



# **PROTECTING AID FUNDS IN UNSTABLE GOVERNANCE ENVIRONMENTS: TOWARDS AN INTEGRATED STRATEGY**

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Sedas Nunes Hall, Institute of Social Sciences,  
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**Promoting Good Governance through Development Aid: the  
European Commission's approach**

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# Promoting Good Governance through Development Aid: the European Commission's approach

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# Promoting governance through EC development cooperation: outline

- Why working on governance?  
Context and current challenges
- Governance: the EC strategic framework
- Governance: the EC strategic approach
- Analysing and addressing governance in sector operations
- International initiatives supported by the EC

# Why working on governance? Context and current challenges

- **Governance is key for economic growth, investment and trade.**
- Governance is **crucial for sector development and outcomes** and thus for **efficient service delivery**.
- **The cost of corruption globally** is estimated to \$2,6 trillion/year (5 % of the world's total GDP).
- External aid : an accompanying process to the partner country.
- Promoting better governance contributes to consolidate **democracy, the rule of law** and respect for **human rights**.

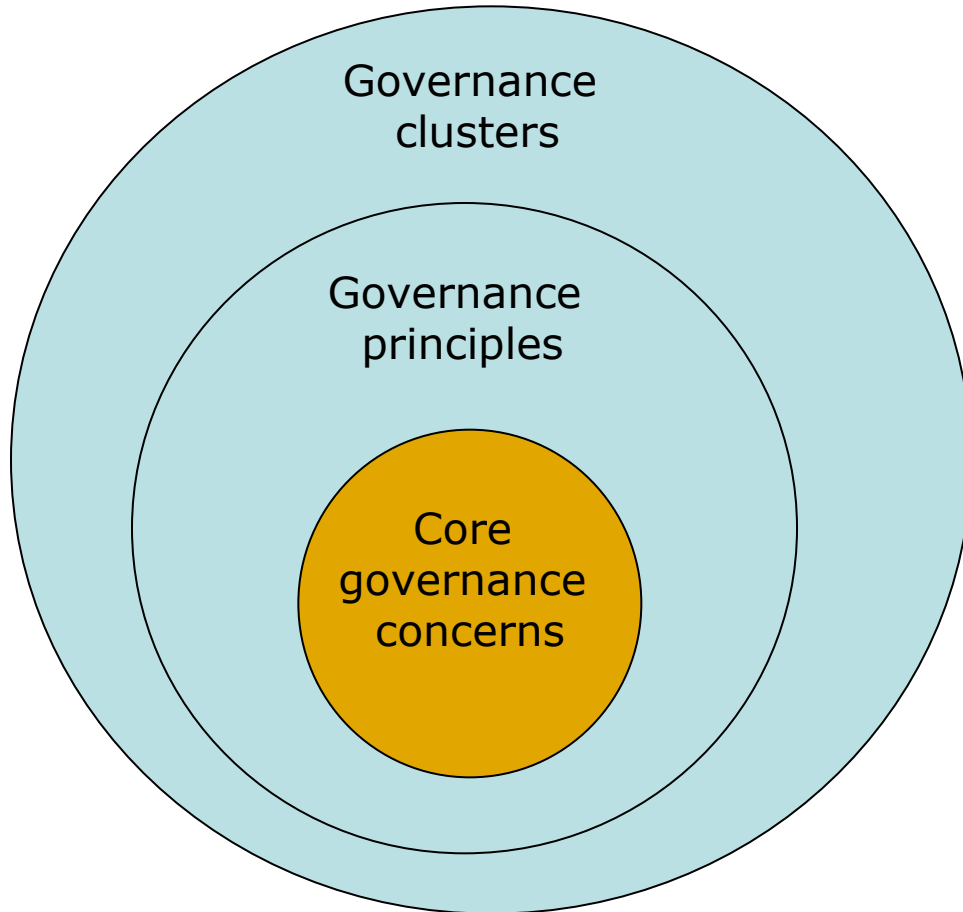
# Governance: the EU strategic framework

## Strategic framework:

- ⇒ Communication on **Governance and Development** (2003)
- ⇒ Communication on **Governance in the European Consensus on Development** (2006)
- **Broad, holistic approach** to democratic governance
- **Dynamic approach:** consolidate democratic governance processes in partner countries (ownership)
- **Dialogue and incentives** preferred to conditionalities and sanctions
- **A preventive and gradual approach to fragile states.**

# Governance: the EU strategic framework

## The different dimensions of governance



- **Governance clusters:** democratisation, human rights, rule of law, civil society empowerment, public administration reform..
- **Governance principles:** transparency, accountability, participation, inclusion
- **Core governance concerns:** rules, interests, power, resources

# Governance: the EU strategic approach

- Governance is a **central feature** of EC external assistance
  - **Specific interventions** in key governance areas (justice, security, democratisation, non state actors, public sector reform, etc.)
  - **Promotes governance in other areas** of cooperation : health, transport, water, education, infrastructures, etc.
- **Governance Facility** established under the European Neighbourhood Policy: additional support linked to progress in implementation of the agreed governance reform agenda

# Governance: the EU strategic approach

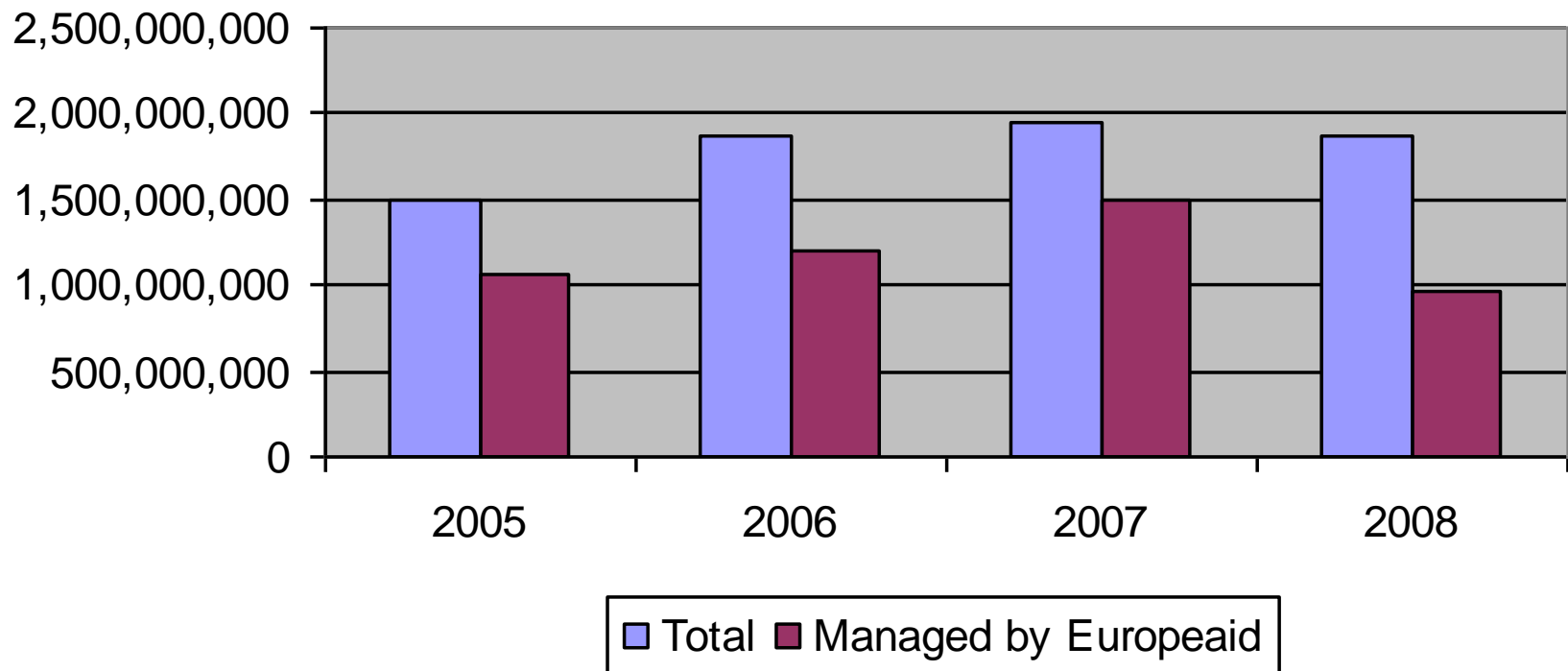
- **Governance initiative** for African, Caribbean and Pacific countries : “incentive tranche” : € 2.7 billion
  - to encourage political will to reform not to rank countries
  - to facilitate and promote dialogue on governance
- **Joint EU-Africa Strategy**: Partnership on Democratic Governance and Human Rights



# European Commission support to Governance in third countries

Source: Annual Reports on the European Community's Development and External Assistance Policies and their Implementation

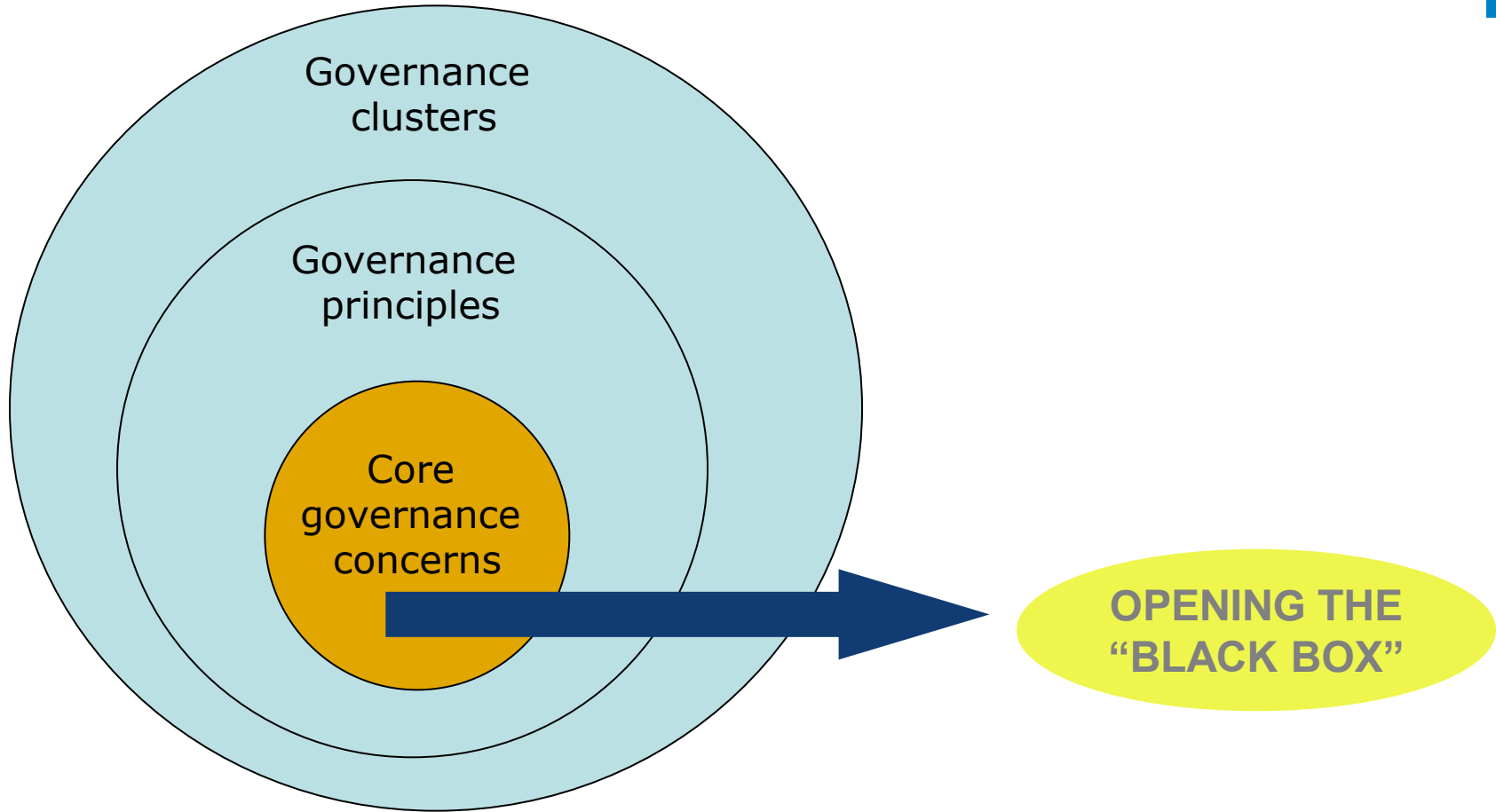
**Governance:  
EC Commitments 2005-2008**



# Governance: the EU strategic approach

- Five main **methodological tools** are being used:
  - Governance profiles
  - Governance action plans
  - Programming and political dialogue
  - Sector policy dialogues
  - Analysing and addressing governance in sector operations
- Aid effectiveness, alignment to partner countries systems and coordination with other donors

# Analysing and addressing governance in sector operations



# The challenge of weak governance in education sector:

state



- o Political tool
- o Leakage of funds
- o Sub-optimal spending
- o Accountability
- o Institutional capacities

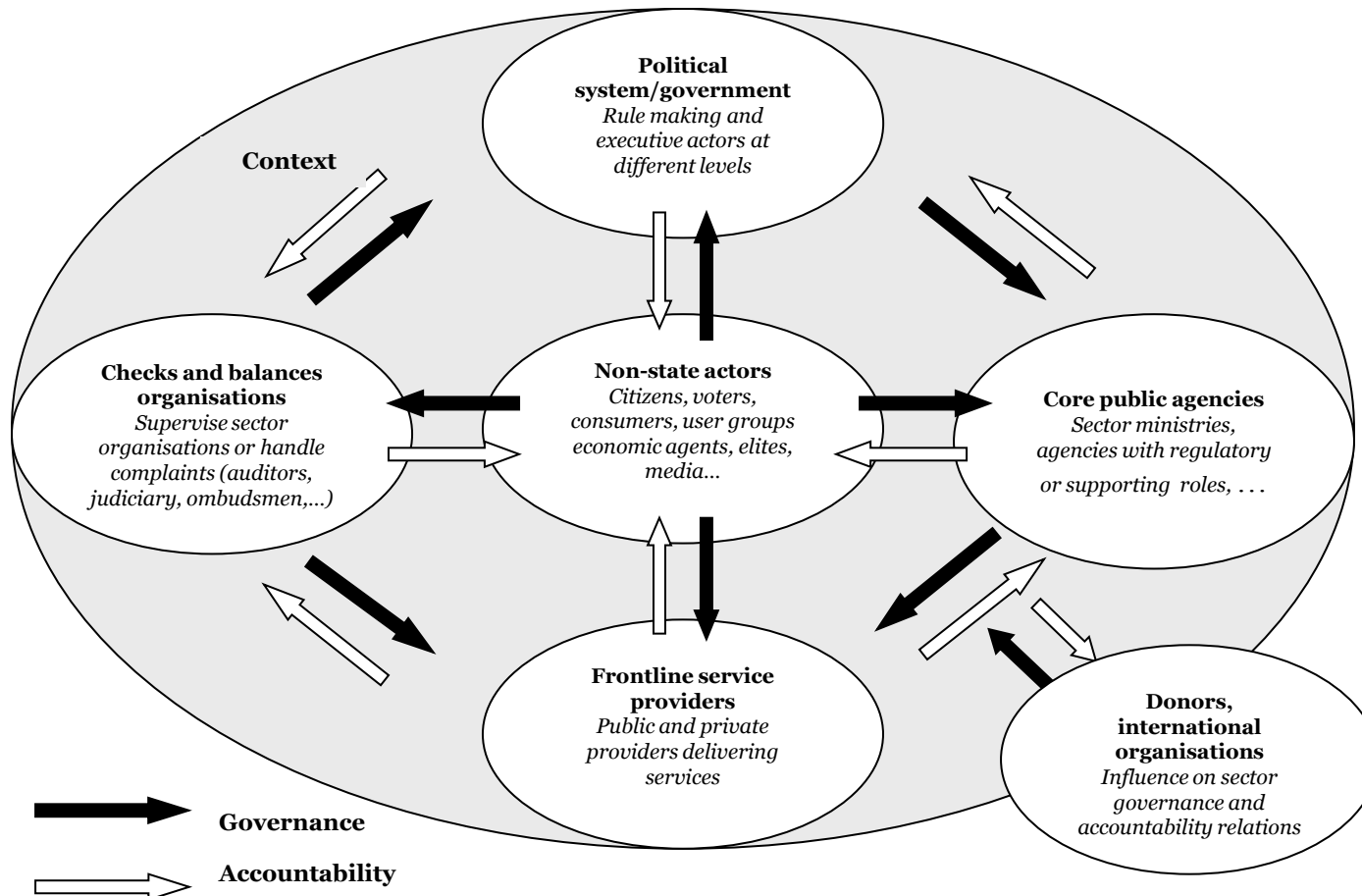


citizens



# Governance Analysis : EC framework

## THREE STEPS APPROACH: 1. CONTEXT 2. ACTORS 3. GOVERNANCE AND ACCOUNTABILITY RELATIONS



## From analysis to action:

- Helps identify **domestic drivers**, understand incentives and target obstacles to change
- Assess **feasibility** of reforms and levels of ambition (good enough governance, next best institutions, etc.)
- Analyse **risks** in a more comprehensive way, including the risks of doing business as usual, or stopping aid
- Calibrate response strategies over **demand and supply** side actors
- And improve the timing and **sequencing** of such interventions

# International governance initiatives supported by the EC

Transparent frameworks in the management of **natural resources** and raw material are of crucial importance for improving governance.

In 2003, **EU Action Plan for Forest Law Enforcement Governance and Trade (FLEGT)** to improve forest governance and fight illegal logging

The Commission also supports the **Extractive Industries Transparency Initiative (EITI)**, which sets a global standard for transparency in the oil, gas and mining industries and the **Kimberley process** for diamond extraction and trading transparency.

## Concluding remarks

- Promoting **transparency and accountability** in aid management is critical factor for the credibility of external assistance
- But simply addressing fiduciary and reputational risks is not enough
- Addressing **development risk** is imperative to achieve sustainable results
- Hence the need to integrate anti-corruption reforms as part of democratic governance agenda in partner countries