

## Governance and aid effectiveness: Has the White Paper got it right?



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‘DFID has a comparative advantage in governance. The World Bank is shackled on politics. The key will be to see how this bold agenda works in practice. It will be politically sensitive. But it is vitally important.’

The big challenge for Britain’s aid policy is to reconcile concerns about governance in developing countries with the commitment dramatically to scale up aid. Aid is set to double. But governance in Africa in particular is often poor – and not significantly improving. Political risk will need to be taken much more seriously in coming years.

An emphasis on governance is at heart of the new White Paper on international development. This makes great sense. There is widespread agreement that governance matters – for human rights and democracy, for economic growth and for aid effectiveness. And it is an area where the UK Department for International Development (DFID) can particularly add value.

The White Paper is certainly bold. There is a 4-pronged push on corruption and a new £100m Governance and Transparency Fund. And, there are two important innovations in Britain’s approach to governance:

- a broader lens, called the Capability, Accountability, Responsiveness (CAR) framework; and
- the plan to conduct regular Quality of Governance Assessments in partner countries that inform choices about aid policy.

### The CAR framework

DFID has too often taken governance to mean government. The new CAR framework brings in the ‘demand’ side – the needs of people and firms – and makes possible more balanced engagement.

Our own work highlights six main ‘arenas’ that matter in terms of governance. These are all areas where donors can help support progress:

- civil society, where citizens raise and become aware of political issues;
- political society, where societal interests are aggregated in politics – elections, parlia-

**Table 1: Governance Fundamentals – Based on Political Arenas and Key Principles**

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
<b>Civil society</b>	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
<b>Political society</b>	Legislature representative of society	Policy reflects public preferences	Peaceful competition for political power	Legislators accountable to public	Transparency of political parties	Legislative function affecting policy
<b>Government</b>	Intra-governmental consultation	Adequate standard of living	Personal security of citizens	Security forces subordinated to civilian government	Government provides accurate information	Best use of available resources
<b>Bureaucracy</b>	Higher civil servants’ part of policy-making	Equal access to public services	Civil servants respectful towards citizens	Civil servants accountable for their actions	Clear decision-making process	Merit-based system for recruitment
<b>Economic society</b>	Consultation with the private sector	Regulations equally applied	Government’s respect property rights	Regulating private sector in the public interest	Transparency in economic policy	Interventions free from corruption
<b>Judiciary</b>	Consultative processes of conflict resolution	Equal access to justice for all citizens	Human rights incorporated in national practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system

**Table 2: Governance Indicators and Assessments**

Indicator Source	Relevant Focus	Method	Producer
Aggregate Governance Indicators Dataset	Comprehensive governance	Aggregate indicators from 37 sources	World Bank Institute
Country Policy and Institutional Assessments	Public sector management	Internal panel and review process	World Bank
Corruption Perception Index	Corruption issues	Aggregate indicators from 12 sources	Transparency International
Doing Business indicators	Barriers to business performance	Range of sources (interviews, surveys)	World Bank
Investment Climate Assessment	Barriers to firm performance	Firm surveys	World Bank
Country Risk Services	Political risk assessment	Country expert assessments	Economist Intelligence Unit
International Country Risk Guide	Political risk assessment	International panel and review process	PRS Group
World Governance Assessment	Comprehensive governance issues	Survey of in-country experts	ODI and partners
Public Integrity Index	Integrity/corruption issues	In country expert assessments	Global Integrity

ments and political parties;

- government, executive stewardship of the country as a whole;
- bureaucracy, where policies are implemented;
- economic society, refers to the vital state-market relations – the nature of property rights and regulations; and
- judiciary, where disputes are settled – the formal and informal mechanisms.

Broadening the framework gives a whole new set of entry points for DFID to support its development partners. It is important, however, to follow the advice of Merilee Grindle at Harvard, to distinguish between the ‘essential and the merely desirable’. Table 1 highlights a core set of issues, based on theory and practice, that are central to discussions of governance. Such issues matter for state legitimacy and effectiveness in the long term.

In the short term it is important to start with where a country is. What is the current situation with regard to the core governance agenda? Strategically, it will then be important to focus on reforms that are politically feasible. And local context will affect the approach taken. Experience highlights that countries often deal with similar challenges in quite different ways.

### Need for better governance data: Quality of Governance Assessments

Better information provides a basis for understanding context, identifying what are the main challenges and opportunities, identifying reform priorities and monitoring change (or not). The White Paper commitment to Quality of Governance Assessments is a substantial step forward.

Fortunately there are an increasing number of governance indicators and assessment tools (Table 2) for DFID draw on. Regular governance assessments

should better inform DFID about how governance varies across the developing world, what are the key issues for reform and what are the most appropriate aid interventions. Assessments can help DFID find nuanced positions regarding quantity, time frame, breadth of activity and type of aid.

But indicators should not be used mechanistically to decide aid policy. Use them to inform policy, but don’t impose arbitrary minimum standards. Countries can function and produce results without necessarily living up to the expectations with regard to each criterion of good governance. Supplement indicators with additional political information, from DFID’s Drivers of Change analysis, the Foreign Office and other development actors. Ultimately, given the challenges, political judgement is crucial to making sound aid decisions.

### Governance and scaling up: Implications for DFID policy

With a broader framework and a greater emphasis on governance assessments, DFID should be able to be much more systematic in applying governance thinking to aid policy in general – and to scaling up in particular. There are a lot of benefits. Rigorously assessing governance and sensitively linking governance issues to aid policy can help to:

- channel aid to where it will be more effective;
- reduce risk;
- generate an incentive for developing countries to improve governance;
- reassure the public their taxes are well spent.

As my colleague, Verena Fritz, has emphasised, it is important to be realistic about the lengthy time that it takes for governance constraints to be overcome (see ‘How to move forward on governance and corruption’, *ODI Opinions* 72). Recent arguments to increase aid dramatically seem to assume that governance can be improved quickly, enabling aid revenues then to be dramatically boosted. However, history teaches us that there is usually no shortcut to building sound institutions in the poorest countries.

The course set out in the White Paper is the right one. Governance is an area where DFID has a comparative advantage. This is particularly important given the constraints on the World Bank in focusing on politics. The key will be to see how this bold agenda is implemented in practice. It will be politically sensitive. But it is vitally important.

### Further information

‘Governance, Development and Aid Effectiveness: A Quick Guide to Complex Relationships’. *ODI Briefing Paper*, March 2006. ([www.odi.org.uk/publications/briefing/bp\\_maro6\\_governance.pdf](http://www.odi.org.uk/publications/briefing/bp_maro6_governance.pdf))

Assessing Governance Programme Website. ([www.odi.org.uk/wga\\_governance](http://www.odi.org.uk/wga_governance))

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