmes reacted by concentrating on providing scholarships for national or (sub-) regional courses or for students who would otherwise be excluded from education.

This tendency contains a danger, though. It reflects the logic that training and education are purely regarded as ‘knowledge exchange and accumulation’ at the individual level. However, international scholarships promote cultural exchange and broaden the view of students who are exposed to institutional systems that are different\(^3\) from the ones they are used to work in. International scholarships can indirectly broaden the institutional knowledge and attitudes of course participants, as illustrated in Box 35.

Scholarship programmes complement the other types of intervention through promoting the individual – but also, to a certain extent, organisational and institutional – capacities needed to further develop a sector.

\(^3\) Different is not necessarily better. It is the world’s diversity in culture and institutional organisation that enriches the student.
Box 35. Institutional capacity-level learning in international scholarship programmes

A medical district doctor from Niger, supported by an ODA project, was offered a scholarship to study public health at the Tropical Institute of Antwerp. When he was asked what he learned from this course, the first things mentioned were:

“I appreciated the respect for time. Our training sessions always began promptly and after a few days, all participants arrived on time. After a while, the group perceived it as disturbing whenever a fellow participant arrived late.

What struck me enormously when visiting a GP practice, was the doctor who lifted an old patient from his wheelchair to the bed in order to examine him. I would never have thought to do that myself.

What I appreciated in the course was the freedom of speech and thinking. Without any danger, national norms could be discussed and criticised. National norms were suddenly not absolute any longer, but just man-made constructions that could be improved. I now understand what action-research is all about, while I thought I had been implementing it in the project. Before, I was thinking that national norms already existed, so why question them?

I got into contact with people from many nationalities, and the very different ways of behaving and approaching problems struck me. Some people did not understand why I did not eat pork meat, but they respected me, and I respected them although some were drinking too much.”

ADAPTIVE PROJECT IMPLEMENTATION AND MONITORING TOOLS

Entirely in conformity with the conclusions of previous sections, accompanying complex development processes calls for flexible and reflective interventions. Planning needs to be adaptive and iterative. Monitoring of ‘results’ should concentrate on processes rather than only on concrete deliverables and so called tangible results ‘attributable to the intervention’, as is often done in the more classical project approach (Jones 2011; Van Ongevalle et al. 2010; Coffman et al. 2005; Pawson et al. 1997).
Conclusion

In spite of growing worldwide recognition of the importance of governance for aid effectiveness, development partners still tend to neglect governance in their interventions. Integrating governance is often considered as a constraint, adding to the complexity of an intervention, making the results and outcome even less predictable, rather than as a precondition for increasing its impact. Integrating the governance dimension has drastic consequences for the conception of development aid interventions, the kind of aid modalities to be used and the implementation process to be followed. The combined approach of sector technical support and concurrent attention for governance problems is an immediate consequence of a deliberate choice for a systemic approach to development based on the definition of a sector as a complex social system.

Analysing the impact of governance on development confirms the need for opening up the traditional scope of ‘projects and programmes’ to supporting processes of continuous learning and change that are fuelled by a structured multi-stakeholder dialogue between the political and operational levels of society. Such dialogue must start from the technical, operational level and could be facilitated by experts at the donor’s side in order to create a strong partnership between the recipient country and the donor community. Such dynamic could enable development stakeholders to build effective partnerships aimed at the realisation of sustainable development as a goal mutually agreed upon.
References


