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DAC Network on Governance

# Survey of Donor Approaches to Governance Assessment

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development  
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AND production

## ACRONYMS

ADB	Asian Development Bank
AfD	French Agency for Development
AfDB	African Development Bank
AML	Anti-money Laundering
CGA	Country Governance Assessment
CGAC	Country Governance and Anti-Corruption
CGP	Country Governance Profile
CPIA	Country Policy and Institutional Assessment
DAC	Development Co-operation Directorate
DFID	Department for International Development
DGIA	Democratic Governance and Institutional Assessment
DIAL	Développement, Institutions & Analyses de Long Terme
DoC	Drivers of Change
EC	European Commission
EU	European Union
GA	Governance assessment
GAC	Governance and Anti-Corruption
GACD	Governance and Anti-corruption Diagnosis
GICRA	Governance, Institutional, and Corruption Risk Assessment
GOVNET	Governance Network
GP	Governance Profiles
HQ	Headquarters
IADB	Inter-American Development Bank
IFI	International Financing Institutions
IGR	Institutional and Governance Reviews
IMF	International Monetary Fund
JVP	Joint Venture for Procurement
MCC	Millennium Challenge Corporation
MERV	Monitoring of Development-Related Context Changes
MFA	Ministry of Foreign Affairs
MINEFE	Ministry of Economy, Finance and Employment
NA	Non applicable
OECD	Organization for Economic Co-operation and Development
OHCHR	Office for the High Commissioner for Human Rights
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
ROSC	Report on Standard and Codes
SAF	Stability Assessment Framework
SCA	Strategic Conflict Assessment
Sida	Swedish International Development Cooperation Agency
ToR	Terms of Reference
WB	World Bank
WBI	World Bank Institute
WGI	World Governance Indicators

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## Executive Summary

Bilateral and multilateral development agencies have engaged intensively in assessing governance over the last decade. To explore opportunities for increased harmonization and alignment in this area, members of the OECD DAC's GOVNET have commissioned a survey of donor approaches to governance assessments. The survey reported here focuses on general and thematic governance assessment approaches actually used by agencies.

The survey identified 11 agencies having 17 general assessment tools in use and 3 under development, while 6 agencies which presently have no own tools are developing these. 9 agencies reported having 13 thematic tools in use, 4 of these and 3 other agencies are developing new tools. The thematic tools category includes assessment tools related to conflict, human rights, corruption, and sector assessments, as well as tools which focus on particular themes (e.g. financial governance aspects).

There is group of donors who refer to the findings of governance assessments of others as part of their own approach, and some donors actively apply other donors' tools rather than having their own.

### *Why and where are donors assessing governance?*

The most common purposes of conducting governance assessments are to inform country strategies, and to enhance dialogue about and design of specific governance enhancement support. Most respondents indicated that the assessments serve multiple purposes. A number of approaches are explicitly used to determine aid allocations.

Other tools have evolved towards a de facto standard or benchmark for specific processes or institutions (e.g. central banks, public financial management).

General accountability to donor constituencies is not reported to be the sole purpose for any of the approaches surveyed, and may thus not be a strong incentive for donors to seek their own individual governance assessments.

The survey indicates that donor approaches to governance assessment are mostly driven by purposes linked to policy dialogue; more detailed planning of support to governance enhancement activities and strategic decisions regarding aid to specific countries.

General governance assessment tools are mostly applied to all partner countries of a given donor, whereas thematic tools are applied more selectively. A partial count indicates that some countries can have more than 10 donor-driven governance assessments over a period of relatively few years.

### *How is governance assessed?*

Governance assessments cover a broad range of issues and processes. General assessment tools focus mostly on political systems and public administration, with corruption being assessed in all but one tool. Most tools also address social governance issues including for example, pro-poor spending and the access to and effectiveness of service delivery.

'Governance' thus functions as an umbrella concept, focusing on factors which are associated with the conditions in most present-day OECD countries, as well as with certain desired policy-outcomes such as poverty-reduction. This illustrates the difficulties of basing discussions about the causal relations between 'governance' and 'development' on such broad and imprecise concepts.

Some tools include a mapping exercise aimed at identifying and analysing relations among relevant governance actors (state, civil society or economic actors). This is largely the case of more politically oriented analyses. The qualitative approaches deal extensively with the less formal aspects of governance, such as power and the behaviour of elites.

The time-horizon implicit in the different approaches varies: some take a snapshot, some look at trends over 3-4 years, while political analysis oriented tools explicitly look at the longer historical trends.

The wide scope of factors, actors and time perspectives in various assessment tools points to what might be one of the main reasons for the plethora of approaches available: they are all based on different sets of underlying assumptions, hypotheses and values, which in most cases are not explicitly spelled out.

Not surprisingly, the assessment tools producing indicator sets tend to be perceived to be more methodologically rigorous than other tools. The more the tools move towards analyses of underlying factors, the more flexibility is built in.

The vast majority of tools surveyed use secondary data for their assessments. Almost all tools draw on perception-based data primarily derived from surveys and expert groups. Most instruments combine several sources of data, like expert panels, public surveys and reviews of laws and instruments.

To a large degree donors build their different approaches on the same underlying data sets, indicating the need to question the methodological rationale for having so many different quantitative approaches.

Many donors are aware of the limitations of quantitative indicators, having a clear understanding that the more aggregate an indicator is, the less likely it is to point to possible interventions that would address the causes of the situation indicated.

The majority of the assessments are conducted by agency staff. This is found to be critical both for improving the quality of the assessment and for building up ownership for future use of the assessment results.

Donor assessments generally involve domestic stakeholders from government, civil society and/or the private sector, but in varying degrees. Those conducted without consultation are the global approaches which build on available indicators, and some political/power analyses. The involvement of domestic stakeholders ranges from merely informing the government that the governance assessment will proceed, to attempts to consult on the pertinence of timing, scope and process of the assessment, to validation of findings.

In most cases assessment results are not actively disseminated publicly. Most donors only disclose results with the consent of partner government, or not at all. Rather than seeing this as an issue of principles, agency representatives expressed a pragmatic position in interviews, maintaining that participation and disclosure issues should be treated as a means to an end, rather than as an end in themselves.

#### *Usage of governance assessments*

The actual usage and impact of the governance assessments have only in few cases been reviewed by the agencies holding the tool. Five factors appear to be critical for how the results of the governance assessments are used:

- *Linkage to programming* is regarded as *the* critical factor determining if and how assessments are actually used;
- *Field-driven demand for the assessment* is important to ensure not only quality assessments but also their subsequent use;
- *Participation of donor staff in the GA process* is furthermore considered critical;
- *Removal of institutional disincentives* like e.g. disbursements pressures and incentives to demonstrate short term impact, enhance the use;
- *The link to conditionalities*. A link between funding and governance assessment results may in some cases provide effective incentives for countries to improving their ranking in assessments.

#### *Harmonization of donor approaches to governance assessments*

The evidence of actual joint or harmonized general governance assessments is still fairly limited, while there has been a more intensive development of joint or shared approaches in specific areas like e.g. public financial management and procurement.

Tools of one agency have in a number of instances been applied in multi-donor arrangements. However, several donors admitted during interviews that they were not necessarily very active in engaging with others in this area.

With regards to partner involvement in donor governance assessment exercises, there is a continuum of partner participation practices, ranging from light consultation of partners to more comprehensive partner participation, and even partner-led assessments.

#### *Why are there so many donor approaches, and why is harmonization difficult?*

It is the purpose of the London conference for which this report was prepared to identify how harmonization and alignment can be advanced in relation to governance assessments. This survey points to two underlying factors which could explain the current situation:

First, governance assessments approaches seem mostly to have been developed in response to narrower individual agency needs and concerns, not strongly related to partner-country governance processes and concerns. The assessments may seem more driven by policy agendas in individual donor countries and agencies than by an interest in learning about the links between governance factors and development outcomes in different country contexts.

Second, this might explain why the underlying assumptions behind particular general governance assessment tools are usually not explicit, and that despite many differences there are also striking similarities between many approaches. Neither the differences nor the similarities appear to be very principled.

If this interpretation is correct, then there may be harmonization opportunities to explore in at least three areas:

- through a stronger focus on specific and thematic assessment tools which can build on more limited assumptions;
- through a clarification of the assumptions behind general assessments tools which might lead to a “principled reduction” - but not elimination - of the diversity of tools;
- through bottom-up harmonization and alignment closely linked to the governance challenges in particular countries and country-led initiatives and assessment processes.

## 1. Introduction

Governance is an issue to which bilateral and multilateral development agencies have paid increasing attention over the past decade. As a natural corollary, they have engaged heavily in assessing governance. Incentives for and purposes of these assessments have varied across agencies, and have led to a plethora of governance assessment approaches across and within individual agencies.

To explore opportunities for increased harmonization and alignment in this area, members of the OECD DAC's GOVNET have agreed to promote peer learning and search for better practices in donor approaches to governance assessments with the commissioning of the following sequential tasks:

- Conduct of a preliminary survey mapping available governance assessment tools, processes and cases used by GOVNET members
- Organization of an international meeting on Donor Approaches to Governance Assessments (February 20-21<sup>st</sup>, 2008 in London)
- Development of good practice principles or guidance on harmonization of the practice of assessing governance.
- Drafting of a sourcebook of donor approaches to governance assessments

This survey reports on the first task listed above, with the objective of enabling readers to gain an overview and identify macro-trends with regard to assessment purposes, processes, instruments, usage, and harmonization. The report summarizes findings on 30 different bilateral/multilateral governance assessment tools (see Annex 4 for list of tools).

The survey focuses on governance assessment approaches *actually used* by bilateral and multilateral donors and development banks. A number of tools under development have been included. However, it is important to stress that tools have only been included when agencies have reported on them. The survey does not therefore provide a complete overview of all governance assessment approaches in use. Neither does the survey include a detailed description of methodologies and tools on which donors draw (e.g. Transparency International's corruption perception indices), as these tools are sufficiently well described in other recent surveys<sup>1</sup>.

The first sections of the report briefly set the scene for governance assessments, and then provide an overview of donor approaches to governance assessments. This is followed by a look at why and where donors assess governance, what they assess, and how they apply their approaches. The report then looks at the use of the governance assessments and trends towards harmonization of approaches. There is no concluding chapter, instead a separate concept paper has been prepared for the London conference on donor approaches to governance assessments, to be held 20-21 February 2008.

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<sup>1</sup> See e.g. UNDP's surveys on the matter such as *Governance Indicators: A Users' Guide* (UNDP, 2007a) and the *Preliminary Survey on Donor Use of Governance Assessments* (UNDP 2007b); and the database created by IADB with DFID financing: DataGob ([www.iadb.org/datagob](http://www.iadb.org/datagob)) which contains some 400 publicly available governance indicators.

## 2. Setting the scene: what is the matter with governance assessments?

Governance assessments and governance indicators have been extensively researched<sup>2</sup> and discussions have ranged from the more technically oriented debates about validity and robustness of indicators, to broader issues of the “politics of governance assessments”, focusing for example on the difference of impact between donor-driven assessments and assessments instigated by domestic stakeholders in countries.

The governance field is plagued by notoriously broad and contested concepts; implicit assumptions about the governance; limited availability of “hard” evidence; and significant methodological differences between different social science disciplines (Kjaer 2004). The categorization of governance assessments (GAs) is thus a true art of the impossible. This is not only because governance definitions vary among users, from normative single-issue understandings, to catch-all concept models (Hyden, 2007), but also because a categorization model which captures all elements - and sub-elements - of a given tool is yet to be developed (Landman & Häusermann, 2003; Rakner, Menocal, & Fritz, 2007).

Six questions illustrate the main challenges related to governance assessments:

- *What is governance?* Does it only refer to the “rules of the game”, or also to the outcome of the game? Is it mainly about government’s business, or is it about the multiple relations between public sector and the rest of society, as well as about the rules of the game between and inside different public sector entities? Is social and corporate governance also part of the issue?
- *Is governance a “technical” or a “normative” concept?* Is it best used as a functional, technical concept which describes the world as it is, or is it most useful as a normative concept based on a vision about how the world should be?
- *Does “good governance” lead to poverty reduction?* Can purportedly “good” governance result in legitimate policy choices which are pro-rich rather than pro-poor - or is “good governance” inherently pro-poor, as often assumed and as often contested?
- *What is a governance assessment?* What is the difference between measuring, assessing, analyzing, understanding, benchmarking, describing, monitoring and evaluating governance?
- *What counts as an assessment tool or assessment methodology?* Should it pass a minimum threshold of systematization, rigour and comparability across time or location, or can an approach simply requesting a qualitative report that addresses a number of random issues count as a tool?
- *Which data should governance assessments build on?* Which data can be considered “hard”, “objective”, “factual”, “quantitative”, “experience-based” - as different from “soft”, “subjective”, “perception-based” and “qualitative”?

When these issues are combined with the sometimes contentious component of political correctness, high ambitions with regards to harmonization, and simultaneously strong institutional incentives on the part of agencies to prioritize their own daily business - then it is little wonder that a discussion on governance assessments can be obscure and inconclusive.

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<sup>2</sup> The list of references includes only a small subset of the available literature

This survey does not attempt to provide definitions or give solutions to all of the challenges listed above. Instead, it will follow the more modest path adopted by several other studies by aiming to:

- *Unpack the issue* by breaking down governance assessments into a logic which treats governance assessments as a means to an end. In this perspective, governance assessments are not only a set of indicators, but as much the process through which a tool is used, the institutional setting it is used in, the participation (or not) of those being assessed, and the way results shared (or not).
- *Accepting methodological ambiguities.* Governance and governance assessments deal with the complex and contentious issues of power, interests, politics - in both their formal and informal manifestations - as well as with more technical issues. No definition, theory or discipline can claim monopoly or superiority when dealing with these issues. This is not a plea for unprincipled opportunism, but a call for curiosity, humility and interdisciplinary dialogue.
- *Accepting ambiguous aims and incentives:* Aid agencies pursue multiple and partially conflicting objectives, which often provide staff with a set of conflicting incentives. This is well known in relation to the pursuit of harmonization and alignment, and it is maybe even more the case in relation to donor approaches to governance assessments, because of the political sensitivities linked to issues like corruption and aid to semi-authoritarian regimes. Accepting the political economy factors driving agency behaviour and discussing them openly is a more promising way to advance harmonization and alignment than political correctness.
- *Identifying dilemmas, frontiers and challenges:* The fairly mechanical survey instrument used for this exercise only gave a broad overall picture. In follow-up interviews views were solicited on the dilemmas that agencies face in this area, areas where new ground is tested, and the challenges of advancing the harmonization and alignment agenda in a realistic manner, with transparency of methodology as a first step. These challenges are discussed in a separate concept paper prepared for the February 2008 London Conference.

### 3. Scope of the survey

The Terms of Reference for the survey included two sets of governance assessments used by GOVNET members:

- Descriptive and analytical state/country level assessments (hereafter referred to as “general assessments”)
- Thematic assessments (“spotlight issues”) including corruption assessments, human rights assessments, capacity assessments, conflict assessments and sector level assessments.

There is no clear way to distinguish between a governance assessment, a general assessment and a thematic assessment, respectively. This matter is further complicated by the fact that the thematic assessment areas identified for the survey have particular relationships to governance: corruption (or anti-corruption) assessments and sector governance assessments can be considered a subset of governance assessments, while the other thematic areas (human rights, conflict, capacity) fall partly under governance, and partly outside.

Conversely, there are other thematic assessment areas which agencies may or may not categorise under the governance assessment label. This is particularly the case for assessments on issues of financial safeguarding, public financial management, procurement, and related areas. The survey on which this report is based, has included key thematic assessment tools such as the Public Expenditure and Financial Accountability (PEFA) and the OECD-DAC Benchmarking and Assessment Methodology for Public Procurement Systems.

A methodological choice was made to leave it up to the initially selected respondents (GOVNET members) to define themselves what they considered to be relevant governance assessment tools to be included in the survey, and to direct the study team to other contacts in their country and/or agency currently using other approaches and tools to assess governance.

In addition to this, there are three important issues to bear in mind with regards to the chosen methodology:

- Firstly, the survey is limited to assessments actually applied by the agencies, since its key focus is on the actual use and impact of the tools. However, this report also includes additional information about specific assessment approaches under development, as this is of special interest from a harmonisation perspective. Third party assessments are not included, as several comprehensive surveys deal with this issue (see footnote 1). Nationally conducted assessments are not included either, even if they receive support from donors (such as the African Peer Review Mechanism or the assessments conducted within the framework of the OECD’s Metagora project).
- Secondly, the self-selection approach implies that there are some additional assessment approaches, as well as “self-excluded” assessment approaches in use which the survey has not captured, but which might have been, from a methodological perspective, interesting and relevant for the survey<sup>3</sup>.
- Thirdly, while the term governance assessment “tool” has been used throughout the report, the term covers a range of different assessment methodologies, from highly systematized and rigorous tools to relatively loose processes.

It has been argued that the term “assessment” indicates a more “judgmental” approach compared to other similar terms, for example, “analysis” or “diagnosis”. The report does not take a position on this debate, but instead simply adopts the term “assessment”, as is consistent with the Terms of Reference.

Table 1 shows the number of organizations included in the survey and the response rate.

**Table 1: Respondents, response rates and tools reported**

	Donors/ Agencies contacted	Donors/ Agencies responding	% response rate
Bilateral donors	21	18	86%
Multilateral agencies	9	9	100%
<b>Total</b>	<b>30</b>	<b>27</b>	<b>90%</b>

<sup>3</sup> Particularly the World Bank reportedly holds a considerable number of assessment-oriented tools which could be considered relevant for the survey but which may not be in frequent or systematic use. The Bank chose to the relief of the survey team to limit its response to the assessment approaches considered most central to its work.

The survey methodology is presented in detail in Annex 3.

Table 2 provides an overview of the assessment tools that countries and agencies reported on, distinguishing between

- Countries/agencies with own tools actively applied/in use
- Countries/agencies with own tools under development
- Countries/agencies which use or refer to tools developed by others

Table 2: Tools in use and under development

Country/Agency	Own general GA tools		Own thematic tools		Using/referring to tools of others	
	In use	Under development	In use	Under development	General GA tools	Thematic tools
<i>Country</i>						
Australia					/	/
Austria		/		/		
Canada		/			/	
Denmark		/				
Finland					/	
France	/			/	/	
Germany	/		//			
Greece		/				
Ireland					/	
Japan					/	
Luxembourg						
Netherlands	/		/	/		
New Zealand					/	
Spain		/				
Sweden	/					
Switzerland	///					
United Kingdom	//	/	/	/	/	
United States	//		//	/		
<i>Multilateral agencies</i>						
ADB		/				
AfDB	/					
EC	/	/	/		/	
IADB	/					
IMF			///			
OECD/DAC			/			
OHCHR				/		
PEFA			/			
WB	///	/	/	/		
<b>Total</b>	<b>17</b>	<b>9</b>	<b>13</b>	<b>7</b>	<b>9</b>	<b>1</b>

The thematic tools category includes assessment tools related to conflict, human rights, corruption, and sector assessments<sup>4</sup>, as well as other tools which focus on particular themes (e.g. financial governance aspects).

<sup>4</sup> Capacity assessments were not reported on.

As shown in table two, the majority of donor instruments “on active duty” are general governance assessments tools - the total number being 17. In terms of applied thematic tools, five have been classified as specific conflict assessments; two as specific corruption assessments; one as a specific human rights tool; and five others as specific to other themes, mostly related to public financial management (see Annex 4 for a list of all tools in use).

#### Box 1 Approaches and tools under development

- *Austria* is in the process of developing a Governance/Human Rights Handbook based on their 2006 policy. The handbook is scheduled for release during 2008.
- *Denmark* is to launch development of a Political Stakeholder Analysis tool to be used for sector level programming, including joint programmes that are relevant. This is scheduled for launch in 2008.
- *Canada* is in the process of developing a new Governance Assessment Tool (GAT) to be used in all countries and regions receiving CIDA assistance as a requirement guiding programming for a period of 5 years. The CIDA-GAT is scheduled for piloting during the 1<sup>st</sup> quarter of 2008.
- *France* is in the process of developing a conflict assessment tool called “Fragile states and situations of Fragility’s Grid of Analysis”.
- *Greece* is developing a governance assessment tool.
- The *Netherlands* is developing a Quick Scan Stability Assessment Framework to be employed for 3-week assessments in emergency situations, in countries without an embassy, and with the purpose of recommending practical/operational interventions.
- *Spain* will start conducting governance assessments in the context of country strategy development work based on a new governance strategy to be approved shortly
- *United Kingdom* (DFID) is piloting a new Politics of Development tool; a second generation political analysis (Drivers of Change) instrument with the objective of delivering detailed analysis of political questions emerging around assistance programmes. This tool is designed to be applied at both the macro and sectoral level and is scheduled for release in early 2008. A Human Rights Assessment tool is also under development.
- The *Asian Development Bank* (ADB) is developing a Governance, Institutional, and Corruption Risk Assessment (GICRA) tool to be applied at country, sector, and project level, with focus on public financial management, procurement, and combating corruption. The approach emphasizes the use of other assessments such as PEFA and the OECD public procurement framework as well as studies by Transparency International and others. GICRA is scheduled for release in early 2008.
- The *European Commission* (EC) is developing a tool to analyze and address governance at sector level with the purpose of achieving better and more sustainable results in sector development support.
- The *United Nations Office of the High Commissioner for Human Rights* (OHCHR) is in the process of developing a framework of Indicators for Human Rights Assessments to be applied by States for assessing their own human rights/governance performance. The framework and related lists of illustrative indicators will be published early 2009.
- The *World Bank* (WB) is developing a process tool entitled Country Governance and Anti-Corruption (CGAC), with the purpose of strengthening World Bank Group engagement on governance and anticorruption through the Country Assistance Strategies (CAS). During 2008, the CGAC will be piloted in a number of countries in order to determine how it can later be mainstreamed.

Amongst the agencies reporting on governance assessments, two main trends can be identified: (i) *New tool* development by bilateral donors currently not holding GA instruments (Austria, Denmark, Greece, and Spain) addressing primarily thematic/sector needs<sup>5</sup>; and (ii) development of *second generation or supplementary instruments* (Netherlands, UK, EC, ADB and WB) with the objective of meeting identified shortcomings through stronger programme linkages, speedier assessment processes, and more systematic assessment results. The objective may also be to cover governance themes not dealt with by other instruments (see also Box 1 above).

There is final set of donors using or referring to other donors' GA tools and/or results when conducting governance processes. Neither Canada, Denmark, Ireland nor Japan have (for the time being) own GA tools; however these four donors do *refer to other donors/institutions' GA findings* for reviewing country/sector programmes (Denmark); drawing up assistance policies and deciding on project/program appraisals (Japan); and formulating country strategies (Canada/Ireland). France refers to other GA findings with the objective of contributing to a harmonized donor response. Chapter 7 will detail the use of these tools by these donors in the broader context of how donors assess governance.

Certain donors *actively apply other donors' GA tools*; either jointly or as a bilateral exercise. In the interests of aid harmonization, AusAID has contributed to a DFID Country Governance Assessment (CGA) exercise in Cambodia, conducted a Drivers of Change (DoC) exercise in Vanuatu, and is planning to apply the Global Integrity Index to Papua New Guinea, East Timor and Vanuatu. Canada, DFID, UNDP, the EU and the Inter-American Development Bank (IADB) have (amongst others) participated in a joint exercise in Guyana applying the Democratic Governance and Institutional Assessment (DGIA) tool of IADB. Most EU member states have in various countries participated in and drawn on the EC governance profiles.

#### 4. Why are donors assessing governance?

The most commonly reported purposes of conducting GAs are to *inform country strategies*, and to enhance *dialogue about, and design of specific governance enhancement support*. Assessments are less frequently used to inform in-country aid allocation across sectors or to help designing interventions which are not exclusively governance focused. There appears to be a general movement away from conducting GAs for the purpose of broad awareness-raising, and towards GAs for more specific programming purposes (e.g. in DFID's Country Governance Assessment (CGA), the ADB's coming Governance, Institutional, and Corruption Risk Assessment (GICRA), the WB's Country Governance and Anti-Corruption (CGAC) process, and the EC's coming sector governance approach).

It is noteworthy that most respondents indicated that *the GA serves multiple purposes* - and more than one third of respondents indicated that the GA approach served five or more of the specified purposes.

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<sup>5</sup> Canada's new tool under development is not thematic/sector-driven.

Table 3: Purposes of Governance Assessments<sup>6</sup>

	N=30
1. Purpose related largely to donor decisions/concerns:	
a) Overall country allocations of aid	20%
b) Country strategies (in so far that these are not joint) and sector allocations	63%
c) Incremental, incentive based aid allocations	13%
d) Risk management (country procedures vs donor procedures)	37%
e) General accountability to donor constituencies	20%
2. Purpose related to specific donor-partner dialogue and cooperation:	
a) Aid allocation decisions	17%
b) Performance assessment frameworks	27%
c) Detailed operational set-up of aid delivery/monitoring mechanisms	27%
3. Purpose related to the promotion of domestic governance enhancement:	
a) Policy/political dialogue at general or at sector level	63%
b) Design of specific governance enhancement support	74%
4. Other purposes	33%

The degree to which the GA tools are linked with programming cycles varies. The WB’s World Governance Indicators (WGI) tool is designed to “draw attention to areas of weakness that can be further specified and diagnosed through more specific instruments”<sup>7</sup> and is not designed to feed directly into programming. Other tools have linkages to programming directly built into the GA process. One such example is DFID’s Strategic Conflict Assessment (SCA) tool, which not only details a follow-up process for development and/or refinement of DFID policy and programme approaches, but also offers guidance on how to influence other donors’ responses to conflict (see Box 2 below)(DFID, 2002).

**Box 2 Governance assessments for programme redesign – Nepal**

In Nepal, DFID undertook a Strategic Conflict Analysis and a Programme Level Conflict Analysis. These analyses were undertaken at a time of increasing levels of violence and at a moment when conflict sensitive staff and specialists were recruited to the Nepal office. The analyses helped to create a greater understanding of the pervasive nature of conflict and violence in Nepal. Rather than work ‘around’ the conflict, DFID re-organized its programming, projects, partnerships and staffing to be able to work ‘in’ or ‘on’ conflict. The traditional focus on ‘capacity building’ and ‘workshop culture’ was reoriented towards a stronger emphasis on excluded rural poor communities, since the dynamics of exclusion were part of the conflict dynamics in the first place. DFID opened offices in areas affected by conflict, and undertook efforts to enhance the access to basic services and to strengthen livelihood opportunities. Programmes with the State were reviewed and new partnerships were initiated which targeted non-state actors in sectors such as forestry and rural roads. In terms of staffing, DFID shifted from use of expatriate staff and staff from urban areas to more local staff who did not belong to the traditional elites. It shared the conflict sensitive analyses and approaches with other donors, leading to a number of inter-agency initiatives such as the development of Basic Operating Guidelines by the ten largest agencies (used as a lever to enable safe access to contested areas) and the establishment of a joint DFID-GTZ Risk Management Office.

<sup>6</sup> This and the following tables are based on information received on the applied governance assessment tools detailed in annex 4 which summarises to 30 tools in use; N=30.

<sup>7</sup> World Bank scoping questionnaire response for World Governance Indicators tool

A number of GA approaches explicitly serve the purpose of determining aid allocations: (i) the EC's Methodology to Allocate the Governance Incentive Tranche; (ii) AfDB's Country Governance Profile determining sector allocations; (iii) USAID's Democracy and Governance Strategic Assessment Framework determining overall country allocation of aid; (iv) the WB's CPAR and CPIA tools contributing to the IDA allocation process; and v) the US Millennium Challenge Corporation (MCC) which determines country eligibility based on their GA tool.

Some agencies emphasize that the GA is completely de-linked from aid allocation decision-making and claim this enhances the objectivity of the tool. The IMF for example states in relation to the Fiscal ROSC that "its objectivity is further enhanced by its voluntary nature and its detachment from any provision of financial support or technical assistance".<sup>8</sup>

Other tools are applied for risk management purposes; such as the IMF's financial safeguards assessments of central banks, which is undertaken whenever a member country borrows from the IMF. Interestingly, this tool has evolved towards a de facto standard or benchmark for central banks, a feature of an indicator-based government assessment approach (see below). Other risk management purposes relate to broader programming responses - including decisions about aid modalities - with regards to conflict and crisis situations. In particular the tools analyzing the political dynamics of a country seek to address this issue by trying to assess underlying trends and trajectories of change beyond the 'blips' of governance crises.

The Public Expenditure and Financial Accountability (PEFA) tool is designed as a standard-setting tool and therefore serves first and foremost as a performance assessment framework for monitoring progress towards a set standard, as well as a tool to inform policy dialogue.

General accountability to donor constituencies is not reported to be the sole purpose for any of the approaches surveyed. This is noteworthy because the pressure for domestic accountability to tax payers is often seen as a strong incentive for donors to seek their own individual governance assessments.

Finally, there are a number of tools whose purposes reflect the needs of country/field offices. The Dutch Stability Assessment Framework (SAF) and DFID's Drivers of Change are illustrative of such an approach. The perceived advantage of a country-led approach is the flexibility and adaptability to the context. This may, however, have led to too high expectations in terms of what a governance assessment can realistically offer in terms of guidance for programming and dialogue (GOVNET, 2005).

Despite the strong tendency to report that the GA approaches serve several purposes, 74% of respondents find that these purposes are sufficiently clear. However, this falls to 56% when respondents are asked to confirm that the purpose is sufficiently operational, and further declines to 44% when asked to confirm that the purpose is clearly communicated to those involved and affected. It may therefore be reasonable to hypothesise that even if single purposes may be considered clear, the multiplicity of purposes still detracts from their operational utility.

The strong linkage to country level programming is reflected in the motivations for carrying out the GAs. As shown in Table 4, 67% are driven by the development of country

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<sup>8</sup> IMF scoping questionnaire response for Fiscal ROSC.

strategies and programmes, while only 27% report a link between GAs and specific programming. 23% are linked to events in the partner country.

**Table 4: Events triggering GA processes**

	N=30
a) Development of country strategies/programmes	67%
b) Rule in your agency requesting regular application of this governance assessment process	37%
c) Specific aid programming exercises (project or programme formulation/design)	27%
d) Events in partner countries (elections, perceived change in governance situation, etc)	23%
e) Other	23%

In summary, the survey indicates that donor approaches to GAs are mostly driven by purposes linked to policy dialogue, more detailed planning of support to governance enhancement activities and strategic decisions regarding aid to specific countries (country strategies and programmes).

## 5. Where is governance assessed?

General governance assessment tools are mostly applied to all partner countries of a given donor, whereas thematic tools are applied more selectively. This is of course particularly true of conflict assessment tools. Not surprisingly, GA processes which are a general requirement for country strategy or programme development cover all eligible countries. Table 5 on the next page provides an overview of the application of the individual tools.

Based on the survey information, it has not been possible to arrive at detailed numbers indicating how many donor-driven GA processes individual countries are subject to over a given period. A fuller picture would require a survey at country level. However, Box 3 gives some examples of the GA processes to which selected countries have been subject.

The number of assessments in a given country over a period is of course not in itself evidence of duplication, overlap and high transaction costs. It may, however, be taken as a signal to investigate in more detail - and from a country perspective - when and how the different assessments were made and used, a task which was not possible within the scope of the present survey.

Table 5: Governance assessments - where?

Agencies	Tool	Countries	Since
<b>Bilaterals</b>			
France	Institutional Profiles <sup>9</sup>	85	2001
Germany	Criteria Catalogue	73	1990 <sup>10</sup>
	Security Sector Reform Assessment	4	-
	Internal Assessment on Conflict Prevention Need (Early Warning)	73	-
Netherlands	Strategic Governance And Corruption Analysis (SGACA)	13	2007
	Stability Assessment Framework (SAF)	7	2002
Sweden	Power Analysis	7	2003
Switzerland <sup>11</sup>	Monitoring of development-related context changes (MERV)	58	2001
	Key Questions for Context Analysis	-	2004
UK <sup>12</sup>	Country Governance Analysis (CGA)	15	2007
	Drivers of Change (DoC)	20	-
	Strategic Conflict Assessment (SCA)	26	2001
US	Millennium Challenge Corporation Scorecard	108 <sup>13</sup>	2004
	Democracy and Governance Strategic Assessment Framework	More than 70	2000
	Anti-corruption Assessment Framework	4	2006
	Conflict Assessment: A Framework for Strategy and Program Development	More than 20	2003
<b>Multilateral</b>			
AfDB	Country Governance Profiles (CGP)	27 <sup>14</sup>	2002
EC	Methodology to allocate the Governance Incentive Tranche (including Governance Profile)	79 <sup>15</sup>	2006
	Human Rights Facts Sheets	In all developing countries	-
IADB	Democratic Governance and Institutional Assessment (DGIA)	7 <sup>16</sup>	2004
IMF	Assessment of Central Bank Financial Safeguards	143	2000
	Assessment of the anti-money laundering (AML) and combating financing of terrorism (CFT) <sup>17</sup>	33	2004
	Fiscal Report on Standards and Codes (ROSC)	More than 90	1999
JV-Proc	Methodology for the Assessment of National Procurement Systems	More than 22	2007 <sup>18</sup>
PEFA	Public Financial Management Performance Measurement Framework	App. 70 <sup>19</sup>	2005
WB/WBI	Country policy and institutional assessments (CPIA)	All IDA-terms countries	-
	Country Procurement Assessment Report (CPAR)	All IDA-terms countries	-
	Governance and Anti-Corruption Country Survey (GAC)	20	-
	Worldwide Governance Indicators (WGI)	212	1996

<sup>9</sup> The Institutional Profiles is one of several tools that the French Development Agency refers to

<sup>10</sup> The Criteria Catalogue was introduced in 1990, revised in 2006 and re-launched in 2007.

<sup>11</sup> The SDC GA tool - governance as a transversal theme - is yet to be applied.

<sup>12</sup> The list of countries is not complete.

<sup>13</sup> 2008 country scorecards.

<sup>14</sup> A moratorium has been decided on new Country Governance Profiles to revisit AfDB's approach to country governance assessment.

<sup>15</sup> All ACP countries.

<sup>16</sup> IADB has conducted a total of 11 governance profiles; however the first four (Argentina, Paraguay, Guatemala, and the Dominican Republic) did not employ the DGIA methodology.

<sup>17</sup> The IMF uses the AML/CFT methodology under a burden-sharing arrangement with the World Bank, Financial Action Task Force (FATF) and FATF-style regional bodies. Of the 33 country assessments indicated above; 17 have been conducted by IMF and 16 by the World Bank.

<sup>18</sup> There are two components of this methodology: the Baseline Indicators (in use by the World Bank, the IADB and the ADB since early 2005 as part of CPARs) and the Compliance and Performance Indicators (the complete methodology in use by the 22 pilot countries since early 2007).

<sup>19</sup> A further 15 assessments are in progress.

### Box 3: One country, how many assessments?

In *Ghana*, the following assessments have been conducted: Institutional Profiles (France), Criteria Catalogue and Early Warning Indicators (Germany); CGA and DoC (UK); Governance Profile/Incentive tranche and HR Fact Sheet (EC); CGP (AfDB); ROSC and Financial Safeguards (IMF); CPIA, CPAR and GAC country survey (World Bank).

*Mozambique*: In addition to the above, Mozambique has undergone a MERV (Switzerland), SCA (UK), and Anti-corruption assessment (US); but the country has not been subject to a ROSC.

*Uganda* has been subject to all of the assessments also carried out in Ghana, with the addition of SCAGA (Netherlands), and with the exception of a GAC country survey from the World Bank.

*Bangladesh and Cambodia* present a similar picture.

In *Bolivia* the following assessments have been carried out: Institutional Profile (France), Criteria Catalogue and Early Warning Indicators (Germany); MERV (Switzerland); SAF (Netherlands), DoC (UK), Financial Safeguards (IMF); CPIA, CPAR, GAC and IGR (World Bank).

In *Zambia* a total of ten governance assessment processes are on-going. This is in addition to the self-assessment process conducted in the form of a government produced annual report on the state of governance in the country.

## 6. How is governance assessed?

As indicated in chapter 2, governance and governance assessments encapsulate a broad range of issues and processes. This chapter breaks down the subjects of governance and governance assessments into smaller components by looking at:

- what donors are assessing
- the methodologies used in the GA processes
- the data they build upon
- by whom the GAs are produced and the resources required to produce them
- the involvement of domestic stakeholders in the countries, and disclosure practices in relation to GAs.

This chapter is based both on the survey findings, and a qualitative analysis of the tools.

### 6.1 What are donors assessing?

A closer look at the content of the different *general* GA tools reveals the broad spectrum of issues that is captured under the generic governance label (see Table 6).

In this overview, the areas investigated in the GA tools surveyed have been grouped into the following 4 broad dimensions: political systems, public administration, social governance and market governance. Thematic tools which by definition have a narrower approach are not included in the table.

The dimensions of political systems and public administration are those most comprehensively covered in the assessments, with corruption being assessed in 14 out of the 15 tools. Issues of human rights, fundamental freedoms, and the quality, efficiency and effectiveness of the public administration are thus at the fore. Most tools also address what is here categorised as social governance issues including for example, pro-poor spending and the access to and effectiveness of service delivery. The business environment is assessed in 10 out of the 15 tools listed here.

The wide range of topics included in the governance assessments indicates that governance functions as an umbrella concept, focusing on factors which are associated with the socio-economic and political environment in most present-day OECD countries. The rule of law; respect for human rights; a responsive, efficient and transparent state with pro-poor, pro-gender and pro-environment policies; and a conducive and competitive business environment are the main standards against which the GA tools measure.

This broad range of topics, and the inclusion under the concept of governance of certain desired policy-outcomes such as poverty-reduction, gender equality and environmental sustainability - points to the difficulties of basing discussions on the causal relations between “governance” and “development” on broad and imprecise concepts. Such discussions risk to get lost in tautological arguments (if “governance” largely equates “development”), or to lead to high-level generalisations that does not allow a more nuanced understanding of how specific governance aspects may or may not be linked to specific development outcomes.

Several of the tools explicitly adopt a flexible approach, whereby the issues raised in the methodology/guidance notes serve more as a ‘navigation chart’ through the muddy waters of governance, to be adapted according to the different governance contexts (e.g. USAID’s DGSAF, EC’s CGP, the Dutch SCAGA, and Sida’s Power Analysis).

Some of these tools with a flexible framework include a mapping exercise aimed at identifying and analysing relations among relevant governance actors (state, civil society or economic actors). This is largely reflective of the more politically oriented analyses, which - through this mapping - are able to highlight the actors that could drive governance reforms, as well as those who are more likely to defend the status quo. USAID’s DGSAF is one such tool which includes an analysis of a broad range of actors. Not surprisingly, conflict assessments also focus strongly on actors.

Other assessments do not feature actor mapping as such, but do take into account in their analysis a wide range of actors, including political actors (executive, judiciary, central and local administration), economic actors and non-state actors - both private economic operators and civil society. A number of the assessments also pay some attention to the media, mainly in the context of press freedom. Notably, the military, religious groups - and donors - only appear as actors to be considered in a limited number of the tools, which again may reflect the fact that the actors considered mirrors the most important governance actors in OECD countries.

Table 6: Focus areas of general governance assessment tools

GA Tools	Political system					Public administration				Social governance					Market governance
	Elections	Human rights	Conflict	Rule of Law	Decentralization	Corruption	Public administration	Public Financial Management	Public procurement	Revenue mobilization	Use of resources, pro-poor spending	Service delivery	Gender	Environmental sustainability	Business/trade environment
France/IP		✓		✓	✓	✓	✓	✓			✓	✓			✓
Germany/Criteria Catalogue		✓	✓	✓		✓	✓				✓	✓	✓	✓	
Netherlands/SCAGA		✓	✓	✓	✓	✓	✓	✓		✓		✓			
Switzerland/ transversal theme	✓	✓		✓	✓	✓	✓	✓					✓		
Switzerland/MERV	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓
Switzerland/Key questions		✓	✓								✓	✓	✓	✓	
UK/CGA	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓
US/MCC	✓			✓		✓				✓	✓	✓		✓	✓
US/DGSAF	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓		
AfDB/CGP	✓	✓		✓	✓	✓	✓	✓	✓	✓					✓
EC/GP	✓	✓	✓	✓	✓	✓	✓	✓							✓
IADB/DGIA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓
WB/Country policy and institutional assessment						✓	✓	✓		✓	✓		✓	✓	✓
WBI/GAC Country survey				✓		✓	✓	✓			✓	✓			✓
WBI/World governance indicators	✓	✓	✓	✓		✓	✓	✓				✓			✓
Total	9	12	9	13	9	14	12	11	2	7	10	10	7	5	10

Sweden's Power Analysis and the Drivers of Change studies of the UK use a flexible format.

GA tools also differ to the degree to which they focus on mechanisms underlying the formal governance set-up and the less formal aspects of governance, such as power (im)balances, the behaviour of elites, and the importance of informal institutions and rules. These issues are difficult to quantify, but are considered in qualitative approaches like e.g. SCAGA, DoC, Power Analysis and IADB's DGIA.

The time-horizon implicit in the different GA approaches varies: some take a snapshot, some look at trends over 3-4 years - while IADB's DGIA and political analysis oriented tools explicitly requests a thorough analysis of the longer historical trends to increase understanding of the current governance context in a particular country.

This wide scope of factors, actors and time perspectives points to what might be one of the main reasons for the plethora of GA approaches available: they are all based on different sets of underlying assumptions, hypotheses and values. USAID's Democracy and Governance Assessment for example, has an explicit normative preference for democracy - a preference shared with other donors such as IADB and the EC. However, the underlying normative framework and hypotheses are in most cases not explicitly spelled out and - as evidenced during interviews with donor staff applying the assessment tools - may not even be recognized by the agencies applying those GA approaches.

## 6.2 Describing and/or analysing?

The survey attempted to categorize the GA methodologies through a distinction between *descriptive* type of methodologies aiming to take a snapshot of the situation, and methodologies which in addition to description also seek to *analyse underlying causal factors* explaining the current governance situation. As examples, a perception based survey of the degree of corruption in a country *describes* what respondents perceive, but not the factors causing that perception nor the actual corruption level or its underlying causes. On the other hand, a power analysis detailing how a patrimonial client-system is kept together and for example, working through systematic rent-seeking at different levels would be an analysis of the *causes* of corruption and other uses of state power for private gain. Table 7 summarizes the responses received.

Table 7: Methodology used for the governance assessments

	N=30
<i>1. Character of the tool/methodology used</i>	
a) Descriptive, mainly aiming at providing a snapshot of the current governance situation	47%
b) Descriptive as well as analytical, aiming at identifying underlying causal factors explaining the current governance situation	80%
c) Tools enabling cross country comparisons	37%
d) Tools enabling comparisons over time	27%
<i>2. Rigor of the tool methodology</i>	
a) Very rigorous, based on a well-defined data-set, as well as clear and transparent criteria for use of data	30%
b) Somewhat rigorous, following fairly clear standards for data sampling and use, as well as a standardized approach to presentation and/or analysis	27%
c) Not rigorous, based on non-standardized data-set and analytical approaches	43%

In the category combining descriptive and analytical approaches, the IADB’s DGIA, DFID’s CGA, and the CGAC under development by the WB all combine the use of indicator sets and analysis of underlying factors. Indeed, DFID’s CGA tool was designed to act as a ‘container’ tool for existing narrative assessments coupled with ‘hard’ indicators for guidance and benchmarking purposes (“having to relate to hard data impedes too rosy assessments”). The EC governance profile tool applies quantitative scoring of qualitative assessments “in order to standardize the process and to facilitate comparability across countries” (EC, 2007). Most assessments which move beyond benchmarking also produce forward-looking recommendations.

In sum and not surprisingly, the GA tools producing indicator sets tend to be perceived to be more methodologically rigorous than other tools. The more GAs move towards analyses of underlying factors, the more flexibility is built in, and the less prescriptive and rigorous is the methodology.

### 6.3 Data for governance assessments

The vast majority of tools surveyed use *secondary data* for their assessments (see Table 8). A few tools generate uniform sets of quantitative primary data (CPIA, Fiscal ROSC, Institutional Profiles) while others tailor quantitative surveys to country conditions (WBI’s GAC Country Surveys).

Table 8: Data sources for Governance Assessments

	N=30
a) Secondary data	87%
b) Informant interviews	63%
c) Broader perception surveys	47%
d) Other	33%

Almost all surveyed tools draw on perception-based data primarily derived from surveys and expert groups. Table 9 shows that relatively few tools build on factual data (e.g. execution of budget compared to budget, people detained more than 6 months pending trial, etc.). In line with the OECD DAC GOVNET recommendation, most instruments combine several sources of data, like expert panels, public surveys and reviews of laws and instruments.<sup>20</sup>

In terms of data validation, there has been a move towards greater transparency about the underlying data feeding into composite or aggregate indicators, as illustrated by the CPIA methodology revisions undertaken<sup>21</sup>, as well as by the publications of the data sources underpinning the WGI.

<sup>20</sup> DAC GOVNET workshop on governance indicators and assessment methodologies October 2002.

<sup>21</sup> Since 2006, the World Bank has released all non-IDA CPIA scores including component scores. Further, the WB now provides CPIA assessment teams with detailed questions and definitions for each of the six rating-levels, a bank-wide process of rating and vetting a dozen benchmark countries; and a bank-wide review of all country ratings.

Table 9: Types of data informing Governance Assessments

Tool	Largely quantitative approaches				Largely qualitative approaches	
	Perception based data		Experience based data	Factual data	Expert Analysis	Explicitly reporting/ building on quantitative data
	Expert panel	Surveys				
<b>General GA tools</b>						
France/PI	x					
Germany/Criteria Cat.					x	
Netherlands/SGACA					x	
Sweden/Power analysis					x	
Switzerland/Govn. as transversal theme					x	
Switzerland/MERV	x			x		
Switzerland/context analysis					x	
UK/CGA						x
UK/ Drivers of Change					x	
US/MCC scorecard		x		x		
US/DGSA					x	
AfDB/CGP					x	
EC/ GP					x	
IDB/DGIA						x
WB/CPIA	x			x		
WBI/GAC Country survey		x	x			
WBI/WGI		x	x			
<b>Thematic Assessments</b>						
<b>Anti-corruption tools</b>						
US/Anticorruption assessment framework					x	
IMF/AML and CFT regimes					x	
<b>Human Rights tools</b>						
EC/HR fact sheets					x	
<b>Conflict tools</b>						
Germany/Conflict prevention need					x	
Netherlands/SAF						x
UK/SCA					x	
US/Conflict assessment framework					x	
<b>Other tools</b>						
IMF/Fiscal ROSC						x
IMF/ Financial Safeguards	x			x		
JV Procurement	x			x		
PEFA	x			x		
WB/CPAR					x	

There is a comprehensive literature on the robustness and validity of particularly quantitative surveys based on perceptions, the overlap of sources, their possible circularity, the risk of herd behaviour in expert-based surveys, and other potential weaknesses of surveys and composite indicators (Arndt & Oman, 2006; Besançon, 2003; Court, Fritz & Gyimah-Boadi, 2007; Kaufmann & Kraay, 2007; Landman & Häusermann, 2003, UNDP, 2007).

It is beyond the scope of this survey to refer to or add to this debate, but table 10 illustrates that some of the major indicator-based general assessment approaches - which other donors often refer to - largely draw on the same underlying primary and secondary data sets. The secondary data set - notably the WGI - is itself constructed on many of the same primary data sets that other tools also use.

Apart from the obvious methodological risks that this implies, table 10 indicates that donors to a large degree build their different approaches on the same underlying data sets, indicating the need to question the methodological rationale for having so many different quantitative approaches.

**Table 10: Most applied indicators for surveyed GAs holding mandatory indicator lists**

	WGI	MCC	CGA	IDB	CPIA
World Governance Indicators		X	X	X	X
Freedom House : political rights and civil liberties rankings	X	X	X	X	
Heritage Foundation: Index of Economic Freedom	X	X		X	X
WBG: Doing business indicators		X	X	X	X
Afrobarometer	X		X		
Bertelsmann Transformation Index (BTI)	X		X		
Global Integrity Index (GII)	X		X		
Cingranelli Richards Human Rights Database & Political Terror Scale	X		X		
Business Environment & Enterprise Performance Survey	X			X	
Transparency International: Corruption perception index			X	X	
CPIA (Country Policy Institutional Assessment)/IRAI	X		X		

Many donors are aware of the limitations of quantitative indicators. Germany, for example, finds international indicators “highly aggregated and questionable”<sup>22</sup>. The MCC underlines that it is a consumer of indicators and not a producer, and that while recognizing that no indicators are perfect, they use what they consider to be the best available<sup>23</sup>. UNDP has produced a succinct overview of different data types and their strengths and weaknesses, and in addition has formulated three ‘golden rules’ which are cited in Box 4.

<sup>22</sup> Gemany (BMZ) Criteria Catalogue Scoping Questionnaire.

<sup>23</sup> Source: Interview 25.11.2007

**Box 4: Three Golden Rules about Governance Indicators<sup>24</sup>**

*Golden Rule 1: Use a range of indicators*

The single governance indicator which captures the subtleties and intricacies of national situations, in a manner which enables global, non value-laden comparison does not exist. Using just one indicator could very easily produce perverse assessments of any country and will rarely reflect the full situation.

*Golden Rule 2: Use an indicator as a first question - not a last*

As an indicator becomes more detailed, it is more likely to point towards actions which could lead to an improvement in the result.

*Golden Rule 3: Understand an indicator before you use it*

This is perhaps the most crucial rule of all, since by using an indicator you can be considered to be implicitly endorsing it, including its methodology and normative assumptions

According to the survey reported here, an overwhelming number of donors follow at least the Golden Rule no. 1 quoted above, and use more than one indicator. There also seems to be a clear understanding that the more aggregate an indicator is, the less likely it is to point to specific directions for possible interventions that would address the causes of the situation indicated by the indicator.

#### **6.4 Who initiates and produces the GAs, and how long does it take?**

Mandatory GAs are initiated by both donor HQs and country offices. The latter are heavily consulted and in some instances leading the process, as is the case with DFID's CGA, AfDB's CGP, and IDB's DGIAs. Non-mandatory tools are typically applied in response to field demands, whether the need is expressed by the donor country office or the partner government. Global indices, such as the WB's WGI and the MCC scorecards, are HQ led. However, there is a general recognition that regardless of tool status (mandatory/non-mandatory) field office buy-in is critical if the assessment is to have impact (see more on this topic in chapter 7).

The majority of the GAs reported through the survey are conducted by agency staff, although some assessments requiring in-depth qualitative analysis like DoC and SGACA rely mainly on consultants. The active involvement of agency staff in GAs is found to be critical both for improving the quality of the assessment and for building up ownership for future use of the GA results. In this regard, DFID has made staff involvement in their CGA processes mandatory. Other donors, such as the Netherlands, have expressed a wish to move in a similar direction but are lacking the required human resources. Instead, the Netherlands has stressed training of staff and consultants to ensure more uniform assessment quality, and less dependence on the quality of consultancies. The World Bank's CPIA indicators are likewise prepared by internal staff.

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<sup>24</sup> For practical examples of how to apply rules please consult UNDP's source book Governance Indicators: A Users' Guide (2nd Edition, Nahem/Sudders, UNDP 2007); at <http://www.undp.org/governance/docs/policy-guide-IndicatorsUserGuide.pdf>

Table 11: Initiation of, production of and time required for GA processes

	N=30
1. Locus of decision to make the GA	
a) HQ policy branch	53%
b) HQ regional bureaus	17%
c) Field office level	57%
d) Other	20%
2. Assessment undertaken by:	
a) Donor HQ staff	67%
b) Donor field office staff	60%
c) Local consultants	43%
d) International consultants	50%
3. Average time to conduct the assessment from launch of TOR to approval of final draft	
a) 1 - 3 months	33%
b) 4 - 6 months	27%
c) 7 - 9 months	10%
d) 10 - 12 months	10%
e) More than a year	3%

As shown in table 11, the surveyed tools differ widely in terms of the average time required for the assessment process. E.g. the Swiss Monitoring of Development-Related Context Changes (MERV) tool is reported to take a maximum of half a day, whereas the AfDB's CGP and the Dutch SAF may take up to 12 months, and the Institutional Governance Reviews (IGR) of the WB may take more than a year to complete. The differences in time required for conducting the governance assessment obviously have strong cost implications. However, this element has not been further investigated through the survey.

### 6.5 Involvement of others and disclosure of results of GAs

The actual effects and impact of GAs do not depend on the technical aspects of the tool alone. Even if the primary purpose of GAs is linked to sovereign decisions by development agencies, the way they are conducted and shared will affect the relationship between the agency and in-country stakeholders.

Donor assessments generally involve domestic stakeholders from government, civil society and/or the private sector to varying degrees. Those conducted without consultation are the global approaches which build on available indicators (e.g. WGI; MCC's scorecards and French Institutional Profiles). DoC studies are also conducted without government involvement.

The survey does not allow for the assessment of the precise nature of consultation for those agencies reporting that their GAs are carried out in "consultation with government". However, it seems to range from merely informing the government that the GA will proceed, to attempts to consult on the pertinence of timing, scope and process of the GA, to validation of findings. The IADB for example, mandates that their first draft DGIA is put before the government, experts and members of political parties for validation. There seems to be similar variety in the way in which civil society is involved in GA processes, and more specific information will probably reveal considerable differences in the range of actors consulted as well as in the substance of involvement.

Table 12: Involvement of domestic stakeholders, and disclosure practices

	N=30
1. <i>The overall role of the partner government in the assessment process</i>	
a) No role	23%
b) Endorsing process	10%
c) Consulted	53%
d) Commenting on results	33%
e) Actively participating	20%
f) Other	30%
2. <i>The overall role of non-state domestic actors in the assessment process</i>	
a) No role	27%
b) Endorsing process	3%
c) Consulted	50%
d) Commenting on results	20%
e) Actively participating	20%
f) Other	20%
3. <i>Dissemination of assessment findings</i>	
a) Actively disseminated to the public (media, printed publication)	20%
b) "Passively" publicly available (e.g. posted on website)	47%
c) Distributed internally in your agency only	37%
d) Made available to partner government authorities	23%
e) Shared with all or some of the other donors in the country	27%
f) Made available to selected stakeholders on a case-by-case basis	23%

The survey has been limited to donor approaches to GAs, but it is worthwhile to bear in mind that the value of domestically driven processes is broadly acknowledged, most notably in form of support to the African Peer Review Mechanism (APRM) as outlined in Box 5 below.

In most cases GA results are not actively disseminated publicly. While there is some movement towards public dissemination of GA findings - as illustrated by the shift in dissemination policy of the WB's CPIA and the public CGAs of DFID - most agencies only disclose the GA results with the consent of partner government (ADB, AfDB, IDB, and WB CPAR).

Other donors do not - as a general policy - disclose GAs. This is especially the case for sensitive political economy and conflict assessments such as Dutch SGACA and SAF findings, and Germany's Crises Early Warning assessments.

The discussion about participation and disclosure often centres on a number of key principles: more involvement of domestic stakeholders - including government - is better than less involvement; public disclosure - often conflated with transparency - is often assumed to be a priori the most appropriate choice. In interviews agency representatives tend to assume a more realist position, maintaining that both participation and disclosure issues should be determined by:

- *The specific purpose of parts or all of the GA.* If the purpose is to assemble a "game plan" which may better enable an agency to give considerable support to a group of reformers in an entrenched, captured state - then government participation and public disclosure will destroy any value of the assessment. If on the other hand, the purpose is to generate domestic capacity to debate governance issues, then a secretive and non-transparent approach is the wrong choice.
- *The country context.* In a country where elites are keen on improving governance and willing to take the lead, a participatory approach may do much more good than attempts to maintain a presumed "objectivity" or distance. In very poor or

deteriorating governance contexts, there may not be options for working with the authorities on GAs.

- *The trades-offs and possible middle grounds available:* If disclosure is a principle, this might lead to public GAs with informal notes carrying much bolder versions of the story. This may be a relevant middle ground choice, but it will obviously undermine the moral argument for the formal principle of transparency and disclosure.

In conclusion, both the survey results and the interviews confirm that participation and disclosure issues should be treated as a means to an end, rather than as an end in themselves. This being said, it is also clear that the more the purpose of a GA is to enhance governance, the more important is it to involve and share with those domestic forces inside and outside government who have the power and will to enhance governance.

#### Box 5: Partner assessments - the case of APRM<sup>25</sup>

The APRM combines independent self-assessments in Africa within a context of a peer review process. 27 countries have acceded to NEPAD's APRM. Thus far, only five countries have completed the lengthy five step APRM procedure (Ghana, Rwanda, Kenya, South Africa, Algeria), with a sixth one (Benin) almost completed. Four more countries have initiated the assessment and review process. So far, the implementation of the APRM has demonstrated differing degrees of participation, ownership and transparency, as well as variations in scope and depth of the assessment and review process.

A number of bilateral and multilateral donors support the peer review mechanism and secretariat financially, or have indicated their willingness to utilize its outputs, e.g.. the Country Review Report and the National Plan of Action. Some donors utilize the findings of the report for their proper GAs, with DFID, for example, quoting from the Ghana peer review report in its Ghana Country Governance Analysis. The EC encourages the integration of the findings in the Governance Profile and the finalization of such a peer review process by a partner country serves as a bonus for the application of the incentive tranche. The French governance strategy indicates the importance of harmonizing donor support behind such country driven assessment processes and the resulting National Plan of Action. Although the APRM guidelines spell out that the National Plan of Action has to be aligned with existing processes such as national poverty reduction strategies this is not yet the case.

## 7. Usage of governance assessments

For the majority of the surveyed tools, the actual usage and/or impact of the GAs have not been systematically reviewed by the agencies holding the tool. Furthermore a number of tools are so recent that even anecdotal evidence about the actual use is not available. Nonetheless, on a case-by-case basis, a number of actual uses of assessments were reported on, all of which are related to internal donor business processes in line with the main purposes referenced in chapter 4: to inform programming/country strategy work including design of specific governance enhancement support (see Box 6 below).

<sup>25</sup> Source: NEPAD APRM and UNECA website: <http://www.uneca.org/aprm/CountriesStatus.asp>

Box 6: Different forms of usage of governance assessments

- The majority of donors reported on using assessments for *input into program design or redesign* through an increased understanding of the governance context and emerging trends.
- Another key use of governance assessment is to provide *input to decision-making about aid modalities*, particularly with regards to general budget support.
- Several donors noted that assessments were *used to substantiate and focus policy dialogue*.
- Governance assessments have also in some instances led to an *increase in, or shift of the focus on governance*. This is both in terms of overall increased focus vis-à-vis other programmes, as is the case for EC, who reported an overall increase in governance programming from 12% under the 9<sup>th</sup> EDF to 17% under the 10<sup>th</sup> EDF as a possible outcome of its governance profile exercises. But a shift has also been recorded towards governance focal areas. DFID for example has reported an increased focus on accountability/service delivery issues at field level as a direct outcome of its CGA exercises.
- Finally, governance assessments have been used as a tool for *conditionality-setting*, as in the case of the IMF Assessment of Central Bank Financial Safeguards tool.

Five factors appear to be critical for how the GAs are used:

Firstly, *linkage to programming* is regarded as *the* critical factor determining if and how assessments are actually used. This is both with regards to the assessment content (recommendations, action plans, etc.), process issues (integration of the assessment into ongoing planning and review processes) and resourcing (ensuring adequate resource budgeting in terms of numbers of staff involved, time, money, etc). Most GA tools already seek to link assessments with programming while others are still to address this issue. One such example is the IMF's ROSC, where a recent effectiveness review pointed to the need for "tightening the links between the (ROSC) initiative and other Fund and Bank activities", and recommended amongst others post-ROSC meetings to identify issues of macroeconomic relevance and enhancing mechanisms to reflect ROSC recommendations in technical assistance prioritization (IMF, 2005). Sida's power analyses on the other hand have contributed directly - albeit negatively - to programme design, as in the case of Bangladesh, where the analysis carried out as part of an appraisal of a district level programme on local governance, concluded that the high risks of elite capture would undermine the programme. Sida accordingly decided not to fund the programme. For the Joint Venture Procurement tool, the assessment results provide development partners with a common input to the decision of whether to use country procurement systems and, if so, what risk mitigation measures to employ.

Secondly, *field-driven demand for the assessment* is another factor deemed important by most donors to ensure not only quality assessments but also their subsequent use. Indeed, donors employing mandatory tools have reported that as a result of field offices not using the assessment due to a perception that it was being imposed by HQ, - country self-selection for assessment work was introduced instead. Similarly, GA tools initiated by field-driven demands - such as for DFID's DoC - typically report this as a key tool strength.

Thirdly, *participation of donor staff in the GA process* is considered critical for the use and impact of the assessment. However, few donors have adequate human resources at HQ and field level to ensure a uniform GA quality. For example, the EC noted important quality differences in governance profiles in terms of data collection and assessment results linked to different human resources endowment at its delegations. Similarly ADB

has reported a lack of critical mass of in-house governance staff (ADB, 2006). Even DFID, whose governance network is broadly acclaimed, faces human resource constraints with regards to thematic assessments.

Fourthly, *removal of institutional disincentives* is another oft reported factor viewed as critical. Disbursements pressures were mentioned by several donors as an hindrance to GA usage, as illustrated by the ADB 2006 review of its governance and anti-corruption policies: “Most staff concur that promotions are largely based on the number of loans processed with less weight given to strategic thinking, extensive due diligence on governance and corruption issues, or making the extra effort to develop development partnerships” (ibid). Similar incentive problems were raised in the 2005 OECD DAC review of power and drivers of change analyses, where it was noted that “(t)he findings of Power and DOC analyses may not be well aligned with donor incentives to demonstrate short term impact, respond to their own taxpayers and lobby groups, and to spend the allocated aid resources for two main reasons: (i) Political economy analysis suggests the need to focus on local political processes and actors (including donors), and to expect longer timescales for fundamental change to take place; and (ii) the studies highlight the importance of informal institutions (such as kinship and patronage, which are difficult for outsiders to understand or influence) in shaping organisational behaviour and policy outcomes” (GOVNET, 2005). Furthermore, the increasing emphasis on upstream work with state actors was reported as dampening internalization of conflict assessments, which might reveal state actors as less positive forces in conflict prone situations.

Finally, a fifth and potentially controversial factor is that of *conditionality-setting*. While much present development discourse underscores ownership and questions the effectiveness of conditionalities, the findings of some donors paint a different picture. The IMF for example, reported 100% compliance rate for measures identified when assessing the ‘financial safeguards assessment of central banks’ in the context of member countries borrowing from it. Similarly, the US Millennium Challenge Corporation (MCC), which determines country eligibility based - amongst other factors - on their corruption index ranking, reported on MCC-induced but partner-driven anti-corruption reform initiatives with the objective of improving ranking and thereby the potential to qualify for funding. The strong ramifications for obtaining prospective funding on the basis of GA results are therefore in effect providing apparently effective incentives for countries to comply with the standards. The MCC has embraced this reality with its Threshold Programs to fight corruption for countries wishing to improve scoring on MCC selection criteria. 15 such programs are currently under implementation, demonstrating that countries are responding to the incentive of subsequent entry for the much larger Compact Programmes with MCC.

## 8. Harmonization of donor approaches to governance assessments

This survey is part of a wider OECD/DAC GOVNET Governance Assessment Project which has as core objectives to identify options for increased harmonization of donor approaches to GA, and to develop a set of principles for GAs that enhance harmonization. This chapter discusses the findings related to harmonization attempts as reported in the survey and the follow-up interviews.

### *8.1 Involving other donors*

While most donors refer to harmonization objectives in their GA tool guidelines, the evidence of actual joint or harmonized general governance assessments is still fairly limited.

There has been more progress in relation to specific or thematic tools related to e.g. public financial management or procurement, where bilateral and multilateral agencies have agreed on joint assessment methodologies. In addition, multilateral development banks have taken steps to harmonize their activities in a number of areas.<sup>26</sup>

On the country-level, IADB's Democratic Governance and Institutional Assessment (DGIA) exercises have been carried out with other donors in a number of instances. DFID's GA tools have in several instances been applied through multi-donor arrangements: Australia for example, applied DFID's Drivers of Change methodology in Vanuatu. In Cambodia and in Sierra Leone, DFID's Country Governance Analysis (CGA) was done in collaboration with Australia and the EC respectively. DFID's Strategic Conflict Assessment tool has been applied in collaboration with other donors in Sri Lanka, Sudan and in Nigeria. For the latter, the SCA exercise was led by a local research institution supported by a multi-donor group.

The EC Governance Profile assessment exercises are with varying degrees of intensity carried out jointly with EU member states - this is in line with the harmonization practices and policies of Belgium, Finland and France which are actively seeking to support EC assessment work rather than to develop own GA tools. The EC welcomes joint GP

#### **Box 8: Joint governance assessment tools - the case of the Joint Venture for Procurement and PEFA**

Both the Joint Venture for Procurement (JVP) and the Public Expenditure and Financial Accountability (PEFA) initiatives are unique in that they not only are co-developed by a group of donors and (for the JVP) partners, but also in that both tools stress multi-donor/partner government approaches to assessments.

JVP is designed as a partner government self-assessment tool but in practice the assessment exercise relies on development partner participation to provide the needed level of knowledge and experience. Further, even if the partner had the technical competence, the involvement of development partners (and other stakeholders) in the planning and the validation of the assessment results is critical to ensure transparency and credibility of the process and the results. In the case of middle income, non-aid dependent countries, this need for credibility extends to the banks and to potential private sector investors.

PEFA exercises are instigated by donor agencies and carried out by international consultants but partner government participation is seen as critical for ensuring the best possible information as a basis for the assessment, and subsequent use of the assessment for monitoring reform impact and dialogue on reform priorities. Government participation takes the form of an initial joint government-donor workshop, where the government designates its own counterpart team to facilitate and participate in the assessment, and where assessment results and their implications are jointly discussed at the end of the assessment process.

<sup>26</sup> 2006 Compas. Multilateral Development Banks Common Performance Assessment System. Steering for Results.

approaches, as experience indicates that collaborative efforts tend to have a positive impact on the quality of the assessment carried out. Ireland mentions that it does not develop a separate Irish Aid governance assessment tool per se, and refers to cooperation with other donors in Uganda, Tanzania and Mozambique.

Despite the not insignificant number of harmonization cases identified, several donors admitted during interviews that they were not necessarily very active in engaging with others in this area. The development of a single, joint set of governance assessment tools to be applied by all donors is not seen as realistic, nor necessarily desirable: “harmonisation could risk a watering down of agendas, in particular in situations where foreign policy priorities or policy priorities differ between donors/creditors”.<sup>27</sup> This, however, does not exclude other harmonization steps, nor does it exclude moving towards developing joint standard-setting tools such as the Joint Venture on Procurement and the PEFA (see Box 8).

### *8.2 Involving partner countries*

With regards to partner involvement in donor governance assessment exercises, there is a continuum of partner participation practices, ranging from light consultation of partners to a more comprehensive partner participation (such as AfBD), and even partner-led assessments (the WBI GACD tool is designed for this purpose only).

Two instances of partner-led but donor tool-oriented assessments were identified: (i) a DFID SCA exercise in Nigeria; and (ii) a partner-driven GAC Country Survey conducted in Paraguay in response to poor WGI country ranking. The Nigeria and Paraguay cases may provide counter-examples to the conclusion that donor governance assessment tools are of little relevance to partner countries ((Arndt & Oman, 2006; Hyden, 2007). Furthermore, a number of donors referred to an on-going joint GA exercise in Rwanda, led by the government (see Box 9 below).

#### **Box 9            Towards a joint partner-led Governance Assessment- the case of Rwanda**

Governance features prominently on the agenda of the Government of Rwanda. It was one of the major chapters in the second generation PRSP of Rwanda. The Government also engaged in a dialogue with the World Bank and other donors on how to interpret the deteriorating score of a few indicators of the WGI indicators. Simultaneously, the Country Review Report of the APRM identified critical governance areas. Such concerns prompted support for the idea of a Joint Governance Assessment, with the Government in the driver’s seat and donors taking a more supportive role. In this context, the Government set up a Joint Governance Advisory Council, chaired by the Minister of Local Government and Good Governance, and co-chaired by the WB.

Meanwhile, at a technical level, donors and Government have developed and agreed ToRs for independent consultants to undertake the Joint Governance Assessment. The Dutch Ministry of Foreign Affairs supports this process, but at the same time has undertaken its own SGACA because of its specific analytical view of governance. DFID is contemplating utilizing the Joint Governance Assessment rather than developing its own CGA. It is expected that the joint assessment process (which may deliver first findings in the first quarter of 2008) will contribute to the policy dialogue on governance issues and inform the process of identifying benchmarks and indicators for the new PRS, and/or the joint Performance Assessment Framework of partners providing budget support.

<sup>27</sup> Sida (2006).

## 9. Summary of main findings

A separate concept paper drawing on this survey has been prepared for the February 2008 London conference. This section is therefore only summarizing the main findings and issues emerging from the survey and the follow-up interviews.

*Donors use a plethora of different assessment tools, mainly linked to their own programming processes.*

The survey identified 17 general assessment tools in use and 9 under development, as well as 13 thematic tools in use and 7 under development. These multiple assessments are mostly driven by purposes linked to policy dialogue, more detailed planning of support to governance enhancement activities and strategic decisions regarding aid to specific countries. Consistent with the purposes they mainly serve, their actual effectiveness depends on their link to programming cycles, the involvement of field based staff and the incentives for staff to prioritize governance issues vis-à-vis other pressures.

*Governance is assessed in different manners*

There are two different categories of assessment methodologies: i) quantitative, indicator-based approaches (which can be at aggregate or specific/thematic level) which seek to measure the governance situation against a benchmark or standard; ii) qualitative, political analyses seeking to understand and explain the factors causing the present governance situation and/or identify the actors that would be willing and able to change the current situation. Many donors combine these two sets of tools.

The approaches differ in the scope of factors, actors and time perspectives. They may seem to be based on different sets of underlying assumptions, hypotheses and values, which in most cases are not explicitly spelled out - and which may, eventually, turn out not to be that different for most of the tools: Governance is measured against factors which are associated with the conditions in most present-day OECD countries, as well as with certain desired policy-outcomes such as poverty-reduction. Some political analysis approaches may challenge this foundation, and there may be an unresolved tension between quantitative and qualitative approaches in this regard.

*Governance assessments draw largely on the same underlying data sets*

Despite the considerable variation in approaches, donors largely build their different approaches on the same underlying data sets, being well aware of the limitations of what quantitative indicators can be used for, and struggling to make qualitative analysis more operationally relevant.

*Governance assessments seek to involve domestic stakeholders in varying degrees*

Donor assessments generally involve domestic stakeholders from government, civil society and/or the private sector, but in varying degrees. With regards to partner involvement in donor governance assessment exercises, there is a continuum of partner participation practices, ranging from light consultation of partners to more comprehensive partner participation.

*Harmonization of donor approaches to governance assessments is emerging only*

The evidence of actual joint or harmonized general governance assessments is fairly limited, while more success has been achieved in developing joint specific or thematic tools. The multilateral development banks have taken steps to harmonize their activities

in a number of areas, and tools of one agency have in a number of instances been applied in multi-donor arrangements. However, several donors admitted during interviews that they were not necessarily very active in engaging with others in this area.

*Why are there so many donor approaches to governance assessments available, and why is harmonization difficult?*

Governance assessments approaches seem mostly to have been developed in response to narrower individual agency needs and concerns, not strongly related to partner-country governance processes and concerns. The assessments may seem more driven by policy agendas in individual donor countries and agencies than by an interest in learning about the links between governance factors and development outcomes in different country contexts.

This might explain why the underlying assumptions behind particular general governance assessment tools are usually not explicit, and that despite many differences there are also striking similarities between many approaches. Neither the differences nor the similarities appear to be very principled.

If this interpretation is correct, then there may be harmonization opportunities to explore both through:

- i) a stronger focus on specific and thematic assessment tools which can build on more limited assumptions;
- ii) a clarification of underlying assumptions behind general assessments tools which might lead to a “principled reduction” - but not elimination - of the diversity of tools; and
- iii) bottom-up harmonization and alignment closely linked to the governance challenges in particular countries and country-led initiatives and assessment processes.

The last possible way forward is the same that development partners and country stakeholders are exploiting in other areas of the aid effectiveness agenda. While governance is a complex, sensitive and challenging concept in itself, progress in harmonization and alignment of governance assessments is to a large degree likely to be linked to the overall progress of the aid effectiveness agenda in specific countries.