



Dealing with Governance: The case of the EC Governance Incentive Tranche

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Basic assumptions

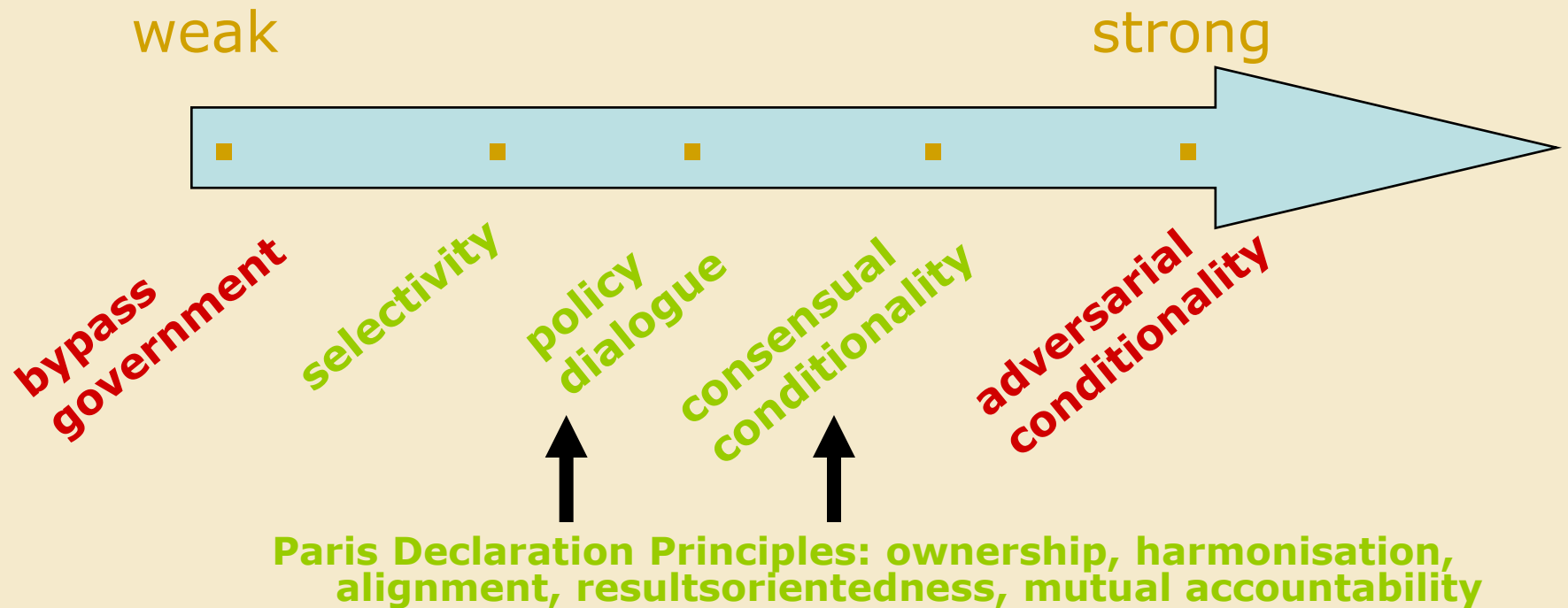
- Donor home politics matter
 - Aid money is tax money + aid agencies are politically led
 - Aid is sensitive to a range of (foreign affairs) interests (commercial, diplomatic, cultural, developmental...)
- Recipient home politics matter
 - Decisions on the production, allocation and distribution of resources serve different interests which may (not) be developmental
 - Development is political, a collective action problem
- Development cooperation = principal-agent problem
 - Donor preferences and recipient preferences may differ strongly
 - To ensure proper use of aid resources (pro-poor reforms) some *guarantees* are needed

Building in guarantees: two types of conditionality

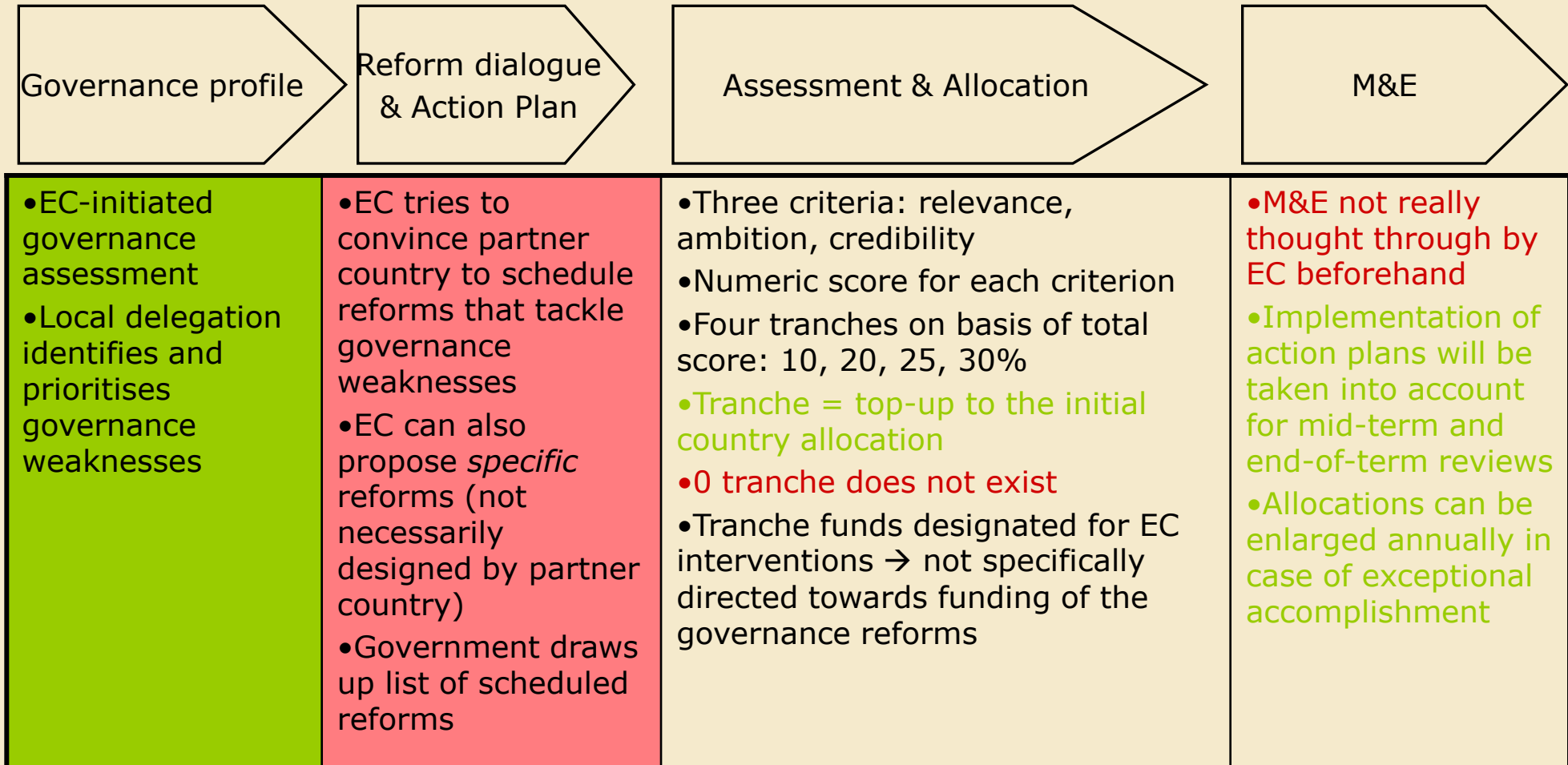
	Adversarial conditionality	Consensual conditionality
Sequence	ex ante	ex post
Subject	<ul style="list-style-type: none"> • input • policy 	<ul style="list-style-type: none"> • process • output/outcome • final result
Drivers of reform	External	Internal
Aid paradigm	Old Style Aid: SAP	New Style Aid: PRSP, Paris Declaration

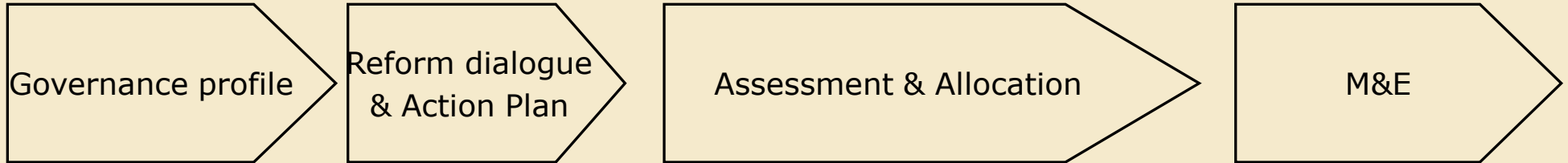
Building in guarantees: How donors deal with governments and governance

Degree of donor interference



The ECGIT revisited: problem areas in the design





	<ul style="list-style-type: none"> • EC tries to convince partner country to schedule reforms that tackle governance weaknesses 	<p>←→ Ownership?</p> <ul style="list-style-type: none"> • 0 tranche does not exist • Of the 60 assessed action plans, more than 2/3 received a 25% tranche after opaque allocation process <p>←→ Mutual accountability?</p>	<ul style="list-style-type: none"> • M&E not really thought through by EC beforehand <p>←→ Results-orientedness?</p>
<p>ECGIT overlooks some of the aid effectiveness principles</p>			

Thank you !

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