

Governance, Development and Democratic Politics

DFID's work in building more effective states



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1 Preface

DFID's 2006 White Paper was entitled "Making governance work for the poor". It explained why we believe that improving the way countries run their affairs is crucial to the fight against poverty. And it set out how we will work with others to fulfil the promises the G8 and African countries made at Gleneagles to do just that. This booklet is designed to explain in more detail what we mean by governance and how we put our approach into practice.



I believe that good governance is at the heart of development. An effective state is the single most important factor in determining whether progress takes place. And good governance also needs an international system that deals with challenges such as climate change and theft of natural resources which can undermine all the good work that our partner countries are trying to do.

I want to see a world in which people no longer have to struggle to find enough to eat, to have better access to health, education and water, and to feel secure. I also want people to have the freedom to make decisions about their own future, and for women to have more voice and control over their lives. This is what poor people tell us all the time.

This booklet explains what we do and shows how we work with a broad range of partners, including other government departments in the UK. Most importantly, it shows why we believe that democratic politics is the only way to achieve lasting change. It is democratic politics that will ensure that officials don't steal women's precious time and money by making them queue or demanding bribes. It is democratic politics that will help parents hold governments to account to ensure that money allocated to education enables every child to go to school. And it is democratic politics that will enable debate in countries about the effect of climate change on poor people's livelihoods and about how to protect our children's future.

Good governance is a global responsibility, and we will continue to play our part in helping countries to reap its benefits.

A handwritten signature in blue ink, appearing to read "H. Benn". The signature is stylized and fluid.

Rt Hon Hilary Benn MP
Secretary of State for International Development

2 Summary



A village committee, Nampula, Mozambique. Jan Banning/Panos Pictures

- 2.1 Governance is about power and authority and how a country manages its affairs. Without 'good', or at least 'good enough', governance the fight against poverty cannot be won. Whether states are effective or not – whether they are capable of preventing violent conflict, fulfilling human rights obligations, helping business grow, and delivering essential public services to their citizens – is the single most important factor that determines whether or not successful development takes place.
- 2.2 We highlighted these and other issues in our 2006 International Development White Paper,¹ which sets out our commitment to making governance work for poor people. This new booklet builds on this commitment to present a deeper understanding of what governance is (section 3) and what makes it 'good' (section 4). We demonstrate how better governance can improve the lives of poor people around the world (section 5), and what we are doing to help (section 6). We conclude with four contemporary challenges to enabling better governance and long-term state-building (section 7) so as to reduce poverty.
- 2.3 In section 3, we demonstrate how governance works at all levels in society: from the state down to the household level. We show that, above all, governance is about people and their relationships with the state; that improving governance requires changing both the formal and the informal rules that determine the way things are done – what we call institutional change; and that this requires changing the way power is held and used through politics. Politics determines how a society makes choices about the way in which people live together.

- 2.4 The wider international environment also increasingly influences governance within countries. Globalisation, climate change, the AIDS epidemic, urbanisation, migration and the information revolution are affecting individuals, businesses and governments more than ever before.
- 2.5 In section 4, we set out why we believe that to achieve good governance states must be capable, accountable and responsive to the needs and rights of citizens. The range of country case studies presented illustrate the importance of each of these elements for improving governance. We are doing more across all our programmes to support countries to improve accountability and encourage responsiveness, while continuing to help build the capability and authority of leaders, governments and public organisations and institutions to get things done.
- 2.6 Improving governance matters not only for tackling material deprivation – achieving freedoms from want, disease and ignorance – but it also matters for addressing poverty experienced through powerlessness and lack of voice. Better governance enables all people to gain the freedom to make their views heard; to choose people to represent their views; to associate freely with others; to join a political party or trade union; and to worship and practise their own religion. We believe that this is best fostered within a framework of democratic politics: a means by which all people are included in determining how a society makes choices.
- 2.7 Like all aspects of governance, democratic politics cannot be transplanted to or imposed on a country from outside. What works in one country to improve governance may not work in another. The demand for democratic politics must come from within.
- 2.8 It is not easy to promote good governance. Changes in governance can take decades to achieve, because different groups in society must first negotiate decisions on how things are done, and work out new compromises for the way in which power is shared and resources are allocated. All of this can create disputes and tensions, which must be resolved peacefully. Successful reform of governance should, therefore, be driven by communities and countries themselves, and happen in a sequence that best matches their particular circumstances. Progress can often be slow and difficult, but where the right opportunities do occur, change can come about fast.
- 2.9 In section 5, we demonstrate how better governance can improve the lives of poor people by preventing violent conflict and improving human security in countries like Nepal and Jordan; by improving the delivery of essential public services such as health in Malawi and clean water in India; and by empowering citizens to realise their full range of human rights, for example through community action in remote areas of Colombia.

2.10 We set out why better governance is critical to economic growth, the single most powerful way of pulling poor people out of poverty, if the opportunities are available equitably. We demonstrate the importance of raising revenue for development and state building, and how ensuring poor people benefit from increased resources requires better public financial management. We also demonstrate that the best way to reduce corruption is to improve state capability, accountability and responsiveness at the local, national and international levels.



A village committee, Nampula, Mozambique. Jan Banning/Panos Pictures

- 2.11 In section 6, we show how we are increasing our resources, in terms of both professional expertise and financial support, to help address these complex challenges. Our focus is increasingly on supporting the poorest countries and regions in the world, which means we are working more and more in fragile states; countries and regions characterised by instability and that fail to deliver security, protection of rights, basic services and other core functions to their populations.
- 2.12 We work closely with other parts of the UK government, for example with the Foreign and Commonwealth Office (FCO) on promoting free and fair elections, with the Department of Trade and Industry (DTI) on fighting corruption, and with the Ministry of Defence (MOD) on post-conflict reconstruction and security. We also work closely with other international agencies such as the World Bank and the International Monetary Fund, with regional bodies such as the African Union and the European Commission, and with UN agencies and a wide range of other bilateral donors.
- 2.13 Over the past decade, we have increasingly understood that enabling change on the scale required to address global poverty requires significant improvement across a wide range of governance systems. Financial aid and technical assistance, though necessary, are not enough. We are therefore continually improving our understanding of local context – including history and politics – and the implications that this has for reducing poverty. This knowledge enables us to target our support where it can do most good, based on specific local circumstances and the ability and willingness of different groups to work for change.

- 2.14 Our 2006 White Paper set out a commitment to put governance at the heart of our country planning processes. Our new approach, Country Governance Analysis (CGA) – carried out in collaboration with the FCO – pulls together information on governance over time from a wide variety of sources. This analysis helps us make best use of our discussions with partners on the issues that matter most to us: poverty reduction, fulfilling human rights obligations, strengthening public financial management and reducing corruption.
- 2.15 We support a wide range of partners to improve governance at the country level. This involves much more than government bodies, important though they are, and encompasses organisations and institutions from across the public and private sectors, civil society and the media. We show how working to support Community Development Councils in Afghanistan has helped to provide water and sanitation, education and livelihoods to rural communities; how supporting media in Bangladesh is helping to develop a culture of accountability in the run-up to forthcoming parliamentary elections; and how working to support women in Rwanda's Parliament is helping to bring gender equality to local and national politics.
- 2.16 Finally in section 7, we set out four contemporary challenges and opportunities: ensuring work to improve governance is based on a sound understanding of country context; encouraging donors to recognise that all our activities have implications for long-term state building; tackling global issues such as international corruption and crime, AIDS, climate change and migration; and helping countries embed a culture of democratic politics. In trying to meet these challenges our governance work will now seek to address the big questions of how power is held and in whose interest it is used.

3 What is governance?

Governance is about how a country manages its affairs

3.1 Governance is about the use of power and authority and how a country manages its affairs. This can be interpreted at many different levels, from the state down to the local community or household. Governance analysis considers all the mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests and exercise their rights and obligations. It concerns the way that people mediate their differences, make decisions and enact policies that affect public life and economic and social development.

It is about people, power and politics ...

3.2 Governance therefore is about relationships between citizens and the state. These relationships are influenced by institutions, the way in which rules – formal (laws and regulations) and informal (shaped by tradition and culture) – affect the way people relate to each other. These institutions are embedded in the way power is held, used and projected in different contexts. They affect relations between men and women in the household, among poor people and elites in communities, and between different political groups in national politics. Improving governance therefore requires institutional change, which often involves changing power relationships through the political process.

3.3 It is politics that determines how a society makes choices about the way in which people live together, how competing interests are mediated and how available resources are allocated. Politics touches many aspects of people's lives, not only through government but also in areas of cooperation, collective action and the provision of public goods. This is just as relevant at the household level in relations between men and women as it is at the national level among politicians.

3.4 In many countries, those without power and influence are people excluded by virtue of their race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status, or simply by being very poor.

... and involves a wide range of both organisations and institutions.

3.5 Governance is therefore about more than government systems and capacities, important though these are. It is also more than improving the structure and capacity of specific organisations. We have learned that organisations and

institutions are not necessarily the same thing, and that appreciating this important difference is crucial for helping countries to improve their governance.

- 3.6 A good way to show the difference between organisations and institutions is to use a sporting analogy. Organisational development can be likened to coaching a soccer team. Which players should play in which position? What should be the team's tactics? At what point should we bring on a substitute? By contrast institutional development would focus on the rules of the game. Are the goalposts too small? Should we allow 13 players instead of 11? Should the team give up playing soccer and take up cricket instead? Institutional development would also focus on the informal rules of the game. Whether, for example, players keep to dietary and fitness plans, attend training sessions or socialise after the game.
- 3.7 It is only over the last decade that donors have increasingly turned their attention to institutional development. The implications for us are clear. We need not only to work with a range of organisations in both the public and private sectors (parliaments, justice and security sectors, national oversight bodies, political parties and electoral commissions, businesses, media, trade unions, and faith and other civil society organisations) but also with the informal and formal institutions that shape individual and collective behaviour.
- 3.8 Strengthening key organisations, for example, may not automatically lead to improving state capability. Such change frequently runs up against the rigidities of public service-wide institutions (such as rules and regulations regarding pay and recruitment). Even changes to the formal institutional rules of the game may have little impact if the informal rules of the game (the ones that really do drive behaviour) remain embedded. For example, if the dominant value is that public office is there to be exploited for private gain, strengthening procurement regulations or contracting processes will achieve little. It is this wider political economy of institutions that determines state effectiveness.
- 3.9 This then should be the framework in which we approach the question of building a capable, accountable and responsive state. State capability will be built through both organisational and institutional change. Organisational change is something to which donors can effectively contribute. But this will only take us so far. Institutions must change too – and this is more complicated, less understood and longer-term.

Case study 1: AIDS and governance – supporting partners in India



A woman walks past a public health poster urging the use of condoms for an AIDS awareness campaign. Chris Stowers/Panos Pictures

DFID support to address HIV and AIDS in India is a good example of how we work with a wide range of organisations and institutions to improve governance. This includes support to central and state government, parliament, public service providers, the media and civil society. We help to build a more capable and accountable state responsive to the needs of excluded groups most vulnerable to HIV-AIDS such as women, men who have sex with men, injecting drug users, sex workers and prisoners.

Through the work of civil society organisations such as the Indian Network of Positive People living with HIV and AIDS (PLWHA), vulnerable and excluded groups are now better able to communicate their needs to politicians. The

media also plays a key role in sharing information. We support the BBC World Service Trust to run a number of mass-media campaigns and programmes. These reach up to 30 million people a week and have won prestigious awards for changing behaviour and reducing HIV-related stigma.

Through the Resource Centre for Sexual Health and HIV and AIDS, DFID provides information to parliamentarians, (state) government, civil society and training organisations, to strengthen their capability to better understand the epidemic and tackle AIDS-related stigma. We also work with the government-managed National AIDS Control Organisation and eight state AIDS Control Societies to build an early response to AIDS. A project to promote positive health behaviours with regard to drugs and HIV in prisons has changed the attitudes and behaviours of prisoners and staff – an example of strengthening informal institutions.

Our support to central and local government has also helped to improve the capability and accountability of public servants and the state to respond to HIV and AIDS related issues. For example, the national budget for AIDS programmes has increased by about 28% per year since 2001/02; policies and legislation are becoming more responsive to the needs and rights of all citizens; and the Ministry of Health and Family Welfare is developing draft legislation to prevent discrimination against people living with HIV and AIDS.

Governance is country-specific ...

3.10 Governance is shaped by the geography, natural resources, history, and social and economic factors particular to different countries, and often to different regions within those countries. What works in one country to improve governance may not work in another, so 'good' governance cannot be constructed simply by transferring institutional models or organisational blue-prints from rich to poor countries. Countries need to create their own institutions through locally driven processes. Reforms require careful prioritisation and sequencing, depending on individual country circumstances.

... but is also shaped by the wider international environment.

3.11 Governance in any country is also shaped by the wider international environment. We are now more connected to each other than ever before – by trade, by technology, by the movement of populations and by the global challenges we face. International trade arrangements, migration, international corruption, conflict and concern about terrorism are all factors which shape the way that citizens and political leaders interact with each other and influence the policies that governments make.

3.12 Developed countries now pay very large sums for the mineral and natural resources produced by developing countries. The proceeds can be put towards public spending that benefits poor people and invested in economic growth. But mismanagement and a lack of transparency can mean that the proceeds are stolen, diverted, or used for crime. Natural and mineral resources can then become more of a curse, in some cases contributing to political instability and in others sustaining unaccountable and unresponsive regimes.

3.13 We believe that a stronger international system with shared codes of practice is needed to prevent unscrupulous individuals or companies making profits from illegal trading in natural resources, such as diamonds or timber, or selling arms that fuel conflict. An example of such a system is embodied in the OECD Guidelines for Multinational Enterprises, which sets out how companies should meet standards on corruption, human rights and governance.

3.14 Climate change is another global issue with huge repercussions for governance in developing countries. Many poor countries already struggle to cope with extreme weather and climate variations, and climate change will make matters worse. The problem will hit the poorest countries most of all, because they have the least capacity to respond, so governments will need support in managing the impact. The AIDS epidemic is having a devastating impact and also presents huge challenges for governance in poor countries

by putting additional strain on already limited resources and weak public services – especially in education and health. The epidemic also takes a huge social and emotional toll on families and communities. In Africa alone, 13 million children have lost at least one parent to AIDS.

3.15 Work to understand and improve governance therefore cannot be confined to national systems and domestic politics. It requires action and coordination at the international level. When international standards and processes are connected with local and national systems, change for the benefit of poor people begins to happen.² As this publication will make clear, the UK is working very actively on a range of local, national and global issues affecting governance.

Case study 2: Building accountability through international standards

The Extractive Industries Transparency Initiative (EITI), launched by the UK in 2002, has helped to improve accountability in countries such as Nigeria and Azerbaijan by increasing transparency over revenues earned by governments and companies from oil, gas and mining activities. This helps people see how much their government is getting and how resources are being used, and helps them challenge corruption. Bringing governments, oil, gas and mining companies and civil society together, EITI is now being implemented in twenty-six countries, eight of which have publicly reported the money paid by companies to government. An independent Board was recently formed, and the EITI is working to achieve a UN General Assembly resolution to help establish EITI as a global standard.

We are also working to improve transparency and value for money in public procurement and, building on EITI, to develop international standards to increase accountability in the defence, construction and health sectors. For example, the Medicines Transparency Alliance (MeTA) will launch a series of country pilots in summer 2007 to increase transparency and accountability in the medicines supply chain. This will help people to know what drugs should be available, whether drugs are of good quality and how much they should pay for them. Similarly, the Construction Sector Transparency (CoST) initiative will tackle high levels of corruption in the construction sector to ensure that people get the roads, schools and hospitals they pay for.

Governance is critical for building an effective state

- 3.16 We have learnt from research and experience the importance of the state in promoting development. Since only the state has the legitimacy to exercise power over a particular territory and its people, it is in an unrivalled position to transform economies and society.
- 3.17 Improving governance is at the heart of building an effective, developmental state because it strengthens consensus among different groups in society about how the country's affairs are managed. This helps to consolidate security and the rule of law. It enables the state to become more stable, with broad legitimacy and capability across all regions and parts of society.
- 3.18 However, building effective states is usually a long and contested process. Even some stronger states have elements of fragility within them, and could become more fragile given a particular set of circumstances, such as regional conflict or an economic downturn.
- 3.19 All our activities as donors, whether explicitly governance-related or not, have implications for long-term state-building, so initiatives should support, not undermine, the capability, accountability and responsiveness of the state. Every external initiative should be carefully examined to assess the impact it will have, who will benefit and who could be disadvantaged.

Case study 3: Rebuilding the state in Sierra Leone



Voter registration in Sierra Leone. Rebecca Stringer/DFID

In Sierra Leone, a brutal conflict between 1991 and 2002 devastated the population and left the state infrastructure and economy in ruins. Years of poor governance, corruption, exclusionary politics and conflict over the country's rich diamond resources all contributed to the conflict. As the Truth and Reconciliation Commission (TRC) noted, 'unsound governance provided a context conducive for the interplay of poverty, marginalisation, greed and grievances that caused and sustained the conflict'.³

Sierra Leone is a good example of joined-up UK government support. Since UK military intervention helped end the conflict, DFID, the FCO and the MOD have been working closely to help the country make the transition from conflict to development. Early DFID support was aimed largely at improving the capability of

Case study 3: Rebuilding the state in Sierra Leone (continued)

the state to maintain peace and start the difficult process of rebuilding state organisations such as the police, judiciary and security sectors. The UK has also helped to consolidate democracy. National elections took place in 2002, and local government was re-introduced after a period of some thirty years in 2004.

As Sierra Leone enters a more developmental phase, DFID support to the justice and security sectors has focused less on providing direct technical assistance and more on helping the government to improve the accountability and responsiveness of these sectors. A community police initiative has helped. According to a 2006 survey, 80% of citizens now rate the relationship between community and police as positive⁴.

However, there are still many urgent problems. Among other issues, we are helping Sierra Leone to:

- attract private investment by simplifying regulations
- improve tax collection
- manage its rich natural resources fairly and transparently through EITI
- tackle corruption through better oversight and regulation, strengthened public financial management systems and support to civil society scrutiny

Sierra Leone has developed a much stronger state since conflict ended in 2002. Nevertheless, lack of real change in people's everyday lives, as demonstrated by the slow progress in achieving the Millennium Development Goals, risks a return to instability. We are helping the government to develop new sector programmes in health, education, and water and sanitation. Tackling governance challenges in these sectors – including corruption and lack of capacity – is essential to building an effective state and reducing poverty.

We have evolved our understanding of governance through experience.

3.20 Since the mid-1990s it has become clear that change on the scale required to address global poverty demands significant improvements across a wide range of governance systems at the local, national and international levels.

3.21 Experience in the 1960s and 1970s with what can be called 'statist' development, where the state attempted to do all things itself, was unsuccessful in most countries. This was followed by a strategic 'flip-flop' into supporting market-led development in the 1980s. Despite the large amounts of money and technical assistance supplied by donors, both approaches left many countries, especially in Africa, with unproductive investments and weakened institutions.

- 3.22 The World Bank's World Development Report of 1997 was something of a watershed. It demonstrated that the state is central to poverty reduction, but that capability was limited in most countries. We now know that while governance is central, countries cannot reform all their governance institutions at once; an incremental and realistic set of priorities is required.
- 3.23 This appreciation of the importance of institutions and of sequencing and prioritisation of reforms has led us to evolve the way we help partner countries. In addition to helping them build the capacity of key organisations, we now promote a transformation of key parts of their wider governance systems. For example, in Kenya, we have developed a greater realism about timescales and a more gradual approach. We decided against supporting a comprehensive public service reform programme because of a lack of political commitment and incentive but later supported a more modest and fully government-led approach⁵.

4 What makes governance good?

Achieving good governance requires three things ...

- 4.1 Governance is about power and how it is used. 'Good' governance ensures that this power is used to benefit all groups in society, including poor people. Our 2006 White Paper explained how achieving good governance requires three things: state capability, accountability and responsiveness. We believe that this is the best means by which a country's key institutional arrangements are supported: that is their public sector organisations (in short, the executive); political institutions (how collective decisions are made and how citizens express their preferences); and arrangements to fulfil human rights and individual civil liberties.



- 4.2 This framework helps us analyse how 'good' governance is within a country. It also helps us to identify the processes, people and institutions involved in making it better. It emphasises the importance of improving domestic accountability – the means by which governments are accountable to their people – alongside building the capability and authority of governments to get things done. It also highlights that responsiveness should not only meet material needs but also fulfil human rights obligations.

- 4.3 State capability, accountability and responsiveness are interconnected. Making progress in one area may only benefit the population if there is also strengthening in the other two. For instance, a judicial system may become more efficient, but it may not be responsive to the needs and rights of poor people, especially women. In fact, it may become more capable of doing harmful things. This may be due to discriminatory laws, corruption or other factors. If accountability is improved, for example by the creation of local court user committees, more accessible courts may lead to improved responsiveness, as we have seen recently in Malawi (case study 24).

... building state capability ...

- 4.4 State capability is the ability and authority of leaders, governments and public organisations to get things done through effective policies. It takes time to build. Put simply, getting things done requires resources, information and management systems, and political will, backed by an agreed set of rules. These may be formal rules, such as laws and regulations, or informal ones, such as local customs and traditional practices. For capability to exist, sufficient tax revenues must be raised – which must be appropriately allocated and properly accounted for – and skilled and motivated people must be available to formulate and implement effective policies.
- 4.5 State capability underpins political stability and national security, and helps ensure that human rights, personal safety and security of property are respected. It gives poor people and excluded groups access to essential public services, and encourages macroeconomic stability and favourable conditions for investment and trade.
- 4.6 That said, countries should not be overloaded with initiatives and projects simply focused on building state capability, especially if they are administratively weak. It is also clear that improving the ability and authority of leaders and public bodies to get things done involves politics. For example, the success of recent major reforms to the public service in Tanzania is due to a combination of good technical design, strong political commitment and effective leadership from local officials. We have supported the Tanzania government to enhance the motivation and effectiveness of public sector workers by increasing pay, training and performance improvement measures. New systems and strengthened accountability mechanisms, such as citizen participation in public expenditure reviews, have improved public financial management.

... improving accountability ...

- 4.7 Accountability is vital if effective and long-lasting change is to be achieved. People should be able to question their leaders and public officials, in government and elsewhere, and expect to receive truthful answers without fear of recrimination. This only happens where there is respect for civil and political rights, including transparency and access to information, and where citizens and civil society have the skills, resources and incentives to play their part. For example, women may not participate in a village meeting if it is held at a time of day when they need to collect water, if it is unsafe to get to, or if men dominate the discussion.
- 4.8 Effective accountability also depends on some element of enforceability; a process by which sanctions are applied where it is judged the state has not met its obligations on the basis of agreed standards (or perhaps rewards are provided where standards are achieved or exceeded).
- 4.9 Accountability involves established and accepted relationships. These relationships may be formal or informal and are shaped by power. They may be within the state itself, such as between the executive government and parliament, where parliament can demand explanations for government actions. Or they may be directly between citizens and the state, such as through elections, participatory budgeting processes or citizen lobby groups. Even where strong accountability mechanisms exist, some groups may still be excluded from them, such as when women are prevented from participating in public forums.
- 4.10 Ultimately, the right to vote and effect political change by peaceful, democratic means is central to a truly accountable society.

Governance and Transparency Fund

We launched a new Governance and Transparency Fund in February 2007 to strengthen governance by supporting public demands for accountability. The Fund is worth £100 million over five years, and will support activities based in developing countries, working through a variety of local partnerships and networks. It is designed to support civil society, a free media, parliamentarians and trade unions – those working to improve transparency and enable more effective accountability mechanisms between citizens and the state.

... and encouraging responsiveness.

- 4.11 Responsiveness refers to how leaders and public organisations behave in response to the claims and interests of individuals and groups in society. A government or public authority is responsive if it identifies and then responds to the legitimate needs and rights of everyone, ensuring equal and fair treatment of all groups, regardless of their status. Responsiveness also involves adopting an approach to economic and social policy that focuses on equity within society and aims to reduce disparities.
- 4.12 In practice, how leaders and public organisations actually behave is influenced by a complex set of political, historical and other factors, over which we as donors have limited influence. What we can do is support countries to build state capability and improve accountability so that responsiveness becomes more likely. This is particularly important with regard to how states respond to reducing violent conflict and improving human security, delivering essential public services, fulfilling human rights obligations, reducing gender inequality and social exclusion, supporting economic growth, improving public financial management and addressing corruption.

Case study 4: Helping Nigeria to turn a corner

Nigeria has many governance problems. Despite significant levels of oil revenue, the country and most of its people remain in poverty. A study we commissioned in 2002 found three deep-rooted constraints that hindered progress towards the Millennium Development Goals: systematic mismanagement of oil revenues, weak systems of formal accountability, and poor non-oil-related economic growth. These are all interconnected and impact on all three aspects of governance.

Capability We have helped to bring in skilled Nigerians from outside government to support ministers in driving forward reform. We also supported the government with longer-term plans to improve civil service pay and performance, to help it attract and retain talented people. Reducing waste and fraud is vital. For example, we supported improvements to the federal budget process, including closer scrutiny of salary budgets, which forced ministries to submit more realistic budgets based on actual personnel. As a result, the government has budgeted for 65,000 fewer salaries in 2007.

Accountability Our governance work aims to counteract a culture of secrecy inherited by the civilian government from the previous military regimes. In the Niger Delta, where Nigeria's oil is produced but few of the local people see the benefits, we support non-governmental organisations in helping people to hold their local governments to account.

Case study 4: Helping Nigeria to turn a corner (continued)

Nigeria has also led the way in implementing the Extractive Industries Transparency Initiative (EITI). We helped the Ministry of Finance to set up an Oil & Gas Accounting Unit, leading to the country's first independent audits of oil and gas revenues in Nigeria, which recovered an extra US\$1 billion in tax revenue.

Responsiveness We also support a number of projects and programmes to improve responsiveness, including a national benchmarking exercise in 2005 to compare the performance of federal states in policy-making, financial management and accountability. Although participation was voluntary, thirty-five out of thirty-six federal states participated.

The Economic and Financial Crimes Commission (EFCC), supported by DFID is widely seen as the most successful African corruption-fighting body, reporting more than 150 convictions and the recovery of US\$5 billion since 2002. Their investigations have led to the prosecution of a State Governor, a Federal Minister and the former Inspector General of Police. In addition the UK's dedicated overseas corruption unit, staffed by City of London and Metropolitan police put a stop to £1.6 million that the Governor of Plateau State tried to hide away in the UK.

Other programmes include a presidential initiative to make federal services and ministries more responsive through charters and active complaints procedures; and a pilot community policing initiative that has seen a significant reduction in the reported fear of crime in three out of four states that took part⁶.

Case Study

Democratic politics is the best way to enable freedoms and rights ...

4.13 Governance matters not only for tackling material deprivation – achieving freedoms from want, disease and ignorance – but equally for addressing poverty experienced through powerlessness and lack of voice. Good governance enables all people to realise what Amartya Sen calls the 'freedoms to':⁷

- make your views heard;
- choose people to represent your views;
- associate freely with others;
- join a political party or a trade union; and
- worship and practise your own religion.

4.14 Both ‘freedoms from’ and ‘freedoms to’ are fundamental to poverty reduction and long-term development, and are best fostered within a framework of democratic politics: a means by which all people are included in determining how a society makes choices. Democratic politics requires:⁸

- a system where government decisions over policy are vested in elected representatives;
- free, fair and frequent election of these representatives;
- freedom of expression: where citizens have rights to express their voice;
- access to alternative sources of information: a free media;
- freedom of association: where citizens have rights to form and join independent associations for participation in organising and influencing state policy and practice; and
- inclusive citizenship where no one is excluded or discriminated against.

4.15 Democratic politics is therefore about much more than just having a vote, and is not determined by any specific set of institutions. Rather, it is characterised by agreed rules within society that govern a set of principles – the rule of law, accountability, fair representation and effective participation and voice – and a set of values that recognise individual and collective human rights and freedoms.

4.16 It offers a peaceful way for societies to determine how people live together, how competing interests are accommodated and how available resources are allocated – critical for preventing violent conflict. There are many different ways in which countries can achieve these principles and values.

... and to achieve long-term sustainable development ...

4.17 The relationship between democracy and development is contested. Democratic politics is not a prerequisite for economic growth and poverty reduction in the short term. Many of the Millennium Development Goals can be achieved with very different governance arrangements. This is demonstrated by the experience of countries as diverse as Botswana, Mozambique, Chile, Korea, India, Vietnam and China. For example, China has lifted over 400 million people out of material poverty over the past two decades. Initially, democracies are not always the most efficient in creating wealth.

4.18 But evidence suggests that democracies have prevented the worst-case scenarios.⁹ Recent studies highlight that democracies increasingly have a positive effect: directly on education and indirectly on growth.¹⁰ In addition to enabling the full range of freedoms and rights, and helping people to create the kind of societies they wish to live in, democratic politics helps protect and sustain economic growth and development more effectively in the long run.

... but demand for democratic politics must come from within.

- 4.19 Like all aspects of governance, democratic politics cannot be transplanted to or imposed on a country from outside. Governance systems have many different forms, depending on local culture, society and history. It is for each country to design and implement its own democratic institutions. And achieving the principles and values of democratic politics is not only dependent on democratic institutions; it is also dependent on the democratic culture and power relations that surround them.¹¹ The demand for change must come from within.
- 4.20 Countries need to start reforms from where they are, and we as donors need to be pragmatic in supporting developing countries to make progress. For example, where economies are growing fast without democracy, it makes sense to build on this progress while working to strengthen accountability. Economic development can help democracies to emerge and be sustained.¹² Also, transitions from authoritarian government towards more democratic systems can cause instability. It is important to be aware of such risks and to support countries through this process.
- 4.21 Building democratic values and institutions takes time. The democratic institutions we have in the UK took centuries to evolve, and even in many relatively democratic countries poor people still feel powerless. A critical factor is how power is acquired and exercised. People excluded from power often find it difficult to seek redress. Those institutions that ought to control or challenge the executive – parliament, the courts, political parties, the media and civil society – are often underdeveloped in poor countries. They may be undermined, at worst by corruption or violence and at best by incapacity and incompetence. Progress can often be slow and difficult, but where the right opportunities do occur, change can come about fast.
- 4.22 And, ultimately, there is massive popular demand for democracy. A worldwide Gallup poll in 2005 sought the views of 50,000 people across sixty-five countries. Eight out of ten people said that, despite its problems, democracy was the best system of government. In Africa the response was nine out of ten. So in many cases promoting a democratic politics is about listening to what people want: dignity, to be listened to, to be involved in decisions that affect their lives.

Case study 5: Democratic Republic of Congo



Election materials stockpiled in the warehouse of the Independent Electoral Commission, DRC. Sven Torfinn/Panos Pictures

For most of the past decade, the Democratic Republic of Congo (DRC) has been embroiled in conflict, and the government did not have control of most of its territory. In 2003, a Transitional Government was established, and DFID set up an office to support the transition that culminated in the 2006 democratic elections, the first for over forty years.

Achievements have been significant. A country the size of Western Europe, with a deeply divided population of 60 million and practically no infrastructure, administered elections recognised by international observers as largely free and fair. As the largest bilateral donor, providing £36 million, we made a major contribution to this.

Working closely with the FCO and the MOD, DFID provided political, financial, technical and logistical support to the electoral process. We helped address all risks that could lead to failure of the elections such as results disputes and local-level conflicts, through strengthening core electoral administration and providing both international and domestic observation, and police security. We also supported activities to strengthen the voice of poor people in this process, by funding civic education and media activities to raise awareness of the elections and ways in which poor people could participate. We also funded UNIFEM to support female candidates running for election and to promote women's participation in the vote.

The 2006 elections represent a significant milestone but are just the first step towards sustainable peace. DRC remains at the beginning of a long road towards building a capable, accountable and responsive state.

5 How better governance improves the lives of the poor

5.1 There is growing empirical evidence from many countries of the relationship between good governance and positive social and economic development. For example, better governance is positively associated with improved investment and economic growth rates,¹³ with increasing primary education and adult literacy rates,¹⁴ with reducing infant mortality¹⁵ and with curtailing the AIDS epidemic.¹⁶ Although these improvements are not linked to any particular set of governance institutions and are largely dependent on local circumstances, certain interconnected themes regularly occur:

- reducing violent conflict and improving human security;
- delivering essential public services;
- realising rights and freedoms;
- supporting economic growth;
- improving public financial management; and
- reducing corruption.

(i) Reducing violent conflict and improving human security

Poor people suffer disproportionately from violent conflict and insecurity.

5.2 The cost of violent conflict is enormous. This is seen not only in the obvious and immediate toll it takes on lives and property but also in the impact on development work. Poor people, especially women and socially excluded groups, are worse affected by conflict because they are least likely to be able to escape it. So conflict and poverty are inextricably linked.

5.3 Of the thirty-four countries furthest from reaching the Millennium Development Goals, for instance, twenty-two are in the midst of, or emerging from, violent conflict.¹⁷ Furthermore, by 2010 half of the world's poorest people could be living in states that are experiencing, or at risk of, violent conflict.¹⁸ Tackling violent conflict and its underlying causes is therefore essential if we are to make progress in the fight against world poverty. Insecurity, lawlessness and crime are likewise among the biggest obstacles to reducing poverty and enabling citizens to play an active role in their society.

- 5.4 At DFID, we have recently set out how we will work with Foreign and Commonwealth Office (FCO) and Ministry of Defence (MOD) colleagues, as well as with civil society and international bodies such as the UN and African Union to deal with violent conflict.¹⁹ This includes not only addressing the effects of violent conflict but also tackling the problems that contribute to it. Efforts to improve the coordination of UK government activities to address conflict include the Conflict Prevention Pools (below) and the Post Conflict Reconstruction Unit (case study 20).

Case study 6: The Conflict Prevention Pools

Created in 2001, the Conflict Prevention Pools are a joint DFID, FCO and MOD innovation. The Pools support the implementation of jointly agreed priorities – combining programmes of development, diplomacy and defence. The Africa Conflict Prevention Pool (ACPP) is the UK's main means of tackling conflict in Africa, and is chaired by the Secretary of State for International Development. The Global Conflict Prevention Pool (GCPP) addresses conflict in many non-African countries and is chaired by the Foreign Secretary. The Pools receive specific funding from HM Treasury and report separately to Parliament.

A good example of an ACPP project is the innovative use of radio to build peace and support development in Northern Uganda, which is affected by the conflict between the Lord's Resistance Army and the government. MEGA FM went on air in August 2002 and quickly established a large and very enthusiastic audience across Northern Uganda. The LRA leadership are known to listen to the station, and on a number of occasions have joined radio phone-in talk shows and held discussions with government and civil society representatives. A number of former combatants have testified that repeated messages aired on MEGA FM that there would be no reprisals on people wanting to come home, helped them make up their minds to lay down their arms. On Sunday 29 August 2006, the deputy leader of the LRA called MEGA FM to announce a cessation of hostilities, following an agreement signed between the government of Uganda and the LRA in Juba.²⁰

Case Study

Governance matters for addressing the underlying causes of violent conflict ...

- 5.5 Political and social exclusion are significant factors in violent conflict. Social exclusion can be especially damaging in a state that is unaccountable politically and unresponsive to the needs and rights of its citizens. Marked and widening inequality between social groups or geographical regions can lead poor people to demand change. If a government does not respond to peaceful demands, such people may feel that they have little to lose in taking violent action.

Case study 7: Reducing exclusion in Nepal

Nepal's decade-long conflict owed much to a pervasive culture of social and political exclusion. For example, only 6% of MPs in the 1999 Parliament were women, none were Dalits and among ethnic groups only the affluent and urban Newars achieved significant representation.

On one level, we have sought to address major social problems through programmes to improve health and education and to develop roads, agriculture and community forestry for poor excluded people.

On another level we have sought to address underlying political exclusion. In 2003 a project was launched with the Dalit NGO Federation, and a similar programme for the National Federation of Indigenous Nationalities (Janajatis) followed in 2004. The projects coordinated groups of NGOs to better push exclusion onto the agendas of mainstream political parties. For example, the Janajati Federation entered talks with the government in April 2007 on measures to increase representation.

In 2005 the UK and Swiss governments agreed to build on this experience through a new Rights Democracy and Inclusion Fund (RDIF). The RDIF improves the capacity of political institutions (such as political parties) to achieve more inclusive politics. The RDIF has so far approved twelve projects of which seven are working directly with women's, Janajati and Dalit organisations to increase participation within both political parties and the constituent assembly process.

In western Nepal the fund is supporting a regional NGO, SWEET Nepal, to work in three districts to strengthen women's political inclusion. Seeking a more responsive approach from local bodies is a slow process, but in Kanchanpur District the women's groups have been campaigning for fairer representation in local forums such as School Management Committees, and within the district, women's representation across a range of bodies has risen from 3% to 46%²¹.

- 5.6 Local competition for increasingly scarce natural resources such as land and water, aggravated by climate change, may also lead to violence. Moreover, global competition to secure sources of energy and other minerals could contribute to instability and violence. These conflicts may be exacerbated if a state does not have the capability or political will to address the problem itself.

- 5.7 In some countries the state, or factions within it, may be complicit in promoting and manipulating community-level violence to its own ends, especially to win elections and gain political power. Likewise, individuals and groups who wield power without formal authority – such as organised criminal gangs – can have a huge impact on the lives of poor people in distributing resources, controlling security and affecting the realisation of rights.²² If we are to address conflicts before they become violent, it is essential to understand the political dynamics that shape how states and societies manage competing challenges for resources.

... and for supporting institutions that manage disputes peacefully.

- 5.8 The threat of violent conflict can also be reduced if we strengthen the institutions that manage disputes between people and groups, such as the formal justice system. Other important areas include parliamentary processes, legal reforms and the media, while supporting more informal processes at the local level, such as mediation or para-legal aid, can also have a significant impact.
- 5.9 In many developing countries, as in many developed countries, the state does not always provide the primary mechanism to resolve disputes at the local level. In such instances civil society, international organisations and regional bodies can often play a vital role in enabling conflicts to be resolved peacefully. For instance, in Rwanda, local non-governmental organisations, international organisations and the semi-autonomous National Unity and Reconciliation Commission (NURC) have supported the revival and modernisation of the traditional courts (Gacaca) to deal with the cases brought against a large number of prisoners (over 130,000 at their peak) accused of crimes committed during the genocide. The Gacaca courts provide opportunities for the survivors and witnesses to reveal the truth in an environment which encourages the accused to realise and admit the wrongs they have committed. The ultimate objective is reconciliation and social harmony.
- 5.10 In the aftermath of violent conflict, or following political upheaval, societies often need to come to terms with war crimes, crimes against humanity and other gross human rights abuses. Transitional justice mechanisms, such as Truth and Reconciliation Commissions (TRCs) or international criminal tribunals, can prosecute perpetrators, facilitate national reconciliation and contribute to a better understanding of the recent past. For example, the TRC process in South Africa demonstrated how both victims and perpetrators can face the horrors of past injustices and move towards building a common national identity.

5.11 At the same time, domestic justice and security structures must be rebuilt to develop a culture of accountability and enable a return to the rule of law. We recognise that women have a particularly important role to play in peace-building. Their involvement can improve the quality and implementation of peace agreements. Yet women are often excluded from peace processes. Therefore we are working with the FCO and the MOD to implement the UK's National Action Plan on UN Security Council Resolution 1325 on Women, Peace and Security, which calls for the protection of women in conflict and the participation of women in peace-building.

Human security requires capable, accountable and responsive security structures ...

5.12 Armed forces play a crucial role in establishing, maintaining and improving human security. However, their disproportionate cost in many poor countries draws precious funds away from essential public services. In addition, soldiers, the police and intelligence services often intimidate and repress the civilians they are meant to protect, especially in post-conflict and fragile states.

5.13 Reform of the security sector is vital in these countries, but poor coordination and lack of long-term planning often undermine the work that is done. The UK government is working with others to address this. At DFID we have developed a joint Security Sector Reform strategy with the FCO and MOD as part of the Global Conflict Prevention Pool. We also chaired the OECD task team on Security Sector Reform to implement the best practice *2005 DAC Guidelines on Security System Reform and Governance*, now issued in the *Handbook for Security Sector Reform*.

5.14 Supporting security sector reform is a relatively new area for international development assistance. Strict international rules are applied to ensure that the main objectives of such activities are developmental: promoting transparency, good governance and improved security for the poor. For example, development assistance can be used to improve the legal framework governing security and to increase civilian oversight and transparency in defence spending.

... which contribute to personal safety and security of property.

5.15 Lack of security can seriously undermine a society's progress towards achieving the Millennium Development Goals. If children are taken out of school in order to guard their homes, or mothers are unable to reach clinics safely to give birth, the longer-term damage to society can be substantial. The theft

of crops or livestock also undermines poor people's livelihoods and robs them of their incentive to invest in the future.

- 5.16 Domestic violence is a major cause of death, injury and HIV infection to women worldwide, while rape and sexual violence become even more common at times of conflict and displacement. The victims suffer long-term physical, mental, social and economic affects but rarely receive any form of justice. In such cases, the mechanisms of justice need to address the needs of the victims.

Case study 8: Jordan Family Protection Project

In many countries around the world, cultural norms do not recognise that violent and abusive men and husbands should be held accountable for their actions. Instead, women may be imprisoned as a form of protection, or forced to marry their rapist.

In Jordan we supported the development of a National Policy on Family Protection. To make this work, it was necessary to strengthen the capacity of a number of public and voluntary institutions including the police, judiciary, social services, health units, civil society organisations, media, schools and mosques.

The results have been significant – particularly in breaking the silence on domestic violence. Religious leaders have publicly addressed the issue and there has been an attitudinal shift in the police, who by and large no longer see victims as responsible for the abuse they receive and are more responsive to victims' needs. Incidents involving sexual offences against women and children are now referred to the Family Protection Department. A government-run women's shelter has recently been opened, although cases received are associated with 'family reconciliation' rather than clear-cut family protection.

This four-year, £2 million project received the UN Human Rights Prize in 2003. Other countries in the region are now looking to learn from the Jordanian experience.

Case Study

- 5.17 Better governance can enhance personal safety and security of property for poor and vulnerable communities. For example, effective community policing and crime prevention schemes can increase trust between police officers and local populations and lead to greater protection for poor people. In the same way, the establishment of specialised units within the police, with links to social workers and hospitals, can improve responses to domestic violence and result in more positive attitudes towards women and vulnerable groups.

(ii) Delivering essential public services

- 5.18 The 2006 White Paper identified four public services as essential to making faster progress towards the Millennium Development Goals: education, health, water and sanitation, and social protection (various forms of direct help to poor families).
- 5.19 It also set out four things that must happen for these services to be provided effectively:
- increase spending;
 - improve provision of schools and clinics (as well as of teachers, doctors and nurses);
 - tackle social exclusion and gender inequality; and
 - focus effort on fragile states.
- 5.20 Better governance is crucial for each of these challenges: from the raising of more public funds through taxation, to the implementation of policies that deliver services in an equitable and transparent way and respond to the needs and rights of poor people. In many countries the majority of public spending on services does not benefit poor people and socially excluded groups, so there is a need to reorder priorities to address the imbalance.

Government capability is important but not sufficient ...

- 5.21 Weak government and ineffective public bodies frequently contribute to a low standard of public services in poor countries. The civil service is often unaffordable and overstaffed by poorly paid, unmotivated people, leading some individuals to misuse public resources for their own gain. This in turn leads to widespread corruption. In most poor countries, therefore, improved service delivery depends on significant reform of the public and civil services.
- 5.22 Reform of public services is often most effective when focused on an issue of vital importance to a wide range of individuals and groups. A good example is provided by Malawi, where work to improve the health service has assumed a high political profile because so many doctors and nurses have left the country for jobs overseas.

Case study 9: Improving health services in Malawi

In Malawi, declining human resource levels have fuelled an accelerating collapse of public health services since the late 1990s. We are currently providing £100 million over six years to support the Malawian Ministry of Health to implement a major new Essential Health Package.

Improving staffing levels is the single biggest challenge to implementing this reform. This includes improving incentives for recruitment and retention of staff through salary top-ups, expanding domestic training capacity, using international volunteer doctors and nurse tutors as a stop-gap measure, providing technical assistance to bolster planning and management capacity and skills, and establishing more robust monitoring and evaluation capacity. The management of industrial relations has also been important in shaping the programme.

Although it is early days, the impact so far has been impressive. By the end of 2006, a total of 5,463 health workers from eleven parts of the profession, including doctors and nurses, were receiving a 52% salary top-up allowance. As a result, there has been greater retention of staff in the health sector and a reduction in the loss of staff from the public sector. The Ministry of Health reported that almost no Registered Nurses resigned in the first few months following the implementation of top-ups – a big departure from previous experience.

The health sector has also attracted many new health staff since July 2004, and an expansion in training capacity is on track to triple the number of doctors and nearly double the number of Registered Nurses in training by 2011.

... relationships among service users, providers and policymakers are also key.

5.23 Capacity is important, but accountability and responsiveness are equally so, as demonstrated in the World Development Report 2004²³. Too often citizens in poor countries have little or no influence over the way services are delivered, and this needs to change if service providers are to become more accountable. However, there are no blueprints for helping service users gain more influence over service providers and policymakers. Countries have to find their own way, through debate, negotiation and experimentation.

5.24 Better information can help. When the government of Uganda discovered in 1996 that only 13% of public funds budgeted for primary education actually reached primary schools, it launched a major information campaign. It published monthly figures of the funds to which schools were entitled to in newspapers and on the radio, and required school principals to post details of funds received on public notice boards in each school and district centre.

The result was that by 2002 the share of the budget actually reaching primary schools rose to over 80%. The success of this campaign is an impressive tribute to the value of transparency and the efficiency of mobilising civil society against corruption.²⁴ While this has become an iconic story, attempts to repeat this experience in other countries have not yet revealed such dramatic results.

Case study 10: Governance and service delivery in India



A class of schoolchildren sit in assembly at a public primary school in the Chitrakoot district, Uttar Pradesh, India.
Ami Vitale/Panos Pictures

We provide major support across India and in four focus States for progress in key social sectors. This includes existing commitments of £250 million to work on reproductive and child health, £210 million so far on access to elementary education, and large programmes on delivery of water and other urban services in Kolkata, Hyderabad and Bhopal.

The scale of progress in India has a major impact on global progress towards the Millennium Development Goals. The Government of India's Sarva Shiksha Abhiyan programme has succeeded in ensuring that the number of out-of-school children has fallen from 25 million in 2003

to 13.5 million in March 2005. The second phase of the Government of India's Reproductive and Child Health programme will support even more women to access institutional deliveries at the end of their pregnancy (51% of pregnant women secured institutional deliveries in Madhya Pradesh in 2006, up from 41% in 1999). The DFID-supported Urban Services Programme in Hyderabad has ensured that the cost to poor people of connecting to clean drinking water has fallen by more than 80%.

The government of India and supporting partners such as DFID recognise that government commitment to governance reforms in these large programmes is critical to their success. There is a real government-led partnership in the design and implementation of these reforms.

Partnership approaches between government and DFID in India emphasise progress on capability, accountability and responsiveness by:

- funding a major push at different levels on improvements to public financial management;

Case study 10: Governance and service delivery in India (continued)

- tackling problems with procurement by targeting weak areas in tendering and assessment;
- encouraging India's over 3 million local government members to hold service providers to account; and
- encouraging civil society and stakeholder groups to demand vital local services, and ensuring that information is more freely available.

A common theme in each of these programmes is the need to focus on some of the poorest communities including Scheduled Castes and Scheduled Tribes.

Case Study

(iii) Realising rights and freedoms

5.25 An effective state both depends upon and supports an empowered citizenry²⁵; promoting, realising and protecting human rights and enabling its citizens to become active members of their communities. The quality of governance within a state determines the extent to which citizens are able to exercise their freedoms and participate in political and economic life. It also determines whether people are protected from human rights abuse by the state, or by other individuals or groups in society, and whether the victims of crime are able to gain access to justice to seek redress. Accountability mechanisms, such as transparent trials for those charged with corruption, can stimulate useful public debate on the standards expected of the state in connection with specific categories of rights.

5.26 States that ratify the main human rights treaties on economic, social, cultural, civil and political rights undertake to respect the human rights of everyone living within their jurisdiction; but in many countries, governments could do more to fulfil these obligations. The 2000 Gallup Millennium Survey, the largest-ever public opinion survey, highlighted the importance to ordinary people around the world of protecting human rights, in both rich and poor countries. It also showed that people believe that their governments are not doing enough to achieve this. We support governments in fulfilling their human rights obligations, and strengthening participation and inclusion in their societies. This forms a core part of our governance work.

Empowering citizens to realise their full range of human rights is a critical part of poverty reduction ...

5.27 The Voices of the Poor studies, commissioned by the World Bank in 2000, illustrated just how important rights are to the poor, including the ability to have a say in what happens in their own lives. Interviews with over 60,000 poor men and women from sixty countries showed that, for them, poverty

was above all about shame and humiliation, and having no power and no voice. Enabling citizens to realise their full range of human rights – economic, social, cultural, political and civil rights – is therefore critical for achieving more effective and sustained poverty reduction. For example:

- healthcare, education, food, shelter and labour (dependent on available resources) are essential to reduce material poverty;
- political participation, votes, association, expression and information are critical to ensuring people can influence the decisions that affect their daily lives; and
- non-discrimination (the principle underpinning all human rights) is key to empowering and protecting excluded and vulnerable groups.

... and requires a state to be capable, accountable and responsive.

5.28 States must be capable, accountable and responsive if they are to fully realise and protect the human rights of their citizens. For example, a state needs capability to provide a justice system that can deliver fair trials and provide redress for human rights abuses, and sound public financial management to ensure the best possible medical system given available resources.

5.29 Accountability provided through bodies such as parliaments, oversight bodies, human rights commissions or UN Special Rapporteurs, are crucial for encouraging governments to meet their human rights obligations. These mechanisms are also essential for raising public awareness of rights. Civil groups, the media, advocacy bodies and other organisations can all help poor and socially excluded people articulate demands that their rights are met. However, to be responsive to the rights of poor people, a state needs the capacity and political motivation to assess these demands and prioritise actions.

This includes addressing gender inequality ...

5.30 Gender inequality is not only an injustice but also a major barrier to poverty reduction and development. It prevents half the population from contributing fully to social, economic and political development and keeps communities in poverty. By ignoring the impact of gender discrimination, states can contribute to significant long-term social problems. In some parts of India, for instance, female foeticide, infanticide and neglect have reduced the ratios of women to men to 790:1000 respectively. This has the potential to generate significant tension in years to come. In sub-Saharan Africa, young women are three times more likely to be HIV positive than young men, as a result of gender violence and discrimination.

- 5.31 Better governance can help promote gender equality and women's rights. At the national level, states require the capability and the political will to analyse gender equality issues objectively, for example by clearly identifying gender differences in survey data. States can then use this knowledge when developing and implementing policies that promote gender equality. They also need the capability to develop and implement laws for gender equality, and to provide channels through which women can demand legal rights and protection, and seek redress. In situations where women's voices are heard, and they can participate equally in formal and informal decision-making processes, it is easier to hold the state accountable on issues of gender equality and to ensure that it is responsive to women's needs.
- 5.32 States can address gender inequality by getting women involved in international processes, on issues such as trade, security and peace-building. They can also use gender legal frameworks, such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) – an international human rights treaty that defines discrimination against women and the action that countries must take to end it – or national legislation on issues such as domestic violence, women's work and pension rights to promote gender equality and strengthen governance.
- 5.33 Gender equality within the institutions of the state also matters. For example, when poor people encounter the state in South Asia, they overwhelmingly see men – especially government officials.²⁷
- 5.34 We must ensure that gender equality and women's rights are promoted in every aspect of our business. To help make this happen, DFID published a Gender Equality Action Plan in March 2007. This sets out how we will strengthen our work in this area by improving evidence-gathering, strengthening our resources and capacity, and making gender equality more central to our partnerships.

Case study 11: Supporting women migrant workers to demand their rights



Women working as migrant labourers in a factory making shoe soles, China. Tim Dirven/Panos Pictures

We support UNIFEM's Regional Programme on Empowering Women Migrant Workers in Asia. At an international level this programme has done a lot to raise the profile of women migrants under the Convention on the Elimination of Discrimination Against Women (CEDAW). For example, UNIFEM successfully advocated for the inclusion of migrant women's concerns into the 'shadow' reports that national NGOs present to the Committee on the Elimination of Discrimination Against Women when it meets to monitor a

country's implementation of the CEDAW. NGOs are now better able to use CEDAW as a means of lobbying for better treatment of female workers.

At a national level the programme has resulted in a higher proportion of bilateral agreements between countries in the region to address the rights of women migrant workers. Recruitment agencies are adopting voluntary Codes of Ethical Conduct, and governments are paying more attention to pre-departure training and reintegration support to maximise the benefits of migration for women workers. For example, a media campaign funded by UNIFEM in Nepal resulted in pre-departure training being made mandatory. As a result, the number of orientation training centres increased from eight to 125.

Case Study

... and tackling discrimination and social exclusion.

5.35 Social exclusion is an active process of discrimination, which keeps people in poverty. It is an indicator of poor governance: a sign that a state is consistently unaccountable and unresponsive to the needs and rights of certain groups of people. Disabled people, for example, are one of the poorest and most excluded groups in the world; only 2% of disabled children in developing countries receive an education, and 20% of the world's poorest people are disabled.²⁸ To tackle these problems, excluded people must be empowered to make demands of government and hold it to account. This involves changing attitudes and politics. Governments must be encouraged to see where discrimination exists in decision-making processes and encouraged to strengthen accountability mechanisms to build incentives for positive change.

5.36 States require certain technical capabilities to address social exclusion effectively. These include the ability and authority to design anti-discrimination legislation, to consult with excluded groups, to collect suitable data to aid policy development and to deliver and implement services without physical or attitudinal barriers. This may include the ability to contract out some public services for hard-to-reach groups to non-state providers.

Case study 12: Community Defenders for excluded groups in Colombia

The Global Conflict Prevention Pool is helping the Colombian government's Human Rights Ombudsman's office put Community Defenders into remote areas where excluded communities, generally from the Afro-Colombian and indigenous ethnic groups, are at risk of violent attack or having to leave their homes because of the conflict.

Community Defenders have empowered excluded groups by helping them to understand their rights, documented allegations of human rights abuses and provided highly visible support to communities at risk, bringing access to justice and an increased sense of security. Local community groups have been formed and lobby the government to respond to their needs. The Community Defenders provide the government with information on the needs of the local population, making it easier for the government to respond at local, regional and national levels. Previously the military was the only face of government visible to local people.

The success of the programme has prompted government agencies to think about how they can fulfil their obligations towards these marginalised communities, providing increased access to basic services and protection from forced displacement.²⁹

Case Study

(iv) Supporting economic growth

5.37 Economic growth is the single most powerful means of pulling people out of poverty, if the opportunities are available equitably. It creates employment and provides higher incomes. Families have more to spend on food and shelter, and people can save, invest and provide for themselves when times are hard. Higher family incomes mean children can go to school rather than having to work. And as economies grow, governments can raise the revenue they need for public services.

The private sector generates the resources ...

5.38 It is principally the private sector, from farmers and street traders to national and foreign investors, that creates economic growth. Growth is fuelled by the creativity and enterprise of workers and entrepreneurs, which requires the learning of new skills and making the best use of land, minerals and

natural resources. It involves taking risks to invest in new ventures that will raise productivity, open up new opportunities and generate tax income for the state.

... but the state plays a key role too...

- 5.39 What the state does and how it is organised matter very much for shaping the incentives and opportunities for private sector development. The state encompasses a range of technical functions that are vital to the creation of a favourable climate for investment and trade, which in turn will operate in the interests of society as a whole. These include the provision or regulation of public goods, such as safety and security, and infrastructure, roads, water and power, all of which are crucial to private sector development. The state should also manage the economy efficiently: controlling inflation, maintaining a stable currency, and regulating markets, finance and business effectively.
- 5.40 The state needs to identify and address the binding constraints on growth. The correct policies are often not obvious. The experience of growth in East Asia over the last few decades, for example, illustrates the key role of experimentation and learning. Sometimes the constraints are to do with the state's own role. It has been shown, for example, that businesses in poor countries face much larger regulatory burdens than those in rich countries. In 2005, it took 153 days to set up a business in Mozambique, but only two days in Canada. The ease of doing business is associated with up to two percentage points of additional annual economic growth.³⁰
- 5.41 The state can play a key role in enabling poor people to participate in and benefit from economic growth, but this presents special challenges. The state can draw up policies and programmes to improve incentives for, or remove biases against, employing poor people, or to overcome disadvantage or discrimination. It can address social exclusion and gender inequality, for example by ensuring equal access for women to assets such as land, livestock and financial services. And it can strengthen safety nets for those vulnerable to loss of their earnings and livelihoods.
- 5.42 We work with other agencies to support such programmes in several Asian and African countries. We have, for example, been involved with removing regulatory barriers in southern Africa, improving the competitiveness of businesses in Bangladesh, providing support to entrepreneurs in Lesotho and enabling poor people to maximise revenues from agricultural exports in Vietnam.

...particularly in making economic growth politically and socially feasible.

- 5.43 We have also learned that the state's role is not simply a technical one. The state has a second vital role – that of making economic growth politically and socially feasible. Development involves major social and political change: shifting resources into more productive ownership and use, and the task of managing a larger, more complex economy. The state needs to facilitate these changes by simultaneously brokering political deals between competing claims to ensure a fair distribution of resources, and maintaining political stability and avoiding conflict.
- 5.44 In some instances growth can pose a political threat or require a renegotiation of existing political settlements. It can give rise to new constituencies, undermine ruling elites and in some cases empower regional or nationalist factions, bringing the risk of civil war. What works best in dealing with these challenges depends entirely on the political context; there is no single 'best' path.
- 5.45 Our work to support technical activities that encourage economic growth has already helped to reduce poverty, and has gone some way to support political processes. For example, the support we provided with raising tax revenues in Mozambique and Rwanda has given those states the means to deliver better services and to consolidate their political legitimacy.

Case study 13: DFID support for enabling economic growth

DFID led the establishment of the Africa Investment Climate Facility (ICF), which identifies and addresses governance constraints to domestic and foreign investment in relation to regulation, competition policy, taxation, land reform, commercial justice and related areas.

In Kenya, a Single Business Permit System – with support from DFID – reduced the number of approvals needed to operate a small business from over twenty separate licences to just one. Benefits from this are estimated to be equivalent to 1% of GDP. It also reduces the risks of corruption that many small businesses face.

We support a number of competition policy interventions that help address cartels and other anti-competitive practices that stunt growth and harm (poor) consumers – for example, in India, Pakistan, and a number of African countries.

In Madhya Pradesh, India, our technical assistance complemented an International Financial Institution loan to support power sector reform. Over two years utilities have become more financially viable, with losses reduced from £242 million to £18 million. The power sector should be a net contributor to the state by 2009.

5.46 Our efforts to support political and social change pose more extensive challenges because many of the constraints are deep-seated and extremely difficult to address. Our improved political analysis, through initiatives such as our Drivers of Change work, is helping us to design better programmes. We are also funding major research into the political foundations essential for economic growth in poor countries, and to identify the best ways of supporting them as they tackle their problems.

DFID-funded research on governance and growth

Our research into how governance can spur economic growth involves four major academic consortia, which comprise researchers in the UK and developing countries. The universities of York and Manchester are looking at how institutions affect economic growth, its distribution and its impact on poverty. The Institute of Development Studies at Sussex University is examining how action by the state can result in substantial increases in productive private investment. The School of Oriental and African Studies at the University of London is examining the governance capabilities and reforms that help explain why a small group of developing countries has been able to sustain high growth over a long period. The Overseas Development Institute is about to examine scope for framing policies and reforms that engage better with the political drivers of growth, based on a better understanding of power and politics.

(v) Improving public financial management

5.47 A sound public financial management system allows governments to make the best use of all available resources, including international development assistance, to help poor people. This includes both managing expenditure and raising revenue.

Raising revenue is essential for development and state-building.

5.48 Tax affects the lives of every citizen in every country, and the state's ability to raise revenue through taxation is vital for economic growth and service delivery. It plays an essential role in state-building by strengthening the accountability relationship between citizens and the state, thereby enhancing the state's legitimacy.

5.49 Taxpayers can be a strong force in holding the state to account for how the funds they provide are used. As the taxpayer base widens and deepens, the debate over public expenditure tends to move beyond patronage politics towards addressing the specific needs and rights of citizens. This can be

undermined if revenue-raising or exemptions from tax liabilities are associated with corruption.

- 5.50 We support a wide range of programmes to improve the ability of partner governments to raise revenue across most of our country programmes. Since 2001, we have supported over 180 tax-related initiatives representing a financial commitment of £159 million – mainly concentrated in Africa. This support has focused on strengthening and improving tax administration: making the implementation of tax policy more efficient, effective and equitable. More recently, we are increasing our support to help countries improve their tax policy, helping to ensure that the choice of tax instruments, the rates at which taxes are set and the nature of tax exemptions benefit poor people. We also encourage countries to address broader issues of social equity and state-building, including how taxation impacts gender equality, such as enabling or constraining economic opportunities for women. Environmental taxation is another new area of tax policy that is increasingly forming part of national and global responses to climate change.
- 5.51 To date, most of the International Financial Institutions, including the World Bank and IMF, have taken a largely technical approach to tax and customs reform. We are working with these partners to help ground technical solutions in the governance and political environment in which they operate, making success more likely and to the benefit of poor people. Working jointly with the World Bank, for example, we are examining the impact of African Revenue Authorities' administration on businesses and economic growth. We are also working with the OECD Development Assistance Committee to take forward new work on taxation and domestic accountability.

Case study 14: DFID support for strengthening tax and customs

In Mozambique, we provided long term support – £30 million over fifteen years – to three major revenue reform programmes: the modernisation of customs operations, support to develop IT systems, and preparatory work to establish a Central Revenue Authority. The government of Mozambique views the customs-strengthening programme as one of its most successful public service reform programmes. Customs revenues as a percentage of GDP doubled between 1996 (2.9%) and 2005 (5.8%). Goods now clear customs forty times faster and there are more effective anti-smuggling controls.

In Cameroon, fiscal and taxation reform is a key part of our support to the forest sector, through both Poverty Reduction Budget Support and the Forest Law Enforcement Governance and Trade (FLEGT) initiative. This includes strengthening

Case study 14: DFID support for strengthening tax and customs (continued)

legal and regulatory frameworks to promote sustainable forest management whilst ensuring that forest fees and taxes are effectively collected. There has subsequently been a dramatic increase in forestry revenue. Between 1994 and 2002, forest fees and taxes rose from US\$14 million to US\$60 million. During the same period, revenues to local governing bodies rose from near zero to US\$10 million a year.

In Rwanda, our support to the Rwanda Revenue Authority (RRA) – £19 million since 1997 – has resulted in a dramatic increase in domestic revenue: tax revenue has doubled between 2002 and 2005 to 14% of GDP. Costs of collection have also been reduced. This success is attributed to both the strengthening of RRA internal organisational structures and processes, and the building of accountable relationships with external partners – such as central and local government, a newly growing tax consultancy profession and taxpayers themselves. The RRA now plays an important role in strengthening relationships between citizens and the state, building a “social contract” based on trust and co-operation.

In Central America, we have been working with the Inter-American Development Bank (IDB) to help build a “social contract” between citizens and the state around tax reform in Nicaragua and Honduras. This requires improving transparency and accountability surrounding decisions of taxation policy, such as assessing rates of tax evasion and the impact of policies on poor people. As a result, new tax reforms currently being taken forward by the legislature in both countries, now include proposals to build accountable relationships between citizens and government.

In Pakistan, we are contributing £12.4m to a £60m programme with the World Bank and the Central Board of Revenue to implement a Tax Administration Reform Programme. Whilst still early days there have already been significant improvements. The number of tax payers has increased from 1.7 million in 2004 to 2 million in 2006; the length of time for businesses to register has reduced from 4-7 days to 1 day; and the average time for customs clearance at the Karachi International Container Terminal has decreased from 10-15 days to 4 hours.

Ensuring that poor people benefit from increased domestic revenue and foreign aid requires better public financial management ...

5.52 Improving public financial management systems is critical to countries making progress in reducing poverty, as the G8 Summit in Gleneagles emphasised in 2005. Most of the poverty-reduction strategy papers developed by partner countries today recognise that poverty reduction is not merely a question of spending more, but of maximising the impact of public

resources. Partner countries also acknowledge that problems in sectors such as health, education, and agriculture may have a common origin: weak public financial management and accountability. Making aid more predictable, procurement systems more robust, and budget support more effective also require adequate capacities for managing public finances.³¹

5.53 Donors must work together to support a nation's own priorities for the aid they provide to be effective. The actions of donors frequently influence how a country decides its budget priorities and the allocation of scarce resources. Moreover, partner governments must lead reforms in public financial management if they are to be successful. We therefore support the strengthened approach to public financial management developed by the Public Expenditure Financial Accountability (PEFA) initiative.³² This approach aims to strengthen the ability of partner governments and donors to:

- assess a country's systems for public expenditure, procurement and financial accountability; and
- develop country-led strategies and action plans to develop capacity in these systems, with a coordinated multi-year programme of donor support.

5.54 PEFA has developed a common framework to measure the performance and progress of public financial management. By March 2007 some forty-five countries had completed evaluations and a further twenty-four evaluations were in progress. We strongly support the active involvement of partner governments in the PEFA process, and its use as the basis for discussions, planning and support for reforms of public financial management.

5.55 We support a wide variety of long-term programmes that help states strengthen their financial governance and manage their public finances more effectively. These include programmes that build capability to ensure that public funds are allocated to implement policy priorities and that money budgeted for helping poor people is spent in the right way. We support work to improve budgeting processes, set up financial management information systems and strengthen procurement procedures. These are important capabilities, but experience shows they can only be effective in the long term when driven by improved accountability.

5.56 In our experience the implementation of financial accountability mechanisms can increase political commitment to improving the management of public finances. We support a range of partners to strengthen financial accountability. This includes supporting partners in formal organisations, such as government accounting officers, internal audit departments, supreme audit institutions and parliamentary accounts committees. We also support partners in informal institutions, such as those that help citizens to participate in budgeting processes or engage with freedom of information procedures.

Case study 15: DFID support for better public financial management

A recent assessment of 26 Heavily Indebted Poor Countries shows that whilst many challenges still remain, public financial management systems are improving in many poor countries. Between 2002 and 2004, for example, twice as many poor countries produced expenditure reports showing how they were using their resources, reducing the risk of funds being misused. Five countries (Cameroon, Ghana, Mali, Senegal and Tanzania) showed significant improvements in performance.

We support public financial management reform across most of our country programmes. In countries such as Bangladesh, Ghana, Malawi, Mozambique, Rwanda, Pakistan, Tanzania and Vietnam we work closely with other donors to support long-term programmes addressing a range of issues including budget planning and design (such as helping to establish Medium Term Expenditure Frameworks); improving infrastructure (such as computerised Financial Management Information Systems); and strengthening financial accountability (for example by working with the Supreme Audit Institution).

In Cambodia, we are supporting an innovative new public financial management reform programme based on the PEFA strengthened approach. This 10-year programme, launched in 2004, aims to improve performance by setting progressive targets (known as 'platforms') sequenced over time. It is not attempting to improve everything at once; rather the first stage is to establish a credible budget delivering reliable and predictable resource to budget managers. This involves both technical improvements and institutional change – for example by creating incentives for those involved with actually implementing change.

We work with a wide range of partners to improve citizens' ability to hold governments to account for the way funds are used; working with parliaments, parliamentary committees, supreme audit institutions and civil society. In Ghana and Vietnam, for example, we support the budget and public accounts committees of parliament. We also fund the International Budget Project (IBP) alongside bodies such as the Ford Foundation, the Swedish International Development Cooperation Agency (SIDA) and others. The IBP helps people in 39 countries scrutinise their governments' budgets and demand more accountable and responsive government. In countries such as Bolivia, Chad, Ethiopia and Mozambique, civil society is helping to improve the quality of public spending by identifying whether poor people, including women and disabled people, will benefit.

... and changing how money is raised and spent involves politics.

5.57 Our understanding of the politics that shape financial management processes is critical to our ability to identify and reinforce incentives for positive change. We recently carried out analyses in Ghana, Malawi and Mozambique. These showed that how the money is actually spent is often quite different from the plans set out in the formal budget document. They also revealed that informal processes, shaped by power and politics, significantly influence how public funds are used.

Case study 16: Understanding the politics of the budget process in Malawi

Improving public financial management in Malawi has been difficult. Until recently, government and donors focused mainly on technical solutions without fully appreciating the political context in which they were implemented. As a result, where money was actually spent continued to bear little relation to the allocations approved by Parliament.

Understanding the politics of the budget process in Malawi has enabled DFID and other donors to target support where change is more politically feasible and for strengthening the demand for accountability. For example, we now support partners in Malawi to improve the quality and availability of financial information for monitoring public spending; to make Parliament more able and willing to oversee public finances; to foster constructive dialogue between the state and civil society at different phases of the budget process; and to improve the transparency of the budget process.

Case Study

(vi) Reducing corruption

Corruption results from weak governance ...

5.58 Corruption is best viewed as an outcome of weak governance because it is more likely to occur when state capability, accountability and responsiveness are weak at the local and national level. While the symptoms of corruption must be tackled, so must the underlying causes. An exclusive focus on tackling the symptoms of corruption – through high-profile investigations, for example – has caused some countries to emphasise simplistic (and largely failed) anti-corruption initiatives while neglecting the need to strengthen national governance systems.

5.59 To achieve a long-term reduction in corruption it is necessary to improve a broad range of governance systems and political processes. Corruption is also a global issue, and international cooperation and enforcement are essential to close the loopholes that permit illicit gains through bribery and money-laundering.

... and it is the poor who often suffer most.

5.60 Corruption undermines development, and it is often poor people, in particular women, who suffer the most as a result. When bribes are demanded by health staff for medicines, by teachers for enrolling children in school or by local government officials for providing water connections, people are forced to remain in poverty. Corruption diverts the scarce resources needed to provide essential public services and distorts decision-making about investment priorities. It can lead to the building of infrastructure that is substandard and badly located. And it can damage economic growth by increasing the uncertainty and the cost of doing business.

5.61 The perception that a country has high levels of corruption can also have a profound impact on the nation's prospects. At home it can break the reputation of political leaders and affect the public view of the legitimacy of the state. Internationally, it influences decisions on the flow of private capital and aid. Estimates of the incidence of corruption in a country can raise awareness, and even if they have a high margin of error they can still be useful in countering the problem.³³ That said, perception studies, such as Transparency International's Corruption Perception Index (CPI), do not necessarily reflect actual levels of corruption or changes in corruption over time.

We are helping to tackle corruption on three fronts ...

5.62 Our anti-corruption policy has three main elements: addressing the international causes of corruption, addressing corruption at national level in partner countries and protecting UK development assistance.

... by addressing the international causes of corruption ...

5.63 The Secretary of State for International Development leads the UK government's work on combating overseas corruption. This work is carried out in partnership with other government departments, including the Foreign and Commonwealth Office and the Department of Trade and Industry. The first UK Government Action Plan, published in July 2006, has led to significant progress in four key areas:

- improving capacity to investigate and prosecute bribery overseas
- eliminating money-laundering and recovering stolen assets
- promoting responsible business conduct in developing countries
- supporting international efforts to fight corruption

5.64 We at DFID, along with other UK government departments, are supporting a wide range of anti-corruption measures. For example, a UK national contact point was established in August 2006 to strengthen the effectiveness of the OECD's *Guidelines for Multi-National Enterprises*. These guidelines require UK companies to meet international standards on human rights, labour conditions, the environment and corruption. The UK has also strengthened the anti-bribery procedures of its Export Credit Guarantees Department. Export credit agencies are the largest source of public funds for private sector projects in the world. We are now pressing other OECD countries to take similar action.

5.65 Our funding helped with the creation of the dedicated overseas corruption unit set up in the UK in November 2006. Staffed by City of London and Metropolitan police officers, the unit is mandated to investigate allegations of bribery and money-laundering. It has started work on four cases with the UK Serious Fraud Office and made its first arrests in January 2007.

5.66 We support international efforts to fight corruption by working on regional projects such as the OECD/Asian Development Bank initiative. This helps twenty-seven countries in the Asia-Pacific region to strengthen their responses to corruption. In the United Nations Convention Against Corruption (UNCAC), which the UK ratified in February 2006, we now have a global weapon to combat corruption. We are working with other countries and the UN Office on Drugs and Crime to design implementation and monitoring mechanisms for UNCAC and to create an international support centre to advise poor countries on how to obtain legal advice on asset recovery.

... by addressing corruption in-country ...

5.67 These international initiatives complement our efforts to help partner countries to strengthen their governance systems and so tackle both the symptoms and the underlying causes of corruption at the local and national levels. The case studies throughout this booklet demonstrate this fact. For example, our support to improve budgetary processes in Nigeria, including closer scrutiny of salary budgets (case study 4), has resulted in the government budgeting for 65,000 fewer salaries in 2007; improving the business registration processes in Bangladesh has reduced the scope for corruption in the private sector; and supporting partnerships between civil

society, local government and the police in Indonesia (case study 26) has resulted in police targeting corrupt government officials in the forestry sector.

5.68 We support countries to develop and implement their own anti-corruption initiatives. One size does not fit all. Whether or not these measures are successful largely depends on politics and incentives for change. Improving checks and balances in public financial management, for example, often depends on civil servants having the appropriate incentives, such as pay and performance management, to implement change. Similarly, a successful anti-corruption commission is largely dependent on receiving adequate resources and a degree of independence from political leaders, as is the ability of justice systems to both investigate and prosecute cases of corruption.

Case study 17: Anti-corruption reforms

During the 1990s Hong Kong and Singapore established anti-corruption commissions that have proved very successful in educating their communities as well as investigating and preventing corruption. It has since been shown that it is difficult for such 'islands of integrity' to have an impact if they are not operating in a capable, accountable and responsive state.

The current head of Nigeria's Economic and Financial Crimes Commission (see case study 4), Nuhu Ribadu, recognises that fighting corruption is a broader issue. In a speech at the World Bank in April 2007, he said: 'I have seen the multinationals and big oil companies play by the rules elsewhere but behave badly in Nigeria and [elsewhere in] Africa because of our collapsed systems.'

The importance of building governance systems is demonstrated in Georgia, the country that has achieved the most marked reduction in corruption in recent years. Our support has helped Georgia to implement a range of measures, including reforms to strengthen public financial management, the establishment of a supreme audit institution, and the dismissal of large numbers of corrupt police and tax and customs officials. In addition, higher salaries and stricter rules for hiring and firing have created an incentive system that reinforces professionalism and discourages corruption.

Case study 17: Anti-corruption reforms (continued)

Sierra Leone is another good example where we are supporting a multi-pronged approach to tackling corruption. This includes technical support to oversight bodies such as the Anti-Corruption Commission and Parliament; improving financial management systems; and working with civil society to provide better information to citizens so that they can hold government to account. For example, the introduction of public expenditure tracking surveys (PETS) in 2002, has resulted in a significant reduction in reported 'leakages' in the delivery of essential drugs to hospitals.

We also support countries in their efforts to ensure that no one is immune to investigation and prosecution for corrupt activities. In Zambia, we have assisted the Government of Zambia in a programme enabling investigation and legal action against perpetrators of corruption. A landmark judgment was made by the High Court in London on May 4th 2007 ordering the return of \$46 million in assets stolen from Zambia and finding that former President Chiluba and others including two UK solicitors have conspired to defraud the Republic.³⁴

... and by protecting UK development assistance.

- 5.69 We are accountable to the UK Parliament for how we use public funds. We therefore provide evidence that funds have been properly accounted for and are used for the purposes intended, in a way that provides value for money. How we obtain this evidence depends on how we supply aid to partner countries. We also have a policy of zero tolerance of fraud or corruption in DFID-managed projects and ensure that all allegations are fully investigated and acted upon.
- 5.70 Before we supply money directly to partner governments in the form of Poverty Reduction Budget Support, for example, we assess the risks by carrying out a detailed analysis of public financial management systems and of the potential for corruption. If risks are identified we support various short-term measures to mitigate them. In the longer term the best way to protect UK development assistance is to improve the overall operation of national public financial management systems and to support the introduction of more effective governance through institutions such as national oversight bodies and the judiciary.

6 How does DFID help countries to improve governance?

We have increased our resources to help countries transform their governance systems ...

- 6.1 We now employ over 300 professional advisory staff specialising in the fields of governance, conflict, social development and economics. They are expert in a wide range of disciplines, including public financial management, law, human rights, international relations, conflict management, political science, gender relations, institutional economics and natural resources management.
- 6.2 We have also increased the amount of money we spend directly on governance programmes from £85 million in 1997/98 to £322m in 2005/06³⁵. And since governance is embedded in almost everything we do, much of our aid budget is spent in this area in one way or another. The UK's total overseas development assistance increased from £2.1 billion in 1997 to £6.9 billion³⁶ in 2006, and we are committed to achieving the UN target of giving 0.7% of gross national income in development aid by 2013.

... and focus increasingly on the most challenging countries.

- 6.3 Our focus is increasingly on the poorest countries and regions in the world especially in sub-Saharan Africa where there has been slow progress towards achieving the Millennium Development Goals. This means we are working in more and more complex and difficult environments – some of them either in conflict or just emerging from it – and these present the biggest governance challenges. Many of these countries (and regions within countries) are fragile: unstable and incapable of providing security, protection of rights, basic services and other core functions for their people. We have increased the proportion of our bilateral expenditure in fragile states from 17% of the global total in 2000/01 to 30% in 2005/06.

We are continuously improving our understanding of local context ...

- 6.4 People experience poverty in many different ways as a result of factors such as history, geography, demographics, the environment, culture and politics, at the local, national and international level. The experience can be different from city to city, from town to town, and even from one individual to another within a household. In South Asian farming households, for example, it is not uncommon to find that the isolation of women is

increasing even as income poverty declines.³⁷ The day-to-day lives of poor people are shaped above all by their immediate circumstances and by their relationships with people who are more powerful than they are: teachers, health providers, landowners, policemen, judges and local government officials.

- 6.5 A knowledge of local context is critical to understanding how governance systems work, and to identifying opportunities for change that will benefit poor people. We are therefore working to be much more systematic in our approach to understanding local context, and to make our decisions at the country level whenever we can. To help us do that, more than a third of our staff come from the countries in which we work. Their knowledge and skills have helped deepen our understanding and engagement across a range of very different and complex environments.
- 6.6 We also use a wide range of information. We draw on the expertise of the FCO and other UK government departments, and on high-quality analyses carried out by partners such as governments, civil society organisations, international and local experts, and other donor agencies. Our own analysis, often performed in conjunction with partners, includes a 'Drivers of Change' appreciation of how history and politics shape the prospects for poverty reduction. We have worked with the OECD Development Assistance Committee and others to refine and extend this approach and have conducted studies in over twenty countries since 2000. We also perform strategic conflict assessments to guide our work in countries where it is essential to reduce violence and build peace. And we have developed approaches to the analysis of social exclusion, human rights and gender.
- 6.7 Kenya is a good example of how detailed analysis has helped to improve our work on governance. A Drivers of Change study published in 2004 showed that we placed too much emphasis on donor demands and not enough attention on the key drivers of change – relationships of accountability between the state and its citizens. DFID Kenya responded by placing greater emphasis on programmes which strengthen local pressures for reform. For example, we supported the Kenya Revenue Authority which in turn strengthens the relationship between the state and society and facilitated the formation of a National Taxpayers Association. We now regard governance as a cross cutting issue and understand how different aspects of the programme – such as growth, service delivery and the environment – can strengthen the ability of citizens to hold the state to account.³⁸

... to better understand governance ...

6.8 Our 2006 White Paper committed us to put comprehensive governance assessments at the heart of our country planning process. The new approach, country governance analysis (CGA), brings together information on context and trends in governance and outlines their implications for our work. As a mandatory part of our country assistance plans (CAPs), and carried out in collaboration with the FCO, CGAs strengthen our dialogue with partners on those issues that matter most to us: poverty reduction, human rights, public financial management and corruption. It also helps us assess risks and develop better programmes.

Case study 18: Country governance analysis in Vietnam

The first Country Governance Analysis (CGA) was carried out in Vietnam and developed in consultation with government, civil society and the private sector, other donors and the British Embassy. The Foreign and Commonwealth Office saw this as an opportunity to work with us more closely on issues of particular interest to them, such as human rights.

Work on the CGA provided a strong basis for a joint donor report in December 2006, the Vietnam Development Report. The report highlights priority policies for the next Poverty Reduction Strategy credit cycle (2007–11) and effectively sets the governance agenda for the next five years.

For DFID, this has led to a change in focus in our work. Up to that point the office's work on governance had focused on strengthening public financial management. The CGA provided a better understanding of the challenges Vietnam faces as it approaches Middle Income Status and showed that greater support to the wider governance system would be needed.

The CGA underlies the draft Country Assistance Plan for 2007–11, which identifies three priority areas: (i) continue to strengthen anti-corruption measures by building on previous work on public financial management; (ii) do more to strengthen institutions promoting domestic accountability, such as the National Assembly, the State Audit and the media; and (iii) do more to increase participation in the political process.

For maximum impact and efficiency, the Vietnam office is working with the World Bank and United Nations wherever possible.

Case study 18: Country governance analysis in Vietnam (continued)

- The government of Vietnam seeks increased donor support to produce better information and analysis, e.g. to understand the changing face of corruption. The World Bank is best positioned to influence policy in these areas, but needs to expand its capacity to meet these demands. DFID is helping it do this.
- For historical reasons the UN enjoys a strong relationship of trust with government and the Communist Party in Vietnam. It therefore has great potential to help Vietnam access international experience and technical assistance on sensitive issues such as human rights, parliamentary reform and civil society. DFID is working to support UN reform through the 'One UN' country pilot to help ensure that this potential is realised.

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... and improve the way we provide aid.

- 6.9 More than ever before, governance considerations inform the choices we make about how we provide support, and to whom. Where there is a government commitment to reduce poverty, to uphold human rights and international obligations, and to improve public financial management, promote good governance and transparency and fight corruption, we increasingly provide direct funding, known as Poverty Reduction Budget Support (PRBS).
- 6.10 PRBS has many benefits, not least that, being routed through a government's own budget, it prevents the proliferation of parallel systems and procedures that have, in the past, made much aid wasteful and ineffective. It also focuses more attention, national and international, on the government's own systems, particularly public financial management systems, and on the need to improve their efficiency, accountability and responsiveness. When we provide PRBS, we consider how we can back this up with support to build government systems and help them plan and spend effectively, while also continuing to work with a range of other groups such as civil society organisations and the private sector.

Case study 19: Poverty Reduction Budget Support (PRBS) in Rwanda

Following the genocide in 1994, many of Rwanda's governance systems collapsed. National budgeting processes and wider accountability relationships between citizens and the state were virtually destroyed. The combination of PRBS, policy dialogue and technical assistance from DFID and other budget support donors has strengthened these systems and helped create the basis of an effective state.

PRBS in Rwanda has strengthened the incentives for government departments to work together and has significantly improved public financial management systems and government reporting and monitoring. For example, case study 14 highlighted the positive impact on levels of domestic taxation of strategically aligned technical assistance to the Rwanda Revenue Authority. Donors are also working more effectively together to support the Rwandan government's poverty reduction strategy and its aid policy document.

We also work to improve the capacity of poor people to participate in the budget-planning process. For example, we support the UK's Voluntary Services Overseas (VSO) to help build the capacity of Rwandan disabled people's organisations. This has helped to generate a new policy and action plan that specifically addresses the needs and rights of people with disabilities.

- 6.11 In other cases, where government commitments to reducing poverty, upholding human rights and improving governance systems are not met, or where the risks of providing PRBS are thought to outweigh the potential benefits, we still provide long-term predictable aid, but in a different way. In some countries, where government systems are not strong enough to deliver the necessary services, we limit our aid to funding specific country programmes that address the needs and rights of poor people. We may also use basic service grants to direct aid to essential public services such as health and education.
- 6.12 In some exceptional situations, such as where the government has little or no authority, or has no deep commitment to helping its citizens, we work exclusively outside government and may focus on pooling funds with other donors to support international agencies like the UN and civil society organisations. Even in these situations, however, we still try to align our support with government policy, so as to enable long-term improvements in governance.

Aid Effectiveness and Governance

We are strongly committed to strengthening the effectiveness of our aid in improving governance. In 2005, the UK signed the Paris Declaration on Aid Effectiveness with other international partners and developing countries. This sets out a number of shared commitments to improve the coordination, predictability and alignment of aid with local needs and priorities. In other words, it sets out how we as donors can get our act together, so that our help and resources can be put to the best use possible, whilst minimising the strain on partner countries of managing our good will. Wherever possible, we work with other international partners to coordinate assistance and discussions and ensure that partner governments can remain focused on accountability to their own citizens and institutions. We are closely monitoring our progress towards meeting the Paris Declaration targets for 2010 to strengthen mutual accountability for delivery of better-quality aid.

In 2007 the UK also endorsed the OECD DAC Principles in Good International Engagement in Fragile States. This agreement set out a shared understanding of aid effectiveness in fragile states and emphasised that state-building is the central objective, including supporting the legitimacy and accountability of states, and strengthening their capability to fulfil core functions. It also highlighted the importance of preventing failures of governance before they occur, and of promoting non-discrimination as a basis for inclusive and stable societies.

We work alongside other UK government departments ...

6.13 We work closely with other parts of the UK government to support countries on a range of governance issues. For example, we cooperate with the Foreign and Commonwealth Office on free and fair elections and political analysis, with the Department of Trade and Industry on anti-corruption measures, and with the Ministry of Defence on post-conflict reconstruction and security. This joint approach means that we can draw on each other's skills, perspective and expertise, both in Whitehall and overseas.

Case study 20: Post-Conflict Reconstruction Unit

The Post-Conflict Reconstruction Unit is jointly owned by DFID, the FCO and the MOD. Its job is to help make sure that assessment and planning for UK interventions to stabilise countries coming out of conflict integrate military and civilian aims and actions effectively. By combining the efforts of development, diplomatic and defence agencies, the UK can help to protect people and institutions in the aftermath of conflict, prevent a recurrence of violence and prepare the foundations for development. Stabilising a country depends on helping to find a sufficient political accommodation that will allow for differences and conflicting interests to be negotiated peacefully through 'normal' politics.

The Unit has seen some successes. In Helmand Province in Afghanistan and in Basra, Iraq, for instance, PCRU has helped provincial authorities to decide on priorities and make immediate improvements, through water, irrigation and power supply projects. PCRU has also helped the Africa Mission in the Sudan (AMIS) to disseminate the benefits of the Darfur Peace Agreement to non-signatories and the general public.

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... and other international agencies ...

- 6.14 Governance systems in all countries are influenced by agencies operating across national borders. Accordingly, in all our governance work, we work closely with regional bodies, multilateral organisations and other donors towards building state capability, accountability and responsiveness in our partner countries.
- 6.15 We are working through the G8 to raise the political profile of governance and to take concrete measures to promote good governance in African and other developing countries. The 2007 German G8 Presidency has adopted a strong focus on governance, including promoting good public financial management and providing support for the African Peer Review Mechanism (APRM).
- 6.16 The APRM – an initiative of the African Union and its programme NePAD – is a voluntary process for auditing and reviewing a country's political, economic and corporate governance. To date, twenty-six countries have signed up to this initiative, representing more than half of the population of Africa. Ghana, Rwanda and Kenya have completed the process and are now implementing the resulting 'Plans of Action'. The pace of implementation of the reviews has been slow, reflecting a new and complex institutional process, but its potential to bring about positive change remains significant.
- 6.17 Around 40% of our annual budget is channelled through multilateral organisations. We enjoy close working relations, as shareholders and partners at country level, with the World Bank, IMF and other multilateral

development banks. We work together to support sound economic and social management, government effectiveness and financial management in some of the world's poorest countries. For example, we collaborate with the World Bank to support deeper engagement on governance in country and sector programmes, and have been an active participant in preparing their new Governance and Anticorruption Strategy.³⁹

6.18 As governance has become a priority in European aid policy, we also work increasingly closely with the European Commission. In particular, we are sharing expertise on governance assessments and designing interventions to support good governance. For example, we continue to work with the European Commission on implementing its Governance Initiative.⁴⁰ This includes the allocation of EUR 2.7 billion to African, Caribbean and Pacific countries based on an assessment of governance performance.

6.19 We also provide core funding to a range of United Nations agencies whose work is to uphold norms and standards for the protection of disadvantaged groups and to build strong political and government institutions. For example, we support the United Nations Children's Fund (UNICEF), the United Nations High Commission for Refugees (UNHCR) and the United Nations Development Fund for Women (UNIFEM) in the protection of children, refugees, internally displaced people and women. We also work closely with the United Nations Development Programme (UNDP) in building a wide range of political and government institutions within developing countries

... to support a wide range of partners in improving governance.

6.20 We support a wide range of partners to improve governance at the country level. This breadth means that we are targeting our support where opportunities for change are most likely, based on specific local circumstances and the ability and willingness of different groups to influence change. All of this requires a much more nuanced understanding of how people interact within society, how power is used and maintained and how politics can enable and constrain positive change. The remainder of this section details the breadth of these partnerships and why they are so important. This includes:

- government administrations and the public service
- local government
- legislatures
- justice and security sectors

- national oversight bodies
- civil society
- political society
- media
- trade unions
- private sector

Government administrations and the public service

6.21 An effective government generates stability and legitimacy, the vital foundations for any durable system of governance. Because of this, a central focus for us, now and in the future, remains improving the capability of executive government, from presidential and prime ministerial offices down to line ministries and executive agencies. This involves addressing the capability, accountability and responsiveness of government administrations at all levels, not just in the ‘corridors of power’ in national capitals.

Case study 21: Doctors Akbar and Hamid in Afghanistan



“Before doctors were on duty only on paper” – Hamid.
Doctors Akbar and Hamid, Afghanistan. Nick Danziger/DFID

Akbar and Hamid are doctors in Chaghcharan, capital of Ghor province in Afghanistan. Hamid’s quote is referring to low doctor attendance, which was a critical problem before DFID and other donors supported a government-led public service reform programme. This package of reforms has focused on strengthening the performance of staff by offering competitive salaries and increasing the levels of transparency in recruitment.

Remote working conditions sometimes require accelerated salary schemes that provide sufficient incentives to work. For example, the Chaghcharan hospital is one of very few in Afghanistan where doctors are paid a premium – in Akbar and Hamid’s case about 20,000 Afghanis (£212) each a month, which is ten times more than young Afghan doctors will generally earn. This includes a 50% bonus for working in a remote location. It is this kind of incentive that ensures doctors will turn up for work – which in turn will increase patient confidence in the health system and ultimately ensure better health outcomes.

- 6.22 Public service reform is complex and risky and we have learned a number of important lessons. Successful reform programmes support the individual public service employee, the organisation he or she works in and the wider institutional framework: both formal rules such as the legal system and property rights, and informal rules such as cultural values that influence individual behaviour.⁴¹ As in all our work on governance, public service reforms must be both technically sound and, most importantly, politically feasible.
- 6.23 Successful government administration also requires effective leadership. We encourage government leaders to be more capable, accountable and responsive to the needs and rights of the people that they serve. We have learnt that to be successful this support must be sensitive to the domestic context in which leaders operate and correspond with a domestic demand. For example, we support the evolving Global Integrity Alliance – a network that provides a forum in which politicians from around the world can share their expertise and funds a range of programmes to support current political leaders and nurture the next generation. These activities include peer-to-peer support, and mentoring and support to those coming to the end of their careers. We also receive requests from our partner countries to share British public sector expertise. For example, we have established the Africa Capacity Building Initiative with a range of UK government departments. This initiative provides leaders with relevant expert advice and policy development, training and technical assistance, as well as opportunities for exchanges, study visits and institutional links.
- 6.24 We also recognise the importance of expanding the pool of those who may become leaders to include people who have traditionally not had access to power. That is why we support initiatives in countries like Sierra Leone, Rwanda and Pakistan to build the skills and confidence of women to become political leaders.

Local government

- 6.25 In many countries local government plays a key role in providing opportunities for investment, employment and the delivery of services to poor people. The decentralisation of central government, and the assumption of responsibility for service delivery by local governments can in many cases improve prospects for more responsive governance. More direct participation by poor people in government decision-making processes can improve local accountability, leading, in turn, to more efficient public services. It has become clear, however, that these benefits do not accrue automatically, and the impact of decentralisation in many developing countries has been mixed.

6.26 For local government to be effective, it requires capability, accountability and responsiveness at the local level. There is growing evidence that when decentralisation is combined with greater citizen voice, effective participatory processes and committed local leadership, change for the benefit of poor people is more likely to happen.⁴² There also needs to be strong support from the centre; practical means must be found to devolve administrative capacity, revenue and authority, and effective accountability mechanisms must be put in place to prevent corruption by local elites. Local accountability can be encouraged by robust local administrations and through the holding of fair and competitive local elections. However, it takes time for such capability to develop and for such changes in political culture to take root.

6.27 We provide direct support to local government in several country programmes, including federal states such as Nigeria and Pakistan. Support for community-led development has also featured in our programmes in countries recovering from conflict, such as Cambodia and Afghanistan.

Case study 22: Afghanistan: helping to make a difference

Since 2003, DFID has contributed £17 million to the government of Afghanistan's flagship programme for community-led development, the National Solidarity Programme (NSP). The NSP has helped provide water and sanitation, education, livelihoods and other priorities identified by local communities themselves. By reaching all thirty-four provinces and 50% of all rural communities in Afghanistan, the NSP has helped build the legitimacy of the central government at a local level by delivering a tangible peace dividend. The 15,000 locally elected Community Development Councils, which include many women representatives, are widely seen as legitimate and democratic viable alternatives to warlords.⁴³

Case Study

Legislatures – parliaments and assemblies

6.28 Parliaments and assemblies play a special role in governance systems and in ensuring that democratic politics works. They pass laws that help determine how these systems function, oversee the actions of executive governments, and are responsible for the stewardship of public funds. They act as a bridge between people and their rulers, representing people's interests to government on the one hand, and keeping people in touch with affairs of state on the other.

- 6.29 But parliaments are not always effective in carrying out these roles. Politicians can be influenced by powerful individuals or corporations, or give patronage to particular individuals or groups to increase their power base. The challenge for us is to approach parliaments as part of a broader effort, weaving a strengthening of parliamentary government into other programmes with a range of governance and development objectives.
- 6.30 And in most places where we work with parliaments, it makes sense to work with parliaments as a whole. Not just with MPs, but also with their committees, and the administrators that make their work possible. On a practical level, for example, we can not just support exchange visits to and from the UK Parliament; particularly for overseas parliamentarians whose committees can lack basic necessities such as tables and chairs. The trick is to work to a parliament's own plans and priorities – ensuring our initiatives match local circumstances and needs.

Case study 23: Support to women in Rwanda's Parliament



"Our biggest challenge is to try to give confidence to women so that they feel they are equal to men" – Odette Nyiramilimo. DFID

Odette Nyiramilimo was born seventeenth of eighteen children in a poor rural family in Rwanda. Through her own perseverance she completed school and went on to become a doctor and then a parliamentarian. For Odette, the *Forum des Femmes Rwandaises Parlementaires* has provided essential support. This group, which is funded by DFID, represents all women in the parliament's two chambers and seeks

to realise the principle of gender equality set down in the constitution. As Chair of the Forum's Social Affairs Committee, Odette has helped bring about a number of positive achievements, including a report on education that forced the government to use the military to build more schools in order to reduce overcrowding.

Case Study

Justice and security sectors

- 6.31 Justice systems are supposed to ensure that the rule of law is adhered to, rights are enforced and disputes are resolved swiftly and fairly. In so doing, they can yield far-ranging benefits, not least for preventing violent conflict and improving the climate for business and investment. But in many poor countries the judiciary is under-resourced and lacks independence from other state administrations. Improving access to justice requires that we

understand judicial systems from the perspective of the users and then address the barriers that stop those users seeking and securing redress. In some instances these barriers are very straightforward, such as when poor people cannot afford legal fees or the cost of travelling to court. In other instances the barriers are more to do with excessive delays stemming from outdated procedures, or a lack of appropriately skilled staff.

- 6.32 All too often, international assistance in the justice sector focuses only on individual organisations, rather than promoting more widespread collaboration. However, if these problems are to be addressed effectively, it is vitally important that justice is strengthened as a *system*, including the police, prosecution services, courts, lawyers, penal institutions, quasi-judicial bodies and civil society. Linkages should also be made to the security sector where appropriate.
- 6.33 In many poor countries, traditional *informal* justice and security organisations – where up to 80% of disputes are resolved – are just as important as the formal justice system. Informal justice systems are often more accessible and effective in addressing the concerns of poor people, while the establishment of formal systems is often very expensive and takes time. We therefore support countries – such as Malawi, Nigeria and Sierra Leone – to strengthen both formal and informal justice systems.

Case study 24: Supporting Safety, Security and Access to Justice in Malawi

Since 2002 DFID has provided £24 million to support a range of partners in Malawi to implement the government's Safety, Security and Access to Justice Programme. This has helped the government to develop more strategic approaches in the justice sector and to draft legislation important to the police, prisons and traditional courts. The programme has also provided direct support to the police, the paralegal advisory service, traditional authorities and community-based organisations.

As a result, state capability has increased. There has been a 25% increase in police presence and significant improvements in police performance;⁴⁴ and the prison remand population has decreased by 50%.⁴⁵ The justice sector is also more accountable and responsive to its citizens. For example, more than forty-eight court user committees have increased the involvement of poor people in decision-making processes and strengthened linkages between formal and informal justice systems⁴⁶; and 170 primary justice forums have been established, reaching up to 40% of the population and improving access to justice for rural communities.⁴⁷

National oversight bodies

- 6.34 There are a range of formal oversight bodies that can hold leaders and public organisations to account. These include national audit bodies (supreme audit institutions), anti-corruption committees, ombudsman's offices and human rights commissions. The effectiveness of such bodies is dependent on politics, on formal and informal ways of doing things, and on the strength of broader relationships between the state and society.
- 6.35 National audit bodies, for example, are more effective where they have a strong working relationship with parliamentary committees and a degree of independence from the ministry of finance. In many poor countries, however, this is not always the case. High-profile cases pursued by national audit bodies, anti-corruption committees and human rights commissions typically involve public figures who are rivals to those in high office, or have recently fallen from favour. It is much rarer for oversight bodies to call to account, where necessary, those who are politically well-connected. But with a measure of independence, strong leadership and capable and committed staff, oversight bodies can improve accountability.

Case study 25: Strengthening national and subnational audit processes in Brazil

We provided support to the Brazilian Court of Accounts (*Tribunal de Contas da Uniao* – TCU), between 1998 and 2006, to strengthen its capacity to carry out performance (value for money) audits on the evaluation of government programmes and regulatory models for public utilities. More than 60 programmes were evaluated with a focus on reducing inequalities such as maternal mortality, child labour eradication, sanitation, housing, access to energy, elderly care and cash transfer programmes. These audits have helped to improve the lives of poor people by facilitating the effective delivery of essential public services at the local level. They have also contributed to greater accountability in public spending by providing other levels of government, civil society, parliament and the media with access to better information about service delivery.

Case Study

Civil society

- 6.36 Civil society includes a broad range of non-state associations. Some of these, such as small-scale cooperatives, work at the very local level. Others, like religious organisations, women's organisations, philanthropic foundations, business and professional associations and non-governmental organisations operate locally, nationally or internationally – many transcend all of these boundaries. Civil society organisations therefore pursue a wide variety of objectives, which may or may not share a poverty reduction or democratic agenda.

6.37 Like all governance institutions, civil society organisations have a political role. They play an important part in negotiating the balance of power between citizens and the state – contesting and debating how things are done and how resources are allocated. They also have a vital role in building state accountability and responsiveness, for example in:

- pressing for better public services;
- identifying the beneficiaries of public spending;
- bargaining around taxation issues;
- organising self-help measures;
- lobbying for land rights or women’s rights;
- campaigning against corruption; and
- brokering relationships between poor people and local authorities and among competing groups in civil society.

6.38 The list of approaches is extensive. Civil society organisations can also play an important role in complementing state capability, through the provision of essential public services and humanitarian relief. In Ghana, Zimbabwe and Kenya, for example, civil society organisations now provide approximately 40% of all healthcare and education services.⁴⁸

6.39 We support a diverse range of civil society organisations. This is determined by what role the organisation plays, who they represent and their relationships with other groups. We have learned that the issues around which poor people organise may be outside the conventional agendas of donors, but that in the long term these organisations can play an important role in state-building. This engagement has involved us in some sensitive negotiations, balancing demands and interests that may conflict or coincide.

6.40 In Indonesia, we supported the Multistakeholder Forestry Programme to transform the use of forest land and resources to the benefit of poor people living in forest-dependent communities. This highly successful programme provides important lessons about how different people’s needs and rights can be addressed through working with a diverse range of partners and mediating between powerful vested interests and local communities. It also demonstrates how to engage with difficult governance reforms in very practical ways.

Case study 26: Improving the lives of forest-dwellers in Indonesia



Multistakeholder Forestry Programme.

The Multistakeholder Forestry Programme (MFP) – a £25 million joint venture between DFID and the Indonesian government between 2000 and 2006 – worked intensively with numerous civil society and government organisations to transform the use of forest land and resources. This included providing support to a range of partners – local NGOs and farmers’ groups, policy researchers and activists, the press, government officials and legislators – to broker new relationships between citizens and the state.

About 10 million of the 38 million poorest people in Indonesia make a living from forest land and forest resources. Over 70% of the land was nationalised in 1967. This meant that the daily activities of millions of forest-dwellers – harvesting wild fruits, collecting firewood and clearing land to grow rice – became illegal over much of the country. The resulting poverty and lack of access to land led to numerous land-use conflicts.

The MFP has changed the nature of the relationship between political and business elites and local communities. The programme has provided different groups – across civil society, government and the private sector – with new skills and processes to debate how forest lands are used and maintained. Poor people in forest-dependent communities are more active in farmers’ unions, and more likely to be elected to positions of power in local politics. This has strengthened public demand for government to respond to their needs and rights, and local governments have become more transparent and accountable for their policies.

The results have been impressive. Over seventy new regulations now give villagers access to valuable land. Forest-dependent communities are now better off, with an increasing rural income, diversification of livelihoods, open markets and access to essential public services. And measures to combat illegal logging have been implemented, reducing environmental degradation and the risk of conflict. For example, in West Kalimantan the illegal timber harvest has probably been reduced by 50% over the past three years. The police are now targeting corrupt government officials and timber barons rather than the villagers driven by poverty to do the dirty work of getting illegal timber out of forests.

Political society

- 6.41 Like civil society, political society is made up of a range of associations. Political parties in many poor countries may not at first glance resemble political parties in established 'Western' democracies, but they do many of the same things: represent citizens' demands, provide platforms for political leaders, mobilise support for these leaders, and compete for political power with other similar associations. Equally important, however, especially for many poor people, is informal political society – those who wield power without formal authority such as wealthy landowners, business leaders and traditional patrons. Though we may not often work directly with these groups, we do seek to better understand the impact they have on the lives of poor people and the opportunities they present for change.
- 6.42 In an increasing number of countries, competition within political society is essentially non-violent. In Africa, violent changes of government decreased from 76% of all leadership transitions in the 1960s to 40% in the 1990s⁴⁹. Over a similar period, full franchise elections have also become the primary method of political competition, with the number of electoral democracies in the world increasing from 28 per cent of sovereign political systems in 1950 to 63 per cent in 2000⁵⁰.
- 6.43 A culture of non-violent political competition, with regular elections, provides a good basis for political society to help build state capability, accountability and responsiveness. It also contributes to embedding a culture of democratic politics, but a lot depends on the nature of political associations, the leaders to whom they provide a platform, and the basis on which they mobilise support. Political associations may be dominated by elites whose links to ordinary people are tenuous, or tainted by mutual mistrust. In other examples, they will mobilise mostly on the charisma of individual leaders or the favours they promise to deliver to special interest groups.
- 6.44 We support a range of partners to strengthen political society to better deliver poverty reduction. For example, we work with electoral commissions, civic educators, the media, monitors and observers to increase the prevalence and strengthen the legitimacy of non-violent elections. However, our work with political society aspires to much more than this. We also aim to build political associations that are better able to understand, articulate and address the interests of the general population. This is what we mean by a culture of democratic politics.

Media

- 6.45 The media plays a key role in improving governance by providing two-way communication between citizens and the state. A well-managed, independent media can strengthen accountability and help realise human rights and freedoms. It is vital for providing information, raising awareness and improving transparency – in essence, spreading the culture of the public's 'right to know'. Investigative journalism, for example, is one of the most effective ways of monitoring events in the judicial arena.⁵¹ The media is also an important instrument for 'voice', creating a platform for diverse views and campaigning for action – the 'right to tell'. This aspect is especially important in places where poor people have few or no opportunities to make their voices heard. By 2006, nearly seventy countries around the world had adopted comprehensive 'Freedom of Information Acts' to facilitate access to records held by government bodies, and another fifty are in the process of doing so.⁵²
- 6.46 Over recent years there has been a significant increase in the number of radio stations, newspapers, television channels and other forms of media, especially in poor countries. In the Democratic Republic of Congo, for example, where elections took place in 2006, the number of local radio stations increased over this time period from eight to one hundred and fifty.⁵³ As a result of this, the media sector has a greatly enhanced potential to improve governance; however, in many poor countries it is not yet sufficiently well-prepared to realise this potential.
- 6.47 In response, we support a range of partners to build the capacity of the media and provide an environment in which freedom of information and expression can be promoted. In some countries we support changes in legislation to remove constraints on the freedom of the media. For example, we are engaged in India on issues relating to implementation of the 2005 Right to Information Act. This legislation is a powerful example of civil society, media and the state collaborating to improve accountability as it empowers citizens to scrutinise government activities. Elsewhere, we have targeted our efforts on extending access to information in remote areas or to excluded groups.

Case study 27: Bangladesh Sanglap: raising the voice of poor people

Bangladesh Sanglap is a series of live question-and-answer-style discussions broadcast by the BBC World Service Trust and supported by DFID. The purpose is to increase access to information and to develop a culture of accountability in the run-up to the forthcoming parliamentary elections. Questions are posed by citizens, civil society organisations and the private sector to a panel of representatives from different political parties.

Each edition of the Bangladesh Sanglap already reaches 17 millions adults – 14.8 million on Channel 1 television and 4.6 million on BBC Bengali Radio. Quantitative research carried out in May 2006 found that 92% of the surveyed audience believed that the programmes helped to raise the 'voice of the people', especially those from deprived backgrounds.

Case Study

Trade unions

- 6.48 Trade unions define and promote the collective interests and rights of workers, particularly in relation to employers, but also in relation to the state. They also provide their members with many social and welfare services. The labour movement has been the most important historical driver of labour standards and worker's rights.
- 6.49 Trade unions have frequently been in the forefront of wider struggles for political change, democracy and social justice. This has led to their engagement in a range of activities such as campaigning and advocacy, education and awareness raising, policy development and the development of mutual financial institutions. Trade unions have traditionally been associated with the formal economy but in many developing countries a more informal labour movement is developing, particularly championing the rights of poor women workers. Free and active trade unions are a good indicator of a healthy democracy. In countries where trade union organised workers can defend rights through negotiation and dialogue, there are fewer abuses than in sectors or countries where democratic trade unions do not exist.
- 6.50 We have worked closely with trade unions for many years. DFID's Civil Society Challenge Fund, has supported many trade union projects including work with Malawian, Zambian and Tanzanian trade unions. In 2006, we signed a new Strategic Framework Partnership Arrangement with the TUC which will focus predominantly on broadening and deepening the capacity of six to twelve major UK trade unions to engage more substantively as partners in international development. Support for trade union work on voice and accountability will also be available through our new Governance and Transparency Fund.

Case study 28: DFID support to trade unions

In southern Africa, we supported the Commonwealth Trade Union Council and the Southern Africa Trade Union Co-ordination Council to build the capacity of trade unions to campaign to eradicate the worst forms of child labour.

In Nigeria, we supported the national Labour Congress in building the capacity of trade unions to reflect the concerns of women workers. This has resulted in improved working conditions for women with more equal pay, reduced discrimination and better maternity provision.

DFID also helped to establish the Ethical Trading Initiative (ETI) in 1998 and has continued to be a major funder. The ETI is addressing the growing global concern among consumers that the goods they buy should be produced in conditions that are safe and decent and which enable working people to maintain their dignity and a reasonable standard of living. Companies are responding by drawing up codes of conduct. However, these need to be backed up by action – monitoring working conditions and working with suppliers to improve them – if they are really going to improve the lives of workers. Trade unions – as part of the ETI are doing just that.

Private sector

- 6.51 The private sector is key to delivering economic investment and growth. The state also plays a major role in building the political and economic incentives for productive private investment that will sustain growth and reduce poverty. The credibility of government with potential investors, especially its willingness to protect and not to plunder private profits, is important. When necessary, the state may need to challenge political and economic monopolies.
- 6.52 Competition policy can be a powerful force for change. We support countries across Asia and Africa to promote fair competition as a means to establish 'economic democracy' with the vision that: "Strong competition policy is not just a luxury to be enjoyed by rich countries, but a real necessity for those striving to create democratic market economies".⁵⁴
- 6.53 We also support a number of initiatives to strengthen accountability relationships between private and public sector partners, which can shape economic activity and thereby deliver improved prospects for poverty reduction. In China, for example, we have supported a wide range of private sector development initiatives, ranging from reform of state enterprises and the financial sector to the promotion of self-employment. These have helped to demonstrate how poor people can participate in and benefit from private sector development. Financial sector reforms have made lenders more responsive to the needs of smaller enterprises and local and provincial governments have been encouraged to be more active in promoting small and medium-sized enterprises in their areas.

7 Governance: new challenges and new opportunities

- 7.1 A major challenge for all donors – bilateral and multilateral – is how to engage with power. Our understanding of governance has broadened and deepened significantly over the past decade. It has gone beyond economic governance and the management of the economy, and beyond analysing and reforming public services and the public sector. The focus is now about how power is used, and on whose behalf. Governance work has moved away from asking ‘What is wrong and how we can fix it?’ to asking ‘What are the incentives to which political elites respond and how can they be changed?’ Asking these sorts of questions makes our work both more relevant but also more challenging. It takes us into the heart of politics and how political systems work, and whether or not they benefit poor people.
- 7.2 Governance work now recognises the importance of the relationship between states and society: how are different and specific interests organised and what influence do they have on public policy? Governance analysis and programmes now attempt to situate individual human rights and collective civil liberties in the broader context of state capabilities and responsibilities: how does the state respond to the legitimate aspirations of its people? In considering these questions, governance perspectives have shifted from looking exclusively at formal institutions (such as parliaments, the executive government and the judiciary) to also assessing how informal institutions (such as patronage systems) influence and shape public policy-making and service delivery.
- 7.3 Just as the governance agenda has become more complex, so expectations and demands have risen. While we know that political structures and systems imposed from outside are unlikely to succeed, at the same time, the demand for immediate results is increasing. This is the challenge: how can donors ensure that more and better aid delivers more and better development results, without undermining the longer-term ‘historic project’ of state-building?
- 7.4 But as this document has demonstrated, governance initiatives over the world are having an impact. States are acquiring new capabilities for policy-making and delivering services to the poor. They are becoming increasingly accountable as they make the transition to democracy. Governments are more routinely being voted in and out of office. Citizens *have* acquired a new sense of power and, from the results of a range of surveys undertaken throughout the world, appear to have no intention of giving up their newly found ‘voice’. Lengthy queues to vote in many national elections in recent years (for example

in the Democratic Republic of Congo and Ghana) attest to this. And states are becoming more responsive, as budgets become increasingly transparent and as shares allocated to basic services increase. Clearly, there is much to be optimistic about.

- 7.5 But four principle challenges remain. First, to ensure that 'governance' initiatives at the country level are based on a much stronger, deeper and more nuanced understanding of context. This will mean asking the right questions about incentives, and having no preconceptions about the 'right sort of institutions'. Governance arrangements in any country will emerge from that country's collective experience of representation, bargaining and power-sharing. Donors will need to recognise these different histories and build on them, and reject simplistic ideas of building institutions that 'look like ours'.
- 7.6 To do this, we must use increasingly local expertise and knowledge. DFID is committed to increasing the proportion of national staff in our country offices, though not at the expense of poaching capable staff from our partner governments. These decisions will always therefore be country specific.
- 7.7 Second, donors will need to recognise that all their activities (whether explicitly governance-related or not) have implications for longer-term state-building. Initiatives need to be designed to support, not undermine, the capability, accountability and responsiveness of the state. We have learned that the country-led model is the most appropriate: where countries themselves set priorities and decide their own policies.
- 7.8 This does not mean that donors work only *through* the state, but it does mean that programmes and projects cannot be planned and implemented as if the state does not exist. Every external initiative should be carefully examined to assess the impact it will have, who will benefit and who could be disadvantaged (the winners and the losers). This is part of what engaging with power means.
- 7.9 Third, we must ensure that we tackle the global issues, such as international corruption and crime, climate change and migration, which have an increasingly strong bearing on governance and state-building in the poorest countries. This will require strong coordination across the international community to agree global standards of conduct and put them into action. We will also have to adapt to working with new and unfamiliar partners, such as international companies and legal and security bodies, to understand and take action on specific cases that affect governance in our partner countries.
- 7.10 The fourth challenge is arguably the most demanding. That is how donors can help developing countries embed what we have called in this booklet a culture of democratic politics – a politics that recognises the right of governors to govern, while at the same time recognising the rights of the governed to possess the ultimate sanction: the right of holding governors to account and removing them from power in free and fair elections.

- 7.11 A culture of democratic politics requires all groups to retain a real stake in society and to feel that the process whereby competing interests are mediated is fair and transparent. Democratic politics requires that all people accept the rules that bind society together. We know from our own experience in the UK that this takes many years – in our case, centuries. Our challenge is to be patient but not complacent.
- 7.12 Thus governance has moved significantly beyond designing stand-alone projects to supporting countries to improve the supply of and demand for public goods and services. Governance work now seeks to address the big questions of how power is held and in whose interests it is used. In so doing, a key part of that perspective is understanding how ‘society’ (including individuals, interest groups and the media, in all their formal and informal manifestations) interact to influence the way in which the state operates and how it is held to account. These forces play out differently in each and every country. Helping to ensure that power is used to benefit all groups in society, including poor and excluded people, represents the main challenge of governance work, but also its greatest opportunity.

The 2006 White Paper: our commitments to building effective states and better governance

- Adopt a new 'quality of governance' assessment – Country Governance Analysis – to monitor governance and help make choices about the way in which we give UK aid.
- Work in our partner countries to help improve the capability of state institutions and strengthen accountability to poor people, for example, by strengthening parliamentary and regulatory oversight.
- Support public sector reform to help improve public services.
- Support more responsive governance, for example, by helping partner countries to consult with poor people, and to produce better statistics on poverty and monitor their progress in overcoming it.
- Support the African Peer Review Mechanism launched by the New Partnership for Africa's Development to help partners improve governance.
- Set up a new £100 million Governance and Transparency Fund to strengthen civil society and the media to help citizens hold their governments to account.
- Improve the effectiveness of our technical assistance, pool our funding with other donors where possible, increase the use of local providers and ensure value for money.
- Implement an Africa Capacity Building Initiative to share knowledge and skills between UK central and local government and developing countries
- Work with the World Bank and others to develop a new, internationally agreed approach to assessing and tackling corruption in developing countries.
- Provide practical support to governments to help them investigate corruption, and deal with alleged offenders through the courts.
- Raise the issue of corruption with partner governments as part of our regular discussions.
- Help developing countries strengthen their public financial management, and support other public sector reforms to tackle corruption.
- Support the implementation of the Public Expenditure Financial Accountability Framework in order to increase international assistance to strengthen public finances in developing countries.
- Support independent organisations (watch-dogs, lobby groups etc) that monitor and track the performance of public services and organisations.
- Continue to investigate all allegations of corruption affecting UK aid, and take action.

The 2006 White Paper: our commitments to supporting good governance internationally

- Launch a revamped National Contact Point by September 2006 with the involvement of DFID, the Foreign and Commonwealth Office and independent experts as well as the Department for Trade and Industry to strengthen our implementation of the OECD Guidelines for Multinational Enterprises.
- Work within the OECD to make the Guidelines more effective in promoting responsible business conduct, particularly in countries with weak governance.
- Press the international community to tackle the trade in conflict resources; promote international standards on the management of natural resource revenues in countries affected by or at risk of conflict; help set up an international expert panel in the UN to monitor links between natural resources and conflict; and support improvements in monitoring UN sanctions.
- Work with governments and civil society to secure agreement at the UN General Assembly in 2006 to start talks on an Arms Trade Treaty and report progress to the UN General Assembly by 2008.
- Work with others to deal with the misuse and inappropriate export of small arms and light weapons.
- Ensure, when assessing export licences, that UK arms exports do not undermine development, for example by endangering human rights or increasing the risk of conflict.
- As part of the overall review of strategic arms export licensing laws in 2007, examine how well regulations to control activities of arms brokers are working and whether these need to be changed or strengthened.
- Fully implement a new OECD 'action statement' on bribery that reduces the risk of export credit agencies providing financial support to companies that bribe overseas, and press other OECD countries to take similar action.
- Publish an annual UK Action Plan to tackle corruption affecting developing countries, particularly in Africa, with regular reporting.
- Set up a dedicated overseas corruption unit by the end of 2006, staffed by City of London and Metropolitan police with support from DFID and others, to investigate allegations of bribery and money laundering.
- Press our G8 partners to ratify the UNCAC by March 2007, and work with the UN Office on Drugs and Crime and other partners to ensure that it is implemented internationally.
- Make UK businesses aware of the risks of bribery overseas, and urge them to report instances of attempted bribery to UK embassies, so that they can be investigated by partner governments.

The 2006 White Paper: our commitments to supporting good governance internationally (continued)

- Help developing countries in response to requests for Mutual Legal Assistance, including deploying fast response teams from UK law enforcement and other organisations; supporting countries' ability to track assets and carry out investigations; drawing up proposals for an international corruption investigation centre which can provide professional help as part of implementing the UNCAC.
- Develop plans to tackle organised crime in a number of vulnerable developing countries.
- Help UK Overseas Territories and Crown Dependencies to put into practice relevant international agreements, such as the UNCAC and the OECD bribery convention, and measures equivalent to EU directives on money laundering.
- Sponsor a UN General Assembly resolution for EITI to become an international standard of good management; work closely with China, Russia and others to promote EITI; work with others to identify a permanent international secretariat for EITI; and develop a means of verifying whether countries and companies are doing what they promised. We will also propose that EITI is extended to other areas such as the oil, gas and mining sectors.
- Work with partners to develop codes of practice to make it easier to scrutinise forestry and fishery agreements and revenues, building on existing initiatives such as the EU Forest Law Enforcement, Governance and Trade partnerships and the High Seas Task Force.
- Build on the experience of EITI to help developing countries improve transparency and value for money in public procurement, and develop international proposals to increase scrutiny of public spending in the defence, construction and health sectors to help fight corruption.

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Department for International Development

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