21. Development cooperation policies and governance

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INTRODUCTION

Development cooperation[1] policies are, in essence, the outcome of what Reusse (2002: 6–8) has called an 'interventionist paradigm'. Building on the understanding that there is a 'gap' between the existing and the desirable situation in developing countries, international development assistance is provided to help fill this gap. The desire to assist developing countries has motivated successive generations of development scholars and aid workers.

The interventionist paradigm was evident in the work of early scholars, such as Paul Rosenstein-Rodan (1943), who emphasized that investment in industry would be needed in countries with substantial agricultural surplus labour in order to bring about the 'big push' toward industrialization. The paradigm remained key to later ideas on the 'financing gap' between available resources and required investments, which became the main motivation for development assistance (Easterly 1999). Later iterations of the paradigm involve the institutional gap between the pace of social mobilization and participation identified by modernization theorists (Sangmpam 2007), the human capital gap highlighted by educational economists (Hanushek 2013) and the knowledge and technology gap stressed by science and technology scholars (Cherlet 2014).

The governance gap, which was identified in various reports on economic growth in Africa in the 1980s (World Bank 1981, 1989), can be interpreted as the latest manifestation of the interventionist paradigm of development cooperation. Starting in the early 1990s and continuing for about 25 years, governance concerns dominated the development cooperation agenda. The period around 1990 was a turning point for development cooperation. The end of the Cold War, the onset of globalization, and changing ideas about the role of the state in development created an exceptional space for aid agencies to confront governance challenges of state institutions and politics in a broader sense as the most essential development-enablers.

This chapter discusses how ideas about governance have entered into development cooperation policies since the 1990s. The first section analyses the evolution of the ways in which development agencies have dealt with governance since the early 1990s. We describe the 'life cycle' of the concept, from its adoption after the end of the Cold War, through its heydays of 'good governance' in the early 2000s, to the demise of the governance agenda in the 2010s. The second part of the chapter focuses on donor struggles with governance and provides an interpretation of the difficulties that development agencies experience in dealing with the implications of a governance agenda. We conclude the chapter with a reflection on the current, 'post-governance' period in development cooperation.

THE RISE AND DEMISE OF GOVERNANCE IN DEVELOPMENT COOPERATION

The 'Governance Turn'

The final decade of the twentieth century was a defining moment in international politics in at least two respects. First, the 1990s were the pinnacle period of the post-war liberal international order. During the so-called 'unipolar moment' (Krauthammer 1991), US hegemony was unchallenged, and the time seemed ripe for the spreading of liberal values related to democracy and governance reform (Ikenberry 2020: 304–305; Mearsheimer 2019: 26–27). Secondly, as documented in the introductory chapter to this volume, the 1990s also were the period when neoliberalism became the dominant political-economic force. This led to a redefinition of the relationship between state and market and set in motion the wave of 'hyperglobalization' and processes of marketization that have come to characterize the global political economy since that period (see also Chapter 9 in this volume).

For sure, neoliberalism and marketization had underpinned the policy prescriptions of the international financial institutions (IFIs), the World Bank and the International Monetary Fund (IMF), already during the 1980s, but then they were mainly directed at economic policy-making in recipient countries. So-called Structural Adjustment Programmes (SAPs) were implemented, which aimed at downsizing the role of the state in the economy. The programmes required that countries reduce government spending in order to control inflation and limit the demand for capital inflows from abroad. Further, the prescriptions of the IFIs led to wage cuts, the removal of restrictions on imports, the privatization of state-owned enterprises and extensive deregulation of economic activities. In case recipient countries did not follow these guidelines, the IFIs would withhold further loan disbursements (Manor 1993; Ndegwa 1997).

The end of the Cold War broadened the scope of interventions by IFIs and bilateral donors to governance areas beyond the narrow economic sphere. In reflection of their more technical and economic understanding of development, donors agreed that strong, effective state institutions were a crucial condition for economic development in general and for poverty reduction in particular. This brought about a focus on programmes aimed at the improvement of public finance management, public sector reform, anti-corruption legislation and judicial capacity. Next, donor attention turned to more outright 'political' issues, such as elections, multiparty democracy, the strengthening of parliamentary oversight, civil society participation and human rights. This reorientation of development aid donors led to the birth of a multi-pronged good governance agenda, in which poverty reduction and democracy figured prominently as two mutually inclusive and reinforcing evolutions (Carothers and De Gramont 2013).

The 'governance era' was quite unique because, for the first time in history, political motivations to give aid were complemented with the prescriptive dos and don'ts of the aid effectiveness agenda. These guidelines were firmly rooted in scientific evidence, monitored by international organizations and pushed donors to change harmful aid delivery practices. The era, however, did not last very long. During the second decade of the twenty-first century, the space for the evidence-based aid effectiveness policies started to close down.

The Rise and Demise of Political Conditionalities

Political conditionalities, while largely absent during the Cold War,[2] became a common feature of the bilateral aid landscape in the 1990s (Bratton and Van de Walle 1997: 27–30). Aid often went hand in hand with democratization programmes aimed at the strengthening of civil and political liberties, the organization of elections, the funding of election bodies, the support of pro-democracy movements, etc.

The use of such political conditionalities was, however, relatively short-lived (Fisher 2015). The experience of genocides and the occurrence of intra-state conflicts – which, according to Yilmaz (2007: 12) reached a historical peak at 44 between the end of the Cold War and 2007 – led to caution on the side of development aid donors. Bilateral donors, in particular, shifted their focus toward poverty reduction and related governance areas instead of the more controversial issues of democratic liberties and human rights (Fisher 2015). This shift toward poverty reduction as the main goal of development assistance was further accentuated with the adoption of the Millennium Development Goals (MDGs) in 2000. The focus on poverty reduction policies among the donor mainstream did not imply that democracy promotion was fully abandoned. Some aid agencies – such as USAID, the United States Agency for International Development – as well as political foundations and civil society organizations, continued to promote democracy as their core business (Carothers and De Gramont 2013).

In contrast to the bilateral donor agencies, multilateral organizations such as the World Bank did not apply political conditionalities.[3] They did, however, broaden their policy prescriptions beyond purely economic or financial conditionalities. In the beginning of the 1990s, the World Bank acknowledged that its restricted focus on economic policies had not yielded the desired results (see Chapter 1 in this volume). The gap between the prescriptions in the SAPs and the actual implementation of required policies suggested that the governance frameworks in recipient countries were weak or outright absent and needed support to make aid more effective. The World Bank thus actively started to support public finance management, public sector reform, transparency and anti-corruption measures, etc.

Although multilateral and bilateral donor organizations adopted different approaches, it became clear during the 1990s that all donors assembled in the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) agreed on the fundamental and instrumental value of governance for achieving developmental progress and poverty reduction. Most donors also agreed on the understanding of governance, as referring to the institutional processes and the rules of the game relating to authoritative decision-making. More importantly, donors did not initially (at least in public statements) acknowledge the possible trade-offs and tensions between different governance dimensions. It was generally believed that all good things could go together (Leftwich 1994).[4]

Assessing Aid and the New Governance Agenda

The realization in the donor community that the provision of aid would not be sufficient to 'buy policy reforms' (World Bank 1998: 58) led to a search for new approaches to governance. The importance of governance for aid effectiveness was again placed high on the policy agenda by a World Bank publication of 1998. The influential study *Assessing Aid: What Works, What Doesn't, and Why* (World Bank 1998) – also referred to as the Dollar report, after the director of the World Bank's Development Research Group who was the report's main author – took stock of almost 50 years of development cooperation and concluded that aid effectiveness is largely determined by the quality of governance in the recipient country: the main conclusion was that '[f]inancial aid works in a good policy environment' (World Bank 1998: 2). The components of what came to be known as 'good governance' were a sound macroeconomic policy environment that enables markets to flourish, next to transparent and accountable institutions that have the capacity to formulate and implement policies and deliver services. Responsive, democratic institutions and an active civil society were seen as positive influences on aid effectiveness. Again, the democratic and developmental aspects of governance were seen to move in tandem.

Assessing Aid also revealed another set of aid effectiveness conditions related to the donor community and the harmful effects of certain aid delivery practices. The report argued that aid has often been too donor driven, allowing little ownership on the recipient side. The multitude of uncoordinated donors with their (uncoordinated) projects and programmes, which created parallel project implementation units and led to staff poaching practices, put an enormous strain on aid-receiving ministries in terms of transaction costs and often led to institutional undermining (World Bank 1998: 115–119). The main policy implications of *Assessing Aid* are summed up in the next paragraphs.

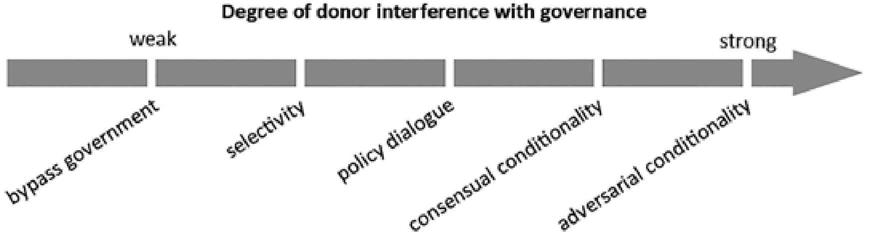
The report's main message, holding that governance context needs to be taken into account, led to two policy implications. The first implication related to aid selectivity: building on the finding that aid is effective only in good governance environments, aid should be concentrated on those countries with sufficiently sound institutions. In the years following upon the publication of *Assessing Aid*, some donors took the selectivity idea seriously and adapted their aid allocation criteria (Hout 2007). The second implication was that aid should be used as a lever to bring about institutional change and/or strengthen the developmental role of the state. This meant that donors should be supporting reforms particularly in weaker states. The difference between the two implications is that donors adopting a selectivity approach would not interfere directly in governance processes, but rather would 'signal' what they expected from recipients (this is the so-called 'pull approach'). In the 'aid as a lever' (or 'push') approach, on the contrary, donors would get involved with policy-making in recipient countries through policy dialogue and conditionalities (Radelet 2005).

Further, *Assessing Aid* also concluded that changes were needed in the governance *of* development assistance. The report called for a modification of practices of aid delivery. It argued that donors had to start revising their fragmented, donor-driven approaches, introduce more coordination among themselves and allow for more ownership on the recipient side (World Bank 1998: 50–53). This not only implied a shift away from a micro-level, project-oriented perspective on development assistance towards a more macro-level, policy- and institution-oriented outlook, but also acknowledged that donor-driven projects were not sustainable.

Importantly, *Assessing Aid* contributed to the emerging consensus that it would be counterproductive if donors bypass the state or try to implement adversarial conditionalities. Donor agencies accepted that the crucial role of the state in enabling economic progress and ensuring social inclusion required that they would need to accept and work with government institutions instead of bypassing them. The agencies realized that donor-driven adversarial conditionalities are perceived as a threat to the status quo, and therefore are not likely to be (fully) implemented, particularly when the disbursement of aid money is based on policy promises *ex ante* rather than demonstrated results *ex post*. The 'new' conditionality that was heralded (Killick

1997), represented an important break with the practice of the SAPs. Aid conditions would, henceforth, be negotiated with recipient governments, so as to ensure ownership and commitment, a results-orientation and *ex post* disbursement upon the achievement of certain targets.

Figure 21.1 graphically represents the five different ways of dealing with governance that can be distinguished, ranging from low to high interference of donors with recipient governments.



Source: Molenaers and Renard (2008: 12).

Figure 21.1 *How donors deal with governments and governance*

The Heydays of 'Good Governance'

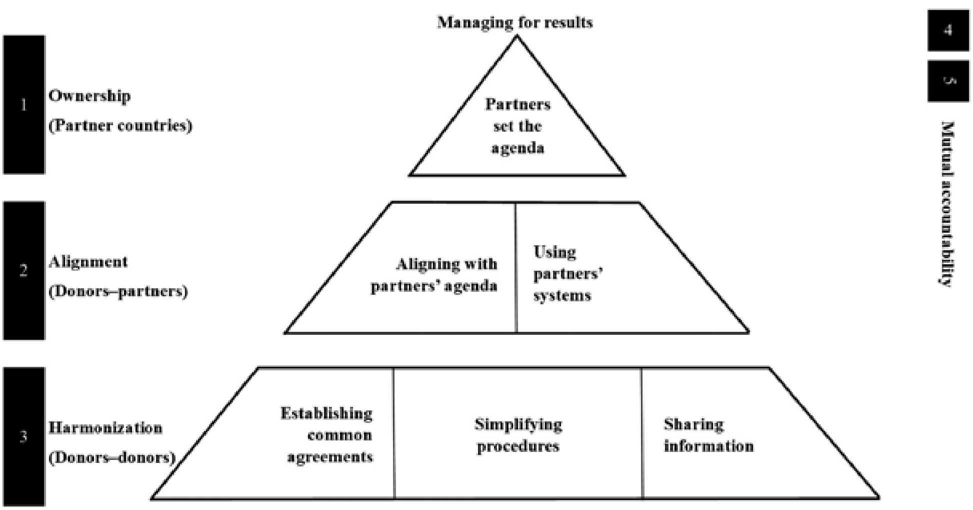
The evolution in the thinking on governance described in the previous sections resulted in the consolidation of the governance agenda: so-called 'good governance' became the *condition for* as well as the *objective of* development cooperation. The idea that governance reforms were the most important drivers of developmental and democratic progress became mainstream to the thinking in the OECD-DAC donor club.

In 1999, the World Bank launched the Highly Indebted Poor Countries (HIPC) initiative in parallel with the Poverty Reduction Strategy Papers (PRSPs). The new approach implied that countries would qualify for debt relief and additional aid resources if they formulated a national poverty reduction strategy. This strategy would then form the basis for donors to support the development efforts of the recipient country in a coordinated way. The PRSP approach placed ownership and participation or inclusion at the heart of the aid process. For this reason, recipient governments were also required to consult civil society while formulating the PRSP. From a more technical, instrumental perspective the value added of bringing in civil society related to their capability to supply information on local poverty situations and the needs deriving from these. It was felt that such information would enhance the quality and the effectiveness of the PRSPs – and thus aid effectiveness in general (Craig and Porter 2003). From a more political perspective, one could also interpret this as a normative signal in favour of more inclusion, more democratic participation, and increasing accountability relating to national decision-making processes. Donors also actively and increasingly funded and promoted policy monitoring roles for civil society throughout the 2000s, and as such thus actively supported countervailing forces.

In 2000, the United Nations General Assembly adopted the Millennium Development Goals (MDGs) (see United Nations n.d.). Both the PRSP and the MDG initiative emphasized that aid-recipient countries needed to be in the 'driver's seat' and that they should have ownership of their development policies. As part of this logic, donors should respect recipient-country ownership and fund the national development strategies of aid recipients in a coordinated way, rather than continuing to focus on their own fragmented, donor-driven projects and programmes. General budget support (GBS) was the aid modality that was receiving most attention and support from donor agencies. In contrast to project funding, GBS would channel aid funds directly to the national treasury without earmarking, and such funds would be pooled with other sources of state income such as taxes. This should give recipient governments more control over the spending of aid – which was often not the case with project modalities – and should increase the use of government systems rather than parallel donor systems for planning, implementation, disbursement and monitoring (Koeberle and Stavreski 2006).

While the aid architecture was quickly shifting gears with the adoption of a new paradigm for development cooperation and new aid modalities and approaches, the terrorist attacks on New York and Washington, DC on 11 September 2001 had a significant impact on the donor community. These events were interpreted as proof of the idea that governance is the key issue that needs to be tackled in developing countries, because terrorism would flourish in poor countries with weak institutions (Abrahamsen 2004). The idea that 'governance is crucial' thus gained even more legitimacy and weight in donor circles, leading to the mainstreaming of governance activities in most multi- and bilateral aid agency interventions.

The landmark confirmation of the importance of governance were the Paris Declaration on Aid Effectiveness (2005) and the ensuing Accra Agenda for Action (2008).[5] Both documents were endorsed by the OECD-DAC donors, almost all developing countries and a range of multilateral development agencies and civil society organizations. The Paris Declaration contained a set of evidence-based principles regarding the dos and don'ts for donors and included a list of targets and a monitoring system to track progress (see Figure 21.2).



Source: OECD-DAC (2005: 14).

Figure 21.2 Principles of the Paris Declaration on Aid Effectiveness

With the agreement of the OECD-DAC donors to respect recipient ownership, to align with the priorities and the systems of the partner government, and to coordinate amongst themselves (harmonization), they gave a formal and international acknowledgement of the importance of respecting and strengthening recipient state institutions and systems. GBS became the preferred – though not necessarily, by volume, the most dominant – aid modality, because it was considered to align fully with the first three principles of the Paris Declaration (ownership, alignment and harmonization) and thus to enhance aid effectiveness (Koch and Molenaers 2016; Koeberle et al. 2006). The three principles were furthermore expected to bring about a focus on results and allow for mutual accountability.

The use of general budget support merits some more attention. As indicated above, the logic of this modality was that recipient governments would obtain greater control over the spending of aid since money would flow through the recipient system, instead of being fully controlled by the donors through parallel systems. The most interesting feature of GBS is that it went hand in hand with the setting up of policy dialogues, where the donor community negotiated with a recipient government which developmental progress could reasonably be expected and which governance reforms were deemed important for aid and development effectiveness. Such bargaining spaces aimed at aligning the preferences of the recipient and the donors, so that the conditionalities tied to the aid disbursements would, on the one hand, be consensual and results-oriented on the other. Results would typically relate to the development dimensions identified in PRSPs or national development plans, while governance reforms and/or institutional support could refer to public finance management, public sector reform, legislative reforms (often related to anti-corruption), judicial reforms, tax reforms, or the setting up of monitoring and evaluation systems and statistical offices, etc. (Molenaers 2012). Progress was tracked through Performance Assessment Frameworks, and disbursement was made conditional on the satisfactory achievement of targets (OECD-DAC 2005: 18). The strong focus on (measurable) results would later pave the way for the introduction of performance-based funding schemes, as well as for discussions relating to 'value for money'.

The heydays of 'good governance', from 2000 onwards, gradually changed the aid architecture in important ways. Four main features stand out in this evolution. First, general budget support gained in importance: the donors that started using this modality were considered 'progressive', while project-oriented donors were perceived as lagging behind. A corollary of this development was that donor coordination mechanisms became more popular. Donor coordination fora usually also mapped the intervention areas of donors to avoid overlap or come to a division of labour.

Secondly, PRSPs and/or national development plans became the reference point for donor-coordination and for donor-recipient policy dialogues. These instruments offered the opportunity to align aid disbursements with recipients' goals and priorities. The coordinated high-level policy dialogues systematically tackled political but also more economic or technical governance concerns. Typically, participation in these high-level policy dialogues with the recipient government would be limited to GBS donors. Donors using other modalities, such as sector budget support, pooled funding or project funding, would not get access to the high-level dialogues. Such donors would coordinate with the recipient government at the appropriate level of the administration.

Thirdly, alignment with recipient systems was combined with cautious monitoring efforts to assess the strength and reliability of the management systems that were in place. Support was provided to strengthen management systems where necessary. In countries with high fiduciary, political or corruption risks, donors would be more careful to fully align their operations with recipient systems. In most aid-recipient countries, strengthening of the transparency, efficiency and effectiveness of the public sector was a recurring item on the agenda of the policy dialogues.

Finally, monitoring and evaluation (M&E) would become increasingly more important in light of the results orientation of the new aid architecture. The funding and strengthening of M&E systems within the public sector and civil society organizations became an important stepping stone toward aid effectiveness and accountability. In an acknowledgement of their role, the involvement of civil society organizations in monitoring and evaluation efforts and in sectoral working groups was promoted.

Governance Conditionality Peaking: The Beginning of the End?

The Paris Declaration and the donor enthusiasm about the new aid architecture that resulted from it were the silver lining around a cloud that was gradually starting to darken. This section documents the problems that led, first, to an increase in the use of (political) conditionalities and, subsequently, to the withdrawal of donors from the governance agenda.

To start with, the Paris Declaration signalled that the agreed-upon delivery principles (see Figure 21.2) should be the default modality in aid relations. This sent a strong message to donors that had not yet adopted general budget support. While more and more donors started implementing the new aid modality, some did this in a very strategical way. Some donors, for example, would only give a fraction of their aid volume as GBS in order to get a seat at the policy dialogue table and be able to put forward their own set of (governance) conditions. The proliferation of donors around the coordination table contributed to already existing problems, which are discussed below.

Tensions among donors had been growing because the lack of consensus regarding the specificities and normative components of governance led to disagreement on how to tackle certain governance problems (for a comprehensive overview, see Grindle 2007). Some donors emphasized the importance of political regime elements, such as democratic rights, voice and accountability and human rights, while others focused on more technocratic government capacities (Hayman 2011; Molenaers 2012). Instead of addressing the contradictions and trimming the governance reform agenda in order to avoid overload, lists of conditionalities actually became longer and more demanding (Hayman 2011; Molenaers et al. 2015).

There was also quite some disagreement among donors on how to assess and deal with moments of crisis in recipient countries. For example, should the surfacing of a corruption scandal be interpreted as a deterioration of governance quality? Or is a leak on corruption actually an indication that accountability mechanisms are working? How should donors react to the violation of LGBTQ+ rights in recipient countries? And how should they address a regime that takes a sudden turn towards more authoritarianism but at the same time is a consistent champion on economic growth and poverty reduction? In their response, donors needed to accommodate multiple and often contrasting pressures and demands. While domestic constituencies would often demand sanctions, such as the withdrawal of budget support, regional organizations would call for a coordinated response, and the recipient government would point at the importance of ownership, alignment and sovereignty. In the end, however, domestic accountability pressures largely guided bilateral donor responses in how to deal with crises in partner countries.[6] In those (rarer) cases where donors managed to formulate a coordinated response to a crisis, this was likely perceived as the ganging up of donors against a recipient government, and this could damage mutual trust as well as partnership relations.

On many occasions, the activities of aid agencies spurred diplomatic discontent as those agencies were taking up space in policy and political dialogues, which is normally reserved for ambassadors or their representatives. Thus, tensions arose regarding the mandate and division of labour between the ambassador and other diplomats and the staff of aid agencies. Moreover, donor coordination activities reduced individual donor visibility, and this was not always appreciated in diplomatic circles and the ministries of foreign affairs. In some cases, the visibility problem was mitigated by the launch of policy dialogues at different levels (including at sector and sub-sector ones), but this in turn created transaction costs and coordination problems between representatives involved in the different dialogues.

In short, the growth and diversification of the governance reform agenda were certainly related to the increase of the number of donors and the heterogeneity of their preferences. This led to increasing collective action problems and increased donor competition (Kilama 2016; Swedlund 2017; see also Chapter 23 in this volume). The (re-)emergence of China as a donor further complicated donors' coordination efforts. With its policy of non-interference, China stayed away from governance conditionalities. It would rather step in to fill the gap for recipient governments when traditional donors threatened with or imposed aid sanctions.

The final blow to the governance agenda was dealt by the publication, in 2011, of the evaluation of the Paris Declaration, which showed extremely disappointing results.[7] The evaluation report showed that only one, minor target (out of 13) was achieved. The evaluation results added to the frustrations in the donor community that had already heaped up. Together with the limited results of the fourth High-Level Forum on Aid Effectiveness in Busan in 2011, these developments caused the demise of the new aid architecture. The so-called Busan Partnership Agreement included the 'emerging' donors, but was anything but clear or concise in terms of the dos and don'ts for donors. Where the Paris Declaration was based on evidence, the Busan Partnership Agreement was (just) a political agreement without targets or monitoring schemes (High-Level Forum on Aid Effectiveness 2012).

The Governance Agenda Is Dead, Long Live the Governance Agenda?

The governance era, which extended from the early 1990s into the second decade of the twenty-first century, was a unique period in the history of development cooperation. During this short period of time, aid agencies were exploring the core of the main enablers of or obstacles to development: politics and governance. The new aid paradigm was built on evidence about which approaches in development cooperation had been successful and which less so, but the messy reality of turning ideas into practice led to the demise of the governance agenda. The fundamental question that remains, however, is what the effect of this period has been.

Looking back at the governance era, it is clear that the new approaches that were adopted during this period did produce some results. Unfortunately, these results were made public through publications long after 2010, in a period when donors had already abandoned the Paris Declaration. The main effects that are shown systematically in general budget support evaluations relate to successful reforms on more technocratic governance dimensions in the area of public finance management. It seemed that the new aid modalities had no demonstrable effect on the political dimensions of governance, such as voice, accountability and the political regime more broadly. The evaluations also found that budget support positively impacted economic progress and poverty reduction (Alavuotunki and Sandström 2019; Tavakoli and Smith 2013). In other words, these findings show that a number of states did become more effective in terms of development outcomes, but without necessarily adopting more accountable governance practices.

The findings of the evaluation studies provide important insights into the limited opportunities to incorporate governance into development cooperation policies. At the time of the governance turn, many in the donor community were expecting that political conditionalities would be powerful enough to bring about changes in governance. The logic behind this reasoning was that general budget support would give donors the opportunity to influence recipient governments in high-level policy dialogues, because the latter governments preferred this aid modality as it gave them almost full control over the use of aid resources. The observation that donors did not get their way with driving political governance reforms reinforces the findings of studies of political conditionalities in earlier eras that pointed at the quasi-impossibility of influencing political governance from the outside with aid (for example Stokke 1995 and Crawford 2000). All in all, what seems to remain from the 'governance era' is the limited, yet not unimportant, success of technocratic governance reforms, caused mainly by the changes in the international aid architecture. This result is testimony to the fact that modifications of donor policies may have an impact on certain governance dimensions.

DONOR STRUGGLES WITH GOVERNANCE

Governance and the Realities of Aid

The earlier sections of this chapter have documented how development aid donors have struggled with the relationship between governance and development. While many in the donor community acknowledge the importance of governance structures and processes, they also realize that it is very difficult for donor agencies to have a real impact on governance in developing countries. The struggle with governance derives from the features of the aid process.

In the first place, development assistance is an element of foreign policy. This means that considerations to provide aid to specific governments are part of a bigger equation and not just a reflection of the wish to do good in developing countries. Aid relations are political in that they help to maintain spheres of influence, assist in retaining good relations with former colonies and serve to cement economically beneficial transactions. The political nature of aid implies that considerations relating to governance quality and governance reform quite often take a back seat to more direct political interests (cf. Hutchison et al. 2014: 13–35).

Secondly, the concern with governance in developing countries is often felt to be problematic from either a normative or an operational perspective. Many participants of the aid industry feel the tension that exists between the urge to make assessments of how countries are run and the principles of local ownership of the development process (cf. Pronk 2001: 620). The emphasis that local actors should decide for themselves how to implement development policies does not square normatively with external interference in domestic governance arrangements in developing countries. Let alone the normative concern, donor agencies also recognize their own limitations in driving actual changes in governance structures or processes. Many acknowledge that real change – no matter whether this involves full-fledged 'regime change' or is more limited to incremental improvements to governance practices – needs to be home-grown and can, at best, be supported, but not driven by external actors.

Finally, decisions on development assistance are subject to the influence of domestic constituencies. As Yanguas (2018: 4) phrased it with a sports metaphor, 'foreign aid is not so much a policy field as a political football for government and opposition to kick around in search of votes and cheap rhetorical wins'. This feature of aid implies that considerations and decisions are often not made so much because of their effectiveness, but because they are felt to please particular sections of an electorate. The consequence of this may be that countries that are considered as 'risky' – for instance, because of the level of corruption – are avoided, although the payoffs deriving from governance reform there are likely higher than in other contexts. Because of domestic political considerations, donors may therefore end up working in more reliable environments where their impact on governance is more limited (cf. Pronk 2001: 625–628).

The Promise of Political-Economy Approaches

The attention to aid effectiveness since the turn of the century made donor agencies more alert to the possible negative impact of certain governance practices on the use of aid monies. The enhanced awareness of risks to aid implementation led various donor agencies to stress the need to look 'beyond the façade' of formal governance institutions. Scholarly attention was instrumental for donors to understand what was happening within government bureaucracies and to the options of incumbents to use the seemingly legal-rational institutions to their advantage. In a book that had much influence in donor communities, Chabal and Daloz (1999: 16) described the state in many developing countries as 'no more than a décor, a pseudo-Western façade masking the realities of deeply personalized relations'. They argued that while state structures would appear to be institutionalized, the organs of the state are 'largely devoid of authority' (Chabal and Daloz 1999: 16).

Various donor agencies concluded that they would need to have a better understanding of governance realities in developing countries in order to reduce the risks involved in their aid relationships. The UK's Department for International Development (DFID) was leading the donor community in the development of a 'political-economy approach' to assess potential problems of accountability in situations where donors were trying to bring about pro-poor change. DFID adopted the political-economy approach in its so-called Drivers of Change framework. The framework focused on three dimensions of the economic, political and social context of governance in aid-receiving countries: agents, structural features and institutions. Agents are internal actors, such as political leaders, civil servants, political parties, business associations, trade unions and civil society, as well as external actors such as foreign governments, regional organizations and multinational corporations. Structural features refer to 'long-term contextual factors' that are not readily influenced, such as economic and social structures, natural resource endowment, technological development and demographic characteristics. Institutions are the 'rules governing the behaviour of agents' and include formal laws and regulations as well as political, social and cultural norms (DFID 2009: 9).

Several other bilateral and multilateral donor organizations followed DFID in the development of tools for political-economy analysis: examples include the Power Analysis adopted by the Swedish International Development Agency (SIDA), the Strategic Governance and Corruption Analysis (SGACA) implemented by the Dutch Ministry of Foreign Affairs and the Problem-Driven Governance and Political Economy Analysis introduced by the World Bank. As discussed elsewhere (Carothers and De Gramont 2013: 225–250; Hout 2012), the longer-term effects of these political-economy tools for the implementation of development aid have remained limited.

The introduction of political-economy analysis seemed to have signalled an appetite among donors to engage with development as a fundamentally political process – a trend that Carothers and De Gramont (2013) described as an 'almost revolution' in the aid industry. Changes stopped short of an actual revolution, mainly because it seems very difficult for donor agencies to embrace a more political approach. Next to the general characteristics of the aid system that make it difficult for donor organizations to engage with governance in partner countries, certain characteristics of these organizations themselves limit their willingness to take political-economy analysis seriously. A first key feature is the self-image of donor agencies. Aid professionals see themselves first and foremost as technical experts, whose mandate is poverty reduction. As heirs of the 'swelling pool of economists, agronomists, public health experts, public administration specialists, and others who entered the ranks of newly established development agencies' (Carothers and De Gramont 2013: 256) they tend to shy away from engaging with politics.

A second important feature relates to the political economy of aid agencies themselves. The agencies are organizations with a project or programme implementation outlook, where 'moving money' (Easterly 2002: 228) is the main *modus operandi*. As a consequence, the agencies assess their staff on a core set of competencies: success with disbursing aid funds, their project and programme management achievements, and their ability in developing project proposals, logical frameworks and financial flowcharts (Gibson et al. 2005: 134–135, 154–156). Aid professionals, then, are neither selected on nor rewarded for their abilities to work on political issues in the country environment they are placed in.

Thirdly, the 'clashing aid effectiveness agendas' (Carothers and De Gramont 2013: 268) are an important feature of the context that development agencies are operating in. One important element of the effectiveness agenda is the emphasis on 'managing for results'. The orientation to demonstrating results has meant that aid agencies are very much focused on making their activities measurable. Non-measurable outputs, which include possible engagement with the wider political system of the partner country, are not rewarded. Moreover, the results orientation leads to risk averse behaviour among staff of development agencies. The need to demonstrate the effectiveness of aid has, moreover, resulted in a pressure to 'do more with less' (Carothers and De Gramont 2013: 270), which is not an incentive to develop innovative approaches on governance issues.

CONCLUSION: A POST-GOVERNANCE PERIOD IN DEVELOPMENT ASSISTANCE?

The period since roughly 2012 marks a return of donor interest in development assistance. This return is manifest in different ways, and is visible among others in the more direct connection between aid and trade agendas (Malambwe Kilolo 2018; Savelli et al. 2019), the focus on the private sector as part of an economic growth agenda (Mawdsley 2015) and the application of aid to stem migration flows, as well as the use of development assistance for support to refugees (Knoll and Sheriff 2017). The end of the direct concern of donors *with* governance and governance reform as a direct target of intervention does not imply that they no longer have a concern *for* governance. Several donor agencies have been supporting governance-related initiatives, either through direct funding or through commissioning research projects undertaken by staff associated with those initiatives. Thus, the interest in governance issues is expressed in different ways than before and, moreover, seems to be driven primarily by governance specialists (cf. Yanguas 2018: 162–170).

Importantly, a group of scholars associated with the Center for International Development at Harvard University and the World Bank have developed the so-called Problem-Driven Iterative Adaptation (PDIA) framework (Andrews et al. 2013, 2015), which attempts to move away from copying governance solutions deriving from models propagated by development agencies. Instead, Andrews et al. (2015: 125) argue that 'we don't need more "experts" selling "best practice" solutions in the name of efficiency and the adoption of global standards; we need instead organizations that generate, test and refine context-specific solutions in response to locally nominated and prioritized problems; we need systems that tolerate (even encourage) failure as the necessary price of success.' Key to the PDIA approach is the idea that a problem definition needs to derive from a local process, so that the key elements of a development issue are addressed that are recognized locally, instead of those that are defined by external experts who 'often name the lack of a solution' as definition of the problem (Andrews et al. 2015: 126). The PDIA process then moves through six 'find and fit iterations' of identifying and implementing reforms (Andrews et al. 2015: 128–130). Since the launch of the approach, the Building State Capability programme at Harvard University has launched a website that includes a PDIA toolkit, a series of podcasts as well as online courses and videos (Center for International Development 2021).

As an offspring of earlier political-economy analyses, the Thinking and Working Politically (TWP) Community of Practice attempted to continue engaging with a political agenda on development assistance. The self-declared mission of the TWP initiative, which displayed activities mainly until 2018, was 'to help better understand how to translate the evidence that political factors are usually much more important in determining developmental impact than the scale of aid funding or the technical quality of programming *into operationally relevant guidance*' (TWP Community of Practice n.d.). The Developmental Leadership Program (DLP), which is funded by Australian Aid and has been hosted at the University of Birmingham since 2014, situates itself as part of the TWP movement. DLP's main work has been on research on developmental leadership as a political process. Its synthesis report, written after the first ten years of research, emphasizes that 'political will' is not the key to successful development. Rather, DLP staff underline the importance of incentivizing political leaders and the building of coalitions with sufficient political clout to implement development-oriented policies. The role of aid agencies, in the view of DLP researchers, is to support leaders who are committed to policy reform, resulting in the establishment and maintenance of developmentally oriented institutions (Developmental Leadership Program 2018).

When observing the evolution of governance-related work associated with development assistance in early 2021, it is clear that much of the earlier vigour has disappeared. Much of the work depended on the support and funding by development agencies, and with the weakening or discontinuation of that involvement the activities focused on governance have suffered. Observing the state of the field, Yanguas (2018: 197–198) commented that '[p]olitics and governance are at best allocated their own silo, and at worst diluted through their incorporation into the broader, more nebulous category of public sector management, which is mostly populated by public administration experts, auditors, and evaluators'. In the light of the analysis of this chapter, which highlighted that the concern for governance in development assistance was the result of a rather specific historical momentum, it is likely that governance-related work will at most continue to play a role at the fringe of the debate on aid.

NOTES

1. The literature uses a variety of terms (development cooperation, development assistance, development aid and foreign aid) to refer to the policies of bilateral and multilateral donor agencies. This chapter uses these terms interchangeably.
2. Bratton and Van de Walle (1997: 268) show that political conditionalities were only used in a few exceptional cases during the Cold War period.
3. An important reason for the World Bank to stay away from political conditionalities can be found in section 10 of Article IV of the Bank's Articles of Agreement, which specifies that '[t]he Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially' (IBRD 2012: 10).
4. Leftwich (1994: 364) highlights that donors had too simplistic views of the relationship between democratic governance and developmental progress (the reduction of poverty and/or economic growth). The mainstream idea was that the removal of authoritarian constraints would lead to the emergence of democracy as the default and that socio-economic progress would be the result. Donors did not acknowledge that voice and accountability might undermine political stability, nor that some countries with relatively effective government systems in terms of delivering services, might have high levels of corruption at the same time.
5. The Accra Agenda for Action confirmed the commitment to the Paris Declaration, but added that civil society organizations are development partners and should thus be involved in the implementation and monitoring and evaluation of the Paris Declaration.
6. Country case studies have repeatedly pointed at the coordination problems. See, e.g., Delputte and Orbie (2014), Dijkstra and Komives (2011), Faust et al. (2012), Fisher (2015), Hackenesch (2015), Koch et al. (2017) and Leiderer (2015).
7. The full evaluation of the Paris Declaration is available in Wood et al. (2011).

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