







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 wich 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

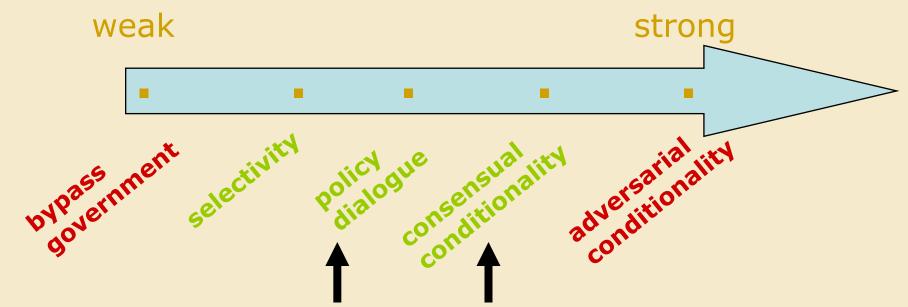


Building in guarantees: two types of conditionality

	Adversarial conditionality	Consensual conditionality
Sequence	ex ante	ex post
Subject	inputpolicy	processoutput/outcomefinal 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



Paris Declaration Principles: ownership, harmonisation, alignment, resultsorientedness, mutual accountability



The ECGIT revisited: problem areas in the design

Governance profile

Reform dialogue & Action Plan

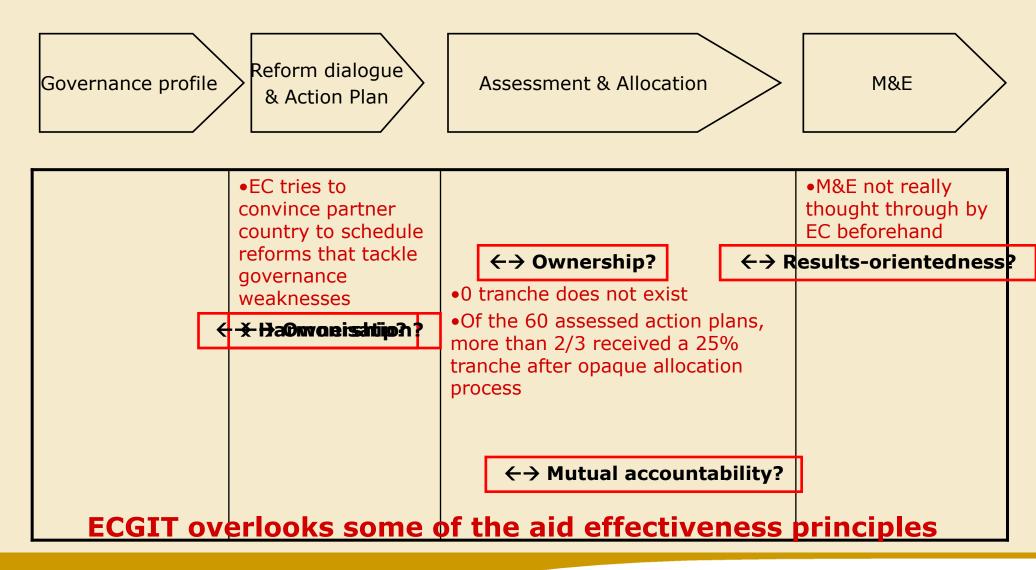
Assessment & Allocation

M&E

- EC-initiated governance assessment
- Local delegation identifies and prioritises governance weaknesses
- EC tries to convince partner country to schedule reforms that tackle governance weaknesses
- EC can also propose *specific* reforms (not necessarily designed by partner country)
- Government draws up list of scheduled reforms

- •Three criteria: relevance, ambition, credibility
- Numeric score for each criterion
- Four tranches on basis of total score: 10, 20, 25, 30%
- •Tranche = top-up to the initial country allocation
- •0 tranche does not exist
- Tranche funds designated for EC interventions → not specifically directed towards funding of the governance reforms

- •M&E not really thought through by FC beforehand
- Implementation of action plans will be taken into account for mid-term and end-of-term reviews
- Allocations can be enlarged annually in case of exceptional accomplishment





Thank you!

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