

***SUPPORT STUDY on the  
EU GOVERNANCE INITIATIVE***

***in view of the preparation of a Report by the  
Commission to the Council in 2012***

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## EXECUTIVE SUMMARY

### Introducing the (second) Support Study on the EU Governance Initiative (2006-2011)

- (1) In 2006 the then Commissioner for Development launched **an innovative flagship initiative** on governance for the ACP. Endowed with substantial resources (2,7 billion Euro from the 10<sup>th</sup> EDF) the ‘Governance Initiative’ (GI) was intended to give a higher political profile to governance in EU cooperation, provide incentives for partner countries to carry out their own reform agendas and improve political dialogue on these matters. In line with the European Consensus on Development (2006), the GI was meant to be a **joint EU pioneering exercise** that would facilitate harmonization.
- (2) The implementation of the GI was reviewed through a **2008 ‘Support Study’** covering the initial period (2006-2008). Subsequently, the Council requested the Commission to provide, in early 2012, a “*comprehensive report*” on the implementation of the EU support to democratic governance, managed by the Commission in all regions, including the GI. Against this background, a new Support Study on the GI was commissioned and carried out by a consortium of two independent organizations<sup>1</sup>.
- (3) The aim of the present Support Study is to “*assess the ‘Governance Incentive Tranche’ process (GITP) and to formulate recommendations to improve the Commission approach to supporting governance [...] in ACP countries*”. It was agreed with the EC Reference Group for this study to concentrate primarily on Africa, amongst others to assess the linkages between this European flagship initiative and evolving African agendas and instruments on governance (such as the African Peer Review Mechanism –APRM).
- (4) It should be noted that the study is **not a formal evaluation**. A specific methodology was designed for this exercise. Multiple sources of information and expertise (from Europe and Africa) were used and triangulated. These include interviews, a questionnaire to key stakeholders, a detailed analysis of the follow-up given to the GI during mid-term review (MTR) of the 10<sup>th</sup> EDF, four short field visits<sup>2</sup> as well as two multi-actor seminars (respectively in Africa and in Europe). Throughout the support study the EC helped to create the conditions for an open and transparent assessment process. Also in the countries visited the willingness to participate in this learning exercise was strong,
- (5) On the whole the study team considers that the empirical evidence collected is solid and consistent enough to formulate substantiated conclusions and recommendations. However, two main **limitations** were encountered in carrying out the assignment. First, the lack of knowledge and/or institutional memory on the GI process, particularly among African actors. Most local actors therefore focused on wider EU support to governance and possible improvements therein. Second, the relatively limited budget inevitably meant that the study had to focus and may have missed some positive dynamics, specific experiences or good practices in relation to the GI in particular ACP countries.

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<sup>1</sup> The Africa Governance Institute (AGI) and the European Centre for Development Policy Management (ECDPM). The participation of IAG helped to mobilize various sources of African expertise on governance.

<sup>2</sup> Burundi, Kenya, Mali and Mozambique

## The Governance Initiative as product of its time (2006)

- (6) In order to properly assess the GI it is important to reconstruct the policy climate that prevailed when it was launched (2006). Chapter 2 below shows that three major policy processes cross-fertilised each other to provide the **political and analytical foundations for the GI**: (i) the recognition by the EU that governance is “first and foremost a domestic issue” and that external actors can only “support and encourage” reform; (ii) the international debate on aid effectiveness (culminating in the 2005 Paris Declaration) with its laudable principles (including on ‘good donorship’) and (iii) the development of new thinking on governance within the ACP itself and Africa in particular.
- (7) The GI should therefore be seen as a **product of the then prevailing thinking** on development, governance and aid in Europe and in the ACP. This is reflected in the principles underlying the GI (see par. 25, Box 1), the clear link with the Paris principles and the commitment to support continental and regional initiatives (such as the APRM).
- (8) Reflecting the pioneering nature of the GI in 2006, **new tools** were introduced. These included a ‘**Governance Profile**’ (GP), to be elaborated by the EC and Member States on the basis a set of indicators covering a wide range of governance-related issues, as well as a ‘**Governance Action Plan**’ (GAP), to be drawn by the partner country. A quite sophisticated methodology was designed to put this ‘incentive tranche based on commitments’ into practice. Following a qualitative assessment by EC Headquarters, ACP countries could receive additional allocations (from 10% to 30%) as ‘top-ups’ to their National Indicative Programme (NIP). It was the purpose to attach the GAP as a ‘contract’ to the Country Strategy Paper (CSP) and to regularly monitor its implementation. Some critical aspects of the GI were less well elaborated, including the key underlying assumptions (e.g. about change dynamics, ownership, the role of formal institutions, the power of financial incentives), the risk analysis or the monitoring and evaluation system that would be applied.

## Lessons learnt from the 2008 Support Study

- (9) The first Support Study focused on experiences gained with using the new tools (i.e. GP and GAP), on how the incentive tranche was allocated and on a set of broader policy issues (such as the conformity with the Paris Declaration, synergies with continental and regional processes, the use of the GI in situations of fragility and emerging indicators of impact).
- (10) The study observed **positive dynamics during the initial phase** of the GI. Both the EC and Member States were keen to support governance in a more upfront, strategic and result-oriented way, using joint diagnostic tools such as the GP and ensuring stronger links with programming. Yet the study also detected **several implementation challenges and possible design flaws**. Concerns were raised about (i) the standardised format, broad coverage and static nature of the GP; (ii) the variable levels of government ownership of the GAPs and limited involvement of national actors; (iii) the lack of differentiation between strong and weak performers; (iv) the effectiveness of the financial incentive (perceived to be too modest to induce change); (v) the weak links with pre-existing governance processes and instruments; (vi) the suitability of the GI in situations of fragility; and (vii) the EU ability for joint action, monitoring and dialogue (see par. 33 and Table 2 for an overview of key findings).
- (11) In response to these findings, a Commission Staff Working Paper was elaborated and Council Conclusions issued. Both recognise the potential of the GI in terms of supporting governance reforms undertaken by partner countries. Yet they also acknowledge the **need to fine-tune** several key

dimensions of the GI process so as to enhance ownership; strengthen political dialogue with national actors, regional and continental organisations; and monitor the implementation of the GAP.

### **The Governance Initiative in practice (with a focus on the period beyond 2008)**

- (12) Chapter 4 dwells extensively on the evidence collected with regard to the actual functioning of the GI. In line with the TORs, six key questions stood central in the data collection process and related assessment:
- Overall evolution of the GI process between 2006-2011
  - Relevance and reliability of the various tools
  - The GI during the mid-term review process
  - Linkages between the GI and EU's wider support to governance (harmonisation agenda)
  - Synergies with continental and regional processes
  - Overall impact of the GI
- (13) With regard to the **evolution of the GI process** between 2006-2011 the findings of the first Support Study were confirmed. The GI aroused initial interest, also among Member States, as it offered several points of attraction (see par. 48). Yet the design flaws and implementation shortcomings noted in the earlier assessment continued to prevail such as poor ownership, disconnect with existing governance reforms of donor supported programmes, limited follow-up, capacity constraints and downstream implementation problems (see par. 52, Box 2). As a result the GI lost momentum and political traction across the ACP, though with notable exceptions (see country experiences in Benin, Zambia and Rwanda in respectively Box 3, 4 and 6).
- (14) On the **GI tools**, the first Support Study had made a number of recommendations to improve their relevance and reliability. These related to (i) providing better guidance on how to use the tools; (ii) ensuring regular updates of the GP/GAP; (iii) refining the indicators, benchmarks and methodologies; (iv) making the GI process more inclusive and (v) obtaining greater buy-in from EU Member States and other donors. Findings show that these recommendations were not consistently followed up. As a result, the GP and the GAP remained rather inflexible and unreliable tools for joint reflection, dialogue and action. Both tools did not become reference documents with regard to country governance.
- (15) The 2008 Support Study identified the lack of adequate **monitoring and evaluation systems** as one of the major weaknesses of the GI. The mid-term review of the 10th EDF was seen as the adequate opportunity to ensure a proper performance assessment. Yet despite the elaboration of guidelines by headquarters (see par 64-65), most EU Delegations did not primarily assess governance through the prism of the GI and the GAPs during the MTR. Most did not use this opportunity to update the tools or reconnect the GI with other governance processes (par 66). Assessing performance in delivering on commitments made in the GAP proved a difficult art (par. 66, Box 4).
- (16) The expectation that the GI would contribute to a **harmonised political approach towards governance** at EU level did not materialise. The initial enthusiasm to engage in joint analysis through the GP withered away and the GAPs proved too weak a basis to generate joint responses. In most cases, the GI ended up being "a stand alone" (parallel) process, largely delinked from other EC governance instruments and wider EU support through Member States. The limited success of EU harmonisation transcends the GI but refers to longstanding problems of coordination, complementarity and coherence –which were criticised by national stakeholders (amongst other for their huge transaction costs).

- (17) The EU has systematically reiterated its **commitment to support nascent or evolving continental and regional governance agendas** and mechanisms (such as the APRM) and to improve, where possible, alignment with these African initiatives. The overall findings suggest that this is still largely ‘work in progress’ as the different parties involved struggle to effectively organise such an articulation. EU actors interviewed generally praise the quality of analysis in APRM reports and increasingly use it. Yet they have (often legitimate) concerns about the implementation of the resulting ‘National Plans of Action’. Much potential in terms of synergies remains to be tapped by both sides.
- (18) The present Support Study sought to assess the **impact of the GI** in terms of (i) providing financial incentives for reform; (ii) enhancing the political dialogue; (iii) improving EU harmonisation; and (iv) strengthening governance. A systematic impact assessment was beyond the scope of this Study. The overall trend coming out of the various sources of information clearly suggests that the impact of the GI on each of these four objectives was globally weak or not traceable.
- (19) All these findings converge into an **overall assessment** (section 4.2, par.94-97), consisting of three main messages. First, one cannot assess the GI without considering its historic roots and the prevailing thinking in 2006. Many stakeholders acknowledged the GI came “at the right moment”, did send out a powerful political message and helped to engage EC/Member States on a learning curve. Second, while the GI generated positive dynamics in the early implementation phase it quickly lost momentum, political traction and leverage capacity in the large majority of ACP countries. It became too much a separate instrument, disconnected from mainstream cooperation processes. Third, as a result, the GI did not fulfil the objectives and expected benefits. This helps to explain why the **large majority of the stakeholders consulted were not in favour of having another GI** as conceived and implemented now.
- (20) Based on this overall assessment, the following **conclusions** are put forward: (i) the GI helped to promote learning on governance and support strategies (par. 99-101); (ii) a major gap existed between GI discourse and practice (par. 102-103); (iii) The GI achieved limited impact and may even have caused harm (par. 104-106); (iv) there is limited preparedness on EU side to work together on governance (par 107-108) and (v) there is a need to ‘go back to basics’ in designing future support strategies as several of the assumptions underpinning the GI proved to be flawed.
- (21) The difficulties with the GI should not lead to a situation whereby the baby is thrown out with the bathwater. There was a large consensus that **governance should remain a top political priority** for the EU. However, the way forward does not seem to lie in revitalizing the GI or in launching a new flagship initiative but to **refine the EU’s overall support strategies** with regard to governance.

### Getting smarter on governance: some broader reflections on EU support strategies

- (22) Before formulating recommendations, the study team sought to put the experience with the GI in the broader perspective of EU (donor) support to governance (see chapter 5). Five **fundamental questions** would merit to be put at the centre of the strategic thinking on how the EU can define more realistic and effective overall support strategies:
- What does it imply to put local context first and to build on what exists?
  - How to overcome the ownership deficit for governance reforms?
  - What type of incentives can work?
  - How can we measure performance in a correct and professional manner?



- What collective action is possible at EU level in the field of governance?

### What next for EU support to governance? Summary of main recommendations

- (23) The overarching recommendation is that while the ***EU should maintain a similar level of engagement on governance it needs to review several ‘fundamentals’ underlying its support strategies***. The time is ripe for a major qualitative jump forward. Rather than launching new flagship initiatives the EU should ***adopt a much more sophisticated and integrated strategies in support of governance***. Such an increased sophistication is needed in terms of knowledge (“what are the dynamics of change in a given country?”), political agenda (“what are the key reforms the EU seeks to promote in a given context?”), context-sensitive response strategies (“how can the EU effectively support home-grown reform agendas?”), programming tools (“how can more flexibility be created to respond to evolving country and regional dynamics?”), instruments (“how can the EU use all available instruments/incentives in a strategic and coherent way?”) and dialogue (“how to effectively discuss governance matters with governments, societal actors and regional organisations?”).
- (24) This overarching recommendation is further deconstructed in ***seven strategic recommendations*** (par. 146-163) including to (i) use the end-of-term review to re-assess the overall EU support to governance in each partner country (all instruments confounded); (ii) define a consistent set of new principles for future EU support to governance (see par. 149, Table 2); (iii) analyse better how change occurs and reforms succeed (through refined ‘political economy analysis’); (iv) deepen knowledge on how to foster country ownership of reform agendas; (v) rethink the mix of (financial) incentives provided and combine the full range of instruments, modalities and smart partnerships (vi) clarify the EU’s political agenda in a given country; (vii) ensure a strategic and result-oriented alignment of EU support to regional governance agendas and processes.
- (25) This second Support Study also provides a set of ***operational recommendations*** calling for changes in the way governance support is delivered. They relate to (i) taking context as a starting point; (ii) ensure greater internal coherence at EU level; (iii) align instruments to ambition; (iv) empower EU Delegations in terms of roles and capacities; (v) assess suitable engagement approaches (based on ‘best-fit’ solutions for a given context); (vi) improve the quality of governance analyses and/or assessments and combine performance measurement with transparency; (vii) encourage joint EU learning.
- (26) The findings of the study indicate that ***it would not be desirable to launch a second GI***. The assumptions, tools and methodologies of the GI have proven to be too flawed and shaky to justify a continuation of this approach. However, in winding down the GI care should be taken not to lose sight of the positive dynamics generated and experiences gained over past years. For instance, the findings suggest it makes little sense to keep the GP and GAP in their current format. Yet the lessons learnt with the GP could be used to identify more targeted and reliable tools and approaches based on political economy analysis. The limitations of the GAP approach could be overcome by investing more in domestic processes geared at defining and implementing truly inclusive and owned reforms.
- (27) Furthermore, creating a new instrument to succeed the GI would also detract from the key task at hand, i.e. to ensure a much more informed, sophisticated, political and integrated approach to supporting governance rooted in country-specific realities. Governance should not be seen as a separate component –to be supported through highly visible schemes- but a key dimension of all cooperation. Institutionalization of such an integrated approach is therefore the priority.



# Chapter 1: Introducing this Support Study

## 1.1. Background

1. Governance is a key dimension of EU development cooperation and related partnerships. **Legitimate and effective systems of governance** are seen to be crucial for securing peace and stability, reducing poverty and achieving the Millennium Development Goals (MDGs). Over the past decade, the EC has invested considerable resources in promoting governance through a wide range of strategies and instruments.
2. The EU has gradually refined its vision of and approach to governance in successive policy documents. A pivotal moment came in **August 2006** with the Commission's **Communication and Council Conclusions** on "Governance in the European Consensus –towards a harmonised approach within the EU" <sup>3</sup>. It constitutes an important step towards a common EU understanding of democratic governance, built on a set of shared principles. In order to put these principles into practice the then Commissioner for Development Louis Michel proposed to launch the so-called 'Governance Initiative' (GI) for Africa, the Caribbean and the Pacific (ACP).
3. The GI was presented as an **innovative instrument** primarily because it explicitly (i) privileged "ownership rather than conditionality" and "dialogue rather than sanctions"; (ii) linked aid transfers to the governance situation in partner countries through an incentive mechanism (2.7 billion Euro from the 10th EDF); and (iii) sought to promote a "contractual relation" between the EU and partner countries.
4. This instrument was for the first time reviewed through a **2008 'Support Study'** of the initial implementation phase (2006-2008). Subsequently, the Council requested the Commission to provide, in early 2012, a "**comprehensive report**" on the implementation of the EU support to democratic governance, managed by the Commission, in all regions, including the Governance Initiative"<sup>4</sup>. Against this background, a **new Support Study** on the GI was commissioned and carried out by a consortium of two independent organizations<sup>5</sup>.
5. The Study comes at an **interesting moment in time** for three main reasons. First, the Study is expected to feed into reflections on the future Financial Perspectives beyond 2013 and possible new EU approaches to supporting governance. Second, there is now a momentum to better connect EU support schemes to ongoing dynamics in Africa whereby the continent has recently made major steps forward in developing its own governance agenda and architecture under the coordination of the AU<sup>6</sup>. By ensuring such a connection, EU support to governance could potentially gain in legitimacy, relevance and effectiveness. Third, the upheavals in North Africa and the Middle East are pushing the EU to fundamentally reconsider its partnership policies, particularly on issues of democratic governance and human rights. These changes in the European Neighbourhood Policy (ENP) will inevitably affect the thinking and practice of future EU governance approaches in the ACP.

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<sup>3</sup> COM(2006)421 final of 30.8.2006

<sup>4</sup> Council Conclusions 18 May 2009 on Support to Democratic Governance –towards an enhanced EU framework.

<sup>5</sup> The Africa Governance Institute (AGI) and the European Centre for Development Policy Management (ECDPM).

<sup>6</sup> For an overview of these positive dynamics see the Assembly/AU/Decl 1(XVI), 'Declaration on the theme of the Summit 'Toward Greater Unity and Integration through Shared Values', African Union, Assembly of the Union, Sixteenth Ordinary Session, 30-31 January 2011, Addis-Abeba, Ethiopia.

## 1.2. Objectives and scope

6. The purpose of the present Support Study is to “assess the ‘Governance Incentive Tranche’ process (GITP) and to formulate recommendations to improve the Commission approach to supporting governance [...] in ACP countries” (see Terms of Reference in Annex 1). The Study seeks to carry out both a retrospective analysis (“what has been learned over the past five years with the GI?”) and a prospective analysis (“what next for EU approaches in support of governance?”).
7. This dual vantage point is reflected in the specific objectives of the study, as spelled out in the Terms of Reference. These include **three main tasks**: (i) assessing past performance; (ii) making recommendations on key features of EU governance support strategies and (iii) providing inputs for possible future governance support schemes under the next Financial Perspective. Table 1 below visualizes the various expectations.

**Table 1: Summary of the terms of reference of this Support Study**

Main elements of the GI to be assessed:	Recommendations on key questions including:	Inputs for EU support under new Financial Perspectives
<ul style="list-style-type: none"> <li>the Governance Incentive Tranche <b>process</b> (GITP) and the EU’s wider support to governance reforms in ACP countries</li> <li>the rationale and added value of the <b>financial incentive</b></li> <li>the overall relevance of the <b>tools</b> used as well as their reliability</li> </ul>	<ul style="list-style-type: none"> <li>how to support better <b>ownership</b> of governance reform programmes?</li> <li>how to better <b>link</b> EU governance support to <b>regional processes</b> and organisations?</li> <li>how to better reflect the governance challenges in countries facing <b>situations of fragility</b>?</li> <li>How to ensure EU tools have an added value and are better <b>harmonised</b> with other instruments?</li> </ul>	<ul style="list-style-type: none"> <li>Inputs should be provided “for the preparation of a <b>reinforced and enhanced incentive scheme</b> with a strengthened result orientation and with possibly more targeted EU support to democratic governance under the next Financial Perspectives”<sup>7</sup></li> </ul>

8. With regard to the **geographic scope**, the Study recognises that the Governance Initiative applies to all ACP countries (EDF framework). However, given limitations of time and resources available for the Support Study, **Africa** will be the **main focus** of attention. This should allow the Team to collect a larger body of evidence that would feed into recommendations on supporting pan-African governance initiatives and on the question of African ownership. For the same reason the countries of North Africa and South Africa will be included in the analysis, given the fact that Pan-African initiatives such as the African Peer Review Mechanism (APRM) include these countries. As a result there will be a need to **look beyond the GI for ACP countries** and expand the focus where necessary to other EU instruments supporting governance in African regions not covered under the EDF (i.e. the ‘Governance Facility’ for ENP countries). This should help to ensure the provision of holistic recommendations regarding support to Pan-African initiatives and complementarity between the different EU instruments.

<sup>7</sup> Terms of Reference, p. 3

9. The **time period** to be covered by this Study is **2006-2010** and, where possible, evidence for the first half of 2011 was also included. Data produced by the 2008 Support Study, which covered the period 2006-2008, has been systematically used in the current Support Study.

### 1.3. Methodological approach and limitations encountered

10. This study is **not a formal evaluation**. Therefore a specific methodology was designed for this assignment. Three **key methodological principles** stood central:
- The adoption of a **multi-perspective** approach to analyse a complex and innovative instrument like the GI (i.e. from both an African and European perspective). The composition of the consortium helped to ensure this, as both organizations could bring on board the specific sensitivities of their respective continents and mobilise relevant expertise<sup>8</sup>.
  - A sequenced approach to structuring the work, starting with an objective stocktaking of **actual GI practices**, including perceptions of these processes by the various stakeholders and an assessment of possible outputs and outcomes. This empirical evidence helped to create the basis for the next steps in the process, i.e. a set of dialogue processes with the main actors involved and the elaboration of the overall report.
  - A **concern for added value and efficiency**. To this end the team sought to (i) build on the outcomes of the first Support Study (2008); (ii) check what was done with its recommendations; (iii) concentrate on how the GI evolved since then; and (iv) focus more on impact achieved now that the process is in its final stage.
11. The main tools to collect evidence were the following:
- **Interviews** with policymakers and practitioners.
  - A **questionnaire** sent to three categories of stakeholders (i) EU Delegations/headquarter staff/EU member states; (ii) ACP Secretariat/National Authorising Officers (NAOs); (iii) non-state actors (NSAs) and African regional organisations (for more details on questionnaire format, organization of the consultation and methodology used, see Annex 3).
  - An examination of all available mid-term review processes (MTR) combined with a more detailed analysis of a **sample of MTRs** which addressed the GI in a quite comprehensive way. This helped to shed light on how the Commission monitored the implementation of the GAP at this critical moment in the programming cycle and how levels of performance levels affected the further allocation of resources (see Annex 5).
  - **4 short missions** to selected African countries providing a representative sample of backgrounds and experiences with the GI: Burundi, Kenya, Mali, Mozambique (the resulting country reports can be found in Annex 7).
  - Two **dialogue processes** between key actors on preliminary findings and possible ways forward. The first meeting, primarily geared at African stakeholders from Pan African organisations and partner organisations, was organised in Dakar (June 7-8, 2011) while the second, focused on European stakeholders, took place in Brussels (on 8 September).
  - The **EU Regional Seminar on Governance** (July 4-8, 2011), which brought together EU staff from more than 20 EU Delegations in Africa, helped to canvass additional views on the GI process and suggestions for future EU support strategies.

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<sup>8</sup> For instance, AGI sought to involve leading African experts on governance in the study process. Two team meetings with these experts were thus organized in February and May 2011 in Dakar, Senegal.

- Several sessions with the EC Reference Group established for this study. Comments received during these exchanges were as much as possible incorporated in the final report.
12. Two main limitations were encountered during the Study. First, the lack of institutional memory and, indeed, there was even a significant lack of awareness of the GI process itself. This was particularly the case among African stakeholders from both government and civil society. It made it more difficult to collect evidence from a multi-actor perspective on various key dimensions of the GTP. Thus many interviews with government officials in the field inevitably focused on the wider EU governance support and on possible improvements therein. Second, the relatively limited budget inevitably meant that the team had to focus and may in the process have missed positive dynamics and specific experiences with the GI in individual ACP countries. Yet on the whole it can be argued that the empirical evidence collected is solid and consistent enough to formulate credible conclusions and recommendations
  13. The limitations encountered in the questionnaire also reflect these challenges, including:
    - Limited knowledge of the GI in general resulting in a small number of informed responses.
    - Limited response on the questionnaire from African stakeholders indicating a lack of knowledge on the GI (also recognised as a constraint by respondents). In this context the 4 field visits were crucial to collect and integrate views from African stakeholders.
    - De-prioritisation of the GI by partner countries resulting in a low response rate at the time of the present Support Study (2011).

#### **1.4. Structure of this report**

14. After this introduction, the structure of this report is as follows:
  - Chapter 2 briefly analyses the policy context in which the GI originated in 2006 in order to understand the key influences that helped to shape it. It also tries to reconstruct the intervention logic of the GI, as reflected in its objectives, operational modalities and expected outcomes. This baseline should help to assess the implementation of the GI against its own assumptions, design premises and expectations.
  - Chapter 3 briefly summarises the main findings and conclusions of the 2008 capitalisation study on the initial implementation phase of the GI.
  - In Chapter 4 the team presents, in a structured manner, the evidence collected on key aspects of the GI, using the various sources of information. This assessment is followed by an overall assessment and set of conclusions on the relevance, effectiveness and impact of the GI.
  - Before formulating recommendations, Chapter 5 considers the experience with the GI (as an innovative incentive-based mechanism) in the light of the broader lessons learnt about donor support to democratic governance. This seems helpful because many of the challenges encountered by the GI (such as limited ownership of reforms) also tend to pop up in other instruments aimed at supporting governance.
  - In the final Chapter 6 the Study team presents a set of recommendations for an enhanced approach to EU governance support.

## Chapter 2: Reconstructing the rationale and intervention logic of the GI

15. The launch of the GI as a new flagship project in 2006 intervened at a **particular juncture in time**, when the thinking on development and governance was in full swing. This chapter seeks to understand the political drive behind the GI as well as the major contextual factors and policy influences that shaped it. Building on this analysis, it looks more closely at the basic tenets of the GI and its intervention logic that was supposed to guide its implementation. This should provide a baseline for properly assessing the GI against what it was set out to achieve.

### 2.1. The thinking behind the GI: three sources of influence

16. When analysing the prevailing context in the lead up to the launch of the GI it would appear that **three major policy processes** cross-fertilised each other to provide the political and intellectual foundations for the GI (see Figure 1 below):
- (i) the gradual recognition of 'governance' as a cornerstone of development;
  - (ii) the aid effectiveness debate and related search for 'principles of good donorship';
  - (iii) the development of new thinking on governance in the ACP itself.

#### **Governance as a cornerstone of development**

17. The concept of 'good governance' took prominence, notably with the signing of the **Millennium Declaration** in 2000. The Declaration stresses that "success in meeting these [MDGs] objectives depends, inter alia, on good governance within each country".<sup>9</sup> In the same year the **Cotonou Partnership Agreement** (CPA) defined governance as a key principle of cooperation between Europe and the ACP. The EC Development Cooperation Policy (DPS) of 2000 argued that "political responsibility of governments is a key factor and the effectiveness of the strategies adopted depends first and foremost on the priority these governments attach to poverty reduction in their domestic policy. In order to be truly effective, these strategies must be fully owned by the governments and civil societies and be based on a commitment to good governance"<sup>10</sup>.
18. In the following years, the **status of governance** would be further **upgraded** in key EU policy documents, strategies and partnership agreements. Thus, the 2003 EC Communication on Governance and Development<sup>11</sup> identified governance as a pre-requisite for development and effective development assistance more globally. It saw governance as "first and foremost a domestic issue" that would involve the active participation of different actors in a society.<sup>12</sup> Dialogue between these different local actors is essential to build country-driven reforms in a context of "legitimacy and accountability".<sup>13</sup> Similar prominence was given to governance in the European Consensus for Development and in the European Strategy for Africa<sup>14</sup> (both from 2005). The latter policy document

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<sup>9</sup> Millennium Declaration (2000) par. 13

<sup>10</sup> European Commission Communication on the European Community's Development Policy, COM (2000) 212 Final.

<sup>11</sup> COM (2003) 615, 20 October 2003

<sup>12</sup> *ibid*, para. 6 & para. 11

<sup>13</sup> *Ibid* para. 14

<sup>14</sup> EC Communication to the Council, The European Parliament, the European Social and Economic Committee and the Committee of the Regions. EU Strategy for Africa: Towards a Euro-African Pact to Accelerate Africa's Development. COM (2005) 489 Final. 12

recognised that “Africa is on the move” and that there is a need to adapt the manner in which Europe interacts with Africa. Inspired by the Paris Declaration principles (see below) it pushed for the establishment of a “new framework for development cooperation” founded on three principles namely ownership, partnership and equality. It stated clearly that “Development policies and strategies cannot be imposed from the outside”<sup>15</sup> and that “the appropriate role of external actors is [...] to support and encourage domestic efforts to build, strengthen and sustain democratic norms, procedures and institutions”<sup>16</sup>.

19. All these various strands were brought together in the earlier mentioned **August 2006 EU ‘Communication on Governance in the European Consensus’**. This key policy document further clarified the concept of governance and launched a global **‘Governance Initiative’** for the ACP (with a 2.7 billion Euros incentive mechanism) to underline the political priority governance constituted for the EU. The new flagship initiative proposed to move away from previous cooperation modalities and to effectively apply the principles put forward in the various EU policy documents since 2003 (see below).

### ***Principles of good donorship***

20. A second source of inspiration came from the international debate on aid effectiveness. In 2005, The **Paris Declaration on Aid Effectiveness** was adopted with the active participation and support of the EU. It was a culmination of the debate on the ‘dos and don’ts’ of development assistance. Once agreed upon, it came to be seen as the **new bible** of good donorship. It also brought to the fore **five principles** that were expected to guide the provision of development cooperation to partner countries. These were ‘ownership’ of the partner country over its own development agenda; the need for donors to ‘align’ with existing country strategies and systems instead of developing parallel support strategies and systems and bypassing local consultative processes; the need for donors to ‘harmonise’ their actions at country level in order to cut down the transaction costs and increase aid effectiveness; the ‘mutual accountability’ of both donor and partner country for development results; and finally the need to provide aid to deliver ‘development results’ thereby increasing the pace of meeting the MDGs.
21. Beyond these five criteria, there are other powerful ideas that form part and parcel of the broader aid effectiveness debate –predating the Paris Declaration- which merit being taken on board when analysing the GI. These include issues like **“selectivity” and “conditionalities”**<sup>17</sup>.

### ***New thinking on governance in the ACP***

22. The push to get governance on the agenda did not only originate from within the donor community. In the ACP, several governance initiatives were developed in response to the new international context and emphasis on governance. In Africa the New Partnership for Africa’s Development (NEPAD, 2001)

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October 2005. The Strategy was later renegotiated with African partners. The result of such negotiations was the Joint EU-Africa Strategy of December 2007.

<sup>15</sup> EC Communication to the Council, The European Parliament, the European Social and Economic Committee and the Committee of the Regions. EU Strategy for Africa: Towards a Euro-African Pact to Accelerate Africa’s Development. COM (2005) 489 Final. 12 October 2005

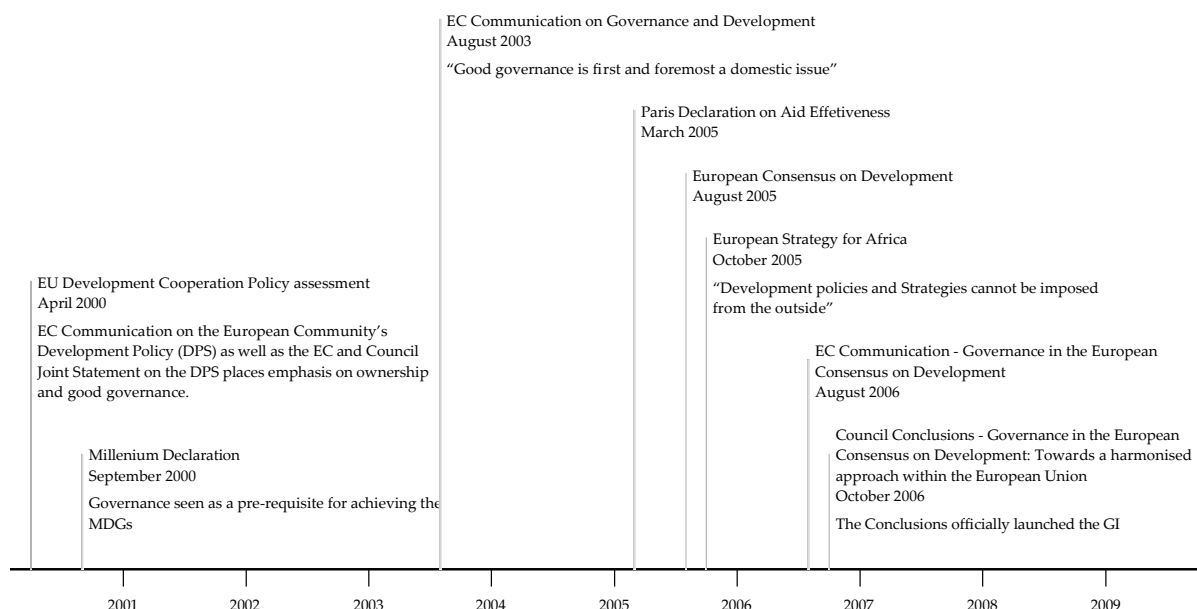
<sup>16</sup> *ibid*

<sup>17</sup> This point is made in: Nadia Molenaers and Leen Nijs. 2009. *From the theory of Aid Effectiveness to the Practice: the European’s Commission’s Governance Incentive Tranche*. Development Policy Review, 2009, 27(5): 561-580.

ensured that governance as a principle ran through its basic document. The NEPAD Declaration on democracy, political, economic and corporate governance (2003) informed the establishment of a dedicated monitoring framework, the African Peer Review Mechanism (APRM). In its first two years of existence it had secured the commitment of several African countries to undergo a comprehensive review of the state of governance in their respective countries. This was seen as a sign of hope that ***governance in Africa was gaining prominence*** and that as a result it would support the achievement of the MDGs. The Constitutive Act of the African Union (AU) gave a clear mandate to the African Union Commission (AUC) to promote governance at pan African level.

23. The new Millennium also marked the rise of ***stronger societal demands*** for better governance in the ACP countries themselves. Increasingly, citizens as well as civil society organizations were manifesting themselves as actors in the governance debate, contributing ideas, claiming rights and demanding accountability. The recent upheavals in North Africa are a clear illustration that societies are on the move and a key factor to take into account in governance processes.

**Figure 1: Timeline of consecutive documents that would shape the Governance Initiative**



## 2.2. Basic tenets of the Governance Initiative

24. The GI is clearly a product of the then prevailing thinking on development, governance and aid in Europe and in the ACP. Its basic tenets are directly drawn from the above mentioned policy processes. This can be seen in the principles underlying the GI, the clear link with the Paris principles and the commitment to support continental and regional initiatives with regard to governance.
25. The ***principles of the GI*** reflect the EU's conceptualisation of governance and the role of external agents in promoting reforms at this particular moment in time (see Box 1).

### Box 1: Principles underlying the Governance Initiative



- *Ownership* rather than conditionality;
- *Dialogue* rather than sanctions;
- No ranking of good and bad performers but rather helping to identify the most appropriate reforms and *support* measures;
- *Participation* of local stakeholders and
- Tailoring governance support to each country's situation, notably a differentiated approach in the case of fragile states.

26. The **link with the Paris Declaration** is also explicitly made in the Communication, which noted that the Paris Principles “must be applied fully to governance”. Commissioner Michel reiterated this commitment: “I am particularly looking for acknowledgment by partner countries of their primary responsibility in the development of their countries... Practical initiatives [such as NEPAD and the APRM] clearly demonstrate the political will of our partner countries to make a resolute commitment to the process of reform”<sup>18</sup>. In line with the Paris Principles, the Communication called for the reinforcing of the harmonisation agenda between the Commission and the Member States and even more generally with other international donors.
27. The Communication viewed **continental and regional initiatives** (i.e. APRM and NEPAD) as signs that Africa was taking governance seriously and that it was time to support the continent in pushing forward initiatives it owned. It thus attempted to ensure that “External support must be founded on national priorities and programmes” such as the PRSPs and the APRM”. It therefore proposed budget support as the adequate means of providing support as it reinforces “the role of the national democratic institutions, e.g. parliaments, directly involved in the relevant decision-making processes under national law”. Furthermore, the Communication expressed a **commitment to provide support** for continental initiatives **such as the APRM at three levels** namely: (i) the continental APRM secretariat as well as the review missions; (ii) regional organisations that are involved; and (iii) at national level to participating stakeholders such as civil society, consultations and monitoring systems.

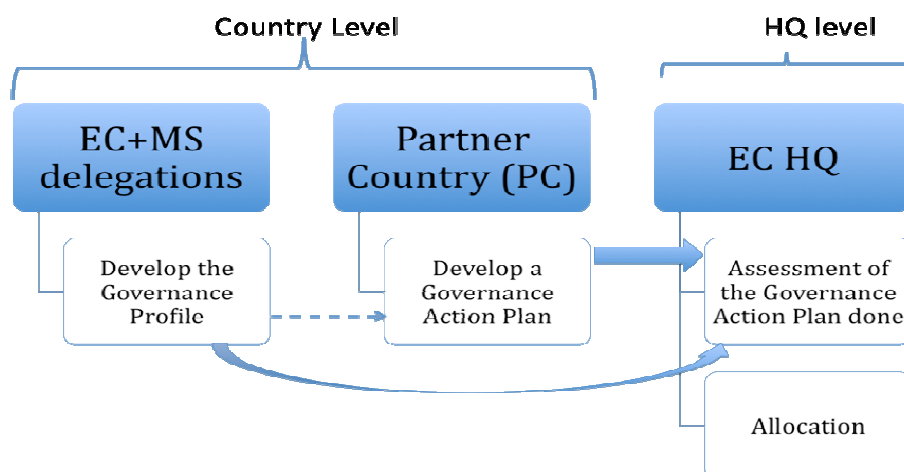
### 2.3. The intervention logic of the GI

28. The 2006 Communication also provides basic guidance on how the process related to the incentive tranche (GITP) should be operated (for a simplified representation of the GITP see Figure 2 below):
- €2.7 billion were reserved for the GI's financial incentive tranche. It was integrated within the EDF and the associated **programming cycle** and would be provided to the country as a top up to their National Indicative Programmes (NIPs).
  - A **Governance Profile (GP)** was to be developed on the basis of a set of both quantitative and qualitative questions covering a wide-range of governance-related questions. The GP is elaborated by the EU Delegation in consultation with EU MS delegations and shared “where appropriate” with partner countries.
  - The partner country would be invited to produce a **Governance Action Plan (GAP)** as a tool to identify steps through which they would address governance challenges. The GAP should ideally be complementary to existing national programmes.
  - A **qualitative assessment** of the GAP would then done by the Commission HQ in Brussels on the basis of three criteria, namely relevance, ambition and credibility.

<sup>18</sup> Development Commissioner Louis Michel, speech at the European Development Days 2006. [eudevdays.eu/download/EDD\\_2010\\_2006\\_EN.pdf](http://eudevdays.eu/download/EDD_2010_2006_EN.pdf)

- GIT funds would be allocated on the basis of the assessment. Countries would then be granted top ups to their National Indicative Programmes (NIPs) in the following manner:
  - A base level of 10% for countries that had submitted a GAP.
  - A second-tier tranche of 20% for countries whose GAPs were judged to be of 'high quality' in at least one or two criteria
  - A 25% allocation for GAPs that are judged to be of 'high or exceptional quality' for all criteria
  - A 30% allocation for GAPs that are judged to be of 'exceptional quality'.
  - A 4% additional allocation for Lusophone countries (PALOP and Timor Leste).
  - A 5% bonus for GAPs presented by African countries that had finalized their APRM review.
- The GAP should be attached to the Country Strategy Paper in order to formalise in a ***“contract”*** the so-called ***“incentives based on commitments” approach*** of the GI.
- The governance profile and commitments would be ***monitored regularly*** and the ***actual results of reforms analysed*** by the Commission, the Member States on the ground and the partner country. Allocations may be increased or decreased at the time of the mid-term review (2010) or end of term review (2012).

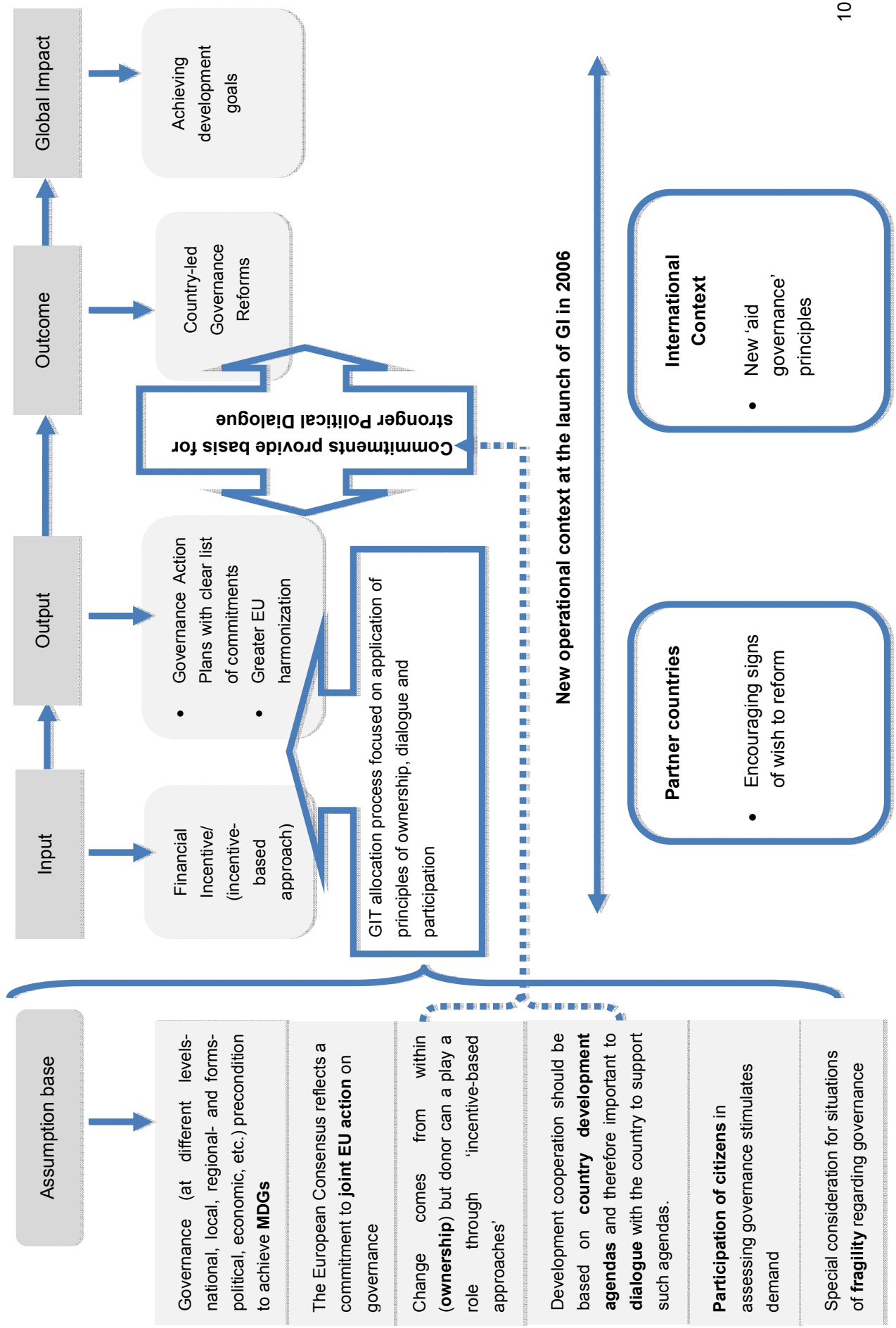
**Figure 2: GITP Process simplified**



29. It is interesting to note that the 2006 Communication spelled out this rather specific, neatly sequenced process for operating the incentive tranche yet did not provide much clarity on other critical issues such as the key assumptions underlying the GI (e.g. about change dynamics, ownership, the role of formal institutions, the power of financial incentives), the risk analysis or the monitoring and evaluation system that would be applied. More specific elements of the intervention logic (beyond general principles) tend to be scattered in different documents covering the period 2006 to 2009. Some critical aspects of the GI were less well elaborated, including the key underlying assumptions
30. In order to facilitate an assessment of the GI in line with what the EC sought to achieve at the time, Figure 3 below seeks to reconstruct the basic intervention logic underpinning the GI.

**Figure 3: Reconstructed intervention logic of the Governance Initiative**

(sources: COM (2006) 421 final, SEC (2009) 58 final & Council Conclusions, 19 May 2009)



## Chapter 3: The initial phase of the GI (2006-2008)

31. According to the Terms of Reference, the present Support Study should build on available information with regard to the implementation of the GI. This holds particularly true for the outcomes of the 2008 Support Study, which reviewed the first 18 months of operation of the new instrument. This section briefly summarizes the main conclusions of the study (for a more detailed overview, including recommendations made, see Annex 8). It also considers how the Commission subsequently used the findings to produce a Staff Working Paper on the GI and how the Council reacted to the initial feedback received.

### 3.1. Key outcomes of the 2008 Support Study

32. The 2008 Support Study was requested by the Commission in order to make an **independent assessment** of the initial phase of the GI. The exercise involved desk analysis, a questionnaire and a set of consultations. A wealth of useful data was thus collected on the quality and value of the various GI processes and tools – upon which the present Support Study can build.
33. Three categories of findings can be distinguished:
- (i) *On tools and processes used.* As the implementation process was still in an early phase, the study logically focused on experiences gained through launching the GI, producing a governance profile, elaborating Governance Action Plans, carrying out a comparative assessment of their quality and allocating incentive tranches to all the ACP countries involved (see Table 2 hereunder).
  - (ii) *On broader policy issues linked to the GI approach.* The study also touches upon wider questions such as (i) the significance of the financial incentive foreseen in the GI; (ii) the conformity with the key principles of the Paris Declaration; (iii) synergies with continental and regional processes (particularly the APRM); (iv) the performance of the GIT in situations of fragility and (v) emerging indicators of impact (see Table 3 hereunder).
  - (iii) *On the relations between Commission headquarters and Delegations.* Some interesting pointers are made that shed a light on the division of roles and responsibilities between these two key players in the implementation of centrally driven all-ACP initiative as the GI. The questionnaire revealed that a significant number of Delegations criticised: (i) the clarity and consistency of instructions<sup>19</sup>; (ii) the too short time frame for preparing the profile; and (iii) the limited resources allocated to the process. All this “further complicated the task of Delegations in communicating the purpose and procedures of the exercise to EU Member States and partner governments”<sup>20</sup>.

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<sup>19</sup> Particular complaints were made on changing the rules on the scoring and the delays in receiving instructions.

<sup>20</sup> Support Study in view of the preparation of a report by the Commission on the Governance initiative process to be submitted to the Council in 2008, October 2008, Final Draft, p. 5

**Table 2: On tools and processes: Findings of the 2008 Support Study summarised**

<b>Tools and processes</b>	<b>Main findings<sup>21</sup></b>
<i>Governance profile</i>	<ul style="list-style-type: none"> <li>• Useful diagnostic tool (learning experience)</li> <li>• Limited consultation national actors and non-EU donors</li> <li>• Limited circulation outside EU/MS (GP primarily an “EC tool”)</li> <li>• Standard nature of the questionnaire hampered an understanding of the causes of weak governance and a forward-looking approach (too much a “snapshot”)</li> </ul>
<i>Governance Action Plans</i>	<ul style="list-style-type: none"> <li>• Although the GAPs drew heavily on existing plans, they were generally perceived to be a burdensome tool imposed by the Commission for its own aid management purposes</li> <li>• Limited consultation with national actors</li> <li>• Lack of realism in commitments made (short-term, lacking phasing and funding)</li> <li>• Variable government ownership of GAPs</li> </ul>
<i>Assessment and determination of the Incentive Tranche</i>	<ul style="list-style-type: none"> <li>• Very limited differentiation between strong and weak governance performers</li> <li>• GIT allocated on the strength of commitments rather than demonstrated results</li> <li>• GIT did not take into account other donor support for governance interventions</li> </ul>

**Table 3: On policy issues: Findings of the 2008 Support Study**

<b>Broader policy issues</b>	<b>Main findings</b>
<i>On the weight of the financial incentive</i>	<ul style="list-style-type: none"> <li>• Size of the financial incentive often too small to imply a meaningful financial incentive</li> <li>• Most European respondents did not see the financial incentive as being the most important aspect of the GI</li> </ul>
<i>On the conformity with the Paris Principles</i>	<ul style="list-style-type: none"> <li>• Weak links between the GI and pre-existing mechanisms for dealing with governance commitments</li> <li>• Not many tangible improvements in strengthening government ownership, enhancing donor coordination, harmonisation and mutual accountability</li> </ul>
<i>On synergies with continental and regional processes</i>	<ul style="list-style-type: none"> <li>• The question regarding the use of APRM in design of the GAP was in most cases not relevant because only a handful of countries have completed APRM reviews</li> <li>• Where a review exists less than half of the countries used APRM for their GAP</li> <li>• The AU reported limited consultations with EU on GITP</li> </ul>
<i>On the use of the GIT for</i>	<ul style="list-style-type: none"> <li>• In fragile states where the capacity to prepare GAPs did</li> </ul>

<sup>21</sup> These are generic findings. One should take into account that on several issues the study reveals different practices (e.g. with regard to sharing the GP) and considerable variation in the quality of the processes (e.g. on the quality of the Governance Plans).

<i>countries in fragile situation</i>	<p>not exist, the GTP was not pursued</p> <ul style="list-style-type: none"> <li>• GP less adapted for assessing the particular difficulties of countries facing fragility (= other format required)</li> <li>• In some cases the drafting process of the GAP was almost entirely driven by the Commission and the Delegations</li> <li>• In other cases the relationship between EU/MS and partner government is too strained for a political dialogue</li> </ul>
<i>On emerging indicators of impact</i>	<ul style="list-style-type: none"> <li>• Too early to assess impact</li> <li>• GI was seen to have contributed to “a greater focus on results in supporting good governance” and to better “prioritisation and aid programming”</li> <li>• Limited effects (so far) on strengthening political dialogue on governance</li> </ul>

### 3.2. The Commission Staff Working Paper

34. The Support Study was used as an input into the elaboration of a Commission Staff Working Paper: ‘Supporting democratic governance through the Governance Initiative: A review and the way forward’<sup>22</sup>. The report draws the first conclusions 24 months after the launch of the GI. It assesses the **technical aspects** of the process and its **impact** on the way in which the Commission and the EU support partner countries’ efforts on the path to democratic governance.
35. The Staff Working Paper largely shares the findings of the Support Study with regard to the **strengths and weaknesses** of the various GI tools (governance profiles, programming dialogue, governance action plans) while expanding the analysis on some key issues. For instance, it asserts that the GI has contributed to “an incremental increase in governance as focal sector [in the CSPs of the 10th EDF] and better understanding of the use of governance diagnostics in the programming by EU staff, both in field and headquarters”.
36. Also in analysing some of the **wider policy issues** (related to the incentive approach, conformity with Paris principles, synergies with African processes, situations of fragility and the impact on political dialogue) the Commission paper globally subscribes to the conclusions of the Support Study:
- It acknowledges that the financial incentive remains “modest” and that the allocation process has been criticised by many stakeholders for its “lack of transparency” and because it leads to a “purely political process”;
  - Beyond information sharing and joint analysis, the GI tools have “not yet led to enhanced donor coordination, joint action, joint monitoring or joint dialogue”;
  - While the number of countries with an APRM review is still limited, there is a need to use the APRM “as the basis but not the substitute for the GAP”;
  - The “particular governance challenges in countries facing situations of fragility could be better reflected in the profile, which should focus more on security and institution-building”;
  - The contribution made by the GI to the political dialogue is seen as “a potential benefit rather than one that has already been reaped”.

<sup>22</sup> Commission Staff Working Paper, Brussels, 19.1.2009. SEC(2009) 58 final

37. The Working Paper is **rather optimistic** in its **conclusions**<sup>23</sup>. It claims that the GI has “laid the foundations for most ACP countries to commit themselves to implement governance reforms in different areas”. While the EU does not pretend to have found the “magic recipe leading to good governance everywhere”, the GI is seen to have “good potential to promote reforms owned by countries and to facilitate dialogue between partners”.
38. Building on the shortcomings identified during the initial phase, the report proposes a number of “**next steps**” to improve the implementation of the GI. These include:
- The guidelines for the preparation of the GP, GAP and other stages should be updated and reviewed to provide “greater clarity, inclusiveness and transparency as well as more focused content”.
  - As the credibility of the GI “depends heavily on the actual implementation of GAPs”, a sound methodology needs to be prepared to ensure proper monitoring and “standard, objective and transparent” performance assessment, particularly of the framework.
  - Political dialogue on governance issues should be stepped up, be more systematic and regular and be seen in a more strategic long-term perspective.
39. These are clearly important pointers for the present Support Study –which focuses primarily on the evolution of the GI beyond 2008. They will stand central in chapter 4 of this report.

### 3.3. Responses from the Council

40. In its Conclusions of 18 May 2009 the **Council** recognised the potential of the GI in terms of supporting governance reforms undertaken by partner countries. Yet it also stressed the need to further **develop and fine-tune** several key dimensions of the process and methodology. It invited the Commission and the Member States to explore ways and means to: (i) enhance ownership; (ii) strengthen political dialogue with national stakeholders, regional and supranational organisations (AU); (iii) improve linkages between the APRM and the GAP; (iv) monitor the implementation of the GAP (as the cornerstone for the credibility of the GI); and (v) ensure a transparent and evidence-based allocation system.

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<sup>23</sup> Not all the positive elements noted in the Staff Working Paper are necessarily supported by solid evidence from the independent Support Study.



## Chapter 4: The Governance Initiative in practice

41. The time has come for a detached analysis of how the GI worked out in practice. The collection of **evidence** from the field, though not always easy, is critical to understand the actual functioning of an innovative flagship project like the GI in a variety of political and institutional contexts (as can be found in the ACP). It provides the essential “**raw material**” to properly assess the GI against stated objectives and expected outcomes (as spelled out in chapter 2), particularly in light of the recommendations made in the 2008 capitalisation study (as examined in chapter 3).
42. The overall assessment of the GI presented in this section covers the period **2006-2011** but with a particular focus on what happened with the GI **after the 2008 capitalisation study**. For the period 2006-2008 the study team relies primarily on the findings of the first Support Study. For the period 2008-2011 a variety of new sources are used (see par. 11) providing insights into the further evolution of the GI. In practice, both sources of information often overlap or spill over into each other. For instance, stakeholders interviewed during the field mission did not necessarily segment the GI into clear-cut periods such as “up to the 2008 Study” and “after 2008”. Their analysis of the GI covered the whole period. This broader time horizon is interesting because it helps to better understand the evolving dynamics of the GI. An additional advantage is that the time perspective (5 years) is sufficiently large to assess whether the potential of the GI materialised and what type of effects this innovative instrument in supporting governance had on the ground.
43. This chapter is divided into **three sections**. The first summarizes the main findings in relation to the key questions posed in the Terms of Reference. (4.1). The second comprises an overall assessment of the GI (4.2). The third, deriving from these two analyses, draws together a number of conclusions about the pertinence, effectiveness and impact of the GI after 5 years of operation (4.3).

### 4.1. Main findings: reviewing the evidence

44. Building on the Terms of Reference, the Inception Note of this study and the analysis of the GI intervention logic (chapter 2, par. 29-30) as well as the structure of the questionnaire/field reports, it seems appropriate to cluster the data and information gathered around **6 key questions**:
  - (i) Evolution of the GTP between 2006-2011
  - (ii) Relevance and reliability of the various tools used
  - (iii) The GI during the mid-term review
  - (iv) The GI and the EU's wider support to governance reforms (the harmonisation agenda)
  - (v) Synergies with continental and regional processes
  - (vi) The overall impact of the GI
45. Both the questionnaire and the field missions were not only used to collect evidence on the practice of the GI, but also to elicit views and suggestions from the various stakeholders on how future EU approaches to supporting governance should look, whether or not a new GI would make sense, what alternative options exist, etc. These inputs will be included, where appropriate, in this section. Others may find their way into the sections dealing with the overall assessment (4.2 below) with the main conclusions (4.3 below) or in the final chapter of this report presenting recommendations.

#### **(i) Evolution of the GITP between 2006-2011**

46. This question tries to cluster the evidence collected on **how the GI evolved “as a whole”** over the period of five years since it was launched. The purpose is to offer a **panoramic view** of the overall dynamics in the implementation process of the GI across the ACP. More specific questions pertaining to the GI process will be addressed below. The focus here is on whether or not the GI managed to occupy a central position in relation to governance matters. Was it able to develop the political traction required to function as a catalyst in promoting ownership of reforms, improving political dialogue and impacting positively on the governance situation? Did the GI ‘fly’ as expected?
47. The evidence collected by the study team clearly indicates that the GI **aroused interest in the initial phase, particularly among European actors**. Different sources suggest that in 2006 the (EU) donor community was open to adopting more prominent and sophisticated approaches to supporting governance. This reflected an increasingly shared belief that governance was key for development. The GI was generally welcomed with a “favourable a priori” (Mali report), amongst others because it symbolized the growing political importance attached by the EU to governance<sup>24</sup>.
48. Stakeholders consulted identified other **points of attraction** of the GI in this initial phase, including (i) the potential for a more solid and harmonised EU governance analysis (through the governance profile) allowing for a more comprehensive view of the different governance dimensions<sup>25</sup>; (ii) a stronger focus on governance in the programming process; (iii) the opportunity to engage the government of the partner country (Burundi report); and (iv) the prospect of enhancing the political dialogue on governance and being able to jointly evaluate progress achieved in a spirit of transparency and mutual accountability<sup>26</sup>.
49. Yet the findings from different sources also concur in noting that the GI **quickly lost momentum** in the large majority of ACP countries. This was the reality in the 4 countries visited. Stakeholders interviewed stated that the GI rapidly “got into a lethargy” (Mali report), suffered a “premature death” (Mozambique report), was “buried” under the traction generated by other more powerful processes on governance in the country (Burundi report) or lost its clout because the GI process was not sufficiently “rooted in a political economy analysis” and was too “inflexible” to cope with dramatic changes in the national context (Kenya). The questionnaire also provides ample evidence of the limited status and influence of the GI<sup>27</sup>. A key indicator of this state of affairs is the low profile of the instrument in the overall cooperation process and the generalised lack of knowledge among key stakeholders about the GI at country level (within EUDs and among EU member states, government officials and other domestic actors) as well as in Brussels (among HQ staff not directly dealing with the GI and at the level of the ACP Secretariat).
50. The study team sought to understand the key reasons why the GI lost momentum in such a relatively rapid and profound way in most ACP countries (see Box 2 below).

<sup>24</sup> See responses EUD staff, more specifically question 28 which probed into the most important aspects and main weaknesses of the GI.

<sup>25</sup> Response EUD Zambia on question 28

<sup>26</sup> Response EUD Solomon Islands on question 28

<sup>27</sup> In the responses to question 5 (on the rationale for using the GI) EU delegations indicated that the GI was “not known”, a process “forgotten by the Government”, or an instrument that has become “unfortunately too bureaucratic” to be meaningful.

## Box 2: Factors explaining the loss of status and influence of the GI

By combining the findings of the questionnaire and the field missions, the following list of contributing factors emerge:

- *Poor ownership of the GI process.* There are many reasons for this ownership deficit, including conceptual and methodological flaws in the tools used (for more details see point ii below), the lack of involvement of other societal actors and the limited financial benefits attached to the GI.
- *Disconnect between the GI* (as an all-ACP initiative conceived in Brussels) *and already existing governance processes and plans* in a given country, some of which generated far more political traction than the GI<sup>28</sup>. As a result, the GI was in many cases perceived as a “stand-alone” instrument, poorly aligned to (evolving) political dynamics and not integrated in other governance programmes of the Commission and the Member States.
- *Rigidity of the GI.* Many stakeholders observed that the GI provided a rather static and bureaucratic framework to deal with governance. This made it ill-suited to cope with the highly dynamic nature of governance processes, particularly in situations of fragility or in the event of a sudden deterioration of governance.
- *Limited follow-up*, reflected in the lack of clear and well established monitoring and evaluation (M&E) systems to check the effective implementation of the GAP.
- *Capacity constraints* (of a political and institutional nature) *on both sides* to manage and follow-up a politically sensitive and innovative tool such as the GI in a professional and coherent way.
- *Downstream implementation problems* linked to the lack of clear instructions and to tricky issues of timing. Often the calendar imposed by HQ did not fit well with the governance dynamics within the country or with the time required to apply a qualitative ‘process approach’ in the GTP (e.g. for ensuring adequate participation in the design of the GP or the GAP).

51. The net result is that in the large majority of countries the GI has ***slowly but steadily disappeared off the radar screen***. The mid-term review process (MTR) of the 10<sup>th</sup> EDF provided an opportunity to focus again on the GI. Yet its overall impact on the review process was generally limited. There is also no evidence that the MTR was instrumental in breathing new life into the GI process and upgrading its overall status at country level (for more details see point iii below).
52. The study team sought to identify possible exceptions to this rather bleak picture, i.e. ACP countries where the initial drive of the GI could be maintained and further developed into positive change dynamics that are sustained over time.
53. The case of Benin stands out in many ways as an example where the GI did make a difference and remained at the top of the governance agenda, as illustrated in the Box 3 hereunder.

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<sup>28</sup> The mission reports of Kenya, Mali and Burundi all emphasize that the provision of budget support (and related monitoring of performance) generated more interest, commitment and political traction among both donors and government with regard to governance matters as compared to the GI.

### Box 3: The GIT process in Benin: regular follow-up to achieve results

The EUD in Benin updated the Governance Profile and the status of GAP implementation on a yearly basis, i.e., not just at the time of the midterm review. This was done jointly with the National Authorising Officer. The documents were shared with the partners (the government in Benin, especially the relevant ministries, and EU Member States) and finalised with their input. The updated tools were then distributed to national actors such as civil society, the private sector and other development partners. This took place during public workshops at which the media was present; three such workshops have been held to date.

For the EUD in Cotonou, the GIT process has therefore been a positive experience.. It has allowed a more traditional form of development cooperation to morph into a more regular multi-stakeholder dialogue. Documents that used to be restricted to donors and the government (such as the Governance Profile and the GAP) and which laid bare the national governance process, warts and all, were made public (“noir sur blanc”) in open consultations. The EUD considers this “opening up” of the GI documentation to be the single greatest achievement of the initiative. A wide audience was made aware of the existing problems and witnessed the commitments taken by government to improve the governance of their country.

Moreover, these annual reviews ensured that regular follow-up took place. This has served as a strong incentive for the government to keep its promises, or at least a number of them. It has brought credibility to the process in the eyes of the general public because they felt “somebody is checking if things have moved”. Finally, it shows to all partners (national and international) where the country stands with the governance situation, what progress has been achieved and what has not moved on. The whole process has thus resulted in a benchmarking of the governance situation and of the government commitments over a period of five years.

### ***(ii) Relevance and reliability of key tools***

54. The 2008 Support Study drew a number of conclusions regarding the reliability and the relevance of the Governance Profile and the Governance Action Plan (see par. 33, Table 2). The key insights were the following:
- **Governance profiles** – Provided a good snapshot of the governance situation; yet they generally failed to go deep into the analysis of the informal dynamics and trends and emerging risks in the area of governance; the tool was not used as a reference document partially due to the existence of other donor governance assessments; no consistent use of governance indicators; perceived to be a Commission tool rather than largely owned by EU member states.
  - **Governance Action Plan** – Heavily drawn from national planning documents yet seen by most ACP partners as a burdensome tool to serve Commission requirements; failed to incorporate consultations with national stakeholders; focused on short-term gains rather than structurally addressing long-term governance challenges.
55. The 2008 Support Study made a number of ***recommendations on how to address both the content and process challenge of the GI tools***, to which the Commission responded in a globally positive way. They boil down to the following points:
- Providing better guidance on how to use the various tools (for example through preparing a manual).
  - Ensuring regular updates of the GP and GAP.
  - Refining the indicators, benchmarks and methodologies used.

- Making the GI process more inclusive by involving other key domestic stakeholders.
  - Obtaining greater buy-in from EU Member States and other donors.
56. The remaining part of this section analyses the ***follow-up given to these pointers for the period beyond 2008***. For some of the above elements Commission headquarters officials were in charge. For other aspects the main responsibilities resided with EUDs and therefore actual practices inevitably varied across (such a large group as) the ACP. Yet despite these variations, the study team could also identify commonalities and therefore draw some generic conclusions.

### ***Providing better guidance***

57. Not much follow-up was given. The Commission did not prepare a comprehensive manual on how to use the GP nor did it specify how to apply the GI in situations of fragility (as requested in the 2008 Support Study). In practice, the additional guidance on how to move forward with the GI and its various tools was limited to elaborating guidelines for the mid-term review of the 10th EDF (see below). Yet several EU Delegations saw these guidelines as inadequate (e.g. Kenya, Mali)<sup>29</sup>.

### ***Regularly update the main GI tools***

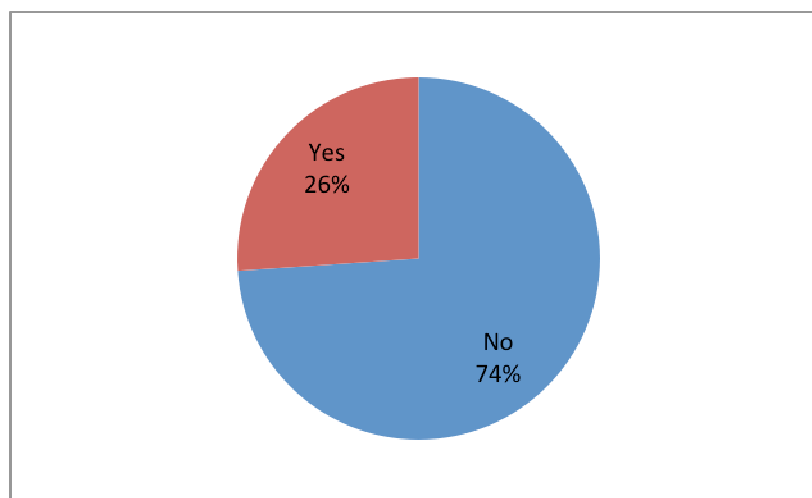
58. This recommendation of the 2008 Support Study made a lot of sense, considering the intrinsically fluid nature of governance situations in the ACP. However, evidence collected during the current study shows that this has not been consistently done. This holds true for the Governance Profile, as indicated in Figure 4. Nonetheless, evidence also shows that in cases where the governance profiles have been reviewed, mostly with the participation of EU member States, this was mostly done to take into account the evolution of the governance situation in partner countries therefore ensuring they remain relevant tools (see Figure 5). This was confirmed in some field visits. In the case of Kenya for instance this was done to reflect the changing political situation in the country of the 2008 post-election violence. Similarly, evidence on the level of updating of the GAP suggests that they were not regularly updated.

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<sup>29</sup> Delegations responding to the questionnaire felt that guidance was generally limited but this was not restricted to the MTR.

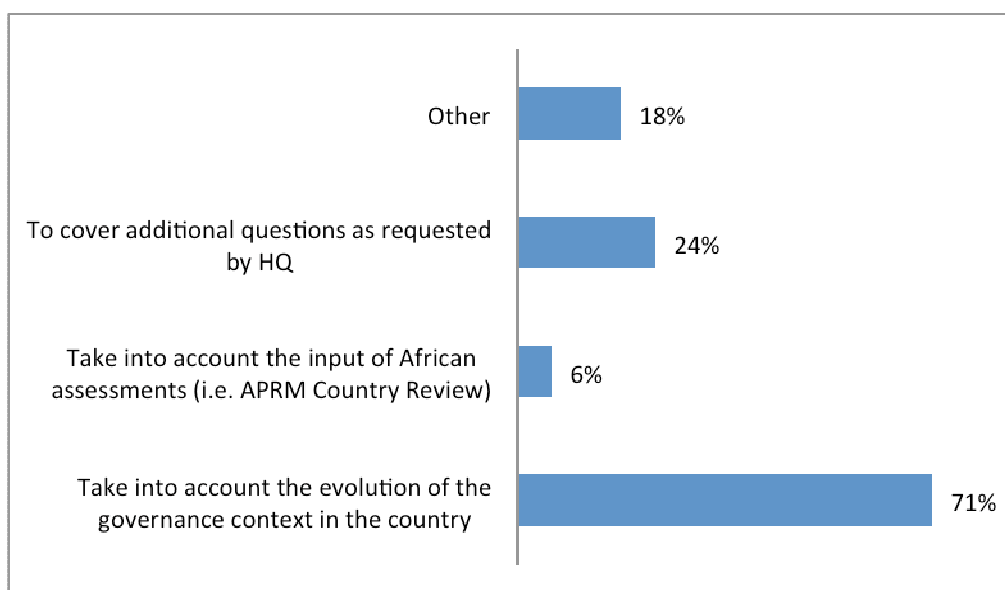
**Figure 4: Degree of updating of the GP**

**Q: Has the Governance Profile been regularly updated since it was first designed?**



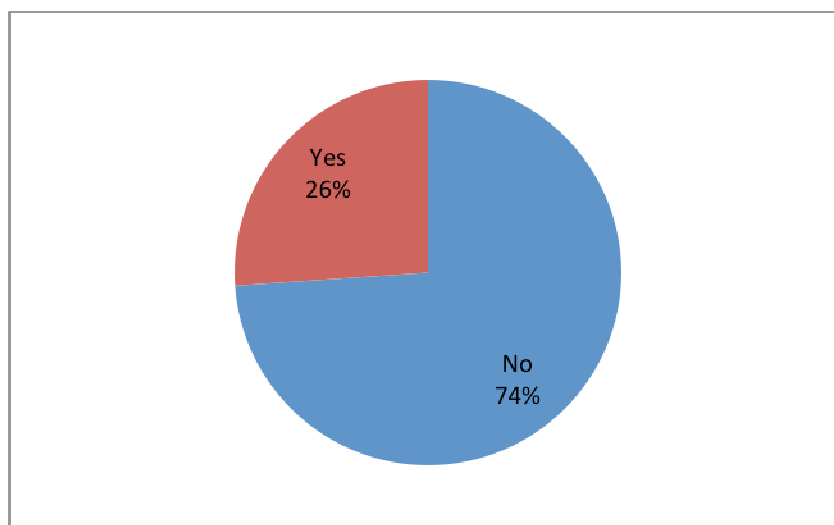
**Figure 5: Reasons behind the revision of the Governance Profiles during the MTR process**

**Q: Has the Governance Profile been revised at the occasion of the MTR to take into account (i) the evolution of the governance context in the country; (ii) the input of African assessments (i.e. APRM Country Review); (iii) additional questions as requested by HQ; (iv) other reasons (please specify)?**



**Figure 6: Updating status of the Governance Action Plans**

**Q: Has the Governance Action Plan been updated since it was first submitted by the Partner country?**



### ***Refining indicators***

59. The evidence collected in the current study suggests that no **major, systematic, properly coordinated and communicated efforts** were made to **improve indicators, benchmarks and methodologies** related to the main GI tools. The format of the GP with its standard methodology covering nine areas of governance remained the same -despite its proven limits in terms of facilitating an in-depth, dynamic analysis of the governance situation. The field studies confirm the enduring challenge of defining smart indicators that are realistic, sufficiently owned and objectively measurable so that they can feed a genuine political dialogue on performance. The question also remains open on which benchmarks to use. While the elaboration of governance profiles depended quite heavily on the KKZ indicators<sup>30</sup>, there is some evidence indicating the use of other methodologies, including independent indicators (Mo Ibrahim) or African assessments (APRM review).

### ***Making the GI inclusive***

60. The limited **participation of stakeholders in the elaboration of the GP and GAP** was a major shortcoming pointed out by the 2008 Support Study. Evidence collected, primarily from the field missions<sup>31</sup>, suggests that this state of affairs has not been fundamentally altered after 2008. Civil society actors in particular expressed their concern over the perceived tendency to restrict the GI process to government. This was seen to be contradictory to the Accra Action Agenda (AAA) emphasising the need for country ownership (as opposed to government ownership) and domestic accountability (as opposed to governments being primarily accountable to donors). The field missions also show that other EC instruments (i.e. NSA programmes) were not strategically used in order to

<sup>30</sup> As developed by Kaufmann, Kraay and Zoido-Lobaton (KKZ) of the World Bank Institute, encompassing six dimensions of governance: (i) voice and accountability; (ii) political stability; (iii) absence of violence; government effectiveness; regulatory capacity; (v) rule of law and (vi) control of corruption.

<sup>31</sup> The issue was also raised in the questionnaire but the study team received too limited a number of responses for solid conclusions to be drawn.



create linkages with the GI and encourage the involvement of civil society. Yet the study could trace good practices as exemplified in the case of Zambia.

**Box 4: The mid-term review in Zambia: a largely inclusive process**

According to information from the Delegation of the European Union in Lusaka, the mid-term review in Zambia included a large number of consultations with national and international stakeholders present in the country. To do so, the Delegation hired a consultant to facilitate the intense consultation process that took place in the months of September and October 2009 with the aim to assess the implementation of the commitments contained in the Governance Action Plan (GAP). Thirteen (13) meeting-days were held to jointly assess implementation respectively with the Governance Secretariat at the Ministry of Justice (4 days); other government agencies (3 days); the Parliament (2 days); Non-State Actors (2 days); other donors and development partners (2 days).

As a result of this consultative process, the GAP assessment was then completed by the Delegation. A final consultation with the participants of the 'Sector Advisory Group on Governance' was held. To validate the final assessment, three additional working groups were organized with the participation of all governmental bodies involved, other donor agencies and CSOs active in the sector. These focused on specific aspects contained in the Governance Action Plan: political and democratic governance; rule of law; control of corruption.

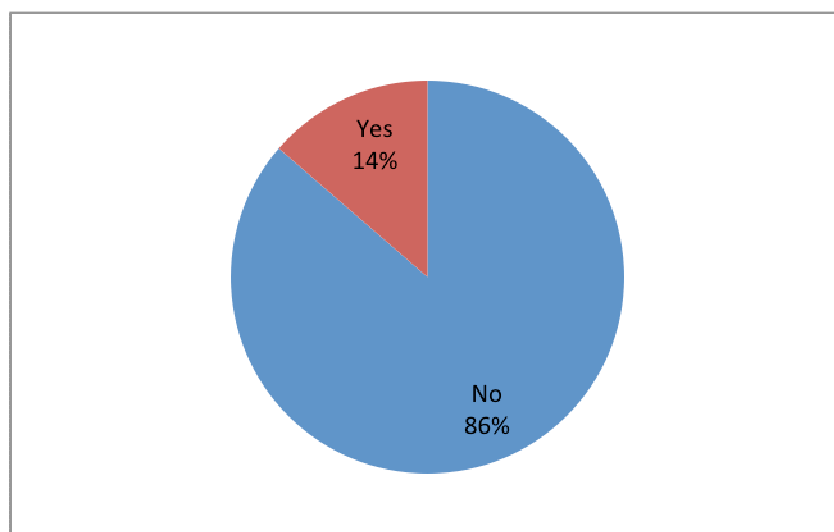
Despite the fact that the Governance Profile (GP) or the Governance Action Plan have so far not been updated in Zambia, a reflection process is taking place on 'what to do' with these tools, particularly in view of the fact Zambia has a new Government since last September with new priorities. In addition, the Delegation has recently (October 2011) presented the experience of the Governance Initiative and the different tools used therein (such as GP and GAP) at the Donor Group on 'Governance' with a view to share this experience with other partners engaged in the governance reforms and to consider possible next steps.

***Improving the buy in of EU Member States and non-EU donors***

61. The study team did not find conclusive evidence showing a clear Commission strategy after 2008 to make the GI tools more relevant for EU Member States and non-EU donors. The EU expected the GPs to contribute to common governance assessments and to use the GAP as a tool for a stronger political dialogue at EU level. This did not materialise in practice. Both the questionnaire (see figures 7 and 8 below) and the field missions clearly indicate that neither the GP nor the GAP became reference documents for the EU actors involved in governance support and political dialogue.

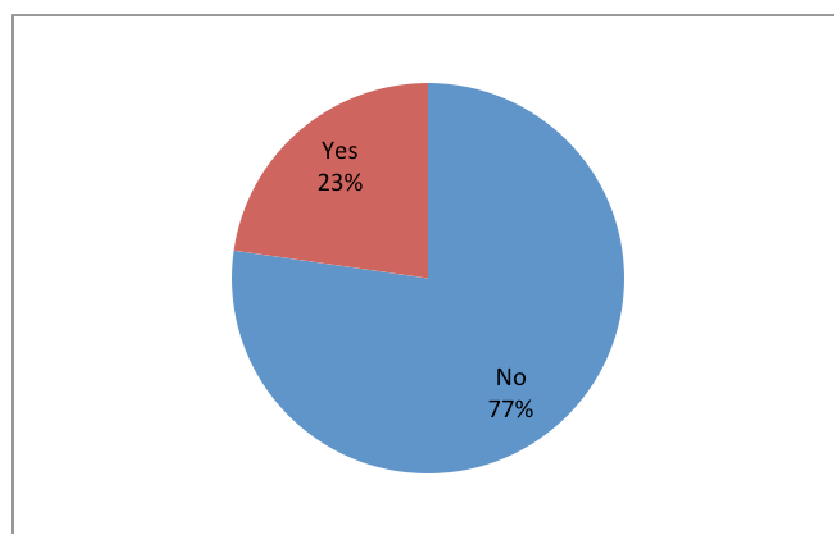
**Figure 7: The GI tools as reference documents**

***Q: Have the (updated) Governance Profiles and Governance Action Plans become reference documents with regard to country governance?***



**Figure 8: Role of GI in political dialogue by EU**

***Q: Were the (updated) Governance Profiles and Governance Action Plans regularly used as a basis of political dialogue by the EU Member States with the partner country?***



### **iii) Monitoring the GI –with a particular focus on the mid-term review (MTR)**

62. The 2008 Support Study identified the **lack of adequate monitoring and evaluation systems** as one of the major weaknesses of the GI. It recommended the Commission to “urgently prepare instructions for the monitoring of the GAP implementation and reach a decision on the consequences of such as review”. It was also proposed that the “financial implications of the review must be made clear to partner countries as soon as possible”<sup>32</sup>. In response to this, the Commission committed itself to draw up guidelines “on how the profile and the Governance Action Plan should be monitored and included in the annual, mid-term and end-of-term reviews”<sup>33</sup>. It saw the upcoming MTR of the 10th EDF as an adequate opportunity to ensure a proper monitoring and performance assessment. The ensuing Council Conclusions of May 2009 agreed to see “governance as a separate dimension of performance” while insisting that it should “not be seen as a form of conditionality”<sup>34</sup>.
63. Against this background, the study team attached quite some importance to the whole monitoring process and particularly to the way in which the GI was covered in the MTR. In addition to the questionnaire and the field missions, it carried out a fairly comprehensive analysis of the outcome of MTR processes (see Annexes 5 and 6)<sup>35</sup>.
64. The Commission prepared ‘**Guidelines for the 10th EDF Mid Term Review of ACP Country Strategy Papers**’, which outlined governance as one of the four assessment areas<sup>36</sup>. The guidelines provided a general methodology for carrying out the review. They also put forward a set of essential features of the assessment process stressing the need (i) to focus on the “trajectory” of change processes in country, the “underlying trends” as well as on “development results achieved”; (ii) to use standard, objective and transparent indicators to measure progress; (iii) to take into account “duly justified special considerations”; (iv) to ensure the transparent and participatory nature of the review process; and (v) to enhance, where possible, the alignment of the MTR assessment with existing (multi-)donor assessments.
65. The guidelines are also explicit on the **central importance of the GI and the GAP in the MTR**: “the starting point for the assessment of progress made in governance in the context of the MTR is the level and timeliness of implementation of the GAP and its impact on the governance situation”. Consequently, the EU delegations were invited to **grade** the partner country’s **performance**<sup>37</sup> and address two main questions:
- To what extent has the GAP been implemented, taking into account its initial quality?

<sup>32</sup> Support Study in view of the preparation of a report by the Commission on the Governance initiative process to be submitted to the Council in 2008, October 2008, Final Draft.

<sup>33</sup> Commission Staff Working Paper: Supporting Democratic Governance through the Governance Initiative: A Review and the Way forward, Brussels, 19.1.2009 SEC (2009) 58 final, p. 10.

<sup>34</sup> Council Conclusions 19 May 2009.

<sup>35</sup> The study team reviewed 66 MTRs. A detailed analysis was made of 13 well-documented MTR processes that have addressed the GI with some degree of comprehensiveness. The other MTRs did not really cover the GI and were therefore analyzed from a more global perspective.

<sup>36</sup> Other areas are economic situation, social situation and implementation of EC cooperation.

<sup>37</sup> Grade from A, being high quality GAP and very good level of implementation to D which represents a low quality GAP and a poor level of implementation

- Based on the (where appropriate updated) governance profile, to what extent has the governance situation improved?
66. How were these guidelines received and followed through by EU Delegations? The main findings collected from the above mentioned sources are clustered around seven questions:

- (i) ***How prominently did the GI feature in the MTR process?*** The questionnaire and the field missions provide a mixed picture. Most EU Delegations did not primarily assess governance “through the prism” of the GI and the implementation of the GAP, but choose to reflect on the overall governance situation of the country. Others specifically considered the GI<sup>38</sup> yet without doing necessarily a sophisticated analysis of the GI and related GAPs.<sup>39</sup> The MTR was often not seen as a process to remedy the weaknesses of the GI but rather as an opportunity to address some broader and more burning governance questions that were also high on the agenda of the partner country (e.g. budget support in Kenya and Mozambique). In Mali, for instance, the MTR did not address the issue of the huge number of commitments made in the GAP, thus losing an opportunity to come up with a more realistic and manageable GAP. Furthermore, evidence also suggests that the MTR was generally not used as a strategic opportunity to reflect on how the GTP is linked to other Commission programmes (except in Kenya and Rwanda) or to other donor programmes (except in Lesotho and Rwanda). The MTR reports do not provide much information on the existence and quality of consultations on the GI with national stakeholders (particularly civil society organisations). Only in few cases did Delegations make reference to such consultation processes, notably in the context of assessing the progress achieved with the GAP (i.e. Zambia, Box 4).
- (ii) ***Was the MTR used to update GP and GAP?*** The detailed MTR analysis on the selected sample reveals that few MTRs provide insights on what exactly happened with the GP and the GAP (see annexes 5 and 6 for details). With regard to the GP the case of Benin again stands out as regular updates take place in close collaboration with the NAO. As far as the GAP is concerned, very few reviewed MTRs refer to an effective update being made in the light of the MTR (i.e. Benin, Rwanda).
- (iii) ***To what extent and how was implementation progress with the GAP reviewed?*** Although most MTRs provided a rating of the governance situation<sup>40</sup> in the country, only a limited number of MTRs addressed in a comprehensive way the pace of the implementation of the GAP. A limited number of Delegations conducted a specific review of the implementation of the GAP (i.e. Angola, Zambia).<sup>41</sup> In other cases, the level of detail of the analysis was mixed even in MTRs, which did review the pace of implementation. The grading of the pace of implementation was also

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<sup>38</sup> Benin, Burundi, Congo Brazzaville, Djibouti, Ethiopia, Gabon, Gambia, Ghana, Guinea Bissau, Kenya, Lesotho, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Swaziland, Zambia, Guyana, Trinidad and Tobago, Niue, Solomon Islands)

<sup>39</sup> See Annex 5 and Annex 6 for specific details

<sup>40</sup> Some EU Delegations did not clearly distinguish between assessing the implementation of the GAP with that of the overall political situation of the country (i.e. Grenada, Trinidad and Tobago). Therefore it was difficult to establish how the rating on the implementation of the GAP was separated from the rating of the overall political situation.

<sup>41</sup> The details of such reviews were however not reflected in details in the MTR documents. This can be explained by the nature of the MTR documents themselves.

done sporadically with most MTRs presenting neither the required supporting analysis nor an explanation of the grades given to the country (i.e. Barbados, Djibouti, Gambia, Vanuatu, etc.). Different sources suggest that most of these assessments were carried out through consultations with EU member states present in the country and with the government. With respect to consultations with NSAs in the MTR process, only the EU Delegations in Benin and Lesotho indicated that they have held meetings with NSAs in order to feed into the MTR. Several EU Delegations made the point that the MTR provided an opportunity to reinvigorate the political dialogue on governance (Burundi and Kenya reports) yet in other countries no such positive effects occurred (Mali report). However, none of the MTRs specifically reflects on the potential contribution of the GI to the broader governance situation of the country, which makes it difficult to draw parallels between Commission's support to governance through the GI and the pace of governance reforms in the country.

- (iv) **What challenges arose in the process of grading performance?** The experience with the GI confirms the difficulty of properly assessing governance situations and related implementation of governance plans (such as the GAP). The actors involved in the performance assessment were confronted with a variety of thorny implementation challenges as illustrated in Box 5 below.

**Box 5: The difficult art of performance assessments**

Many factors tend to complicate the task of assessing performance including:

- **Quality and use of indicators** included in the GAPs. Some indicators are hard to measure while others may lend to conflicting interpretations. This holds particularly true for 'process indicators'. These focus primarily on formal obligations (e.g. approval of a law) to which the government may have responded yet without improving actual practices. The gap between formal compliance with the indicator and the governance reality on the ground can be huge and can become a source of conflict between donors and partner country (Mozambique report)
- **Existence of solid, well-tested and commonly agreed methodologies to objectively assess governance performance.** Available models do not always fit the local situation while "perceptions" still play too important a role in assessments –a flaw heavily resented by partner governments. In these conditions it should be not be surprising to note that different actors may arrive at substantially different scores on the governance situation in a given country. Several mission reports provide evidence of such 'clashes' between EU Delegation, Member States, Commission headquarters and partner government
- The risk of **mixing up short-term political considerations** (linked to a momentous event or crisis situation) with a detached assessment of progress achieved in the overall governance situation (which by definition requires the adoption of a mid-term perspective and a sensitivity for the country's "trajectory")
- The **(financial) consequences** to be attached to the assessment for both good and bad performers. This was compounded by the lack of clear instructions by Commission headquarters on this crucial point.
- The **process followed by Commission headquarters to consolidate/harmonise the outcome of the various MTRs.** The study team received quite some critical feedback on the way this process was apparently conducted, including (i) unjustified changes in the scores given to governance; (ii) lack of methodological rigour; (iii) unclear decision-making notably on the financial allocations; (iv) flawed and delayed communication of the outcomes of the MTR, particularly towards EU Delegations and towards partner countries; (v) overall lack of transparency leading to a strong perception among various stakeholders that the exercise is primarily "political" in nature.

(v) **Has MTR been used to create more synergies with other national and regional governance processes?** There is limited information available on synergies with national processes such as the PRSPs, though in Burundi, Ethiopia, Kenya and Rwanda the MTR seems to have been used to ensure a stronger articulation with the national agendas. Although some MTRs refer to regional processes such as the APRM (Gabon, Mali, Benin) none of the documents outlines how the continental processes could be integrated into the GTP with the exception of the MTR for Gabon where the delegation suggested that the GAP be updated by the government in order to reflect linkages with the APRM process (which has yet to start).

(vi) **What process limitations were eventually encountered?** Stakeholders pointed to several shortcomings in the 'process' of preparing and conducting the MTR. Several EU Delegations felt that the guidelines were communicated late and that the timeframe for the preparation of the MTRs was too limited to allow adequate consultations and engagement especially with local stakeholders. Furthermore, concerns were expressed regarding the constraining nature of the MTR grids, which does not allow for an overall contextualization of the governance situation.

(vii) **To what extent did the evolution of GAP influence A-allocations?** More generally, the MTR process was expected to inform the decision on the allocation of the A-envelop. Although the latter was done on the basis of different criteria including other components of the MTR, it is nonetheless useful to see whether there is a consistency between the rating of the country as progressing well with the implementation of the governance commitments and the resources it is allocated under the A-envelop. A comparison between the GAP rating and the A-envelop allocation (see Annex 9) shows that countries with the least progress in terms of implementation (grade of C or D) have all failed to secure additional resources but most of them saw their allocations maintained at the same level. However, those that have received an A rate (best performers) have all seen their envelop increase. There was, however, no consistent link between the revision of the allocation of the A-envelop allocation and the progress of implementation of the GP in countries that have received a B rating for their efforts to implement the GAP (some saw their envelops increase while others saw it being maintained at the same level).

67. Beyond the experiences with assessing the GI during the MTR it also seems interesting to refer to the experience in Rwanda. In this country the GI evolved in a particular manner and resulted in the set of a 'Joint Governance Assessment Framework' with a proven capacity to organise regular 'joint reviews' (for more details see Box 6)

**Box 6: The Joint Governance Assessment framework in Rwanda**

Information collected through the EUD in Kigali points to the GI having added value in terms of influencing the process and modalities of the Rwandan led and owned 'Joint Governance Assessment' framework.

While certain EU Member States included GI commitments made by the Rwandan government in their own conditionalities, initially the GAP was not strongly harmonised with country systems. However, in 2008, President Kagame pushed for setting up a joint process **with all the development partners**, i.e. the Joint Governance Assessment. The resulting review proposed to monitor the governance situation in three main domains (i) the rule of law, reconciliation, voice and accountability; (ii) government effectiveness (PEFA, corruption) and (iii) private sector development. Through this assessment a link was made to the GAP since there was an overlapping of many indicators. The GAP itself was not updated, but the new process de facto produced a report on its progress.

The 'Joint Governance Assessment' framework (JGA) is supported by most donors and accompanied by an Integrated Governance Action Plan. It contains a matrix of all Government commitments in the governance domain to be used in the assessment process. The Rwanda case thus provides an interesting example where a **donor agenda** on governance (i.e. the GI) **was met with a clear government response**, aimed at ensuring ownership and control of the process according to its own terms.

The existence of a strong national agenda changes the dynamics of governance assessments. The resulting reports tend to arouse quite some debate between the government and the donor community and among donors. All stakeholders seem committed to continue with the process. Development partners are pushing for some improvements to the framework, including enhanced space to raise critical issues and a stronger participation of civil society.

#### **(iv) The GI and the wider EU support to governance (harmonisation agenda)**

68. Key policy documents on the GI stress the need to ensure that the GI would respond to the principles of the Paris Declaration (see par. 25 above). The intervention logic underpinning the GI (see par. 29-30 above) considers ownership of governance reforms and a harmonised political approach at EU level as critical outputs of the instrument.
69. Previous sections have dwelled on the difficulties encountered by the GI in terms of promoting ownership. But what about the EU harmonisation agenda? How successful was the GI in terms of triggering a more coherent response to supporting governance at the level of the EU (through the overall programming process) and to a more harmonised approach at EU level (through improved joint action)?
70. The 2008 Support Study and ensuing Staff Work Paper suggested that the GI had contributed to (i) enhance the status and focus on governance in the 10th EDF programming process; (ii) to a better understanding and use of governance diagnostics by Commission staff and (iii) to a better integration/mainstreaming of governance into the Country Strategy Papers. There was also some impact perceptible at EU level, particularly in terms of "information sharing and joint analysis". However, the EC Staff Working Paper acknowledged that the GI had "not yet led to enhanced donor coordination joint action, joint monitoring or joint dialogue"<sup>42</sup>. The task at hand for the GI was "to further develop its potential for contributing to a comprehensive approach to aid effectiveness, donor coordination and harmonisation of EU Member States' policies, strategies and programmes to support democratic governance.
71. The findings of the current Support Study all indicate that the GI has not been able to give an important boost to the EU harmonisation agenda with regard to governance support that can be sustained over time. There is substantial evidence underpinning this assertion:
  - As observed above (par 54-59) the main GI tools did not provide a solid base to move towards truly joint analysis and joint responses in the area of governance. The initial enthusiasm to engage in joint analysis through the Governance Profile withered away and the Governance Action Plans proved too shaky a base to generate political traction and trust in favour of joint responses.
  - On the whole the GI did not contribute to a stronger harmonisation of governance support **at the level of the EU**. Experiences vary across countries and incidental evidence of positive linkages could be collected. Yet globally the linkages between the GI and other Commission programmes and instruments aimed at promoting governance remained rather weak. The field visits confirm this analysis. The large majority of EU delegations staff interviewed argued that the GI processes

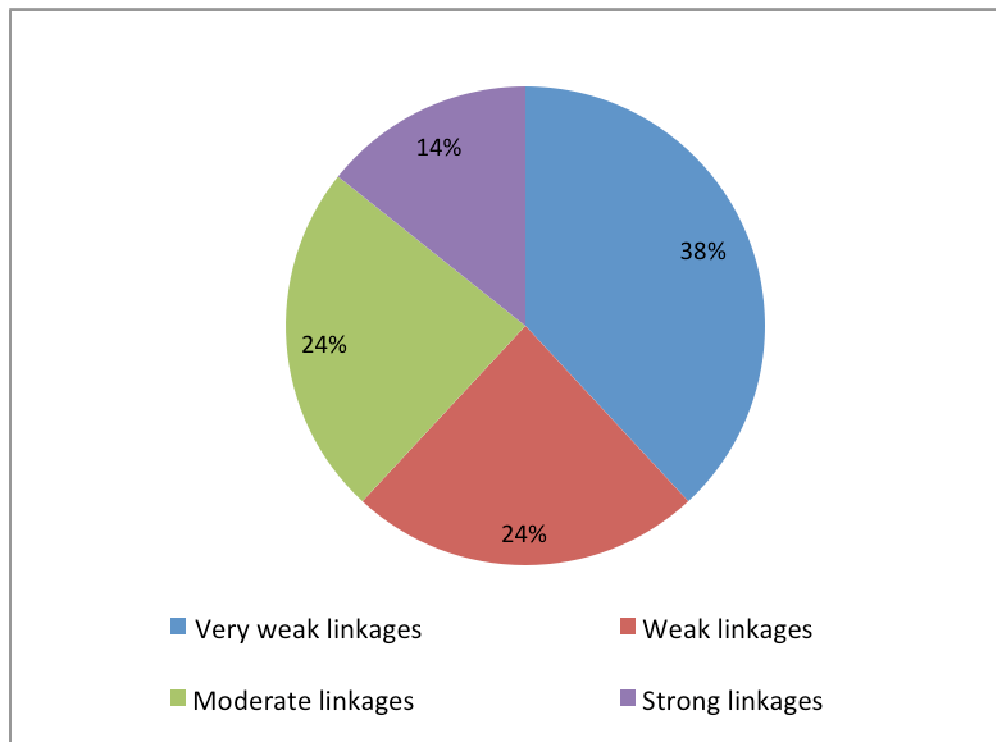
<sup>42</sup> European Commission. Staff Working Paper, p. 10

and tools did not influence the programming of the geographic and thematic instruments (such as European Instrument for Democracy and Human Rights, the budget line for “Non-State Actors and Local Authorities”, etc.) (see figure 9). The GI was generally considered as a “stand alone” process, responding to its own logic, but largely disconnected from the governance activities undertaken elsewhere in the EU Delegatio



**Figure 9: Potential of the GI in creating greater linkages between Commission instruments**

*Q: How would you describe the linkages between GI/GAP and other EU initiatives and instruments to promote democratic governance such the European Initiative on Democracy and Human Rights, NSA support programmes, the 2009 EU Agenda on Democracy Support in EU External Relations, etc.?*

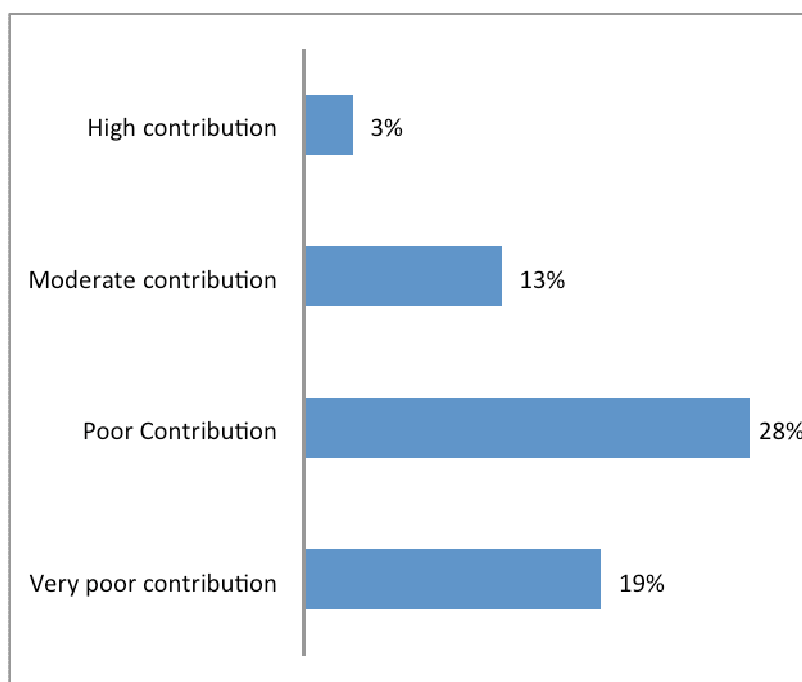


- There is also limited evidence suggesting a positive and sustained impact of the GI in terms of promoting a **“harmonised political approach” between the Commission and EU Member States and improved coordination of donor support** (see figure 10). The four mission reports are very clear on the continuing proliferation of un-coordinated donor activities in the field of governance support (reflected for instance in the multiplication of civil society support programmes). They also confirm the continuing difficulties encountered at EU level to come up with truly joint approaches to political dialogue and joint action on governance issues, reflecting the diversity of visions, approaches and interests between the Commission and Member States. Admittedly, this harmonisation agenda transcends the GI alone. It refers to longstanding problems of coordination, complementarity and coherence within the EU which one should not expect the GI to solve on its own. But even with this caveat in mind, it could be concluded that the GI was not instrumental in fostering a more harmonised EU approach. Some observers go as far as to say that the GI –as conceived and implemented- actually “added to the confusion by coming up with yet another parallel process and instrument with its own logic and methodology”. Others claim there are probably better instruments than the GI to promote joint action on governance, including budget support operations involving the Commission and various EU member states or sector governance approaches.
- During the field missions it was also observed that the **right mix of institutional incentives may not necessarily be in place** for a bolder EU approach towards the harmonisation agenda. Within

EU Delegations, for instance, the silo approaches to dealing with governance remain often quite strong –with different staff taking responsibilities for particular instruments without sufficient space and quality time for interaction and exchanges with the colleagues next door. Interesting innovations may not always receive the political support required to become institutionalised practice. Thus in Mozambique the GI induced the set-up of a small informal network with selected governance advisors from EU and non EU Member States to jointly reflect on the underlying causes of weak governance and more adequate donor responses. The network produced relevant outputs for the entire group of donors yet found it difficult to sustain the momentum and become institutionalised. Also in Mozambique, the EU Delegation attempted to transform the Governance Profile into a joint diagnostic tool for the G-19 (the donor platform dealing with budget support and composed of EU and non-EU members) during the 2009 crisis of confidence with the Mozambican authorities. Yet it did not obtain the green light from Commission headquarters for such a move on the grounds of “confidentiality”, i.e. the need to restrict the diagnostic to EU members (see Mozambique Report).

**Figure 10: Contribution of the GI in increasing coherence and complementarity between donors**

***Q: From a scale of poor to high, do you feel that the Governance Initiative has contributed to strengthening coherence and complementarity between different donors’ governance support programmes?***



72. **National stakeholders** interviewed during the field missions criticised the poor coordination. While many partner governments may continue to be wary of too forceful a ‘ganging up’ of donors, they also are conscious on the huge pressure exercised on national administrations through this proliferation of governance initiatives and donor support schemes. Ministry officials in Mozambique systematically raised the issue of “transaction costs” resulting from uncoordinated donor approaches. The resulting “overload” is such in a donor darling country like Mozambique that it becomes particularly difficult for the national administration to even technically respond to all donor demands linked to each of these

programmes. This also partly explains the low levels of ownership felt for the GI and the limited response given to its follow-up by the government.

#### **(v) Synergies with continental/regional processes**

73. The 2008 study notes the Council's commitment to nascent or evolving continental and regional mechanisms such as the APRM in order to encourage democratic reforms, foster mutual learning and strengthen ownership.<sup>43</sup> This commitment was also reaffirmed in the 2009 EU Commission Staff Working Paper which notes that under the GI, the EU "will continue to provide political and financial support for the APRM, with due regard for the African countries' ownership of the process."<sup>44</sup> Moreover, the 2008 study found that only a handful of the countries had completed the APRM review and that amongst these countries, less than half had actively used the APRM to guide the GAP design, suggesting that the GAPs are mainly viewed as documents concerning only the recipient government and the Commission.
74. Despite the request of the Council in its Conclusions of May 2009 to increase synergies with African processes (especially the APRM), there is limited evidence from the overall findings<sup>45</sup> that progress has been made in this area. The team looked at **two-levels of support** to the APRM: continental and national.
75. At the **continental level**, the Commission committed in 2006 to contribute a 2.3 million euro support to the UNDP-managed APRM Trust Fund<sup>46</sup>. Negotiations for the disbursement of these funds have lasted for 4 years and an agreement was subsequently signed between the Commission and the APRM Secretariat in August 2011.
76. The Dakar Workshop of June 2011 provided an opportunity of exchange between the EU and African actors on the forms of support of the APRM. Some observations were made at the meeting regarding the current thinking of support to the APRM at continental level, including:
- The tendency to focus the debate on support to the APRM on the amount of the financial contribution (i.e. how much should the financial contribution be); and
  - Limited engagement by the EU in other areas of support as observed from a continental level (i.e. support national review processes, align to the analysis of the APRM reports, support engagement of different stakeholders in the APR review, incentives for African governments to undergo their APRM reviews, etc.).
77. Analysis of support to the APRM at **national level** shows mixed results. Globally, all those interviewed praised the high quality of the APRM country reports. The process through which they were developed was also seen as healthy (Kenya). Some EU Delegations used the **analysis of the APRM reports** as supporting evidence when updating the Governance Profiles (Kenya). However, this was largely a choice by the Delegations and there was no evidence of a systematic incentive being provided to use APRM reports in countries where such reports are available.

<sup>43</sup> 2008 Support Study Draft Final report, p. 14. Letter of Contract No. 2008/151300

<sup>44</sup> Commission Staff Working Paper 2009 Supporting Democratic Governance Through the Governance Initiative: A Review and the Way Forward p.4.

<sup>45</sup> Based on a cross-analysis of the questionnaire responses, analysis of the MTR fiches as well as field missions.

<sup>46</sup> The Trust Fund funds the day-to-day operations of the APRM Secretariat in Midrand, South Africa. Other source of funding is the contribution of APRM countries through a Fund managed by the Development Bank of Southern Africa (DBSA).

78. Three countries have received a 5% top-up as a GIT for having completed their APRM process (Kenya, Rwanda and Ghana). The field interviews in Kenya have shown that:
- The APRM actors were **not aware of the tranche** (i.e. national NEPAD/APRM Secretariat which led the process and is monitoring its implementation).
  - The funding did not go into supporting the APRM but was rather absorbed into non-APRM related activities as outlined in the CSP (infrastructure and rural development).
79. Therefore, it was difficult to state that the 5% top-up supported the APRM meaning that **limited evidence exists of direct support** of the GI to the APRM.
80. However, the NEPAD Secretariat of Kenya noted that one of the key challenges in tracing any donor support to the APRM is the limited monitoring of the implementation of the National Plan of Action (NPoA). As a result, it is difficult to assess what commitments of the NPoA the government implemented. Where the NPoA has been strongly aligned to existing national processes (i.e. Vision 2030 in Kenya) which donors may be supporting, the poor monitoring of the NPoA implementation makes it difficult to assertively say that donors are not supporting its implementation as they may be doing so indirectly through support to other national development programmes (i.e. Vision 2030). The Secretariat also noted that little effort is being made by donors to ensure that the APRM is adequately monitored. Limited resources have been invested and no interaction with the Commission has taken place in order to assess how the APRM could potentially be supported (Kenya). The EU delegation in Ghana, where the GAP is aligned to the APRM commitments, equally highlighted the need for better monitoring and evaluation of the APRM NPoAs.
81. There was also limited evidence on linkages between the commitments made within the framework of the GAP and those made within the APRM framework (except in the case of Ghana where there was an alignment). This is largely the result of:
- Limited knowledge of the APRM process by the delegation (Mali); and
  - APRM process was completed after the GAP therefore there was not an opportunity to create synergies (Mozambique – although certain commitments found in the APRM plan were integrated in the country's GAP-2);<sup>47</sup>
82. There were however more **fundamental reasons** that were raised by the different interviewees on the reasons **behind the weak alignment** of the GI tools with the APRM, including:
- Concern over the 'implementability' of the APRM NPoAs (Kenya, Mozambique), and therefore supporting them, since many countries struggle to give a meaningful follow up to the rich APRM process and implement their respective NPoAs. In other words this weakness is seen as reducing the APRM process to an exercise in participatory evaluation devoid of concrete impact;
  - Concern of some EU delegations to keep the GI as a specific EU tool (i.e. in Mali) and not align too much with other processes such as the APRM. In Kenya, although the delegation felt that the APRM was a good diagnostic tool, it felt that the APRM and the GI were 'two different processes'.
83. Responding to the first concern, African continental organisations recognised this limitation and noted that ongoing efforts are being made in order to ensure better monitoring and implementation.<sup>48</sup> Furthermore, the APRM actors, both at national and continental levels stressed the importance of the APRM process, which is largely participatory. They noted that the EU has largely focussed on how it

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<sup>47</sup> See Mozambique report, p. 16

<sup>48</sup> Efforts to address this challenge are currently being made by the APRM Secretariat and the Economic Commission for Africa.

can give financial support as opposed to other forms of support (use of analysis in order to build convergence in terms of governance assessments).

84. Regarding alignment with the African Charter on Democracy, Elections and Governance, it was understandable that no linkages were made since the Charter has not yet entered into force. Evidence also did not show a consistent use of other African assessment tools such as the AfDB Governance Profiles (with the exception of the case of Mozambique). Similarly, there was generally a limited knowledge of other ongoing African governance initiatives such as the launch of the African Governance Platform (AGP) as well as EU-AU governance dialogue process notably in the context of the Joint EU-Africa Strategy (JAES) which were largely seen as poorly covering the national level and therefore of limited relevance.

#### ***vi) Impact of the GI***

85. In the current context where there is increased pressure to deliver on results and give 'more for more and less for less' it is important to list the findings of the study regarding the impact of the GI. It is important to relate back to the objectives the GI set out to achieve. The evidence on the impact of the GI can be clustered under **four categories**, namely the impact of (i) the financial incentive on governance reforms; (ii) the GI on political dialogue; (iii) on EU harmonisation and (iv) on the state of governance in the partner country.

#### ***Impact of the financial incentive***

86. GI was built on the assumption that reforms could be incentivised through financial resources. Yet, the findings of the study, which echo the conclusions of the 2008 support study, show that the **financial incentive had a limited impact** (see figure 11) due to:
- The financial modesty<sup>49</sup> of the GIT compared to other envelopes that are seen to be more important by partner governments (i.e. budget support).
  - In countries that are less donor dependent (i.e. Kenya) the financial incentive is less attractive to the elite to convince it to reform.
  - Partner countries were aware that the Tranche would be obtained with limited difficulty as a top up to the NIP and therefore saw it as an integrated element of the CSP package.
87. Therefore, the findings suggest that the GIT was largely **self-defeating** since:
- Partner countries did not feel that they had to "work for the money" since it was already disbursed and therefore did not need to reform;
  - The domestic accountability systems were weakened further since many ACP governments were 'rewarded' despite limited efforts provided. Domestic actors largely felt that the financial incentive logic was going against their efforts to pressurise government into reforming since the elites were already financially 'rewarded'.
  - Ownership over governance commitments was weak since partner governments largely aimed at satisfying the request of the donor for a governance programme rather than embedding it in real

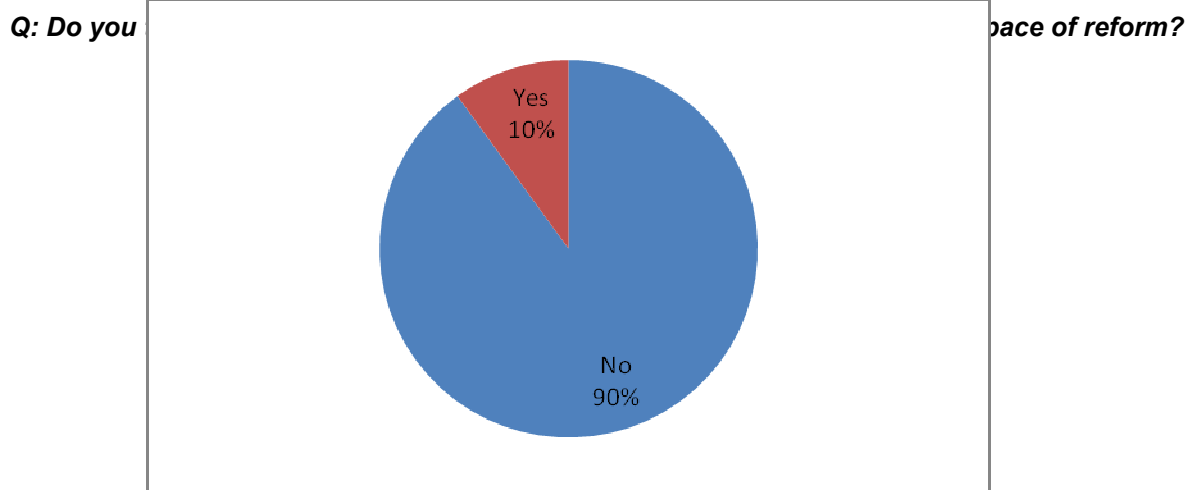
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<sup>49</sup> One of the telling statements by one of the Delegations refers to "The limited leverage in big countries, where the incentive is not powerful enough" especially compared to budget support

national processes. The GAP was seen as a requirement to access funds rather than an opportunity to align donor support to national programmes (see Figure 12).

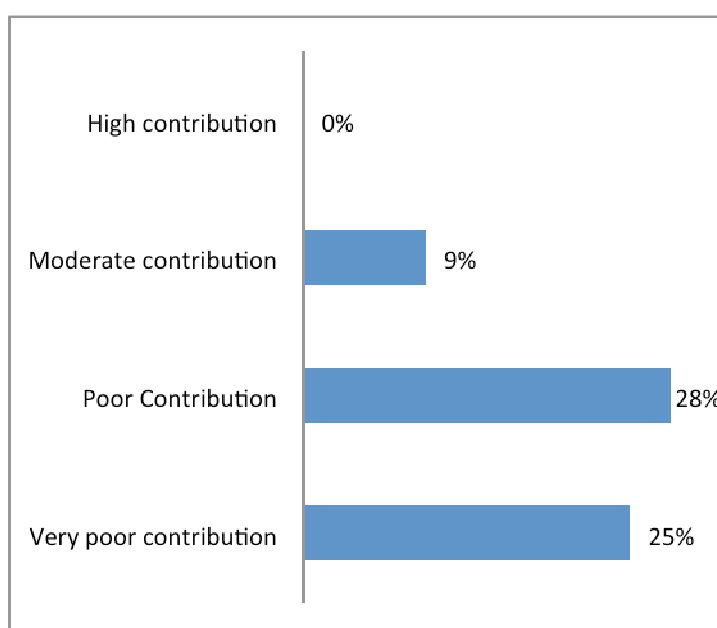
- It was therefore clear that the ex-ante GIT allocation was not sufficiently attractive to encourage reforms.

**Figure 11: Contribution of the Financial Incentive of the GI**



**Figure 12: Contribution of the GI to increased ownership**

**Q: From a scale of poor to high, do you feel that the Governance Initiative has contributed to the strengthening country ownership of national governance plans and reforms?**



### ***Impact of the GI on political dialogue***

88. Since 2008, the EU has repeatedly stated that the importance of the GI resides more in its potential to reinvigorate the political dialogue on governance rather than in the financial incentive it provides.
89. However, evidence collected in the present study shows that the ***political dialogue component of the GI has remained very weak*** due to:
- The ***weakness of the GI tools*** as they were not perceived as relevant dialogue tools.
  - Existence of ***other (more pertinent) dialogue fora*** which are perceived to be more critical either due to their financial importance (i.e. budget support) or their centrality to cooperation with the country (i.e. joint assistance strategies).
  - The poor positioning (and dynamism) of the GI to deal with ***broader political challenges***<sup>50</sup> facing development cooperation in the country (i.e. addressing political scandals and its influence on dialogue, article 8 dialogue, discussing the disbursement of EDF funds, etc.).
90. In practice, ***political dialogue takes place elsewhere*** than through the GI. In many ways this can be blamed on the weak connection between the GI and the broader EU development cooperation with the country.
91. Nonetheless, it is important to also note the poor political dialogue as noticed in the GI should be linked to the broader ***challenges of political dialogue in general***. An assessment of the contribution of the GI to political dialogue should therefore be done in this broader context. The GI alone could not address the ***fundamental issues*** that are preventing meaningful dialogue between the EU and partner countries; inter alia:
- Poor trust level between different actors involved in the dialogue.
  - Perception that political dialogue is an ad hoc thing and too often “a trial” (Burundi report) instead of a structured process based on solid evidence and mutual accountability).
  - Protection of national sovereignty especially in relation to political issues and in countries where donors contribute more modest amounts to the budget
  - Limited access to the relevant dialogue partners (i.e. beyond the NAO); and
  - Limited involvement of non-state actors.

### ***Impact on EU harmonisation***

92. As explained above (par. 71) the impact of the GI on harmonisation in relation to governance was very limited. The elaboration of Governance Profiles generated positive dynamics for joint analysis and discussion but the drive was lost as the process evolved. The GI was increasingly perceived as “an instrument of the Commission”.

### ***Impact on state of governance***

93. One of the most unambiguous findings of this study is that there is ***no evidence*** to suggest that the GI has contributed to ***improve the state of governance*** in partner countries. The absence of such evidence could be explained by a number of factors including:
- The combination of the weaknesses of the factors stated above and which largely compromised the success of the GI;

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<sup>50</sup> One EU Delegation noted that “[the GI] is too long and tedious and has taken more the form of an administrative checklist than a platform for discussion.”

- The rigid “over-bureaucratized” approach to implementing the GI which was not helpful to respond dynamically to emerging governance challenges;
- Difficult traceability of the impact of the GI especially given the fact that it is disbursed as a top up to the NIP and can therefore be allocated for non-governance related activities
- The limited incentive to reform as government when the bonus is provided before delivery of results.

## 4.2. Overall assessment

94. This section intends to draw a **global picture** of the GI after 5 years of operation on the basis of all the findings collected. Three broad (interlinked) messages convey, in the view of the study team, the essence of the lessons learnt with this EU flagship initiative. Section 4.3 below will translate these overall messages into more specific conclusions.
95. **First**, it is **difficult to properly understand, let alone assess, the GI without considering its historic roots**. When it was launched in 2006 the EC had gone a long way in thinking through what governance meant for development and how it could be supported from the outside. It had invested heavily in elaborating increasingly sophisticated policy frameworks and guidelines on governance. The 2005 EC Thematic Evaluation on governance<sup>51</sup> recognised these major leaps forward but stressed the need to improve the profile of governance in development cooperation and to strengthen overall EC delivery capacity. In this climate one can imagine that there was a major drive to come up with an ambitious and innovative flagship initiative on governance that would send out a clear political signal that governance was effectively at the top of the EU development agenda. The timing of the GI also heavily influenced the philosophy underlying the implementation modalities. The spirit of the Paris Declaration permeates the intervention logic of the GI with its focus on ownership, no conditionalities and dialogue. It is also important to note that the donor community did not have at that time a very sophisticated ‘toolkit’ of approaches to analysing and addressing governance. Hence, it was a period when experimentation and capacity development were high on the agenda. Many stakeholders interviewed acknowledged that the **GI came at the right moment, did send out a powerful political message and engaged the EC on a learning curve** with new tools such as the Governance Profile and the Governance Action Plan.
96. **Second**, while the GI generated positive dynamics in the early implementation phase and aroused the interest of various key stakeholders, it **quickly lost momentum, political traction and leverage capacity**. A wide range of factors contributed to this state of affairs (see par. 50, Box 2), which led the GI to gradually disappear off the radar screen. The **capitalisation exercise of 2008** was a valuable attempt to take stock halfway through the life cycle of the GI. It resulted in a solid diagnosis and prompted a fairly comprehensive response from both the Commission and the Council, including a set of concrete steps to revitalise the potential of the GI. Yet evidence suggests that these recommendations did not really trickle down to field level or generated specific follow-up actions. The **mid-term review** of the 10th EDF provided another opportunity to get the GI back on track. The EC guidelines gave a **clear mandate** to put the evaluation of the implementation progress achieved with governance action plans at the centre of the MTR. Yet levels of compliance with this instruction remained low. The GI did not feature prominently in the large majority of the MTRs, with other governance dynamics and processes taking precedence. Many of the problems witnessed during the assessment of the initial GAPs (see 2008 Support Study) resurfaced when assessing the overall governance performance during the MTR (i.e. unclear guidelines, poor communication, inconsistent

<sup>51</sup> European Commission. 2006. Independent Report of the Thematic Evaluation of ‘EC support to good governance’. Final report, June 2006



decision-making on financial top-ups and lack of transparency). In all of the countries visited between March and May 2011, the GI was perceived by the various stakeholders as a separate instrument, disconnected from mainstream cooperation processes.

97. **Third**, as a result the **GI did not achieve the objectives and expected benefits** spelled out in the initial intervention logic (see par. 29-30). With notable exceptions (Benin and to some extent also Rwanda) there was no evidence that the Governance Incentive Tranche promoted ownership of national governance agendas, contributed to improving the political dialogue, foster harmonisation of EU approaches to governance or created significant synergies with regional and continental processes. The main GI tools (the GP and GAPs) turned out to be far too inflexible, rigid and unreliable to serve as a guide for action (in hugely different and constantly evolving country contexts) or as a catalyst for joint analysis and support strategies at EU level (where several Member States have developed their own tools). All this may explain why **the large majority of the stakeholders were not in favour of having another GI in the form it was conceived and implemented now**.

### 4.3. Main conclusions

98. Based on this overall assessment of the GI, the study team proposes five main conclusions:

<b>Conclusion 1: The GI served in many ways as learning tool</b>
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99. Though the GI has generally failed to meet expectations, its value as an interesting learning tool should not be underestimated. With hindsight one can detect important conceptual and methodological flaws. Yet in 2006 the GI created some enthusiasm as it opened space for a much more structured approach to governance and for a better incorporation of this EU priority in the programming process. It also stimulated institutional learning. Policy units and EU Delegations were invited to familiarise themselves with the GI tools and apply them. Networks of expertise were established and exchanges on governance multiplied at the level of the EU. While implementing the GI, a host of other valuable lessons were learnt in terms of building ownership, using financial incentives for reform, assessing performance and organising a dialogue on governance tools. The study team could effectively observe this learning curve during the missions. While most interviewees were critical about the GI, they acknowledged that the past five years had been quite instructive in terms of governance. There was generally a strong desire to participate in the reflection on “what next” in EU approaches to supporting governance.
100. From a learning perspective several stakeholders (particularly participants at the workshop with EU actors in September 2011) regretted that limited follow-up was given to the pertinent suggestions of the first Support Study.
101. The ultimate value of this learning tool will depend heavily on the capacity of EU actors across the board to draw the right conclusions of the GIP and to use this for devising more relevant and realistic support strategies –preferably in close collaboration with EU Member States as well as with African/ACP actors.

<b>Conclusion 2: The GI suffered from a major gap between policy discourse and practice</b>
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102. Over the past decade the EU has refined its concepts and approaches related to governance. The resulting policy documents reflect a well thought through vision on governance as a highly context specific domestic process, involving different actors and levels of governance. They also elaborate on

the role external agencies can play and the many risks potentially attached to donor driven interventions. Also the background documents for the GI bring a coherent discourse stating that the EC is keen to apply key principles such as ownership and alignment in its governance support programmes.

103. Yet quite a ***different story*** unfolded ***in practice***. Several of the grand principles underpinning the GI were not respected during the implementation process and some were even distorted. Examples of the gap between discourse and implementation include:

- The cardinal importance attached to ownership on governance reforms ... yet when it comes to practice the EC made a choice for GI tools (GI and GAP) with predetermined formats that largely responded to EU agendas and procedural requirements and therefore left only limited space to partner countries to shape their agendas and reform plans.
- The recognition in policy documents that governance is a domestic process involving a multitude of public and private stakeholders ... but the GI remained largely reserved to central government actors.
- A strong commitment to bypass an approach whereby “good performers” and “bad performers” are categorised ... yet the GI methodology included several assessment processes ended up ranking countries based on decision-making processes perceived as being “too political” and providing limited transparency.
- An explicit political call to for synergies between the GI and continental and regional governance processes and tools (primarily in Africa)... but no real strategy and incentives to ensure that such an articulation was actively pursued.

<b>Conclusion 3: The GI achieved limited impact and may even have caused harm</b>
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104. The application of a flagship initiative like the GI in a hugely diversified group like the ACP inevitably leads to myriad of implementation approaches and experiences. In such a setting it is difficult to capture all dimensions of impact that the GI may have produced. In several ACP countries the GP and the GAP have undoubtedly unleashed elements of change in thinking or practice, some of which may even had positive effects beyond the initial phase (2006-2008). In addition to this there are the benefits in terms of institutional learning arising from of GI referred to above.

105. Yet despite these positive effects scattered across countries, the global impact of the GI has been weak. There is little evidence suggesting that the GI contributed to the promotion of country ownership over its governance reforms let alone promoted such reforms. The flagship initiative was highly visible in 2006, yet it five years later it seems to have left the scene.

106. Several interviewees expressed the fear that the GI may have caused harm in partner countries and affected the overall credibility of the EU. These critical voices argue that the incentive tranche simply provided governments who did not want to embrace reforms with a “blanc cheque”. There were no solid guarantees in return that reforms would be implemented. This echoes views expressed by non-state actors during the field missions who noted that the GI largely ignores non-state actors and is built on the assumption that governments alone are responsible for reforms. Another possible harm is that the GI has shifted accountability even further away from domestic actors.

#### **Conclusion 4: There is limited will on EU side to work together on governance**

107. The European Consensus on Development is an unambiguous statement in favour of a more concerted EU approach to the field of governance. Despite its conceptual and methodological flaws, the GI provided a window of opportunity to move towards more joint EU work in analysing and addressing governance. However, the various EU actors involved did not cross the Rubicon. The GI did not contribute to a significant and sustainable qualitative leap forward in the harmonisation agenda (beyond promising steps during the initial phase of implementation of the GI). The study team witnessed during the field trips how EU donors largely continued to operate on governance in relative isolation from each other, giving preference to their own approaches, instruments, funds and assessment tools. The resulting proliferation of governance intervention creates confusion, reduces effectiveness and causes huge transaction costs for the partner country.
108. The **responsibility** for this state of affairs –and indeed for the limited results of the GI- is to be **shared by** Commission and EU Member states. As part of the 10th EDF and related institutional processes, the Member States were part and parcel of all major reflection and decision-making processes pertaining to the GI (e.g. assessment of the GAP, allocation of the tranche, MTR). They also participated in the implementation of the GI on the ground. Also on their side, the right mix of incentives do not seem to have been in place to participate in making the GI a better performing instrument.

#### **Conclusion 5: Need to go ‘back to basics’ when considering future governance instruments**

109. This final conclusion can be derived from the overall findings of the GI study. Yet the need to go back to basics was also a rallying cry among interlocutors in the four field missions. Both African and European stakeholders argued that the GI was based on “too naïve a view of where change comes from”. Several of the key assumptions underpinning the GI proved to be built on rather loose ground. The issue was raised whether it makes sense to launch an all-ACP governance initiative when the countries targeted are so different and when there is a recognised need for governance support to be very closely aligned to local dynamics. Another case in point is the idea that (relatively) limited amounts of funding can act as a real incentive for elites to embark on a path of reform. Similar flaws existed in the GI methodologies to ensure ownership and foster political dialogue and in the way in which the principles of the Paris Declaration and the Accra Action Agenda can be applied on governance.
110. **Two key messages** for the future clearly came out during the consultation process, particularly at field level. First, **governance should remain a top political priority** in EU development cooperation partnerships. The difficulties with the GI should not lead to a situation whereby the baby is thrown out with the bathwater. The challenge is rather to refine overall support strategies. Second, in order to make a qualitative jump forward there is a need to take a step back and to critically consider the wealth of experience accumulated through supporting governance over the last decade (including through the GI). Before deciding on a new instrument the EU should first seek to **address –with its partners- some of the systemic challenges affecting donor support strategies**. This may provide the basis for designing more realistic support strategies that are better embedded in local dynamics. The following Chapter 5 briefly analyses some of these systemic challenges.

## Chapter 5: Getting smarter on governance: Some critical reflections to inform future policy choices

111. The purpose of this chapter is to put the experience with the GI in the **broader perspective** of current thinking about and experiences with external support to governance reforms. While several of the bottlenecks encountered by the GI may be primarily linked to conceptual and methodological flaws of the instrument itself, others are clearly of a more 'systemic nature', i.e. they refer to difficulties that are likely to pop up in all attempts to support governance reforms from the outside. A case in point is the problem of ownership of reform programmes. The GI is not the only instrument that is confronted with the thorny question of how to get real ownership of governance agendas<sup>52</sup>. The same applies for organising a serious political dialogue on governance with partner governments. All stakeholders agree on its importance, yet there are still many open questions on how to do this in a professional, balanced and result-oriented way.
112. Hence, before making concrete recommendations on future EU approaches to supporting governance (with or without a new GI) it seems useful to examine in some detail some of these 'systemic' issues that tend to complicate the life of any governance support programme. Echoing concerns from actors in the field, the study team would like to advance the idea that the **EU may need to address these issues upfront before engaging in new initiatives on governance**.
113. The attempt to connect the experience of the GI with broader insights in supporting governance should not be seen as **an academic diversion**. It is meant to provide a **compass** in the definition of more realistic policies and implementation approaches to supporting domestic processes of change. It should help formulating relevant recommendations for future EU instruments and incentive schemes.
114. Such a compass could also be useful for policymakers and practitioners involved in the review of the **European Neighbourhood partnership**. The revolutions in Tunisia and Egypt have prompted a major change in EU governance approaches towards the region. The May 2011 'Joint Communication' by the High Representative of the Union and the European Commission<sup>53</sup> as well as recent speeches by EU Commissioner for Enlargement Stefan Füle<sup>54</sup> are crystal clear on the new orientations on governance promoted by Europe. From now **"implementation must match commitments"**. Future cooperation will include conditionalities based on the principle "more for more" (i.e. countries that make real progress in political reforms will get more funds). Similar trends can be observed in EU approaches to providing **budget support**. The new policy orientations of the EU on the matter all point to a **more conditional approach**, with stringent eligibility criteria linked to governance, democracy and human rights, concretised in the form of "contracts".
115. These evolutions reflect the prevailing political climate in Europe on issues of governance and aid. Are these new orientations more solid than the GI? Is there not a risk that some of the currently proposed policy changes are in contradiction with internationally agreed standards for aid

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<sup>52</sup> For instance, the abovementioned Thematic Evaluation of EC support to good governance (2006) identified "ownership deficit" as one of the most recurrent and complex features of donor (EU) supported governance programmes (across regions, countries, sectors of intervention and instruments used).

<sup>53</sup> A New Response to a changing Neighbourhood. A review of European Neighbourhood Policy. Joint Communication by the High Representative of the Union for Foreign and Security Policy and the European Commission, Brussels 25 May 2011

<sup>54</sup> See for instance the speech by Commissioner Füle on 25<sup>th</sup> May 2011 before the European Parliament on the new Neighbourhood Policy

effectiveness? It is here that a **deeper reflection on ‘fundamentals’ of external support to governance** may be most useful at this critical juncture in time.

### **Five core questions to carefully consider**

116. Based on all the evidence collected and insightful discussions with key stakeholders (both in Brussels and in the field), the study team proposes five core questions that merit to be central in strategic thinking on future EU approaches to supporting governance:

- Putting context first: what does it mean in practice?
- Overcoming the ownership deficit: how can it be done?
- What type of incentives can work?
- How can we measure performance?
- What collective action is possible at EU level?

<b><i>Putting context first: what does it imply?</i></b>
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117. All donor policy documents on governance (also those of the EU) converge on the need to embed support strategies in local realities. They define governance as a gradual and above all domestic process involving the transformation of society. This implies that external actors need to start from the local context and determine, on this basis, what is desirable and feasible in a given country.

118. Yet evidence suggests that in practice many donor-supported governance programmes are still too much embedded in **normative approaches**. These tend to look at local situations through the lens of a future ideal state of governance and, measure the gap (from that perspective). It may lead donors to look primarily at what is not there rather than understanding the reality, seeing where the country stands, what is moving and where the dynamics of change actually lay.

119. One could argue that the GI may have fallen into this normative trap. The Governance Profiles were based on nine governance dimensions that were considered critical for the EU. Partner countries were invited to formulate their own reform plans yet these were expected to ‘fit’ the problem areas identified by the EU. The same format was used for all ACP countries, despite their hugely different conditions. There was little scope to analyse the underlying causes of weak governance or to focus on deep-seated “trajectories” of change. Several stakeholders consulted felt an “all-ACP initiative” was not compatible with promoting country-specific approaches.

120. **Recent research** (based on collaborative arrangements between European and African researchers) observes that in most parts of Africa “governance is failing to work”<sup>55</sup>. It criticises basic tenets of the “good governance orthodoxy” and **challenges donors to “work with the grain”** by building on what exists [and] making use of indigenous institutional creativity”. When asked where change is most needed in EU approaches to governance, several interviewees (from both Africa and Europe) reacted in a similar way. They felt donor approaches had generally remained too “supply-driven” (i.e. by formulating policies, putting in place initiatives, creating incentive funds, etc.). Much more attention should, in their view, be given to the real “demand-side” for improving governance as it lives within societies. Having the capacity to ‘detect’ these local dynamics and ongoing change processes (within and outside government) may prove to be much more promising road to follow than to promote the

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<sup>55</sup> See comprehensive study being carried out by the ‘Africa Power and Politics Programme’ (coordinated by David Booth). Preliminary findings have been summarized in: ‘*Working with the grain. Rethinking African Governance*’. IDS Bulletin, Volume 42, nr 2, March 2011).

design of grand-scale governance reforms. In this context it is worth noting that several EU Delegations operating in 'situations of fragility' (Burundi, Chad and Papua New Guinea) pleaded to give much more attention to governance at local level (as a key level for the reconstruction of state legitimacy and accountability). Doing this, though, will require greater capacity to engage in context-sensitive facilitation of institutional change.

121. This first core question therefore challenges donors to go further down the line in their stated objective of "putting context first" and to explore the strategic and operational implications of such a shift (which in many ways amounts to "turning governance upside down").

<b><i>Overcoming the 'ownership deficit': how can it be done?</i></b>
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122. The GI, like many donor-supported programmes before, suffered from a problem of ownership. Despite the good intentions, the overall intervention logic underpinning the GI was not conducive to create real ownership for the reform programmes and commitments made in the GAP. The financial incentive provided through the GI did not alter this.
123. The second core question to be addressed upfront is therefore to probe deeper into ways and means to foster real ownership of governance reforms.
124. At the global policy level, it could be argued that the ***Accra Action Agenda (AAA)*** is a step forward compared to the Paris Declaration, which was largely built on the concept of 'government ownership'. The AAA extends this rather narrow interpretation by embracing the notion of 'country ownership' and by calling for the involvement of all relevant domestic actors in defining the development path and required governance arrangements. The recently adopted Tunis Consensus goes in the same direction.
125. Future EU governance strategies could build on this agenda. ***Yet in the process***, several thorny questions may need to be examined in much more sophisticated way (with the use of 'political economy approaches'). These include: where does change come from? How can more productive state-society relations be constructed? How can genuine participatory approaches be applied in the process of formulating national/sectoral governance plans?
126. In addressing these complex questions, some insights from the GI could be most useful, particularly those related to the elaboration of 'national governance plans'. While initially the governance action plans of the GI may have ended up being too donor-driven, it is interesting to note that in several countries local dynamics helped to overcome this. The example of Kenya is illustrative. The profound post-election crisis accelerated the process of agreeing on a new constitution. This key document is not only the basis of the social contract between state and citizens. It also provides a nationally owned agenda for changing the governance system in the country as well as a much more solid foundation for external (EU) support. Fresh thinking is needed on how donors can avoid funding processes leading to 'fake' national plans and instead support dynamics that lead to defining a genuinely domestic reform agenda.
127. Another avenue that needs further exploration under this heading is the ***role of African initiatives on governance such as the APRM***. In a recent article Kojo Busia of UNECA convincingly argues that African governance charters and instruments like the APRM represent a "bold African attempt to regain control and ownership" of its development agenda. In his view, the issue is "whether or not, on balance, the APRM has the potential to improve state-society relations in Africa, as opposed to previous experiments with externally determined reform agendas foisted on African states". He argues strongly to analyse APRM "within the context of externally induced reforms in Africa". From this

perspective he sees two potential comparative advantages attached to a home-grown instrument like APRM. First, it provides African societies “more scope to pursue and shape their own priorities”. Second, the APRM process is “an exercise in strengthening domestic accountability that is sorely missing in externally driven (donor) accountability mechanisms”<sup>56</sup>.

128. The GI study suggests that APRM processes have delivered on some of these expectations yet also encounter important implementation challenges. They should not be seen as a panacea. Yet the APRM approach embodies an approach that focuses primarily on the much-needed “demand-side accountability” of addressing governance reforms in Africa. The challenge at hand will be to explore creative ways to link European support programmes much more effectively to African processes and initiatives

### ***What type of (financial) incentives can work?***

129. The GI, launched in 2006, was clearly “a child of its time” (par. 24). Influenced by the policy thinking behind the Paris Declaration and the European Consensus on Development, it proposed a new ‘contractual’ approach to supporting governance based on ‘ownership rather than conditionality’. It was underpinned by an incentive tranche relying on commitments rather than actual implementation.
130. This second Support Study, conducted in 2011, confirms that this incentive system did not succeed in generating the expected benefits in terms of inducing governments to take governance reforms more seriously, improving political dialogue and getting results. It is revealing to note that 91,7% of the respondents to the questionnaire felt that any possible future financial incentive should no longer be based on a promise to reform but linked to the concrete implementation of reforms<sup>57</sup>. Also civil society actors in the visited countries pleaded almost unanimously for a less indulgent approach from the side of the EU and for a stronger link between aid and performance (through smart conditionalities and other incentives than funding). These views come quite close to the new thinking that is currently being developed in the context of the European Neighbourhood Policy. All this suggests that the pendulum may have swung in terms of EU approaches to governance.
131. Other key policy debates seem on their return as well. This holds true for the issues of ‘selectivity’ and ‘differentiation’ –notions that were conspicuously absent in the GI.<sup>58</sup> This is likely to reinvigorate the discussion on the comparative advantages of different systems to operationalise selectivity, including by applying the principle (i) at country level (with approaches such as the Millennium Challenge Account of USAID); (ii) through aid volumes and modalities (with approaches such as ‘Cash on Delivery Aid’); (iii) or by adopting a process perspective focusing on supporting reforms that are perceived to be conducive –in the shorter or longer run- to increased performance and whereby

<sup>56</sup> Kojo Busia. 2010. Towards a new approach to strengthening governance systems in Africa: The Role of the APRM in reshaping domestic accountability. In *Peering the Peers. Civil society and the African Peer Review Mechanism*. Edited by G. Masterson, EISA. South Africa

<sup>57</sup> Response to question 44, part 2.

<sup>58</sup> Consultations with different EU officials indicate a differing perception on whether the GI was meant to consider differentiation or not. While some would argue that a differentiation was applied due to the variation in the GIT allocation (varying between 10% and 30%), other officials argued differentiation was deliberately discarded in order to provide support not only to countries committed to governance but also to more ‘difficult’ situations where there is a greater need for governance reforms.

donors gradually shift to more flexible aid modalities depending on results achieved<sup>59</sup>. It also brings back to the fore the question of how to relate with countries that have a proven track record of bad governance, weak ownership and problematic institutional capacity. In these countries it would be “dangerous to blindly implement some of the Paris Declaration principles”<sup>60</sup>. The adoption of a ‘critical alignment’ approach is seen as a more viable policy alternative

132. The limited results of the GI –with its specific system of incentivising change on the basis of commitments delinked from implementation- invites all actors to seriously think about alternatives without rushing into recipes of the past which have failed to produce results. This is a complex matter. There is no magic bullet for inducing change from the outside. Also here the message for those interested in better governance results is to go much deeper into understanding “what is feasible in a particular context”; to develop support strategies that are truly consistent with the “trajectories” of societies and aligned to local dynamics of change (as envisaged in the policy discourse). It means being realistic about the capacity of aid “to buy reform” (as widely documented in a stream of highly relevant research)<sup>61</sup>. It calls for a move away from a “high visibility” type of interventions to a much more “strategic approach” whereby all cooperation instruments are creatively used to influence the governance agenda.

#### ***How can we measure performance?***

133. This is the fourth key question that seems to merit a much more profound policy debate and a possible adaptation of current practices. In the now prevailing policy climate one can note a very strong concern with achieving **‘value for money’ and ‘demonstrating results’**. This responds to a legitimate concern of policy-makers and taxpayers for a proper use of aid resources. Few would deny that a solid debate on how to improve accountability for results is a healthy thing and even much needed in order to preserve the legitimacy of development cooperation at times of economic crisis.
134. Yet ***implementing a result-oriented approach has proven to be very challenging*** in practice, particularly in a field like governance where results –in terms of changing the norms and practices of managing public affairs- are by definition not subjected to a linear logic (e.g. of inputs-outputs) or a thing that can be quickly achieved. Beyond this time perspective, there are a host of seemingly ‘technical’ questions related to assessing ‘performance’ that tend to complicate the life of policy-makers and practitioners (on both sides of the partnership relation). These include: What are smart indicators? Whose indicators? What timeframe? How many? Who should be involved in the process of identifying suitable indicators? How to monitor and measure objectively the performance achieved? Is evidence-based decision-making possible? Who judges? What consequence to attach to performance assessments? Can you compare and rank performance?
135. Like many other instruments, the GI has been struggling with most of these questions. The findings of the Support Study are quite sobering and raise doubts about the capacity of the various actors involved to manage a result-based system in a professional, consistent and correct manner. The

<sup>59</sup> For a good overview of these various approaches and related policy implications see: Molenaers, N and L. Nijs. From the theory of Aid effectiveness to the Practice: The European Commission’s Governance Incentive Tranche. Development Policy Review, 2009, 27 (5), p. 563-567.

<sup>60</sup> Ibid, p. 566

<sup>61</sup> For a recent example see: Di Renzio, P. Can Donors ‘Buy’ better governance. The Political Economy of Budget Reforms in Mozambique. Cadernos IESE, nr 9.



country missions revealed dissatisfaction and frustration on both sides with the way in which performance indicators are currently used and assessed –not only in the GI but also in other governance related processes. Beyond the difficulties of assessing performance in an objective way, there is also a fairly widespread feeling that donor (EU) decision-making processes on performance and the allocation (or not) of incentives is overtly political, discretionary and non-transparent.

136. Any future EU instrument in support of governance will need to tackle these implementation challenges upfront for a more legitimate and effective system of result-based performance assessment to be established. Also here, the search should not start from scratch. There has been quite some innovative thinking going on as well as experimentation in the field, including in the context of dynamics linked to the GI (see the Joint Governance Assessment Framework in Rwanda, par. 67). There is a growing body of African policies and instruments related to indicators and performance assessments in the governance domain. These sources of (practical) knowledge should be optimally tapped in rethinking approaches to performance assessments and result-based systems of cooperation.

<b><i>What collective action is possible at EU level?</i></b>
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137. The signing of the Treaty of Maastricht (1992) gave a further boost to improving collective EU action in the field of development cooperation. Since then, substantial efforts have gone into promoting an effective application of the so-called ‘3Cs’ (coordination, complementarity, coherence). From 2000 onwards, the EU has been a major player in the whole debate on aid effectiveness. It has also been a driving force behind the adoption of the Paris Declaration, even taking on board additional commitments. The ratification of the Lisbon Treaty (2010) creates new opportunities for a more coherent EU external action.
138. While progress undoubtedly been achieved on several fronts, it is also widely agreed that collective action at EU level remains hampered by structural factors. The GI offers a case in point. Building on the European Consensus for Development, there were major hopes that the GI would function as a catalyst for harmonisation and increased joint work on governance at EU level. However, the results achieved by the GI in this respect have been on the whole quite disappointing. The initial preparedness to work together quickly waned. The proliferation of governance policies, approaches, diagnostic tools and funding mechanisms is still there, if not growing.
139. It would be too much of a shortcut to attribute this lack of success only to the GI. Deep-seated ‘systemic’ factors are at play, which prevent major breakthroughs in this area. They are linked to the existing institutional structures of the EU (as supranational entity) and to the intra-donor political and institutional incentives that are at work within this system. Constructing a strong and coherent development policy is difficult when a donor not only has to take into account the interests of its own organisation (the Commission) but also the interest of 27 Member States. Another major disincentive is the disbursement pressure. It clearly plays a role in instruments like the GI or budget support operations. It may induce donors to be soft towards their partner countries. Even when these promise the same reform over and over again, donors tend to keep disbursing aid.
140. All these elements need to be factored into the design of new EU approaches to supporting governance. Rather than taking the commitment to work together for granted, a search should take place for the right mix of incentives that may create more space for joint action in the post-Lisbon Treaty context. An essential practical challenge will be to define much more clearly what the actual political interests are of the EU towards particular regions and countries. Stakeholders in the field, particularly EU Delegations, feel this “political agenda” at EU level is often the “missing link” that

hampers downstream cooperation work (on human rights, on budget support, or on governance). Several interviewees were of the opinion that the GI also suffered from a lack of clear political steering (as reflected in the limited guidance received during implementation and the haphazard processes of decision-making on the tranche). While future EU strategies on governance may need to 'upgrade' the role of EU Delegations to further facilitate effective support close to local dynamics, the challenge will also be to strengthen the 'roof' of this architecture, i.e. the overall political agenda of the EU.

## Chapter 6: Recommendations

141. This chapter presents the recommendations emerging from this second Support Study. They aim at providing the Commission and EU Member States with advice based on the findings and conclusions (chapter 4) as well as on the critical reflections with regard to the overall EU support to governance (chapter 5) which point to the need to look more fundamentally at the (systemic) reasons behind the limited impact of the GI.
142. In this logic, the recommendations proposed below go beyond the mere instrument of the GI. They also seek to address **generic issues** that have inhibited the effective implementation of the GI and other governance support programmes.
143. The recommendations are presented in clusters including:
- An overall recommendation on changes required in the ‘fundamentals’ of EU governance support strategies
  - This overarching recommendation is further elaborated in seven strategic recommendations
  - A set of operational recommendations related to Commission/EU approaches and methodologies
  - Recommendations on a possible reinforced and enhanced incentive scheme.

### 6.1. Overall Recommendation

**Recommendation 1: The EU should review several fundamentals of its support to governance in partner countries**

144. Two factors arising from the conclusions lead to this **overarching recommendation**. First, as shown in the findings and conclusion 2 (par. 102-103), the GI suffered from design flaws as well as from a major gap between policy discourse (based on a sound vision on governance as endogenous process and a recognition of the danger of donor-driven interventions) and practice (whereby several of the grand principles underpinning the GI were not respected). Second, the need to go ‘back to basics’ when considering future governance support, as reflected in Conclusion 5 (par. 109). This should make it possible to revisit several of the key assumptions underlying the GI rested which proved unrealistic and flawed.
145. The message underlying this overall recommendation is the need for a **further evolution and qualitative jump forward** in EU thinking and practices related to governance. It calls upon the EU to address upfront a number of ‘systemic issues’ that have reduced the effectiveness of its governance support and may continue to do so in the future unless addressed upfront. While the **EU should maintain a similar level of engagement on governance it should review several ‘fundamentals’ underlying its support strategies**. Rather than launching new flagship initiatives the EU should give priority to adopting **much more sophisticated and integrated strategies** to engage with and provide support to governance. Such an increased sophistication is needed in terms of knowledge (“what are the dynamics of change in a given country?”), political agenda (“what are the key reforms the EU seeks to promote in a given context?”), context-sensitive response strategies (“how can the EU effectively support home-grown reform agendas?”), programming tools (“how can more flexibility be created to respond to evolving country and regional dynamics?”), instruments (“how can the EU use all available instruments/incentives in a strategic and coherent way?”) and dialogue (“how to effectively discuss governance matters with governments, societal actors and regional organisations?”).

146. This leads to the formulation of **seven strategic recommendations** related to this overall recommendation:

- Use the end-of-term review to re-assess the overall EU support to governance in each partner country (throughout the various instruments and sectors)
- Define a consistent set of new principles underlying EU approaches to governance
- Analyse better how change occurs and governance reforms succeed
- Deepen knowledge on how to foster country ownership
- Rethink the (mix of) incentives provided
- Clarify the EU's political agenda
- Ensure a strategic and result-oriented alignment with regional processes on governance.

***Recommendation 1.1: Use the end-term review to re-assess the overall EU support to governance in each partner country***

147. The end-of-term review of the 10<sup>th</sup> EDF could be used to engage in a learning exercise at EU level on “what works” and “what does not work” in providing governance support in a variety of country contexts. It provides a structured opportunity to consider suitable ways and means to make a qualitative jump forward in the thinking and practice on governance (as recommended above) and to develop more informed, sophisticated and integrated support strategies which the institution as a whole could adopt for greater relevance and impact.

148. In practice this means that the end-of-term review should preferably not focus too much on the GI or seek to resurrect it through all kind of measures. Considering the current status of the GI in most ACP countries such an approach would not necessarily be very effective or provide a solid basis for future programming. The task at hand is rather to adopt a much broader, forward-looking perspective (as several EU Delegations to some extent already started doing during the mid-term review). The guidelines for the end-of-term review related to governance could focus on (i) drawing key lessons with regard to the overall EU support provided to governance (across instruments, in the various sectors, through a wide range of actors) and (ii) mobilizing the knowledge and experience within the institutions, particularly at field level, on how to conceive and implement future EU support to governance.

149. The following questions could be included in such a stocktaking and forward-looking exercise:

- To what extent has the EU been able to implement an integrated approach to supporting governance? This would allow the Commission to go beyond the GI as a single instrument and analyse its support to governance from a more comprehensive, cross-cutting perspective
- How has governance been integrated in support to sectors? This would provide fresh insights on linkages between governance and development outcomes and desirable changes in engagement strategies
- How were the different instruments combined in order to support governance in partner countries? This would focus on the various EU instruments and their interaction with one another in supporting governance.

***Recommendation 1.2: Define a consistent set of principles for future EU support to governance***

150. The GI as launched in 2006 was the product of the prevailing thinking on development, governance and aid in Europe and in Africa. This was translated in a set of guiding principles reflecting how the

EU conceptualized governance and the role of donors in promoting reform from the outside. These principles constituted the foundations of the GI (see Box 1, par. 25) as well as its intervention logic (see par. 29).

151. Yet based on the sobering experiences gained with the GI as well as evolutions in the thinking on governance, several of these **2006 principles** seem to **require a fundamental update**. Table 4 below contrasts the key principles on which the GI was based (left column) with those that could guide future Commission/EU support (right column). Two types of changes seem needed. First, some of the ‘old’ principles remain relevant yet the challenge will be to further refine them and apply them more consistently. Second, some other principles may need to be overhauled to ensure more realistic and result-oriented support strategies.
152. This discussion on principles underlying future EU governance support should be consistent with new policies and approaches arising in other regions (e.g. the ENP) or domains (EU budget support strategies), which tend to favour more conditional approaches in relation to governance, democracy and human rights (see par. 114).

**Table 4: Principles of future EU governance support**

<b><i>Principles for governance support underlying the GI (2006)</i></b>	<b><i>Principles to be considered for future EU governance support and implications</i></b>
Ownership rather than conditionality	Country ownership of realistic and domestically rooted governance agendas involving all relevant actors  <i>This implies providing EU support to home-grown ‘demands’ for reform rather than an ‘offer’ based on a set of pre-empted commitments. The challenge is to ‘accompany’ partner countries in defining and implementing relevant domestic governance agendas. Within this framework, ‘smart conditionalities’ (that provide real incentives to dynamics of change within society) can be an element of an overall EU response strategy.</i>
Dialogue rather than sanctions	A truly inclusive multi-actor dialogue (at different levels) on governance priorities and smart ways to support it.  <i>This should help to build bridges between (rapidly evolving) African and European perspectives on governance; generate common agendas and provide a basis for mutual accountability in this sensitive policy domain. It can also help to better identify the type of support strategies and instruments that make sense in a given context, including fragile states. In the panoply of possible instruments, sanctions remain a tool of last resort</i>
No ranking of good or bad performers but rather helping to identify the most appropriate reforms and support measures	A smart differentiation of countries according to their effective engagement in governance reforms for better development  <i>This implies a policy of ‘rewarding’ countries that effectively implement governance reforms. Not simply through rather discretionary (politicised) ‘top ups’ but through a clever mix of</i>

	<p><i>diplomatic and political incentives and complemented, where relevant, with financial incentives<sup>62</sup>.</i></p> <p><i>For 'bad performers' the use of punitive approaches -based on 'selectivity' and stringent conditionalities- is not likely to be effective. The challenge is rather to define specific approaches for gradual evolutions in the field of governance, to support (societal) drivers of change and to focus on enhancing opportunities for domestic accountability</i></p>
Tailoring governance to each country's situation	<p>Take the local context as the basis of EU response strategies and invest in understanding domestic change dynamics</p> <p><i>Therefore use "independent evaluations" of the country situation as well as participatory identification of the most appropriated reforms and measures</i></p>
Differentiated approach in case of fragile states	<p>Recognise that all states have dimensions of fragility<sup>63</sup></p> <p><i>This brings along the need for a much more profound dialogue with African institutions at various levels (continental, regional, national) on what 'fragility' entails and on how to cope with it</i></p>
Incentives based on commitments	<p>Incentives based on achievements</p> <p><i>It is legitimate for the EU to insist on the need for 'implementation to match commitments'. Yet a focus on results should not lead to the neglect for domestic processes and should not underestimate that home grown governance processes inevitably require time</i></p>
Support to continental/regional initiatives	<p>Support to continental/regional initiatives with a strong national component to ensure linkages between EU's interventions at national and regional/continental levels</p>

**Recommendation 1.3: Analyse better how change occurs and reforms succeed**

153. Existing evaluations and research findings suggest that donor approaches to supporting governance are still too much embedded in top-down, normative, supply driven-approaches. The findings of this Support Study indicate that the GI has fallen into this trap as well, as reflected in some of its key underlying assumptions. These include first the belief in the relevance of an 'all-ACP governance initiative' (with predetermined formats and criteria) when the countries targeted are very different and the need for country-specific approaches (built on the real 'demand-side' for reform and focused on

<sup>62</sup> An example of such a bonus can be found in the Generalized System of Preferences (GSP) in the domain of trade, whereby good social and environmental behaviour is rewarded by additional preferences.

<sup>63</sup> The example of Kenya is illustrative. Long considered as both a beacon of political stability in a volatile region and a regional economic hub, the country almost collapsed overnight in chaos and conflict following a contested election. The same holds true for 'stable' authoritarian regimes in North Africa (Tunisia, Egypt and Libya).

deep-seated ‘trajectories of change’) is widely recognized. A second assumption underpinning the GI is that one can ‘buy reforms’ through (relatively small) financial incentives. This suggests a rather reductionist view on how change occurs and can be supported from the outside. The message here is to go much deeper into understanding “what is feasible in a particular context” and to develop much more sophisticated support strategies that are closely aligned to local realities and dynamics of change.

154. The following steps could be considered to promote greater sensitivity to change dynamics:

- Improving the political economy (PE) analysis and analysis more broadly on how governance reforms occur in partner countries in order to harness a more sophisticated understanding on the dynamics, factors, institutions and actors that trigger and sustain reforms
- Invest in building the capacity of the Commission to enable it to conduct PE analysis and ensure its effective uptake in its overall response strategy
- Promote the use of local capacity (by the EU) in partner countries in order to harness local knowledge of what makes the country ‘tick’.

***Recommendation 1.4: Deepen knowledge on how to foster country ownership***

155. Complying with the principle of ownership is one of the key challenges in the implementation of the Paris Declaration on Aid Effectiveness as shown by the most recent Monitoring Survey of the OECD DAC.<sup>64</sup> Yet the need to ensure ownership, especially in relation to governance reforms, requires a deeper reflection that goes beyond technocratic approaches. It relies on a profound knowledge of the mix of capacities in partner countries and political preparedness for governance reforms. The lack of “country ownership” for reforms results from a limited access of citizens and civil society to the state, and from a lack of responsiveness from the state to the call for reforms and inclusion. Global drivers (including aid) can also affect the ways in which power and resources are distributed. These relations and dynamics, moreover, change over time, are often conflict ridden, and result in crisis that may both present opportunities for broadening ownership for reforms as reducing the scope for it. All this requires donors to deepen their knowledge base and to adopt a much more sophisticated approach to fostering ownership.

156. Under this umbrella the following recommendations are proposed:

- Make use of all possible windows of opportunities to promote the elaboration of domestic agendas for governance reform (instead of ‘pushing’ central governments to produce national governance plans)
- Focus on accompanying partner countries in implementing domestic agendas and specific programmes that are developed in a consultative manner (as opposed to basing EU’s support on parallel commitments)
- Submit the development of new aid instruments and approaches to an inclusive process of multi-stakeholder dialogue and consultations
- Prioritise strengthening reform coalitions, and the gradual broadening of country ownership for such reforms
- Adapt engagement strategies, approaches and targets to the potential for ownership of these reform agendas by domestic coalitions

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<sup>64</sup> OECD. Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration. 2011

- Make sure that key actors of the civil society and from the political society are fully associated to the design and implementation of the Commission support programmes as well as effectively supported
157. In the light of what precedes it seem advisable to **discontinue** the approach followed in the GI with regard to the '**Governance Action Plans**' as it failed to generate ownership and was not coherent with the harmonisation agenda. Instead of 'pushing' governments to come up with a GAP and relying on promises of governance reforms, the EC should focus more on what it can do –together with other partners- in the light of ongoing change processes in the country and home grown reform agendas.

***Recommendation 1.5: Rethink the (mix of) incentives provided***

158. This Support Study clearly concludes that the incentive system underlying the GI was flawed and ineffective in terms of inducing governments to take reform more seriously or improve political dialogue. The scheme may even have caused harm, particularly in relation to domestic accountability processes (Conclusion 3, par. 104-106). This suggests a much more profound debate is required on the nature of incentives that can work. Donors should be aware that aid usually is a smaller fraction of the unearned rents that elites try to benefit from or control (to maintain access to rents, to strengthen their powerbase in competitive politics, etc.). So in trying to 'incentivise' improvements in governance and accountability, it matters to understand what the real impact is of aid efforts, and to properly assess how it influences political support for reforms in a broader context of a multitude of incentives that often are more compelling and attractive for elites. Poorly designed and fragmented aid efforts, as the recent work of the DAC has once again confirmed, also has a negative impact on domestic accountability actors.
159. With regard to the issue of incentives it is therefore recommended to:
- Carefully assess the broader incentive environment – global, regional and domestic – so as to ensure synergies and complementarities with other drivers and broadening coalitions behind pro-reform agendas<sup>65</sup>
  - Move away from a rather exclusive approach on financial incentives to a much more sophisticated strategy on incentives, tailored to what may work in a given context at a certain time and incorporating diplomatic and political incentives
  - Actively engage with member states and with other donors to see how efforts geared at incentivising reforms can be harmonised and made more effective
  - Regularly assess the overall impact of attempts to incentivise state actors on domestic accountability relations and systems as well as on the rent-seeking behaviour of elite or vested interest groups
  - Be more explicit about the incentives that are at work within the EC, since these have a profound impact on the inputs and outcomes of aid efforts – and may help better identify the scope for donors and stakeholders to improve their collective efforts or action.

***Recommendation 1.6: Clarify the EU's political agenda***

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<sup>65</sup> The EU FLEGT Facility (Forest Law Enforcement, Governance and Trade) is a good example of such an approach



160. The findings of the Support study point to another important ‘missing link’ in the overall set-up of the GI. It relates to the lack of a clearly spelled political agenda to guide the implementation of the GI in the various countries involved. This resulted in divergent interpretations (within the EU and in partner countries) of what the GI was expected to achieve.
161. Clarifying the political objectives underlying Commission/EU governance support schemes would require:
- A stronger political **steering** in order to translate laudable principles into real political commitment to engage in complex and often risky reform processes (particularly in fragile states)
  - A clear articulation of the intentions of the EU vis-à-vis the **partner country** so as to have a clear basis for political dialogue
  - A preparedness to use all available instruments of foreign policy and cooperation to support effective implementation of the political agenda
  - A specification of a realistic set of shared outcomes against which the implementation of a new scheme would be **monitored**.

***Recommendation 1.7: Ensure a strategic and result-oriented alignment of EC/EU support to regional governance processes***

162. The Commission/EU could benefit from a stronger, more strategic and result-oriented alignment with regional governance processes. The commitment to align EU support to governance with these regional processes was already present at the time the GI was launched. Yet it proved difficult to make much progress, partly because the African processes were quite incipient (e.g. limited number of countries involved in APRM), partly because there was really ‘a script’ available to organize synergies. The time is ripe now to speed up this process. The African governance agenda has moved on. The AU is developing the ‘African Governance Architecture’ (AGA), a growing number of countries are engaged in APRM and the continent is set to work on its ‘Shared Values Agenda’, agreed upon at the AU 2010 Summit. The EU stands to win from a stronger articulation with African processes. In principle, these provide opportunities for African actors to ‘regain policy space’ to develop their own agendas and to connect support strategies at country level with promising initiatives emanating from regional processes. As Africa gradually develops its own governance norms, institutions and tools, it also strengthens its capacity to enter into a meaningful and more balanced partnership with the EU. The ‘supply’ of EU governance support would be better matched with clear ‘demands’ coming from Africa.
163. The challenge at hand is therefore to deepen the engagement with African processes at various levels while reinforcing the continental-national nexus. On the basis of the findings of this study and discussions with stakeholders at national and continental levels, this multi-level engagement can be envisaged as follows:
- ***Identify smart forms of support to continental processes and institutions.*** This would focus at further strengthening the *capacity* of Pan African institutions in a way that allows them to sustain their efforts of accompanying their member states in developing their governance frameworks. This support could be provided in financial terms although admittedly there are several challenges in terms of ownership and sustainability. The Commission is therefore advised to explore with relevant African institutions concrete options to provide *smart funding* to the consolidation of these regional processes and instruments at various levels (continental, regional, national)..

- **Promote shared analysis of the governance situation in African countries** (especially through the use of the APRM Country Reports.<sup>66</sup>) and **support the process of monitoring and evaluation**, under the leadership of these continental organizations. All this has major implications for European assessment tools. By sharing governance analysis and performance monitoring, the European tools may lose their (perceived) normative and prescriptive character while becoming better ‘embedded’ in local realities.
- Support at the continental level should be complemented by **efforts at national level**. Such support goes much further than the APRM structures. It primarily implies supporting the upstream and downstream involvement of domestic actors. The support could be envisaged through (i) the provision of support to the country in order to allow it to engage in costly self-evaluations (i.e. within the context of the APRM); (ii) support to civil society in order to engage in the process at national level; (iii) support to monitoring and evaluation at national level of the implementation of the government’s commitments; (iv) where the EU provides sector budget support it would be important to consider alignment to the government’s commitments under such sector for instance within the context of the APRM Programmes of Action.
- Ensure the nexus between support at national and continental level.. This dual approach has been missing so far, notably in EU support to APRM. Yet these linkages are crucial as African governance processes increasingly focus on the transposition of continental governance agendas onto the national level.

## 6.2. Operational Recommendations

164. The operational recommendations are closely related to the overall recommendation. They should make it possible to further translate the proposed shift in the overall Commission/EU governance approach. The key message is that supporting governance is a messy and difficult area of intervention that requires flexibility, innovation, a much higher degree of sophistication in response strategies as well as a preparedness to fully integrate governance in a full-fledged and coherent EU foreign policy. This, in turn, calls for different **changes in ‘the way of working’** as well as in the approaches and procedures used in order to enhance the overall quality of EU support provided.

165. The following operational recommendations are formulated in this respect:

- Take context as a starting point
- Ensure the internal coherence of the EU in the area of governance
- Align instruments to ambition
- Empower EU delegations in terms of roles and capacities
- Assess best engagement approaches (based on best-fit solutions in a given context)
- Improve the quality of governance assessments and combine performance measurement with transparency
- Encourage joint learning at EU level on approaches to supporting governance

<b>Recommendation 2: Taking the context as a starting point</b>
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<sup>66</sup> These reports were used by some delegations in developing the Governance Profile. All those interviewed from the EU noted that the analysis provided in the APRM reports was strong and reflected the reality on the ground.

166. This principle features prominently in policy discourses yet has not always been consistently applied. In order to give it a much more central in future governance support, the following actions could be envisaged:

- Strengthen on-going efforts to improve context analysis (notably the efforts at political economy analysis and sector governance analyses) within the context of the Project and Programme Cycle Management (PPCM), improved sector operations or the application of new aid modalities
- Ground engagement strategies and approaches in domestic change processes
- Refrain from tool development that ignores this principle of country specificity
- Apply the five DAC guiding principles on improved context and governance analysis (to begin with among like minded EU donors) so as to incrementally improve harmonisation in knowledge development.

<b>Recommendation 3: Ensure the internal coherence of the EU in the area of governance</b>
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167. One of the key challenges in ensuring a clear political vision and steering on EU's support to governance future is the EU's own institutional coherence. It is therefore recommended to:

- Identify those niches, methodologies, tools and approaches where the EC clearly has added value<sup>67</sup>;
- Target incremental steps from cooperation to harmonisation, to begin with among like minded member states;
- Ensure regular inter-agency exchanges on the EU's support to governance so as to strengthen the link between programming and dialogue; and
- Avoid the visibility trap, as this acts as a disincentive for purposeful cooperation with EU member states and has the potential of undermining the coherence of EU action in the area of governance;
- The changing institutional set up of the EC would also require a clarification of the division of roles between the EEAS and DEVCO in terms of support to governance so as to ensure coherence between the political and the development agendas.

<b>Recommendation 4: Align instruments to ambition</b>
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168. Conclusion 2 (par. 102-103) highlights the need to make aspirations meet 'practice'. Several operational limits, mostly pertaining to the rather rigid use of existing EC systems and procedures help to explain the gap between stated ambitions and effective implementation..

169. To address this gap a number of ***institutional adaptations*** could be considered:

- Better identify the niche and ***added value*** of the EC compared to other EU member states in the area of governance (especially at country level).
- Introduce more ***flexibility*** in the programming and allocation process of future governance support in order to avoid the rigidity of the programming cycle (i.e. dependence on the programming cycle of the EDF) which places considerable constraints in terms of promoting ***more responsive***

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<sup>67</sup> Budget support is a clear case in point – bilateral donors are too much under pressure of public, parliaments and politicians.

**procedures** to emerging trends and rapidly changing situations. However, this requires a **political investment** that would support flexibility.

- Avoid a 'disjointed' approach to the various components of the governance agenda (democracy, human rights, civil society, sector governance, PFM) and reduce the tendency to deal with these matters in silos.
- Ensure that all the necessary institutional processes and mechanisms are in place to **effectively manage governance support** schemes, with a particular focus on a transparent system for monitoring implementation and performance (this was largely lacking in the GI and negatively affected the process).
- Seek to support the implementation of more integrated approaches to governance through a **dedicated unit at headquarters** -with the task to organize collective learning, networking among practitioners, knowledge development and harmonization.

#### **Recommendation 5: Empower EU Delegations in terms of roles and capacities**

170. Taking a context as a starting point (see recommendation 2 above) requires a policy of proximity in governance support operations. Centralised approaches (as applied in the GI) are ill suited to connect with local dynamics and ensure realistic implementation. The task at hand is rather to rely much more on local processes and expertise. It implies a key role for EU Delegations and related capacity to engage in context-sensitive facilitation of institutional change..

171. In practice this invites the EC/EU to

- Assign EU delegations the responsibility to conduct the country-specific analysis as they are closer to the ground;
- Improve the capacity of EU delegations to prepare political economy analysis either in terms of internal human resources or financial resources to allow them to contract local expertise;
- Provide incentives to staff to engage in new roles with regard to supporting governance, including the role of convenor and process facilitator.

#### **Recommendation 6: Assess best engagement approaches (based on best-fit solutions in a given context)**

172. It is important to move away from the normative approaches to governance and consider the **reality on the ground**. A political economy analysis would allow the EC to better assess which governance processes are promising and possible to support. On such basis the EC could design '**best-fit solutions**' should be designed in order to reflect the realities on the ground as opposed to normative 'best solutions'.

173. A best-fit solution would **calibrate** governance support to the reality in the country. It is therefore recommended to:

- Identify **realistic windows of opportunities** in partner countries, which the EU could meaningfully support, through a strong political economy analysis. This does not imply 'selectivity'<sup>68</sup> but rather calls for an adjustment of EU support depending on the needs of the partner country. This approach of 'calibrating' support also fits the needs of countries in situation of fragility.

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<sup>68</sup> Only engaging with already reforming countries

- Ensure that priorities are identified on the basis of the country's priorities (governance and other national stakeholders). This could be facilitated by the existence of nationally negotiated agendas as well as regional processes in which the EU could anchor its support.
- Avoid overloading the governance reform agenda with too many commitments, targets and indicators. Rather ***focus on agreeing on a limited set of reform priorities with realistic commitments.***

**Recommendation 7: Improve the quality of governance assessments and combine performance measurement with transparency**

174. The findings of the study showed that the current governance assessment tool, in the form of the Governance Profile, was a straightjacket that did not allow for a thorough analysis of the governance situation in the partner country.
175. It seems therefore recommendable to **replace the GP of the GI by a more qualitative and dynamic approach to analysing governance situations**. Such an approach would (i) rely on existing and country owned assessment processes (including the APRM); (ii) support such home grown processes; (iii) complement these with targeted forms of political economy analysis to probe deeper in the “why and how” questions.
176. In a similar vein it is recommended to spend more time to **effective performance measurement** based on transparency. To this end it is proposed that the EC/EU:
- Clearly spells out purpose, results to be achieved and the underlying assumptions
  - Adapts performance measurement and monitoring to these purposes and the nature of the tools
  - Diversifies approaches and methodologies for the purpose of monitoring, measurement and evaluation for donor use (accountability, learning, readjustment, mobilisation etc.) or for the purpose of domestic monitoring and for supporting mechanisms for domestic dialogue, transparency, accountability, etc.;
  - Prioritises results and reform measures for which there are domestic change coalitions and that can act as building blocks for consolidating a reform process of incremental strengthening of governance; and
  - Avoids imposing high-end political goals for which there is insufficient domestic power-base or support.

**Recommendation 8: Encourage joint learning at EU level on approaches to supporting governance**

177. This Support Study clearly indicates that fresh thinking is needed on how to provide meaningful and effective governance support. It invites the Commission and Member States to reflect on how to evolve the thinking on support to governance by reviewing several fundamentals of its overall governance approach.
178. Yet this study only provides basic ‘food for thought’ on what this evolution of thinking may entail and how it could be operationalised. The reflection process on needs to be deepened on the European side.
179. To this it could be envisaged to put in place “expert groups” at EU level to meet regularly and further develop these fundamental reorientations in EU.

### 6.3. Recommendation on a possible follow-up mechanism to support governance

180. Should there be a new initiative? The findings of the study indicate that it would not be desirable to launch a second GI . The assumptions, tools and methodologies of the GI have proven too flawed and shaky to justify a continuation of this approach. However, in winding down the GI care should be taken not to lose sight of the dynamics and experiences gained. The findings of this study clearly indicate that it makes little sense to keep the GP and GAP in their current conceptualization and format. Yet the lessons learnt with the GP could be used to develop more targeted and reliable assessment tools, embedded in a solid political economy analysis. The limitations of the GAP could be overcome by investing more in domestic processes of defining and implementing truly inclusive and owned reforms.
181. The overall message of this concluding chapter is that the EC/EU above all needs a ***much more informed, sophisticated, political and integrated approach to supporting governance***. This is the main challenge for the next years –building on the rich experiences gained and good practices in several areas. Governance should not be seen as a separate component –to be supported through a high visibility incentive mechanism- but as a key dimension that is to be found “everywhere” in existing (sector) operations, dialogue, cooperation with civil society, etc. The task at hand is to optimally exploit these various opportunities to promote governance. Setting up a new flagship initiative would not only carry the risk of making similar mistakes. It would also detract attention away from the fundamental task at hand to develop a smarter and more integrated overall approach to supporting governance across the board and to deepen the dialogue with partner country institutions and societies. Institutionalization of integrated approaches to governance is therefore the priority.