Framework for Strategic Governance And Corruption Analysis (SGACA)

Designing Strategic Responses Towards Good Governance

Prepared by the Clingendael Institute for the Netherlands Ministry of Foreign Affairs

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1 Introduction

Purpose

In recent years the Netherlands Ministry of Foreign Affairs and its Embassies have made considerable progress in analysing the governance climate in partner countries. The Strategic Governance And Corruption Analysis (SGACA) is designed as a tool to build on and enhance those efforts, by facilitating a more strategic approach to analysing the context for governance and anti-corruption for each partner country.

The Clingendael Institute has developed the SGACA to assist Embassies in implementing this approach, tailored to country circumstances. It is a practical guide to help structure and analyse existing information – a 'quick-scan' – that focuses on formal and informal aspects of governance in a particular context. Different tools and processes, such as the Track Record and the current Multi Annual Strategic Plan generate important information for this purpose. The SGACA is complementary to these instruments and seeks to deepen the country-specific understanding of governance and corruption.

Apart from formal factors, the SGACA aims to capture the informal, societal and sometimes intangible underlying reasons for the governance situation, which can often differ from the formal configuration of the state. Such an analysis can improve the design of donor interventions, through a better understanding of what happens behind the "façade" of the state on the one hand and what really drives political behaviour on the other. The SGACA is designed to make use of available material – including from other sources and donors.

The SGACA enables Embassies to discuss this information during a consultation workshop, and to define implications for donor strategies and engagement, preferably in co-operation with partners. These insights will then be used to reflect on the strategic choices and the intervention strategy as formulated in the Multi Annual Strategic Plan (MASP).

Rationale

Governance and corruption have become prominent concerns in development programmes. Most donor agencies see both issues as highly inter-related. The SGACA views corruption as an integral part of the wider governance situation, including the lack of clear definition between "public" and "private" spheres; the prevalence of patronage; and the divergence between formal and informal rules.

The Netherlands' policy on good governance sees improvements in governance and corruption as essential to achieving 'peace, security and stability and sustainable poverty reduction'. It emphasises the importance of effectiveness *and* legitimacy of governance. Major policy areas for intervention include anti-corruption, democratisation, rule of law, human rights and business climate (economic governance).

However, despite best efforts, direct interventions of donors to strengthen formal institutions of governance have often had limited impact, and 'political will' – to promote growth and poverty reduction, fight corruption and protect human rights – is often lacking. The SGACA helps to explain why this is so, and instead of focusing on the transfer of institutional models, highlights the impact of local context on the incentives of political actors, and the importance of social and political processes in achieving better governance. This analysis provides a basis on which Embassies can critically review current country-level strategies and priorities, to see whether things could or should be done differently, or whether different things could or should be done.

Structure of the SGACA

The SGACA has four main components:

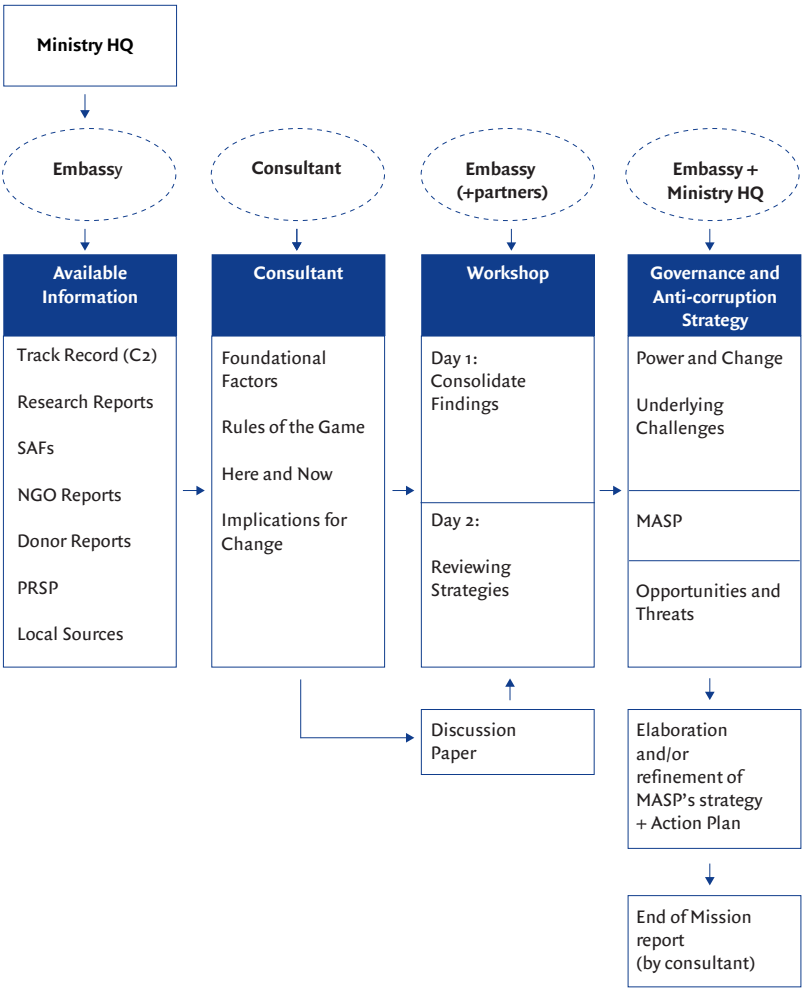
- The starting point is the **Track Record**, which is part of the Embassy's standard monitoring work. Its findings, together with other Available Information serves as a basis for the Power and Change analysis;

- A **Power and Change** analysis: Embassy staff are encouraged to commission (and work together with) a local or international consultant to deliver a synthesis report based on the three dimensions outlined in this document;

- A **Workshop,** split into 2 days. Day 1 can be planned as an internal exercise or might be open to selected external stakeholders. Day 2 should be non-public and focus on elaborating/refining the current donor strategy for the Netherlands;

- **Strategic Choices** that summarize the findings and present policy choices regarding the governance and anti-corruption strategy for the coming years.

The structure of the four-step SGACA process is schematically captured in the figure below.



The following pages are presented in a two-piece structure: the regular text presents the analytical framework (rationale and suggested questions); the boxed text presents practical suggestions and notes for those involved in the process (consultant, Embassy staff). In chapter 2, the boxed text elaborates on issues to "**THINK ABOUT**" and "**KEEP IN MIND**" when drafting the Power and Change analysis; in chapter 3 it explains "**HOW TO**" facilitate the workshop.

2 Power and Change

Introduction

The Power and Change analysis[1] provides a framework to help structure available country information and to compile the findings into a short, compelling report. It does not aim to substitute for other analytical tools available to the Embassy, such as the Track Record, and the Stability Assessment Framework. It does however aim to provide analytical support to the Embassy and the Ministry in the formulation and revision of their strategic governance and anti-corruption policies for a given country. In particular, the analysis will be used to reflect on the strategic choices and the intervention strategy as formulated in the Multi Annual Strategic Plan (MASP), in order to refine and further elaborate them.

Use available information from various sources (e.g. academic research, local reports and expertise, PRSP, Track Record, studies by Amnesty International, World Bank, NIS, Crisisgroup, etc.). Also check whether these are generally accepted as valid sources.

In contrast to more conventional 'good governance' assessments, Power and Change does not measure performance against preconceived governance standards; it mainly focuses on non-formal practices and relationships, and links between formal and informal institutions.

A Power and Change analysis can be done as 'quick scan' or more indepth, depending on the time and data available (as set out in the country-specific ToR); it can also be updated as necessary, and supplemented with more in-depth analysis at a later date.

1 This section is based on a framework prepared by Mick Moore, IDS Sussex, for DFID staff in August 2002; it also takes account of SIDA's work on Power Analysis

The underlying assumption is that building more effective, accountable states and public institutions requires a political process of interaction between the state and (organised groups in) society. The questions are selected to help explain the basis for state-society relationships, and what lies behind current governance problems, such as high levels of corruption, low legitimacy of state institutions, and weak commitment to human rights and poverty reduction. The analysis can also help identify local and international pressures for change that would benefit poor people.

The Power and Change Analysis is organised around **three dimensions**:

1st Foundational Factors, including whether government controls the territory, and embedded social and economic factors that significantly shape the political system. These can be of very long term origin, and tend to change slowly. There may be very little that donors can do about them (although if opportunities arise they should have high priority); but in any case they need always to bear them in mind.

2nd Rules of the Game, including formal and informal institutions of the state, civil society and the private sector, that shape how business is conducted and relationships managed. There is particular focus on the extent and nature of political competition, the degree to which key institutions of state and society operate according to known rules, and what their inter-relationships are. This section also looks at key socio-economic trends that could change the rules of the game.

3rd Here and Now, including key actors' capacities and interests, and the events and pressures (context) to which they are responding. This section overlaps with the track record and reporting activities by the Embassy, and can be elaborated in further detail using existing stakeholder / institutional analyses.

The following pages include a standard template. This should not be used mechanistically, but as a guide to structure knowledge and reflection.

Consider all of the aspects disussed in Power and Change, but take account of the local context in deciding which are the most important. The objective is to identify how Foundational Factors, Rules of the Game and current issues shape the context for governance, so aim for analysis, not detailed description.

I Foundational factors

The 1st dimension involves mapping factors that fundamentally shape the state and political system. These include territorial integrity, the history of state formation, the revenue base, socio-economic structures, the geostrategic position and geographical aspects of the country.

Territorial Integrity

The starting point is to know whether the government broadly exercises authority over its population and territory, and controls its borders, or whether there are parts of the territory which remain outside government control. Governments that are predominantly preoccupied with basic exercise of authority may be primarily concerned with protecting – and perhaps enriching – themselves, and may not be very interested in growth or poverty reduction.

Suggested Questions: Does the national government have the monopoly of violence? Are there disputed territories? Do tax collection, policing and justice systems cover all areas of the country? Is there a serious challenge to public authority from armed insurgents, social movements or local power holders?

History of State Formation

This shapes the access to political and economic power of different groups, relationships between them and perceptions of state legitimacy. For example, if state power was forged / enforced by a colonial authority, this may have resulted in a weak sense of political community (is it national or local?) and weak state legitimacy; or created / reinforced pre-existing divisions, resulting in e.g. regional inequalities, a dominant political elite and permanent exclusion of certain groups, language barriers, major political divisions, a lack of broadly based interest groups that can challenge the private use of public power.

Suggested Questions: How has the state's history shaped the access to political and economic power of different groups? How has it shaped the perceptions about and relationships between different groups? Is there a sense of political community? To what extent is the state embedded / rooted in the local / traditional context – or was there a rupture in long-standing institutions as a result of conquest / colonial rule that weakens state legitimacy?

Sources of Revenue

The extent to which governments are dependent on sources of revenue, including tax, that require them to bargain with citizens is fundamental for governance. The availability of 'unearned' income from natural resources or aid can lessen the interest of governments in promoting broad economic growth, or delivering a range of public goods and services in exchange for tax revenues. Large oil and minerals resources are particularly problematic for governance.

Suggested Questions: To what extent is the state dependent on citizens for tax revenue? Does it have incentives to nurture business? Does the state have access to significant amounts of income from natural resources (especially oil and minerals), or external sources (e.g. aid)?

The interest is in the impact of revenue sources on governance, not a detailed description of those sources. Keep in mind how the lack of transparency over natural resource revenues impacts on governance.

Social and Economic Structures

Social and economic structures impinge on politics and governance. They affect the basis for mobilisation, and the ability of different groups to organise and influence policy. The ability to organise around shared economic and social interests is particularly important for poor people.

Suggested Questions: What are the main social and economic structures impinging on politics and governance? In particular: Is there an organised working class, based in industry or agriculture? Is there a significant middle class? Is there a large landed class with an interest in retaining control of labour, if necessary by repression? Is there a thriving informal economy? Are there major ethnic cleavages or other social divisions that are politically significant? To what extent are there 'horizontal' groupings around shared interests, or are vertical client-patron relationships dominant?

Think about organised groups such as working class, and whether they form the basis for issues-based parties or social movements.
Think about middle classes and whether this group has interest in supporting democratic practices.
Think e.g. about caste in India; gender inequalities in Yemen when dealing with social divisions.

Geostrategic Position

This refers to the state's relations with external players and how these impinge on governance. Things can sometimes change quickly, but many factors are of long term origin.

Suggested Questions: How much autonomy does the state in question have in shaping its own policies? Is it land-locked? Is it particularly vulnerable to external intervention? Regional instability? Is it constrained by fear of provoking another state or external power? Is the state dependent on external sources of aid or legal / illegal income? Do regional arrangements determine policy decisions at national level?

Geography

The natural environment will of course shape development options more broadly, but here the interest is in geographical features that have a continuing, direct impact on governance (ie rather than tracing their historical, causal effects).

Suggested Questions: Are there geographical features that impede central control over the territory, present physical barriers to communication, or lead to isolation or marginalisation of particular groups or regions? Does a very small or very large population have implications for governance? How does population density impact on governance?

II Rules of the game

The 2nd dimension is crucial to this analysis and should be considered in adequate detail. It focuses on key aspects of the political system that affect the quality of governance, especially for poor people. It starts with the formal framework, but goes on to consider informal factors, in particular the nature and extent of political competition; the extent to which state, civil society and private sector institutions work according to known rules (in predictable ways); the distribution of power between the political executive and other groups; and relationships between state and society. It also considers key trends that have the potential to change the rules of the game.

In any political system, the rules of the game will be a mixture of formal and informal practices. But in many developing countries there is a big gap between the formal provisions and how public institutions actually work – particularly if the formal arrangements were imposed rather than negotiated between the state and organised social groups. Sometimes the formal framework is itself part of the problem. But more typically problems arise because of the divergence between formal rules and informal practices.

The table below suggests a way of thinking about the interaction between formal and informal institutions. Depending on the effectiveness of formal institutions and the extent to which their objectives converge with those of informal actors, it is possible to observe a range of relations that varies from complementary to competing. Understanding the nature of these relations and the potential for conflict or synergy is central to any analysis of the quality of governance and to subsequent attempts to identify entry points for the international community.

A typology of relations between formal and informal governance[2]

	Effective formal governance	Ineffective formal governance
Convergent objectives of informal and formal governance	Complementary	Substitutive
Divergent objectives of informal and formal governance	Accommodating	Competing

Most countries have formal rules and procedures that are designed to help insulate public institutions from the private sphere of personal relations / private interests. However in practice decisions are frequently made, and resources allocated, according to a different set of informal 'rules' that serve the personal interests of individuals or groups. Highly personalised systems tend to make for arbitrary policy-making; low effectiveness of the public service; poor control of corruption; and often low growth. They also encourage organisation of influential people around narrow, private interests rather than collective action around broader public goods.

Poor people are likely to be particularly disadvantaged. Although they may gain short term benefits from being part of a patronage network, informal systems will often reflect the very unequal power relations within society. Poor people are more likely to benefit from public institutions that follow predictable, transparent practices that provide them with some access, within a system of open, civic competition for power. That is their best chance (short of revolution) to make their numbers count. The good news is that, at least in the medium term, better off groups would also benefit from a more 'institutionalised' basis for governance.

This part of the analysis needs to incorporate a historical perspective in so far as it continues to influence both formal and informal practices.

2 Adapted from Helmke & Levitsky, 2004.

The Formal Framework

Formal legal and administrative arrangements help shape the informal rules of the game, although the main problem is often divergence between formal rules and actual practice. In some contexts there may be a pressing need for legal or constitutional reform; or chronic instability of formal arrangements may be damaging for governance.

Suggested Questions: To what extent are the formal rules embedded in the constitution and the legal framework the outcome of a negotiation between state and society? How (in)consistently are they being applied? To what extent is the political executive constrained by law, constitution? Does it provide for regular, open, inclusive competition for political power? Are there problem areas (e.g. national security overules privacy; civil-military relations)? How often has the constitution been changed, and how easily? Is there a legal framework for civil society, interest groups, political parties to operate? Is gender equality safeguarded by law? Is there a Right to Information Act?

Keep in mind that other analytical tools (such as the Track Record, Sector Track Record, EU governance profiles, etc.) provide a good picture of how far formal provisions cover key governance, anti-corruption and human rights concerns. The analysis under this heading should draw on that material, and identify areas where deficiencies in the formal framework are itself part of the problem, or changes have the potential to contribute to better governance (bearing in mind that legislative changes may not do much by themselves to change actual practice).
Think about whether there are adequate anti-corruption provisions, and whether international Human Rights conventions are embodied in domestic law.

More Informal Factors

The sections that follow on Political Competition, Institutionalisation, Distrubution of Power and State-society relations all relate primarily to more informal factors.

Political Competition

The nature and extent of political competition is partly determined by the formal legal framework, but social relationships and informal political processes are

also highly significant. How politicians gain and maintain power is central to their own motivation, and influences how political parties and civil society groups organise. Where competition is based on personal identity or personalised patronage networks, politicians may have little incentive to deliver on election promises of broader public goods, and political parties are unlikely to organise around public programmes or specific issues.

Informal institutions refer to unwritten rules, norms, expectations, and processes. These institutions are understood locally, but as a general rule, they tend to be somewhat difficult for outsiders to apprehend (or work within). If time allows, interviews may offer the best insights.
The interest is in how the extent and nature of political competition affect rules of the game. Think about the impact of issue- versus identity-based politics: mobilisation around personal identities (based on social groups, not around a common interest in poverty reduction) is likely to fragment the voting power of poor people.

Suggested Questions:

i) Is political competition conducted through non-violent means, and regulated by law, or is there abuse of formal procedure? How important is political power to those who compete for it? Is there a history of coups or other illicit changes of power? Or of civic transfers of power? Is there a dominant party? An effective or fragmented opposition?
ii) How exclusive is the political elite? (in terms of its socio-economic or institutional base, rate of turnover of individual members?)
iii) How far are ordinary people able to vote / join political parties? Are particular groups excluded (legally, or in practice?).
iv) How are political parties financed? To what extent do politicians use public resources to stay in power?
v) How far do political parties organise around programmes rather than personalities? What do voters expect their elected representatives to deliver: individual patronage benefits, community-specific benefits, or broader public goods? Are tax and public spending key election issues?

Think about whether personal wealth or security depend on winning, in which case competition is more likely to involve violence and abuse of power; whether there is a viable role for the political opposition.

Institutionalisation

This section focuses on the extent to which government, civil society and private sector organisations are 'institutionalised' – i.e. they follow public, transparent, known rules and procedures, so that their behaviour is routinised and predictable. Keep in mind that institutionalisation is not an unambiguously good thing – bad practices can be institutionalised, and a political executive that faces few restraints but is highly institutionalised can abuse its power. But many developing countries tend to suffer from highly personalised government and political systems that are both weak and arbitrary. So greater institutionalisation is likely to be beneficial for governance, because it can increase the legitimacy and effectiveness of:

a) state organisations, by strengthening their capacity to design and implement policy, and to make credible commitments to citizens; and
b) civil society organisations, enabling them to aggregate interests and channel demands.

This in turn can strengthen constructive state-society engagement (see below).

Keep in mind that most governance assessments measure performance of state and civil society organisations against a normative framework. This analysis is concerned with institutional processes and behaviour (although 'institutionalised' behaviour will often imply closer correspondence between actual practice and formal rules). The degree of institutionalisation is particularly important for corruption, the very definition of which implies a clear distinction between an institutionalised public sphere and more personalised relationships in the private sphere.

Suggested Questions: To what extent do government, civil society and private sector organisations follow public, transparent, known rules so that their behaviour is routinised and predictable? Think in particular about the **public bureaucracy** (especially public financial management, recruitment and promotion practices); the **police and military**; **policymaking processes** (is there formal provision for public consultation?); **political parties** (is party organisation based on recognised procedures that are independent of individuals)?; **civil society organisations** including professional, business and religious groups (are they membership based? Do they have transparent elections for office holders?)

Keep in mind that the interest here is not in a detailed institutional analysis (though these can provide useful source material), but in where the system is positioned along a spectrum running from highly personalised to highly institutionalised.

A proxy indicator of the extent to which personnel management is 'institutionalised' might be the frequency of, and mechanisms for, staff transfers.

Distribution of Power

This section looks at how power is shared, starting with how the political executive shares power with other groups (whom does it have to take notice of?). Some governance assessments presuppose that more power sharing will contribute to better governance. However, this will depend on who is sharing power and how. The political executive may look powerful (the power to control others) if it faces few checks and balances or organised interest groups, but may be quite weak in terms of capacity (the power to act and to design and implement policy). An effective political system depends on achieving a balance between authority and control by the political executive, and accountability to citizens. The latter requires some power sharing, but not too much (which could lead to ungovernability).

Keep in mind that any strategy for strengthening civil society or public accountability mechanisms needs to take account of how power is shared in a particular context.
Keep in mind that it may also be useful to look at relationships between groups other than the political executive.
Keep in mind that power sharing (e.g. between the political executive and civil society groups) will not automatically lead to better governance.

Suggested Questions: How, and to what extent, does the political executive share power with the:
Military and police (through formal and informal arrangements). Is the security sector under the democratic control / oversight of civilian authorities?
Legislature (e.g. does it initiate legislation, exercise financial control)?
Judiciary (does it have constitutional power over / actual power to challenge the executive?)

The Public Bureaucracy
Other Levels of Government (do they have elected officials, independent law-making powers, revenue-raising capacity, revenue sharing guarantees?)
Public Enterprises (especially those with large revenues from control of oil, minerals: are they a 'state within a state'?)
Private Sector (e.g. a small number of large, transnational companies may have significant policy influence, especially in countries with large natural resources. Business may fund political parties or control the news media; or have policy influence through their ability to control movements of private capital).
Traditional Institutions (there may be formal arrangements for power sharing as well as informal ones.)
Religious Actors (are they integrated into the constitution? or in opposition to state power? Do they have access to transnational organisations or resources? How much ability to mobilise?)
Mass Media (who owns and controls it? Which segments of society are the consumers of the mass media? And what outreach does media have?)
Civil Society Organisations (this includes a diverse group of organisations with differing interests and capacity to influence public policy, which are shaped by the political / institutional context)
Uncivil Society (criminals, terrorists)
External Actors (e.g. regional or international actors exerting competitive pressures, or arrangements affecting trade, investment, security. International political, criminal and terrorist networks. Donors, especially in aid dependent countries).

These questions address both formal power-sharing arrangements (e.g. do groups have power over other actors due to legal arrangements?), and more informal relationships (e.g. which groups have economic power, or social power to mobilise others?).
CSOs: Think about membership organisations (e.g. trade unions, professional associations, groups of service users, grassroots livelihood organisations) as well as elite, urban policy-oriented NGOs.
External Actors: Think about transnational criminal networks, international actors that collude in bribery, money laundering, narcotics or other illegal trading.

Do international donors or international NGO networks influence budget or policy decisions? What about China's growing influence? Is there a large and active Diaspora community and do they provide an important revenue base through remittances?

State-Society Relations

This section draws on all four previous sections of the 'Rules of the Game' to reflect on the nature of state-society interaction. The ability of the state to negotiate and mediate different interests is critical to more effective, accountable governance. Historically states and public institutions have evolved through political processes of bargaining between rulers and organised groups in society. Citizens will have incentives to organise if they believe that states have the capacity and interest to respond; states can design and implement effective public policy if societal groups are able to aggregate and represent their interests. More institutionalisation of both state and societal groups will help to make their interaction both more inclusive (offering entry points to larger numbers of people) and more constructive. In many developing countries, there is little effective state-society engagement, and access to state resources may be limited to small, elite groups, often as a way of maintaining social stability. An important question for policymakers is whether changes in state behaviour or in the design of public programmes could stimulate collective action by citizens, and trigger more effective engagement with the state.
In the short-term poor people can benefit from patronage networks, but they stand to benefit more in the longer term through organisation around shared interests, that can make their numbers count.

Keep in mind that state-society engagement may be very limited if government has independent sources of revenue, low legitimacy or capacity to act, or if there is limited political competition.
Public Policy Change: think about whether a more transparent, broadly based tax system, or more predictable funding for basic education could stimulate mobilisation by taxpayers or parents.
Keep in mind whether groups operate through personal contacts, seeking individual or exclusive benefits; or through more open, public mechanisms, seeking public goods.

Suggested Questions: How much engagement is there between government and citizens? Are relationships conducted through personalised networks or more public engagement with broader, organised groups of citizens? Is there a social contract (e.g. based around tax, use of public revenue, or the provision of security)? Are state-society relations highly polarised (e.g. around ethnicity, or ideology)? Do interest groups make demands based on ethnicity or other exclusive criteria, or on the basis of universal rights?

These questions highlight aspects that may require more detailed study (e.g. of state-business relations).

Identifying Key Trends

Looking at the four sections of Rules of the Game (formal framework, political competition, institutionalisation, distribution of power), is it possible to discern any broad trends? In particular, are there signs of movement towards more rules-based behaviour, or significant changes in the way important groups are sharing power?

Keep in mind: here we are not looking at current events, but at more medium term factors that could be influencing the rules of the game.

Suggested Questions: Are there major socio-economic trends or pressures that are helping to change the rules of the game? Are changes in the regional security environment affecting the extent to which government shares power with the military? Is membership of a regional organisation increasing pressures for more rules-based behaviour? Has a succession of relatively fair, peaceful elections helped to embed democratic processes?

Socio-economic Trends: Think about economic growth, rise of a white collar middle class, urbanisation, improved communications (including roads, and technological advances), demographic changes, education, HIV/AIDS, increased competitive pressure from regional or global markets.

III Here and now

The 3rd dimension addresses matters that have an imminent impact on state-society relations. It includes two sub-categories: the current context and the main actors / stakeholders. These issues will usually also be covered by the regular reporting from Embassies.

Context

This is about how current events and circumstances influence the objectives and behaviour of key actors / stakeholders (see next section). The broader context is shaped by foundational factors and rules of the game; here the interest is in the current situation and potential developments in the near future.

Be selective when discussing this dimension. The emphasis should be on analysis, not detailed description. It may highlight the need for later, detailed analysis (e.g. stakeholder or institutional analysis) to support the design of specific interventions.

Suggested Questions: Where does support for the government come from; is it a stable or fragile coalition? Has a recently contested election damaged its legitimacy? What issues will most influence whether it gets re-elected? Does it have sufficient resources – human and financial – or are these a binding constraint on its ability to act? Does it face a financial squeeze or crisis? How well has it responded? Are there major security concerns – internal or external? Are special events (e.g. hosting the Olympics) influencing policy stances? Are major constitutional changes in prospect? When is the next election?

Think about current events against the background of previous sections of the Power and Change analysis, including 'key trends' (e.g. the changing context for business).

Actors and Stakeholders

This section identifies key actors and stakeholders, taking account of those with institutional capacity to act, and those that share power with the political executive. It covers institutional actors and individuals.

Make a 'most important'-list, e.g. key state ministries and institutions, religious organisations, political parties, the media, diaspora, criminal networks, business, elders, donors, neighbouring country governments.

Suggested Questions: Taking account of the Power and Change analysis, which groups have the capacity to act, and the power to make their voice heard, and must be taken seriously by the government? Do these groups have interests that overlap – actually or potentially – with those of poor people? Which individual actors might be particularly influential, and what are their interests? What issues are groups organising around: tax, service provision, corruption, environmental concerns, gender issues? Or more local, livelihood concerns? More narrow, personalised interests?

Think about how the rules of the game shape the basis on which state and society interact.
Think about individual actors when dealing with highly personalised systems, as they can have disproportionalte influence.
This part could be taken forward using existing tools for stakeholder analysis, mapping interests, capacities, strategies and relationships with other actors, in relation to specific policy areas as required.

IV Operational Implications of the power and change analysis

This section provides a bridge between the Power and Change Analysis and the workshop discussion on operational implications. The PCA is a strategic planning tool. There is no automatic link between the analysis and specific donor interventions or policies. This is in contrast to more normative governance assessments based on World Bank Institute or other indicators that identify institutional "gaps" or weaknesses (such as voice and accountability, rule of law, corruption), with the implication that donors might have a role in directly strengthening the relevant institutions. Instead, the analysis directs attention to deep structures and informal institutions (foundational factors and rules of the game) that shape the incentives and behaviour of current actors. These help explain both weak governance and poor development performance.

The PCA can help with refining existing choices or making new ones, by enhancing understanding of context (the underlying causes of bad governance and weak development); and highlighting opportunities and threats arising from that context that should inform all donor interventions. There will be a need to use other analytical tools (stakeholder analysis, institutional analysis, conflict assessments, growth diagnostics) to explore the priority and feasibility of specific interventions in different sectors. But in each case the PCA provides a reference point for anticipating both the political feasibility of such action and its likely impact on the broader goal of building more effective, accountable states and public institutions.

This section should draw on the Power and Change Analysis: a) to highlight how the political and institutional context of the partner country shapes opportunities and constraints for governance and development, and b) in the light of that to reassess the opportunities and threats for donors, and how they might respond more effectively. At this stage, the objective is not to take specific

account of the Dutch policy framework or of the strengths and weaknesses of the RNE or Ministry. These will be factored in during day 2, step 5 of the workshop, and inform the final process of making strategic choices.

Use this concluding section as a hand-out for the workshop; keep it short (2-3 pages), and provocative. The aim is to direct attention to key factors, not offer solutions.

This section should address the following questions:

1. What are the most important underlying challenges regarding governance?
2. How do these help explain key aspects of development performance?
3. What local incentives and pressures for reform/positive change already exist? How far do these overlap with donor objectives?
4. How would you reassess opportunities and threats for external actors? How could they respond more effectively?

Question 1:

What are the most important underlying challenges regarding governance? Take account in particular of:

i) Foundational Factors that impact fundamentally on governance. These might include oil, weak political community, ethnic cleavages, regional or group based economic inequalitiy, challenging geography etc.

ii) Rules of the Game: these might include limited or violent political competition, highly personalised rule (weak institutionalisation), a dominant military, weakly organised horizontal interest groups, minimal state-society engagement. Of particular concern to donors might be high or growing levels of aid dependency.

iii) Here and Now: a weak coalition, a contested election, a financial crisis, a change of political leadership, etc.

Question 2:

How do these underlying challenges that follow from the Power and Change analysis help explain specific aspects of the country's development performance (e.g. poverty reduction, level of corruption, growth, service delivery, rule of law, human rights)?

Three examples are given below. It is mandatory to provide a worked example concerning a country's level of corruption. In addition, one or more boxes can be provided for other key RNE programme areas. (*This section links directly to day 2, step 4 of the workshop*).

(mandatory) **Example: Corruption**

What factors help explain the existing levels of corruption?

Foundational Factors could include...
- elite competition for rents from natural resources
- weak state legitimacy

Rules of the Game could include...
- weak civil control of the military
- OECD businesses collude in corruption
- exclusive political and social elite
- fierce political competition where 'winner takes all'
- patronage to buy off potential (violent) opponents
- political mobilisation around identity, not issues
- weakly institutionalised public finance management
- personalised state-business relations
- few powerful people pay tax

Here and Now could include...
- a new government proclaims "zero tolerance" for corruption.
- Donor conditionality

Example: Primary Education

What helps to explain low government investment in primary education?

Foundational Factors could include...
- ethnic diversity and factionalism
- gender relations
- state focus on security, not service provision
- challenging geography.

Rules of the Game could include...
- opposition or indifference from a dominant landed or caste-based elite
- political mobilisation around personalities, not issues
- secular and ideological tensions in curriculum development
- weakly institutionalised public financial management.
- lack of clear responsibilities between local and subnational government

Here and Now could include...
- a pending election
- a large new World Bank project

Example: Growth

What factors contribute to sluggish growth?

Foundational factors might include:
- Unequal economic development under colonial rule
- NR rents impede economic diversification, encourage state predation
- Land locked with poor regional infrastructure

Rules of the Game might include:
- Government creates / uses economic rents to buy off opposition
- Little horizontal organisation of taxpayers, business
- Business elite is from a (vulnerable) ethnic minority
- Vested interests impede infrastructure reforms

Here and Now might include:
- Recent fall in commodity prices
- Nationalisation of gas industry deters investors

Question 3:

What local incentives/pressures for positive change related to governance and socio-economic development already exist? (*this could be a good indication of what sort of change is politically feasible in the short to medium-term*). **How far is there an overlap of interests between the government and donors?**

In this context, "incentives" can be regarded as wide ranging motivations that include economic interests (e.g. business seeks more public goods provision), but also political interests (e.g. more rules-based, predictable processes provide entry-points into the policy formulation process).

Donors tend to focus on the " Here and Now " in looking for entry points/other opportunities to support positive change. These factors can be important, but relying on individual reform champions or short-term opportunities can make it difficult to sustain progress. Power and change analysis directs attention to longer term factors that could contribute to changing the institutional incentives faced by key development actors and policymakers.

i) Drawing on Rules of the Game and Here and Now sections, consider which actors (institutional and individual) have the interests and capacity to support different areas of progressive change. Examples of local pressures for change could include: a government seeking to establish legitimacy or gain electoral support by provision of free primary education; concerns among elites about public health issues (e.g. HIV, especially as it affects the military); a growing middle class pressing for action on corruption (particularly if they are taxpayers); businessmen facing international or regional competition, who are demanding better infrastructure or regulatory environments; elite concerns about the potential for conflict arising as a result of demographic change (youths demanding jobs, competition for scarce land or water); groups affected by changes in OECD market arrangements, business practices or financial institutions.

ii) Longer term socio-economic trends also affect the interests of key actors. Positive factors might include urbanisation, increasing education, better communications, growth in particular sectors of the economy, shifts in gender relations -- all of which could be providing incentives and opportunities for different groups to organise.

iii) More "institutionalised", organised parts of the state or civil society could also be sources of pressure for change (e.g. a more assertive legislature, or judiciary). Social mobilisation around a "rights to information" movement might also be important.

The intention here is to make an initial identification of local sources of support or opposition to progressive change. This will need to be supplemented by subsequent, more detailed analysis in specific sectors.

Question 4:

How would you reassess opportunities and threats for external actors, including donors? How might they respond more effectively?

The PCA is based on the premise that improvements in governance and development performance require a domestic political process of constructive engagement between the state and organised groups in society. This implies a limited direct role for external actors, and emphasises the importance of starting with an excellent understanding of the opportunities and threats posed by the local context. It suggests a different role and approach for donors, whatever sector they are working in. The PCA leads them to:

- focus more on influencing the **context** in which formal institutions operate (rules of the game), less on direct interventions to build capacity of formal institutions;
- focus more on addressing the **institutional incentives** that shape behaviour, less on changing behaviour of individual stakeholders (e.g. through conditionality);
- focus more on **processes of change** (especially state-society interaction), less on agents;
- focus more on **governance across all sectors**, and how sector work contributes to governance, in addition to specific governance projects.
- base opportunities and threats more on **local context and pressures for change**, less on a donor agenda.

This section provides a direct link to the workshop, and in particular the opportunities and threats analysis (step 2 on day one by all donors, and step 3 on day two). Its purpose is to help workshop participants to think about

operational opportunities and threats for the overall programme arising from the country context and local pressures for change, before going on to consider strategic choices for the Netherlands (steps 4 and 5 of the workshop). This section should draw on questions 1-3 above, and be presented along the lines of the table below. It is intended to stimulate discussion rather than provide a blueprint for action. Opportunities include making different judgments, and taking different approaches as well as doing different things.

It can be safely assumed that the 'Rules of the Game' dimension will occupy a central position in answering this question and that it will most likely generate the main opportunities and threats in the table below.

Opportunities	Threats
Are there opportunities to address **Foundational Factors** (perhaps indirectly, and incrementally) e.g. the EITI to increase transparency of oil revenues; the Kimberley process to control marketing of conflict diamonds; land reform to address structural inequalities; project design to target social exclusion, help to support state building, or manage ethnic cleavages.	Consider threats arising from **Foundational Factors**: they are fundamental in shaping rules of the game and therefore development outcomes.
Are there opportunities to influence **Rules of the Game?** For instance: i) by supporting **local pressures for change,** and building on what is already working well (even if this does not accord with donor best practice). ii) by changing incentives of key actors through changes in OECD market access to encourage rules-based behaviour (e.g. FLEGT); anti-corruption measures; global financial and trade arrangements; control of the arms trade; action on narcotics.	Consider threats arising from **Rules of the Game**: e.g. political competition based around ethnicity; low levels of engagement and trust between state and society; an over powerful military; weak horizontal interest groups; highly personalised public institutions.

Opportunities	Threats
iii) by working with a wider range of **partners?** -- especially if they have capacity to influence government, even if they do not directly share a poverty or governance agenda. Moderate religious leaders, sections of private business, taxpayer groups, professional associations or trade unions may all have interests that overlap with those of donors. Think about how **elite interests** could be changing. Think about the **language** you use in engaging with these groups (they often find development jargon a turn-off). iv) by devising more **incremental approaches** that might be more politically acceptable. E.g., instead of systemic civil service reform, assistance for more partial reform that has local political support, and is linked to outcomes (e.g. merit based recruitment for certain categories of teachers, or health workers). Or long term support for a policy unit that could help support strategic change (e.g. within a single ministry). v) by **changing donor behaviour** in ways that could have a positive impact on rules of the game. (Think about the impact of aid modalities, especially aid volatility, conditionality, and donor procedures: could more be done to reinforce and not undermine local institutionalised budget and policy processes? vi) by **reducing aid dependency** through increasing domestic revenue raising. Think about **tax reform** as an entry point for improving domestic accountability and government performance.	Where are the major risks for donors? Does external intervention risk making problems worse? (E.g. exacerbating ethnic cleavages; inadvertently fuelling violence; overloading weak administrations; reducing incentives for collective action; reinforcing an overpowerful military) Are there particular risks/ challenges in some sectors? Is unrealistic conditionality leading to aid volatility? Is aid dependency **reducing incentives** for domestic revenue mobilisation, or undermining accountability of government to domestic stakeholders? Is fragmentation of donor effort reducing effectiveness, or **overloading** local policy makers? Are aid modalities undermining local policy or budget processes? Does policy reform risk **neglecting** elite interests, or making it more difficult for governments to control violent opposition? How much **influence** do external actors really have? Are existing assumptions and time frames for programme objectives realistic? Is dialogue too focused on donor interests, rather than on potential areas of overlap with interests of partners?

Opportunities	Threats
viii) by revisiting **civil society strategies**, with a focus on opportunities to support more productive state-society engagement, not just "demand side" pressure. ix) by making better use of **information and communication** strategies, to encourage organisation by service users/ taxpayers/civil society groups, and better-informed public debate/media coverage. x) by supporting **sector level programmes** that could contribute to demands for better governance in the medium term (education, roads, jobs). xii) by **joining up diplomatic, commercial, security and development interests**.	
Here and Now Opportunities might include: reformers in key positions; a fiscal crisis that provides incentives for revenue reform; hosting a major international event that puts the spotlight on human rights; general elections.	Think about the **Here and Now**: is there a need to re-evaluate the significance of current threats and opportunities (e.g. reformers may have less room for manoeuvre than is often assumed, but threats (e.g. a fiscal crisis), could provide entry points for starting to change the rules of the game (e.g. by providing a stimulus for tax reform).

3 The Workshop

Introduction

Taking the Power and Change analysis as a starting point, a 2-day workshop provides the setting to review strategic priorities for governance and anti-corruption, as formulated in the Multi Annual Strategic Plan (MASP).

Hand out Power and Change Analysis (including the Operational Implications of the PCA – Section IV) to all participants beforehand.

- Day 1 is reserved to discuss and consolidate the findings (optional: including external stakeholders, e.g. like-minded donor countries, experts, civil society, academics, government representatives as appropriate)

Day 1: validate findings

- Day 2 focuses on discussing the implications for RNE governance and anti-corruption strategies and for the existing MASP (recommended: for Embassy and Ministry staff only)

Day 2: discuss RNE strategy

Day 1: Consolidating the Findings

Step 1 – Agree on the Findings

>>> To what extent do you agree with the Power and Change analysis? What important pieces of information are unclear, missing or incorrect?

Discuss the findings of the Power and Change analysis. Also take note of the data which is provided in the Track Record and in other reference reports, and address the following question:

Allow points of divergence within the group. It is unlikely that everybody will agree on the findings.

Do you agree with the conclusions of the analysis?
Note areas of agreement or disagreement regarding the Power and Change analysis, including the section on "Operational Implications of the Power and Change Analysis" discussion document.

Step 2 – Discuss Implications for Donor Agendas

>>> What are the implications of the Power and Change analysis for external support, and specifically for governance and anti-corruption interventions?

At the end of Day 1, there could be an opportunity for donors jointly to take stock of current approaches and strategies in the light of the Power and Change analysis. Drawing on the "Operational Implications of the Power and Change Analysis" section, are donors sufficiently alert to the underlying challenges? Are current approaches and timeframes realistic? Are there missed opportunities? How do the political and bureaucratic pressures on donors (e.g. to disburse funds) affect local rules of the game? Could changes in aid modalities or donor procedures help (e.g. by reducing transaction costs, or uncertainty; or by helping to reinforce domestic accountability, rather than accountability to donors?).

The discussion could be framed in terms of reassessing opportunities and threats for donors, as presented by the country context.

Day 2: Towards Governance and Anti-Corruption Strategic choices for the Netherlands

On Day 2 of the workshop, participants consider the implications of Power and Change Analysis for the strategic choices facing the Netherlands in implementing the MASP. The initial focus is on governance (including anti-corruption), but (as the PCA highlights) foundational factors and rules of the game will affect work in all sectors; and there could be opportunities to support better governance through sector work. So workshop participants need to look at the programme as a whole, not just governance.

Power and Change Analysis can add value and complement the MASP by:

- Providing a context analysis that helps to explain underlying reasons for current "**development trends**".
- Enriching **stakeholder/actor identification/analysis** by directing attention to underlying rules of the game that shape their interests/behaviour, and testing the extent to which there is overlap between interests of partners and the RNE.
- Underlining the need for realism about objectives and timeframes, but also highlighting new opportunities and threats in considering the **Dutch policy framework**.
- Drawing up implications for the overall embassy policy, including political, economic, development and security issues.

In one day it will be possible only to kickstart the process of reviewing strategic priorities, by:

- reviewing opportunities/threats at the level of the overall programme, in light of the PCA.
- considering the implications for one or more specific sectors/themes (including anti-corruption).
- Identifying the implications for the current MASP, taking account of external opportunities/threats, but also the Dutch policy framework, and internal strengths and weaknesses.

Step 3 – Review Opportunities and Threats

>>> What does the Power and Change analysis tell you about the existing country strategy, as set out in the MASP? Does it suggest different opportunities and threats that imply elaboration/refinement of strategic goals and intervention strategies (or in extreme cases different strategic choices for the RNE's development programme)?

Power and Change Analysis can initially be discouraging. It highlights threats, including huge governance challenges, long timescales for fundamental change, and the limited influence of outsiders on internal political processes. But it also highlights new opportunities for donors, provided they are prepared to take a long-term view, and work in more indirect ways to support change at the level of institutional incentives or rules of the game.

Use the opportunities and threats analysis included in section IV of the Power and Change Analysis ("Operational Implications") as a starting point for discussion. In the light of this, do you need to re-assess priorities, risks, realism of time frames and objectives, alignment with local priorities? What is working well, what is not working, and why? What does the PCA tell you about key judgements that the embassy makes (e.g. about conditionality, or budget support) and the way to approach political dialogue? It may highlight the need to give greater priority to existing interventions (e.g. the Paris agenda, or action at the level of the OECD or EU). It may also highlight the need to develop new skills and ways of working.

Step 4 - Reassess Opportunities and Threats for Sectors/themes and Approaches (MASP)

>>> How could RNE approach development in key sectors more effectively?

There will not be time to address this question for all sectors of the programme, or in much detail. Take one or two key programme areas/themes or sector level objectives. Anti-corruption should always be included. Consider how, in the light of the opportunities and threats analysis under step 3 above, you might

want to approach things differently. You should draw on section IV of the Power and Change Analysis (Operational Implications), in particular question 2 that suggests how underlying governance challenges help explain development performance in key sectors. This provides information about the **context** for action. You should also draw on specialist sector knowledge as appropriate, to provide information about the **content** of proposed reform.

Here are some examples of how you might want to approach things differently:

Anti-Corruption (mandatory)

Donors often approach anti-corruption by establishing or supporting Anti-corruption Commissions, advocating new legislation, and supporting civil society anti-corruption groups. In some cases these approaches may be effective, but, especially where there is little political interest in addressing corruption, more indirect approaches may be appropriate.

i) What are the local pressures supporting anti-corruption? For example:

- pressure from opposition groups, including faith-based groups?
- Government needs tax revenue, and faces (potential) pressure for better public expenditure management from business, taxpayers?
- Local business responds to action by OECD business/financial institutions/ governments to reduce collusion in corruption?
- Service users may have interest/capacity to organise and press for increased accountability?
- Pressure from advocacy NGOs, with international support? From the media?
- Investors, new business interests are demanding better public goods?
- Technology reduces direct links between bureaucrats and citizens.

ii) What action could donors take?.

- Do more to limit access of political elites to rents from untransparent natural resource exports, and corrupt earnings (by support for EITI, OECD anti-corruption measures and compliance with the UN Convention against Corruption). Support CSOs that advocate implementation and review of compliance with the UN Convention against Corruption.
- Change conditions for entry of products to EU markets to provide incentives to fight corruption (e.g.FLEGT). Work with the private sector (e.g. pharmaceutical companies to limit corruption in drugs procurement, banks in order to prevent transfer of illicit funds abroad).

- Provide long-term support to improve public expenditure management and procurement, and link this to support for CSOs that call for increased transparency in government finance.
- Consider how aid modalities affect the rules of the game: more predictable funding, and support for more institutionalised budget processes, could provide entry points for MPs and civil society groups to scrutinise the use of public funds.
- Excellent public information about the source and use of donor/taxpayer funds could encourage more public scrutiny (e.g. the PETS process in Uganda).
- Support national and sectoral business coalitions for change and voluntary codes of business conduct.
- Think about tax relationships. In some cases (e.g. post conflict) the task may be to re-establish a basic capacity to collect tax. In others there could be opportunities to support tax reform in ways that help strengthen governance capability and accountability (e.g. simpler, more transparent, more broadly based tax regimes could reduce opportunities for evasion, and strengthen accountability by stimulating taxpayer mobilisation. More public debate about tax and spending could stimulate action by the Public Accounts Committee). Even where reform is difficult, small, practical steps could start to change rules of the game; and tax is such a strategic governance issue that it should not be too readily consigned to the 'too difficult' box.
- Even when opportunities for governance reform at the national level are limited, there may be entry points at the local level. In some settings, the entry point might be bottom-up participatory reform, such as community-driven development, especially when it also supports the development of local government transparency, capacity and accountability.
- Support reforms to empower users like parental participation in schools, water users associations, community conservation groups in order to strengthen the demand for accountability .
- In all these examples, it is important to think about state-society interaction: changes (sometimes quite small ones) in the way public institutions operate could provide entry points and incentives for interest groups to organise; this in turn could increase pressure for greater public accountability, and the ability of politicians to make effective policy responses.

Growth

(the PCA might be used alongside other analysis, e. g. the Rodrik/Hausmann growth diagnostics).

Donors often focus on strengthening formal institutions to improve the investment climate (e.g. legal protection of property rights). The PCA puts the focus on more informal aspects (e.g. state-business relationships, or impact of the global environment on political incentives for change).

i) What are the local pressures for change? For example:

- Political elites need revenue (if not, they may not be very interested in growth)
- Investors are organising to press for improved infrastructure, other public goods.
- New regional or global market arrangements increase competition/ provide incentives for government, business to address constraints.
- Changes in technology provide new opportunities for investors.

ii) What action could donors take? For example:

- Action at a global level on subsidies, market access, measures to strengthen rules-based behaviour.
- Form partnerships with OECD businesses (concerned about reputation) to take action on corruption, illegal trade in natural resource products, narcotics,
- Support tax reform to strengthen state-business bargaining around public goods provision.
- Help tackle key constraints (e.g. poor regional infrastructure).
- Contribute to public debate, good statistics and other information sources.

Service Delivery: Primary Education

Despite a PRS process, there may be little genuine political commitment to improving delivery of basic services. So, there may be a need for longer term, more indirect strategies to start changing the rules of the game.

i) What are the local pressures for improved primary education? For example:

- from government, seeking to establish legitimacy, win votes?
- from parents, teachers, civil society organisations, business, religious authorities?

ii) What action could donors take? For example:

- provide long-term, predictable funding to encourage more rules based planning and budgeting, and provide entry points for political activists/ elected representatives/user groups to engage with policy and planning processes.
- focus on some visible outputs (e.g. textbooks) for which politicians can claim credit.
- support better, more accessible statistics/public information about objectives and progress to facilitate informed public debate, including about how public funds are allocated and used, the extent and quality of educational provision, regional benchmarking etc
- engage with teachers' unions to gain support or minimise opposition.
- engage with business which may have interests in improving workforce skills.
- if there are local schemes that are working well (e.g., to counteract teacher absenteeism) these could provide a starting point to build on.

Step 5 – Action Plan for SGACA Follow-up

In this last step the consultants set out together with RNE the next steps that are envisaged as a follow-up to the SGACA process. Does the SGACA process lead to refinement or elaboration of the current MASP? Is there a need to revise expectations, objectives, timescales, partners and approaches within existing sectors? Are additional in-depth political economy sector analyses required? Are the internal strengths and weaknesses of RNE in line with new priorities/ approaches? How can the Support Programme for Institutional Capacity Development (SPICAD)[3] be connected to the SGACA outcomes, and can SPICAD be used for long term support to SGACA related issues? Is additional support from DMH, consultants or academic/research institutes required?

3 The SPICAD aims at enhancing the existing capacities of embassy staff to support their partners in addressing institutional and capacity development challenges.