

Donor Approaches to Governance Assessments

Guiding Principles for Enhanced Impact, Usage and Harmonization

Final draft, 30.05.2008

1. Background and Purpose

1. Governance has gained prominence within donor agencies and among country partners, evolving from narrow concerns with public sector management to encompass a broad set of interconnected issues including the role of formal and informal institutions, security, human rights, and corruption. Governance is now understood as something inherently political.

2. Parallel to this interest, aid agencies have sought ways to assess governance. Donor-initiated governance assessments have become important tools for planning, due diligence and risk management in agencies, linked to all operations. The assessments respond to concerns about accountability and transparency in the use of aid resources, they serve to determine aid priorities, modalities and volumes as well as to inform a rapidly increasing number of donor interventions designed to support governance reforms.

3. Over the last decade, an ever growing number of tools and methodologies for governance assessments of various types has been developed by researchers, the private sector, NGOs and aid agencies. A sourcebook developed by UNDP¹ in 2006 included 35 tools without being exhaustive. A recent survey commissioned by OECD DAC's GOVNET² found aid agencies reporting that they have over 45 general or thematic governance assessment tools in use or under development.

4. The survey also found that there was little methodological justification in having so many tools and that there is frequent duplication and overlap. There are also opportunities to improve practice with regard to greater reliance on partner country assessment processes; why and how donors make their own assessments; and the harmonization of donor approaches.

5. In response to these challenges, guiding principles for good practice to enhance the impact, usage and harmonization of donor governance assessments are set out below. The principles cover approaches developed and applied by donor agencies only, but they make reference to nationally driven governance assessments and assessments based on a peer review mechanism. The principles are intended to provide a non-prescriptive benchmark to help aid agencies and partners identify sensible directions for improved practice. They are supplemented by a Sourcebook providing details about the assessment tools used by donors. This Sourcebook is available at www.oecd.org/dac/governance/govassessment.

¹ <http://www.undp.org/governance/docs/policy-guide-IndicatorsUserGuide.pdf>

² www.oecd.org/dac/governance/govassessment

2. Guiding principles for enhanced impact, usage and harmonization of donor governance assessments

1. *Building on and strengthening nationally driven governance assessments*

1.1 *Drawing on and aligning to nationally driven or peer-based assessments.*

Donor governance assessments are legitimate and important for many reasons, but they cannot be used to drive domestic dialogue about governance at general, thematic and sector levels in the same way as nationally driven and peer-based governance assessments. Therefore, it is important to try to draw on and align to domestic or peer-based assessment processes.

1.2 *Engaging in strengthening domestic capacity to assess and debate governance.* A healthy governance debate needs different but credible and evidence-based assessments, as well as analysis owned and produced by country stakeholders. Different aid agencies can harmonize their support to different actors (e.g., statistical offices, universities, think-tanks, social and political movements) to ensure coverage, diversity and pluralism.

1.3 *Involving partner country stakeholders in tool development.* Assessment tools which are intended to benchmark specific government processes (e.g., public financial management, fiscal decentralization, auditor general functions, judicial case processing) will benefit in terms of realism and legitimacy when developing country stakeholders participate in their development.

2. *Identifying a clear key purpose to drive the choice of assessment tools and processes*

2.1 *Separating governance assessments intended for agency internal purposes and for impact on partner country processes.* Agencies assess aid for legitimate internal purposes (e.g., general aid allocation decisions, due diligence and risk management, preparation for dialogue, etc.). The tools and processes suitable for such internal approaches are not likely to serve well for purposes where country leadership and ownership are essential.

2.2 *Limiting the number of purposes of a single governance assessment, and relying on various types of governance assessments.* The same assessment tool and process is not likely to be useful for e.g. overall aid allocation decisions, agency risk management as well as decisions about if and how to support governance projects or reforms in specific sectors. Having clear, limited and operational purposes will facilitate the choice of a relevant assessment tool and process, and enhance its impact and use. Indicator-based benchmarking and analytical, political economy-informed approaches can be usefully combined to ensure that assessments are sensitive to the context-specific constraints and opportunities.

3. *Assessing and addressing governance from different entry points and perspectives*

3.1 *Embracing diversity and further development of governance concepts.* Governance is a broadly used concept. It can be used normatively or analytically. Relative emphasis may vary between, e.g., public administration, the political system, social or economic governance. The focus may be on governance processes, formal rules or governance outcomes; and governance may be looked at on a

general country level or in sector or thematic programmes. While this diversity is positive, there is still work ahead in terms of refining the understanding of governance processes and their links to development, as well as improving indicators and other assessment approaches.

3.2 Making assumptions, use of concepts and methodologies explicit and publicly available. This will clarify discourse and encourage informed dialogue with partners, other agencies and academia about the pros and cons of different approaches to governance assessments. This will enable end-users to ascertain what assessments are actually saying - and what they are not.

3.3 Promoting joint governance assessments integrated in diagnostics for sector and thematic programmes. Every sector and thematic programme features a governance set-up which, to a greater or lesser extent, may be conducive to development. Targeted, jointly agreed and conducted specific assessments are more likely to have an impact on shaping agendas for action in sector and thematic programmes.

4. Harmonizing assessments at country level when the aim is to stimulate dialogue and governance reform

4.1 Harmonizing when there is a clear added value. This is particularly important when the primary purpose of donor assessments is to engage domestic stakeholders, stimulate dialogue and promote governance reform. In such cases, multiple and uncoordinated donor assessments may do more harm than good. However, if assessments are mainly intended to serve internal purposes, then the cost of harmonization may be greater than the benefits.

4.2 Drawing on ongoing processes and limiting transaction costs for partners. In some countries there may be robust domestic assessment processes underway; numerous recent governance assessments to draw on, or joint assessments could be carried out with other aid agencies. If another assessment mandated by an individual agency will not offer much added value, transaction costs can be kept low, particularly for partners, if the agency uses the available data and fits it to the agency's specific formats.

5. Making results public unless there are compelling reasons not to do so

5.1 Making assessment results public whenever possible. While transparency is to be preferred, it is important to recognize that results may be sensitive and could create conflict rather than constructive engagement.

5.2 Clarifying and agreeing on what transparency means beforehand. Disclosure of results is not a matter of either/or: parts of an assessment may be kept confidential, while other parts may be suitable for broader dissemination. Agreeing in detail on the principles for dissemination before the assessment is made is important to avoid later tensions.