

Ministry of Foreign Affairs Denmark,
Danida

4th Danida Human Rights and Good Governance Seminar

Proceedings

Schaeffergaarden 27-28 February 2006

Table of Contents

1	Introduction	3
2	Main conclusions from the seminar	4
3	Opening	7
3.1	Opening remarks by Carsten Staur, State Secretary	7
4	The political economy of governance reforms - country lessons and donor roles	11
4.1	The implications of taking on a political economy approach: Launching the Drivers of Change agenda in DFID.	11
4.2	Implications for partnerships between countries and donors in terms of taking the political economy into account - the case of Ghana	15
4.3	Emerging frontier issues in the Bank's governance work: how to deal with politics, demand-side pressures, checks and balance institutions, leadership and ethics	18
5	Individual workshops	21
5.1	Dialogue with the Muslim world - a way forward	21
5.2	Conflict transformation in development - towards an operational strategy	22
5.3	Finalisation of draft 'Good Practice Paper on Decentralisation and Improved Service Delivery to the Poor'	24
6	Finalisation of the draft Discussion Note 'Managing governance support to many partners - experiences and the way forward'	27
7	Closure - what could be the architecture of future seminars?	30

1 Introduction

This report contains the proceedings from the Danida Governance seminar on 27-28 February 2006. Participants included staff at Danish Embassies working on governance issues, Danida funded advisers on governance and staff from the Ministry of Foreign Affairs.

The proceedings seek to capture the discussions that took place during the seminar. They do not pretend to be an authoritative account of all that was discussed nor a summary of what was agreed.

The main purposes of the seminar included discussion of issues pertinent to the practical implementation of Danish support in a number of areas.

The recommendations and suggestions brought forward by participants represent views of those who brought them forward and not official Danish development policy views. For those, please refer to the home page of the Ministry of Foreign Affairs, Denmark (www.um.dk).

2 Main conclusions from the seminar

There is now convergence of views that Good Governance (GG) is a vehicle for poverty reduction and economic development.

Since 1989 Danida has made great progress within governance. Danida's governance support is however still spread too widely on areas and sectors.

There is a need to focus our activities even further, reduce the number of components and partners and define areas where we could make a difference.

The four legs that our governance support could walk on in the future and which would provide a good basis for Danish development policy and assistance could be focus, visibility, mainstreaming and politics.

Focus: It is essential that we continue to focus our activities and define areas where Denmark has the capacity and should develop a comparative advantage. Support to the strengthening of public sector management is a crucial area to ensure that the partner countries live up to their commitments from Monterrey to Paris. Support to human rights, access to justice and a strengthened civil society is another area where Denmark already has a strong track record.

An increased focus will make it easier to build institutional capacity within fewer areas compared to the present situation where we spread our human resources too thinly. It will allow us to take lead.

Visibility: A strengthened focus will enable us to make good governance more visible in Danish development assistance. The objectives and modalities of our assistance need to be clarified. We have taken the initial steps through the development of good practice papers and issue notes. A continuous upgrade of our staff resources is also a prerequisite.

We need to forge strategic alliances with other international players in the field of good governance.

Mainstreaming: We should exploit all the possible synergy opportunities and ensure we are always coherent in our approach towards support to governance areas such as public financial management, civil service reform or decentralisa-

tion reform on the one hand and our support to other sectors such as health and education on the other. We need to find better ways of mainstreaming good governance in sector programmes like health, water, education and infrastructure.

Mainstreaming requires management commitment at embassies and sharing of information. Mainstreaming will become easier as we align our support to partner policies and systems.

Politics: Good governance support is a sensitive field, which can foster resistance: it goes right to the centre of power and politics. We need to better assess the political economy of governance reforms and how change occurs. How can we become better informed, how can we use this information with a view to build stronger partnerships with recipient countries and partner organisations? These critical questions need to be addressed.

The participants discussed the four principles. The main suggestions from the discussion include:

- The thematic focus should be at country level, as the needs vary from country to country, and in support of Joint Assistance Strategies (JAS)/Poverty Reduction Strategies (PRSP). Focus should be in accordance with general guidelines from headquarters. But we should also look at other like-minded donors' comparative advantages. Finally, focus should also relate to the in-house resource base.
- First, there is a need for an overview of what we are actually doing in the governance sector (each programme document - areas and modalities).
- What is needed is guidance: having headquarters listing the criteria for governance support - setting limits. Helping embassies resist the temptation to provide too much support to too many areas.
- The issue of mainstreaming can be solved through three practical steps: 1) Embassy management should be in charge of governance support; 2) Sector specialists in TAS should be trained on relevant governance issues; 3) governance should feature in all ToRs for reviews etc. in the various sector programmes.
- There is a need to undertake analyses of the power and politics in our partner countries such as drivers of change studies. Better insight into power and politics will enable us to focus on critical issues, and help illustrate how interventions in one area could lead to changes in other governance areas.
- Providing bridges for dialogue between the demand for governance (tax payers, private sector, civil society etc), the supply of governance (government organisations, ministries, agencies, local governments etc) and control side (independent bodies, audit, human rights commissions etc) in our partner countries are needed. Such policy-dialogue in country would

promote ownership, and sustainability of reforms. The design of the Danish support should be based on this concept.

- More Sector Wide Approach (SWAp) type modalities may help lift the policy dialogue to a more strategic influencing level.

At the end, the participants expressed satisfaction with the seminar, which was considered as the best of the four till date. Suggestions to further improvement include: pre-seminar e-mail based thematic discussions; making better use of the country write-ups; and, expanding the seminar with an extra day for learning/training.

3 Opening

TAS had chosen the theme of political economy and governance reforms for this year's Danida Human Rights and Good Governance seminar. A political economy approach can help us better understand the realities of our partner countries, which should enable us to better focus our activities towards impact.

3.1 Opening remarks by Carsten Staur, State Secretary

Progress in good governance is fundamental for poverty reduction and sustainable development. Governance covers sound public administration, human rights, democratisation and the rule of law.

The good governance agenda is backed by international agreements. In the Monterrey Consensus (2002) the UN member states declared that developed countries would increase aid and other financial flows to developing countries. Developing countries will improve governance to make the use of aid as well as other national resources more effective in the efforts to achieve the Millennium Development Goals and implement the Poverty Reduction Strategy Papers (PRSPs).

The consensus in Monterrey has been further concretised in the Paris Declaration on Aid Effectiveness (2005). At policy level, good governance is given more prominence in poverty reduction strategies. Good governance implies the design and implementation of key public sector reforms, including public financial management, service delivery and anti-corruption. Governance further implies promotion of human rights, access to justice, democratisation, accountability and transparency. Effective financial management, civil service reform and decentralisation are important inroads to that effect.

Good governance is high on the agenda in Danish development policy. The Prime Minister underlined it during his visit to Tanzania and Mozambique and in his speech at the Council for International Development Cooperation in January. Anders Fogh Rasmussen singled out good governance and the combat of corruption as one out of three priority areas and emphasized that good governance is key to development. In the absence of good governance, most of the

development activities supported by Denmark and other donors will not have the foreseen effect.

Denmark has been an active player on the good governance arena for almost 15 years. Today, aid to good governance is on the increase. In 2005, Denmark committed close to 1 billion DKK to new bilateral programmes and projects in support of good governance, excluding support through Danish non-governmental organisations. Further substantial support is provided through multilateral organisations.

Denmark provides significant governance support to all programme countries, to Afghanistan, Indonesia, Sri Lanka, Sudan, Central America and the Middle East, through Danish non-governmental organisations and through the UN system.

The areas of intervention are diverse: public financial management, civil service reforms, legal sector reform, decentralisation, anti-corruption, civil society, gender, minorities and indigenous peoples, media, democratisation, and research/dialogue activities.

The partners with whom we cooperate are as many and diverse and span government institutions, independent bodies and civil society.

Up until the turn of the century our good governance support primarily consisted of a high number of individual projects. The 1999 evaluation of Danish support to promotion of human rights and democratisation concluded that there was a need for a more strategic and long-term approach. Since then we have established more coherent and strategically focussed programmes in a number of countries.

Most programmes target significant support to 3-5 governance areas and there is an upward tendency to join forces with other likeminded donors and pool funds in basket fund mechanisms and the like.

Although we have made our bilateral good governance support more strategic and focussed compared to the nineties, we still tend to be too widely spread across many governance areas and different organisations.

There is a need to focus our activities even further, reduce the number of components and partners and define areas where we could make a difference.

The four legs that our governance support could walk on in the future and which would provide a good basis for Danish development policy and assistance could be focus, visibility, mainstreaming and politics.

Focus: It is essential that we continue to focus our activities and define areas where Denmark has the capacity and should develop a comparative advantage. Support to the strengthening of public sector management is a crucial area to ensure that the partner countries live up to their commitments from Monterrey

to Paris. Support to human rights, access to justice and a strengthened civil society is another area where Denmark already has a strong track record.

An increased focus will make it easier to build institutional capacity within fewer areas compared to the present situation where we spread our human resources too thinly. It will allow us to take lead.

Visibility: A strengthened focus will enable us to make good governance more visible in Danish development assistance. The objectives and modalities of our assistance need to be clarified. We have taken the initial steps through the development of good practice papers and issue notes. A continuous upgrade of our staff resources is also a prerequisite.

We need to forge strategic alliances with other international players in the field of good governance. That is why Dfid and the World Bank are present here today. To give two examples: We have embarked on a partnership with the World Bank with the intention to strengthen human rights approaches to poverty reduction and good governance. We do so in conjunction with our Nordic counterparts. And we are members of the DAC Govnet with the intention to develop thinking in areas such as human rights and aid effectiveness.

Mainstreaming: It is not clear the extent to which we exploit all the possible synergy opportunities or that we are always coherent in our approach towards support to governance areas such as public financial management, civil service reform or decentralisation reform on the one hand and our support to other sectors such as health and education on the other. We need to find better ways of mainstreaming good governance in sector programmes like health, water, education and infrastructure.

Mainstreaming requires management commitment at embassies and sharing of information. Mainstreaming will become easier as we align our support to partner policies and systems.

Politics: Good governance support is a sensitive field, which can foster resistance: it goes right to the centre of power and politics. We need to better assess the political economy of governance reforms and how change occurs. How can we become better informed, how can we use this information with a view to build stronger partnerships with recipient countries and partner organisations? I guess these are some of the questions that will be raised during this seminar.

With respect to the drawings. Mr. Staur gave a brief summary of how the MFA viewed that situation and what strategies were being developed for managing this difficult situation.

Questions, raised in plenary

- Q: Governance is not the same playing field as other sector programmes. We need strategy for the playing field, rules of the game, and acknowledging that the governance sector is not the same as other sector programmes. Some parts of the Aid Management Guidelines (AMG) are not always

compatible with political economy aspects. Revision is needed to reflect the rules of the game, instead of always trying to bend the rules. Response: AMG are flexible, good in relation to alignment and harmonisation. It should however, not be seen as a straight jacket.

- Response: It would be an advantage if we have some kind of global focus areas within governance. This should be to ensure that our governance work is not just a reflection of 'where there was room for us' in the individual countries but rather a specific focused intervention. There will be areas where we will continue to expand our presence, while other sectors may receive less attention.
- Q: What are the institutional challenges of governance mainstreaming in other sectors? We are currently working in silos with no incentives to harvest synergy potentials sectors in-between. This will have implications for recruitment and staff promotion. Response: We have over the past years made changes. We set in motion decentralisation to embassies also in the way programmes are designed. Putting more responsibility on embassies - programme ownership was not clear before. The challenges: 1) Management of embassies - we are increasing responsibility and demands. 2) Recruitment at embassies. Increased number of TAS staff at embassies. We are also recruiting more external people. There are Programme Committees at embassies, which can enable sharing of knowledge and experiences. Networking is important also with externals. The embassies can buy consultancies. The instruments are there. But people must accept that this is an information sharing system. Hopefully we are all at the forefront of where the international agenda is moving.
- Q: Sceptical about focusing as it requires in-depth knowledge to work in a country and the demands may vary from country to country. Governance is more difficult than e.g. water. So it is not feasible to look at e.g. two issues when these are not the ones in focus. Response: Take the example of parliaments: we are involved in support for parliaments in a number of countries. The support needed is different from country to country and it shows that we have to look at governance issues at the country level, but at the same time we have to ensure that the global picture of what Danida supports is defensible and manageable in terms of political expectations and resource base and capacity.
- Q: Many other donors have cultural centers and undertake cultural promotion activities. What kind of resources would be put into providing analysis in this area? Response: The cartoon case has made us realise, that most of us have overlooked issues pertaining to religion. We used to meet with officials and traditional authorities, but never religious leaders. Maybe we should. Need to factor religion into how we develop analytical approaches to development.

4 The political economy of governance reforms - country lessons and donor roles

4.1 The implications of taking on a political economy approach: Launching the Drivers of Change agenda in DFID.

Presentation by Sheelagh Stewart, Head of Profession - Governance and Conflict (DFID).

20 years ago Scandinavians and the Dutch used to be the only actors discussing power analysis. Department for International Development (DFID) has realized that instead of looking at problems we should rather focus on how change could be approached. Instead of looking at obstacles and goals we looked at drivers. The process was supported by a willing Secretary. 'The time had come'. In other words there is a growing realization that strict technical approaches are not working. It is however difficult for donor bureaucracies to take on the issue of Drivers of Change (DoC). But DoC is still widely used and understood in the donor community.

What DoC means for DFID:

- Things look different in the Country Assistance Plan (CAP). No more 'lack of political will' in risk column of logframe as an excuse for failed interventions.
- Political sensitivity to long-term interventions vis-à-vis the needed 10 years timeframe for change.
- Risk analyses based on political underpinnings (such as e.g. family networks).
- Post-DoC DFID interventions not all directly poverty oriented (one example is the new focus on media support).

To implement the DoC approach and ensure the DoC findings are reflected in the CAP, DFID:

- Undertook a marketing strategy targeting Heads of Country Offices and Programme Managers.
- Looked at internal DFID staff incentives.
- Reviewed the CAPs design and CAP guidance review.
- Identified internal DFID DoC - linked to careers and skills.

One of the challenges identified was the need for in-depth knowledge of staff vis-à-vis getting staff to stay longer in the countries. So focus should also be on explaining DoC factors at staff handover (Who is related to who, who is important etc. - tacit knowledge).

What has DoC meant for the poverty reduction focus of DFID:

Realities of politics on the ground are difficult to match with the poverty reduction objective. One example: Because of more funds channelled to Museveni than Mugabe under the structural adjustment programmes, Museveni had more room for manoeuvre in the structural adjustment process than Mugabe, which may explain the different actions of the two presidents. Had we had the DoC at the time, we may have approached the countries differently. Conclusions of DoC may however not be adaptable to country programmes. 'The crunch discomfort issues'.

DoC does however not always cover all power relations. The quality of DoC varies in accordance with consultants undertaking it. The Bangladesh DoC missed the importance of religion (Islam). So, sometimes you get a lot of information, but not necessarily the right information to change programming. So what we have found to be important is to make contact with trustworthy informants to check whether the consultants' work is right.

Result of DoC:

- CAPs look different.
- Analysis and strategies for 'lack of political will'.
- Based on longer-term perspective.
- More realistic timeframes and indicators for judging progress.
- Interventions may not all be directly poverty reducing.
- Better risk analysis.

- Working with other partners for DoC (the Foreign and Commonwealth Office; Bilaterals; World Bank).

Outlook (DoC in the future):

New areas that need DoC attention is: 1) Religion, and 2) the international system and 'the natural resource curse'. Hence: We need to expand the analysis to include 'global drivers of change' and global responses. As an example there are five critical countries in Africa that are relevant for the stability and development of the whole continent. These are: Angola, Sudan, Chad, Democratic Republic of Congo and Nigeria.

Why is this important?

- It must be taken into consideration that development aid is microscopic compared to oil revenue.
- If you have been in a conflict you are more likely to come into conflict again. The second most important factor is being a neighbour to a country in conflict.

Implications:

- Bilateral programmes cannot respond effectively to the global drivers of change.
- We need to be looking at other incentives and actors than aid - these include the African Union. So we need to look at which regional issues are potential incentives.

DFID current concerns:

- Lack of donor coherence in DoC support.
- DFID needs to learn that they should not always be in the lead.
- Non-DAC donors. The importance of involving e.g. China in the Sudan/Chad conflict. This means that we must understand China's DoC.

Discussants

Lars Engberg-Pedersen:

- We need political analysis to improve development cooperation, but these analyses are not better than their point of departure. It is important to acknowledge that such analyses are always contested.
- Impression from reading DoC analyses is that they tend to be a bit over deterministic. Focus seems to be on agents doing specific things, while the

analyses leave out processes, windows of opportunity etc. Global issues seem to be missing in DoC analysis (Ghana DoC is a case in point).

- It takes 3-4 months to do the analysis, so it could be a problem finding human resources to undertake this.

Lars Peter Christensen:

Comments based on experience as head of PSR unit in Mozambique, not COWI DoC analysis.

Impact of political factors:

1) Individuals. We have talked about institutions and so forth, but not so much individuals. Not only formal position or technical capacity, but also the individual person's position in e.g. the Party is important for DoC. I.e. the potential for influencing change processes.

2) Organisations. E.g. the position of the programme implementation unit within the formal and informal power structures. 'Our output may be excellent, but outcomes may not be happening as the unit does not enjoy high level political support'.

3) Processes. Formal budgeting cycle, but that is only one part of the process of resource allocation. The real sharing of resources takes place in 'a black box', with no direct link to national budgeting. So, both formal and informal processes should be taken into consideration.

These DoC studies do make a difference, as they cast light on integrating political analysis (formal and informal) and programme planning. It is maybe the revival of social anthropologists in development analyses.

DoC challenges:

- Who is included in the DoC learning process (ownership of DoC analyses)? What are the trade offs of sharing/joint approach?
- Sensitivity of findings and integration into programmes.
- Programmes should be more flexible 'light footed' to enable incorporation of lessons learned from DoC analyses. We should be able to 'go with those who want change'.
- Supporting coalitions of change.

This leaves three Questions:

1) Should studies remain donor property?

2) How do donors engage in a light-footed manner to respond to change as opportunities arise.

3) Are donor agencies able to change their staffing profile to meet these new challenges?

Discussion and feed-back by Sheelagh Stewart

- It is still a question whether DoC should be linked to disbursement. There is general agreement that it should not be used as a conditionality. It is possible that the DoC in Uganda is a case where it has not fed into the CAP. When you have success stories such as Uganda, you tend to hide things under the carpet. DFID is currently undertaking fallen star studies (Uganda, Zimbabwe, Ethiopia).
- Problem with getting Heads of Offices to accept DoC findings. It is always a trade-off between the 'truth' and something you can actually use to discuss with the government. Example: In Malawi the DoC analysis was honest, but relations with the government deteriorated. The suggested approach is therefore to let consultants undertake the analysis and retain an arms length to the findings, and then invite the government to answer the analysis to initiate a dialogue. 'With DoC, dialogue is everything'.
- Key agents of change need to be captured in the DoC. However, it is dangerous, even if tempting, to use individuals as DoC, as this will reinforce existing informal/patrimonial power structures. So, we should know about the opportunities, but work to change them, so that you do not have to rely on individuals.
- There is also merit in undertaking DoC through joint donor funding with independent consultants, which will underscore the arms length principle.
- DFID is working on getting more rigour into second generation of studies.

4.2 Implications for partnerships between countries and donors in terms of taking the political economy into account - the case of Ghana

Presentation by Professor E. Gyimah-Boadi, Department of Political Science, University of Ghana and Executive Director of Ghana Centre for Democratic Development.

Background issues:

- Ghana achieved GG progress in early 60ies. But in the 70ies decaying country. Good news from early eighties. Progress under Rawlings, but under harsh authoritarian rule. Significant political progress in the last 20

years. With constitution since 1993 - increasing independence of courts, Commission on Human Rights and Administrative to Justice (CHRAJ) etc. and emergence of independent media. Peaceful change of power through ballot box system. Elections fair and a reflection of people's will. The political elite is pro-democracy. So, long list of good signs.

- Deficit side: Flaws in design of constitutions, which grants excessive powers to Presidency, making patronage possible over independent institutions. President has full control over para-statal enterprises and boards. Not sufficient checks and balances. Ghana's parliament still too weak to resist decisions from presidency. Every law comes from the Executive. Institutions which promote accountability are not sufficiently resourced. Weak Rule of Law culture. People in rural areas not secured against human rights abuses. Corruption control is an issue. Formal institutions of democracy have failed to give voice to the poor. Lack of effective devolution of authority, including fiscal decentralisation.

What needs to be done:

- 1) Reducing capacity gaps in institutions promoting human rights (including CHRAJ, parliament, electoral commission, media and judiciary, police, and ombudsman)
- 2) Enhancing voice and accountability - media and civil society strengthening.
- 3) Deepen political and economic decentralisation.
- 4) Control corruption.
- 5) Do more to promote civil-military relations.
- 6) Conflict mitigation initiatives - a major fault line is the protracted conflicts we have handled so far by force, but they never go away and keep erupting.
- 7) Separation between state and ruling party.
- 8) Resistance from party officials not to engage in conflict - need for code of conduct for public officials.
- 9) Reduce poverty and inequality.

The case of MDBS:

- 10 partners providing non-project and non-targeted funds - budget support. Funds channelled in two tranches. Base tranche and performance based tranche. Triggers based on country assessment achievement report. Straight-forward triggers. All triggers based on Ghana Poverty Reduction Strategy.

- Critique of Multi Donor Budget Support (MDBS): MDBS reduces duplication as partners are sharing information. Appears to be helping to improve bargaining power of different groups on accessing funds. Moving from trigger based to outcome indicator triggers has been difficult. The Government of Ghana (GoG) has not been able to meet outcome indicator targets. There has never been outright denial of funds from MDBS group. Inconsistency between donors on trigger perceptions. Lack of donor consensus gives way for political exploitation by GoG. It can evade accountability to donors. NSAs/CSO as well as parliament are not heard in the MDBS process and cannot monitor the implementation. MDBS has increased the role of bureaucrats in resource allocation.
- MDBS is making a good effort to put donors where their mouth is, but there needs to be a better understanding of the political economy context.

Discussants

Hans van Rijn:

The analysis is accurate and to the point. But how should the challenges be addressed? Relationship between civil society and GoG is antagonistic, but why? How can we get a more positive dialogue?

Peter Dyrbak:

It would be interesting to have MDBS closer aligned with PRSPs and JAS. MDBS support is service delivery oriented. There is very little about democratisation. So, is general budget support in favour of democratic processes? Linking the citizens to the local electorate is fundamental.

What is the role of donor as a DoC? Are donors legitimating a state with the large contributions (e.g. 50% of state budget in Uganda)? How about fiduciary risks - are they fully assessed?

Discussion and feed-back by E. Gyimah-Boadi

- MDBS is macro-oriented - focusing on the upper layers - and not always sipping down. How can we push the analysis further to examine how we can move this process?
- Need for making the DoC work more transparent, broaden it. It should be possible to make the policy dialogue less exclusive. We are moving back into an exclusive policy dialogue, where information is not shared. Ghana DoC was not distributed widely. Information obtained in general format. Not much has been done with the knowledge obtained from the DoC analysis. GoG reaction to DoC: They know about it, but we do not know what they think about it. The outcome was shared with parliamentarians as well.

- African Peer Review accepted publicly. This can be used as a tool for dialogue and a platform for reform.
- Donors are soft on Ghana, but good reason for this as Ghana has fair and free elections and related good governance. One example is the move from no consultation with Non-State Actors (NSAs) to some consultations in the consultative group meeting process.
- Problem that governments are more accountable to donors than to their own parliament. Often more time is spent on preparations for IMF consultations, but when ministers appear in parliament, they do not feel as accountable as to foreign donors. Lack of accountability is also an issue at the local level, including the issues pertaining to the role of donors and their channelling of funds. There is a greater need for making donor-funding public to enable public monitoring of programme implementation. Danida is committed to alignment with recipient governments and this should improve transparency.
- The OECD/DAC Lessons Learned report outlines that there can be some contradictions between DoC and the aid effectiveness agenda, but that DoC can also be a facilitator for the same. The joint Danida/MFA institutional set-up is a comparative advantage as Danida then has the political instruments needed for DoC action at hand.

4.3 Emerging frontier issues in the Bank's governance work: how to deal with politics, demand-side pressures, checks and balance institutions, leadership and ethics

Presentation by Sanjay Pradhan, Public Sector Governance, Poverty Reduction and Economic Management Network, the World Bank

Until 1996 the Bank could not talk about governance issues, but since then there has been an emergence of governance work taking place by the Bank. From the initial moves towards tackling corruption to focusing more broadly on public financial management; administrative and civil service reform; to legal and judicial reforms.

The main challenges related to governance and the World Bank are:

- How do we improve governance?
- How do we measure governance?
- How do we tackle the issue of World Bank mandate, governance and human rights?

- The links between leadership and ethics?

There has always been a paradox between corruption and development. Does corruption foster economic growth or vice-versa? Statistics show that there is a clear relationship between corruption and growth in the long run, i.e. corruption is an obstacle to economic growth.

There is also a debate on the direction of causality: does growth come before governance or vice-versa. In reality they are probably mutually reinforcing.

Unequal distribution of income results in the powerful undermining of institutions, which eventually hampers growth. Powerful interest groups may capture the state and the governance system breaks down. World Bank studies show that good governance is pro-poor.

Example: The crisis in Ethiopia represented weak institutions. Opposition does not have confidence in the mechanism for debate. So, a multi-donor programme is needed as the Bank cannot look at political governance alone.

Corruption poses three types of risks: development risk (that poor governance-corruption will undermine the impact of development efforts in general and in donor-supported projects); fiduciary risk (that donor resources will not be used for the purposes intended); and reputational risk (that large amounts of aid in countries with corrupt leaders will tarnish donors' reputation).

The World Bank only works on PSR (from ethical leadership to procurement), local participation (from community driven development to decentralisation) and in part with civil society (report cards and participatory surveys) and the private sector (regulation and industry transparency). The mandate of the Bank however, prohibits it from working on political accountability (political competition and disclosure of parliamentary votes) and 'checks and balances' (an independent judiciary and oversight mechanisms).

The World Bank is good at diagnostics, technocratic solutions, core management reforms. But this approach only works with committed leadership, coalition of reform and capacity, which is rarely present in the developing world. However, there is a realisation in the Bank of the interconnectedness between human rights, security and development. While the Bank has a lead role in development and post-conflict reconstruction, other actors take the lead on human rights and security, given their mandates, strengths and capacities: The UN, Bilateral Donors, NGOs, regional organizations. Consequently, the Bank is asking other donors to step in and support/complement the Bank's work in areas where the Bank has no mandate such as political accountability.

Remaining important issues:

- How to identify high-risk countries of mutual concern?
- Coordinated donor strategies – how to avoid “mixed signals”?

- How to extend the progress in Public Financial Management (PFM) indicators to other areas of governance (civil service, checks & balances)?
- How can donors collectively tackle political governance and human rights within a multi-donor approach?
- How to set up financing window and governance mechanisms to support & coordinate demand-side interventions?
- How to support leadership and ethics network and capacity building initiatives in high-risk settings?

Discussion

- Decentralisation is where the link in the ' tax contract' is most obvious, i.e. the accountability link created by citizens paying taxes. Taxation is a good way of promoting local accountability. The only 'good conditionality' is the one promoting accountability, i.e. strengthening institutions or introducing taxation. In post-conflict countries the state needs to establish legitimacy before you can introduce taxes.
- Introducing a decent salary is an important part of anti-corruption reform.
- Argument: The Bank approach is not good enough. The large amounts channelled to the Executive create imbalances vis-à-vis the judiciary, civil society etc. This should also be seen in light of the fact that the World Bank is the trend-setter. Response: There is a lot more the Bank can do. The biggest constraint is that the Bank can only lend to governments. In Tanzania there is however, a good example of an innovative SWAp, where the Bank cooperates with other donors, including Danida, so the total addresses both the demand and supply side of governance.

5 Individual workshops

5.1 Dialogue with the Muslim world - a way forward

Senior Technical Adviser Mogens Blom, Middle East and North Africa Department, presented the main objectives and key principles of the Arab Initiative. Presently a number of activities are on stand by, however, most partners have stressed their commitment for cooperation and dialogue.

In Denmark more than 50 NGO's and public entities are involved in the initiative. The next phase of the Arab Initiative was to be launched in spring 2006. The cartoon controversy calls for increased emphasis on dialogue and mutual understanding. Moreover a regional thematic programme on inter-religious dialogue will be considered. Reform issues will be addressed as dialogue between professionals (twinning) according to the approach developed in the pilot phase.

The workshop had a long discussion, where the participants reported on how the cartoon controversy has developed in the respective countries. Among the topics discussed were:

- The development of the cartoon controversy is based on a complicated interplay of international and many different domestic agendas.
- Need for re-branding of Denmark.
- The issue of the cartoons has put dialogue between civilizations high on the agenda. In all programme countries Denmark must attempt to contribute to a constructive dialogue (based on the national contexts).
- One should not mix Islam with political Islamism. Islamist organisations might mobilize people based on religion, but they act based on political agendas and with political goals. In that way Islamist organisations will have to be dealt with as any other political group.
- Meanwhile Islam as a religion will have to be dealt with as one of the world's major religions (where one agenda may be to facilitate dialogue and inter religious understanding, which is a challenge in some programme countries as well as in Denmark).

- It would be helpful if headquarters can deliver a sort of toolbox and help with information on knowledgeable resource persons on these issues.
- In overall terms Danish development assistance has played an important role in international cooperation. We ought to continue and improve our work in this field.

5.2 Conflict transformation in development - towards an operational strategy

Presentation of draft report on “Good practice and lessons learned: Denmark’s experience of conflict management and peace building through humanitarian and development assistance initiatives in areas of violent conflict” by Darriann Riber.

The main points in the draft report was presented:

- Danish conflict responses could build on years of policy, strategy and general development of tools for Danish development assistance.
- Denmark’s conflict responses are made up of essentially well-known ‘ingredients’, including humanitarian assistance through the UN system and/or NGOs, projects supported by the Local Grant Authority of Danish Representations, and sector programme or ‘thematic’ programme support.
- There are two dimensions to the study’s main finding. First, that conflict responses consist of these well-established ‘ingredients’, in which Denmark has a solid track record. Second, that results-oriented strategic management to construct and hold together flexibly the portfolio of responses is crucial to overall institutional performance in conflict prevention and peace building.
- There were marked differences in how and how comprehensively ‘conflicts in programme countries’ and ‘international complex conflicts’ were put on the MFA’s ‘in-house agenda’. A clear institutional locus of initiative to respond to conflict was easier to establish for new engagement in complex international conflicts (in relatively new environments for Danish aid) than for adjustment to ongoing engagement in programme countries (presumably well-known environments).
- Clear internal mandates combined with reasonable assurance that conflict response initiatives on the ground will receive the backing of senior management contribute to swifter and more comprehensive conflict responses.
- In programme countries, on the one hand, the MFA introduced conflict response scenario development in various degrees of depth and formality

as an analytical and risk management tool. This is in line with international good practice.

- The study found that the required inter-linkage of diplomatic and technical conflict response processes poses a staffing dilemma not easily addressed through current standard procedures.
- Staff members interviewed were quite confident that they had the skills to conduct conflict analyses.

The issue of designing an appropriate response to women affected by conflict underlines the importance of systematic and inclusive conflict analysis. Conflict responses need to include particular actions to mitigate specific negative impacts of violent conflict on women and children.

‘Systematic debriefings’. Currently MFA is missing obvious opportunities to take advantage of the experience of staff returning from assignments in complex international conflict and programme country conflict settings.

Opportunities for ‘peer-to-peer’ learning. Staff suggested that some of the fastest learning occurred not in the classroom, but through peer-to-peer sessions. Creating opportunities to facilitate peer-to-peer learning were suggested, including staff retreats for ‘departing’ and ‘incoming’ staff.

The discussion on the draft report focused on the need for “guiding principles” on conflict management and not more policy and strategy processes. Conflicts were also seen related closely to the question of access to resources but one should not forget conflicts in relation to participation and exclusion. There would be a need of an overview over the existing toolbox and considered using the whole box and all the actors. Still room for improvement in this area. There was need for training in conflict transformation and human rights.

Presentation on Conflict transformation – key ideas and principles; conflict transformation and Human Rights, by Michelle Parleviet

The discussion focused on addressing human rights issues in a conflict setting: challenges and different approaches (power-, rights- and interest-based approaches in handling human rights concerns – including the issue of how an interest-based approach can strengthen a human rights focus.) The question of integrating a conflict transformation dimension into human rights and good governance activities or programmes was also touched upon, including how such programmes can be more explicitly or directly geared towards conflict transformation, peace-building and conflict prevention. In this way the linkage between the potential interaction between human rights, conflict transformation and development assistance was established.

The presentation briefly outlined the (conceptual) differences between the notions of conflict resolution, management, prevention and transformation, discussing a framework for conflict transformation drawn from John Paul Lederach, which has much value for designing and planning interventions. The

framework captures four levels of response, at which actors can intervene, and a range of time frames. Insights from previous work in South Africa, Northern Ireland, and Zimbabwe conducted for the Centre for Conflict Resolution was used and on the basis of which rights programmes in conflict settings was understood as running along four dimensions (rules, relationships, institutions and structures, and process.)

It was discussed how this can be used as a 'tool' for approaching interventions, and how it links with the Lederach framework for conflict transformation.

5.3 Finalisation of draft 'Good Practice Paper on Decentralisation and Improved Service Delivery to the Poor'

During the past 10-15 years Danida has supported decentralisation reforms in a majority of our partner countries either through specific decentralisation/local government support programmes or as part of support to other sectors such as education, health, environment, agriculture, roads and water.

As part of the Governance seminar in January 2005 a Good Practice Paper, "Decentralisation and Improved Service Delivery for the Poor", was presented based on an on-line consultation process between the author of the paper, Per Tidemand who is an external consultant, Danida long-term advisers involved in decentralisation and Danida staff at HQ.

Based on the conclusions of this seminar Per Tidemand submitted a new version of the paper on February 1st 2005 for finalisation within the Technical Advisory Services. However, the paper was never finalised nor sent out to the participants of the seminar.

Making the most of the realisation of the Good Governance and Human Rights seminar late February 2006 it was decided to present a slightly edited version of the paper for discussion in order to identify the necessary changes, improvements, parties involved and steps to be taken to be able to finalise the paper.

On the second day of the seminar a two-hours-workshop was realised with about 20 participants, including long-term advisers, embassy staff, HQ staff and an external resource person.

The main conclusions of the workshop were:

- The paper should strike a better balance between democratisation and service delivery. It was emphasised that the so-called governance aspects of decentralisation are as important as the pro-poor service delivery.
- The paper must include much more cases about Danida's actual and concrete experience so far with decentralisation. In its present form it is too "antiseptic" and textbook-like.

- The paper must focus on the most important dilemmas and “trade-offs”, Danida is facing in the design and implementation of the programmes.
- It was agreed that the paper should not only focus on good experience, but also include bad experience.
- However, there was an agreement that the present chapter 2, “Main Challenges in Decentralisation Reforms”, should be maintained as an introduction of key concepts and definitions of decentralisation.
- There was also an agreement on the five pre-conditions for successful decentralisation presented in chapter 2 as a guide for understanding the comprehensiveness of decentralisation.
- Section 2.7 on Politics on Reform must be expanded and elaborated on. What are the motives – local – for reform, and how does decentralisation fit with other public sector reforms?
- Need for eliminating confusion about the role of the parties – partner countries and Danida, and other donors.

Concerning the specific Danida experience – good and bad – it was agreed that the long-term advisers together with TAS should produce the necessary cases covering some or all of the following issues, dilemmas and trade-offs:

- The choice of modality, mode of intervention, institutional anchorage of the Danida funded programmes. What were the main reasons/justification for the choices made and did they hold water? Did Danida make bold or conservative decisions? Both country and sector specific factors should be included as well as Danida specific considerations.
- Following the above good and bad examples for harmonisation and alignment. In the cases of designing parallel structures, were/are they justifiable? If so, why?
- Examples of dilemmas related to decentralisation vs. deconcentration. In a given country are the two processes complementary or contradictory, or is focus only on one of the processes?
- Examples for dilemmas related to sector vs. local government support.
- Good and bad examples of pro-poor effects of decentralisation. Does reality confirm political rhetoric?
- Good and bad examples of financing of decentralisation. Do the financial resources available for the local governments either through central block grants or local revenue correspond to the – new – responsibilities?

- Good and bad examples for enhanced democratisation and popular participation in the local political decision making processes. Real windows of opportunity or merely a façade?

It might be redundant, but to sum up the key question for the cases must be: Did Danida make the right conclusions and decisions based on a – thorough – analysis of these issues and dilemmas? And what are the lessons learned relevant for the future support to decentralisation?

The extension of the cases and examples is unrestricted, but will possibly undergo editing by the editorial group. The deadline for submission to Kristian Edinger is April 1st and deadline for finalisation of the paper by TAS is May 1st.

6 Finalisation of the draft Discussion Note 'Managing governance support to many partners - experiences and the way forward'

We should try to broaden the discussions a bit more. We (TAS) feel there is scope for moving the governance agenda ahead. Trying to get a common understanding of what governance is - the issue of unbundling governance.

We should focus our support more, making it more visible and then mainstreaming.

Four questions should be addressed (group discussion):

- How can Denmark as an international actor focus on fewer governance areas, and develop (maintain) a comparative advantage internationally? Donor co-operation etc.
- Should we support two clusters: political governance (human rights, access to justice/legal reforms; democratisation); and public sector reforms/administrative governance (financial management, human resource management, decentralisation)?
 - Do we need a strategy on good practice, guidance, capacity, and more networking?
 - The role of public versus non-governmental (“supply side and demand side”).
 - Joint decision making bodies. How do we manage support?
- How can we mainstream (different bundles/parts) governance across other sectors? Do we know how different governance issues are dealt with in other sectors? Do we need guidance?

- What is the experience with policy dialogue on different governance issues? What are the challenges? How can we improve our engagement in policy dialogue?

Reporting back/comments:

Comparative advantage and clusters/focus

- Thematic focus should be at country level. As the needs vary from country to country, in support of JAS/PRSP.
- Comparative advantage is to a large extent something you choose or already have. Donor complementarity important.
- DK should be a lead donor in specific governance areas, and through mainstreaming of governance into sector programmes. This requires resources at embassy level.
- Headquarters can list the criteria for governance support. Help embassies to resist the temptation of providing too much support to too many areas.
- If we decide to focus interventions on the demand side on fewer governance areas, we would limit the number of partners, but if we go through basket funds it would enable us to focus thematically and at the same time to go with many other partners.
- The problem is probably not so much the number of partners but rather the thematic spread.
- What matters to the poor? Would that question mean something to the relative importance of which sub-sector Danida supports? This can only be answered in a particular context. Maybe feasible at country level.
- In most cases you will probably need to support both the supply, demand and control side.
- Clarification: According to the AMG, there can only be one Steering Committee for each sector programme, including governance, or component. Discussion: The requirement was in some cases found not to be compatible with the common sense and realities on the ground. If we align or harmonise our support, e.g. if governance programme is in partnership with other donors, then this requirement is not there.

Mainstreaming:

- Future sector programmes should include governance issues such as PSR and decentralisation. Should take the country governance sector into consideration so that there is complementarity and compatibility between any public sector reforms “from the top” and support to capacity building for improved public sector performance at the sector level.

- A suggestion: 1) Embassy management should be in charge of governance support; 2) Sector specialists in TAS should be trained on relevant governance issues; 3) Governance should feature in all ToRs for reviews etc. in the various sector programmes.
- Cross sector coordination at the embassies is a must in order to intervene on governance matters.

Policy dialogue:

- Policy dialogue in country between national stakeholders should be promoted.
- More SWAp type modalities may help lift the policy dialogue to a more strategic influencing level.
- The challenge is to meet a common understanding amongst donors - dialogue coherence needed.

DoC comments:

- DoC analysis may enable us to focus, and show that interventions in one area could lead to changes in other governance areas.
- Important that TAS tries out the DoC approach.
- Dilemma: we can do studies of DoC and keep them in our own drawers, or we can do it more openly.

7 Closure - what could be the architecture of future seminars?

- The best of four governance seminars. The quality of the presentations was high. The seminar was prepared well in advance. And the level of participation better. So there has been a positive progression. However, the use/need of the country specific papers for the seminar was less clear. Last year's e-mail based pre-seminar debate worked very well and prepared the participants for the seminar - 'getting your mindset into it' - this should be repeated.
- TAS should try to emphasise its role as a service provider and the embassies as the clients demanding services. Let the embassy staff formulate their demand to the system. Have the advisers define the seminar agenda. The challenge however, is to find something that is of interest to all.
- The pre-seminar papers are small but important papers with useful information. Maybe TAS could invite someone to help us digest the information.
- All presentations/presenters of high quality.
- There is a need to identify an end product, which should be the end outcome of the seminar.
- Expand next year's seminar with one day, for e.g. Rights Based Approach training. This day could be made voluntary for those who wish to acquire new tools.
- The setting of the seminar could in the future be a programme country instead of Denmark. This would also enable field visits.
- Encourage broader participation from non-programme countries and group these together. Alternatively have a seminar for non-programme countries.
- Could have spent more time on discussing the decentralisation best practice paper.

- Suggestions for making the seminar a three day seminar, and/or alternatively to complement the seminar with regional seminars.
- Questions with regard to uploading of documents on the governance website: See instructions on the website.

Presentations, country write-ups and related seminar information can be found at the Danida Governance Network website: www.danida-networks.dk by 15 March 2006.