

Framework for Strategic Governance And Corruption Analysis

**Designing Strategic Responses Towards
Good Governance**

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1. Introduction

Purpose

In recent years the Netherlands Ministry of Foreign Affairs and its Embassies have made considerable progress in analysing the governance climate in partner countries. The Strategic Governance And Corruption Analysis (SGACA) is designed as a tool to build on and enhance those efforts, by facilitating a more strategic approach to analysing the context for governance and anti-corruption for each partner country.

The Clingendael Institute has developed the SGACA to assist Embassies in implementing this approach, tailored to country circumstances. It is a practical guide to help structure and analyse existing information – a ‘quick-scan’ – that focuses on formal and informal aspects of governance in a particular context. Different tools and processes, such as the Track Record and the current Multi Annual Strategic Plan generate important information for this purpose. The SGACA is complementary to these instruments and seeks to deepen the country-specific understanding of governance and corruption.

Apart from formal factors, the SGACA aims to capture the informal, societal and sometimes intangible underlying reasons for the governance situation, which can often differ from the formal configuration of the state. Such an analysis can improve the design of donor interventions, through a better understanding of what happens behind the “façade” of the state on the one hand and what really drives political behaviour on the other. The SGACA is designed to make use of available material – including from other sources and donors.

The SGACA enables Embassies to discuss this information during a consultation workshop, and to define implications for donor strategies and engagement, preferably in co-operation with partners. These insights will then feed into the next Multi Annual Strategic Plan.

Rationale

Governance and corruption have become prominent concerns in development programmes. Most donor agencies see both issues as highly inter-related. The SGACA views corruption as an integral part of the wider governance situation, including the lack of clear definition between “public” and “private” spheres; the prevalence of patronage; and the divergence between formal and informal rules.

The Netherlands’ policy on good governance sees improvements in governance and corruption as essential to achieving ‘peace, security and stability and sustainable poverty reduction’. It emphasises the importance of effectiveness *and* legitimacy of governance. Major policy areas for intervention include anti-corruption, democratisation, rule of law, human rights and business climate (economic governance).

However, despite best efforts, direct interventions of donors to strengthen formal institutions of governance have often had limited impact, and ‘political will’ – to promote growth and poverty reduction, fight corruption and protect human rights – is often lacking. The SGACA helps to explain why this is so, and instead of focusing on the transfer of institutional models, highlights the impact of local context on the incentives of political actors, and the importance of social and political processes in achieving better governance. This analysis provides a basis on which Embassies can critically review current country-level strategies and priorities, to see whether

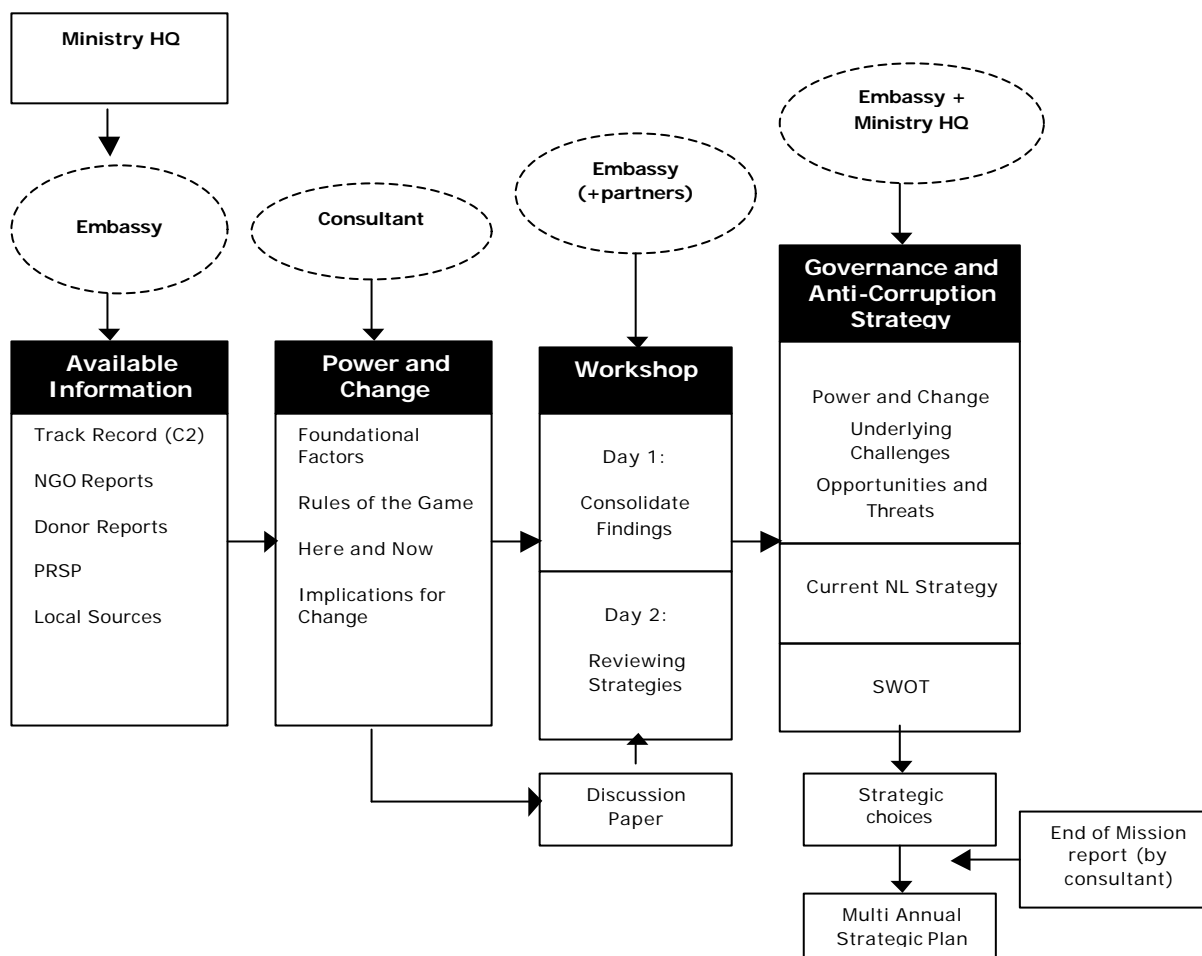
things could or should be done differently, or whether different things could or should be done.

Structure of the SGACA

The SGACA has four main components:

- The starting point is the Track Record, which is part of the Embassy's standard monitoring work. Its findings, together with other **AVAILABLE INFORMATION** serves as a basis for the Power and Change analysis;
- A **POWER AND CHANGE** analysis: Embassy staff are encouraged to commission (and work together with) a local or international consultant to deliver a synthesis report based on the three dimensions outlined in this document;
- A **WORKSHOP**, split into 2 days. Day 1 can be planned as an internal exercise or might be open to selected external stakeholders. Day 2 should be non-public and focuses on designing an appropriate donor strategy for the Netherlands;
- **STRATEGIC CHOICES** that summarize the findings and present policy choices regarding the governance and anti-corruption strategy for the coming years.

The structure of the four-step SGACA process is schematically captured in the figure below.



The following pages are presented in a two-column structure: the left column entails general explanations, the right column presents practical suggestions and notes for the involved policy-

expert (consultant, Embassy staff): in chapter 2, the right column elaborates on issues to **“THINK ABOUT”** and **“KEEP IN MIND”** when drafting the Power and Change analysis; in chapter 3 it explains **“HOW TO”** facilitate the workshop.

2. Power and Change

Introduction

The Power and Change analysis¹ provides a framework to help structure available country information and to compile the findings into a short, compelling report.

In contrast to more conventional 'good governance' assessments, Power and Change does not measure performance against certain governance standards; it mainly focuses on non-formal practices and relationships, and links between formal and informal institutions.

The underlying assumption is that building more effective, accountable states and public institutions requires a political process of interaction between the state and (organised groups in) society. The questions are selected to help explain the basis for state-society relationships, and what lies behind current governance problems, such as high levels of corruption, low legitimacy of state institutions, and weak commitment to human rights and poverty reduction. The analysis can also help identify local and international pressures for change that would benefit poor people.

The Power and Change Analysis is organised around **three dimensions**:

1st Foundational Factors, including whether government controls the territory, and embedded social and economic factors that significantly shape the political system. These can be of very long term origin, and tend to change slowly. There may be very little that donors can do about them (although if opportunities arise they should have high priority); but in any case they need always to bear them in mind.

2nd Rules of the Game, including formal and informal institutions of the state, civil society and the private sector, that shapes how business is conducted and relationships managed. There is particular focus on the extent and nature of political competition, the degree to which key institutions of state and society operate according to known rules, and what their inter-relationships are. This section also looks at key socio-economic trends that could change the rules of the game.

3rd Here and Now, including key actors' capacities and interests, and the events and pressures (context) to which they

Use available information from various sources (i.e. local reports and expertise, PRSP, Track Record, Amnesty International, World Bank, NIS Studies, Crisisgroup, etc.). Also check whether these are generally accepted as valid sources

A Power and Change analysis can be done as 'quick scan' or more indepth, depending on the time and data available (as set out in the country-specific ToR); it can also be updated as necessary, and supplemented with more in-depth analysis at a later date.

Foundational Factors: Factors that shape major characteristics of a political system, that tend to change very slowly

Rules of the Game: Factors that shape state-society interaction; this can change in the medium term

Here and Now: Matters that determine how actors inter-relate within the current context; this can change in the short term

¹ This section is based on a framework prepared by Mick Moore, IDS Sussex, for DFID staff in August 2002; it also takes account of SIDA's work on Power Analysis

are responding. This section overlaps with the track record and reporting activities by the Embassy, and can be elaborated in further detail using existing stakeholder / institutional analyses.

The following pages include a standard template. This should not be used mechanically, but as a guide to structure knowledge and reflection.

Find the right balance between description and analysis: address selected matters of concern in depth, rather than providing a more general overview.

Consider all of the aspects discussed in *Power and Change*, but take account of the local context in deciding which are the most important

I. FOUNDATIONAL FACTORS

The 1st dimension involves mapping factors that fundamentally shape the state and political system. These include territorial integrity, the history of state formation, the revenue base, socio-economic structures, the geostrategic position and geographical aspects of the country.

Territorial Integrity

The starting point is to know whether the government broadly exercises authority over its population and territory, and controls its borders, or whether there are parts of the territory which remain outside government control. Governments that are predominantly preoccupied with basic exercise of authority might be too concerned with protecting – and perhaps enriching – themselves, and may not be very interested in growth or poverty reduction.

Suggested Questions: Does the national government have the monopoly of violence? Are there disputed territories? Do tax collection, policing and justice systems cover all areas of the country? Is there a serious challenge to public authority from armed insurgents, social movements or local power holders?

History of State Formation

This shapes the access to political and economic power of different groups, relationships between them and perceptions of state legitimacy. For example, if state power was forged / enforced by a colonial authority, this may have resulted in a weak sense of political community (is it national or local?) ; weak state legitimacy; a dominant political elite and permanent exclusion of certain groups; language barriers; major political divisions; a lack of broadly based interest groups that can challenge the private use of public power.

Suggested Questions: How has the state's history shaped the access to political and economic power of different groups? How has it shaped the perceptions about and relationships between different groups? Is there a sense of political community? To what extent is the state embedded / rooted in the local / traditional context – or was there a rupture in long-standing institutions as a result of conquest / colonial rule that weakens state legitimacy?

Sources of Revenue

The extent to which governments are dependent on sources of revenue, including tax, that require them to bargain with citizens is fundamental for governance. The availability of 'unearned' income from natural resources or aid can lessen the interest of governments in promoting broad economic growth, or delivering a range of public goods and services in exchange

Keep in mind how the lack of transparency over natural resource revenues impacts on governance

for tax revenues. Large oil and minerals resources are particularly problematic for governance.

Suggested Questions: To what extent is the state dependent on citizens for tax revenue? Does it have incentives to nurture business? Does the state have access to significant amounts of income from natural resources (especially oil and minerals), or external sources (e.g. aid)?

Social and Economic Structures

Social and economic structures impinge on politics and governance. They affect the basis for mobilisation, and the ability of different groups to organise and influence policy. The ability to organise is particularly important for poor people.

Suggested Questions: What are the main social and economic structures impinging on politics and governance? In particular: Is there an organised working class, based in industry or agriculture? Is there a significant middle class? Is there a large landed class with an interest in retaining control of labour, if necessary by repression? Is there a thriving informal economy? Are there major ethnic cleavages or other social divisions that are politically significant? To what extent are there 'horizontal' groupings around shared interests, or are vertical client-patron relationships dominant?

Geostrategic Position

This refers to the state's relations with external players and how these impinge on governance. Things can sometimes change quickly, but many factors are of long term origin.

Suggested Questions: How much autonomy does the state in question have in shaping its own policies? Is it land-locked? Is it particularly vulnerable to external intervention? regional instability? Is it constrained by fear of provoking another state or external power? Is the state dependent on external sources of aid or legal / illegal income? Do regional arrangements determine policy decisions at national level?

Geography

The natural environment will of course shape development options more broadly, but here the interest is in geographical features that have a continuing, direct impact on governance (ie rather than tracing their historical, causal effects).

Suggested Questions: Are there geographical features that impede central control over the territory, present physical barriers to communication, or lead to isolation or marginalisation of particular groups or regions? Does a very

Think about organised groups such as working class, and whether they form the basis for issues-based parties or social movements

Think about middle classes and whether this group has interest in supporting democratic practices

Think e.g. about caste in India; gender inequalities in Yemen when dealing with social divisions

Think about regional organisations such as SADC, EAC, OPEC or OAS; regional stability

Think about major features, such as the Congo River in DRC; the Himalaya in Nepal

Think about demographic features: how does population density impact on governance?

small or very large population have implications for governance?

II. RULES OF THE GAME

The 2nd dimension is crucial to this analysis and should be considered in adequate detail. It focuses on key aspects of the political system that affect the quality of governance, especially for poor people. It starts with the formal framework, but goes on to consider informal factors, in particular the nature and extent of political competition; the extent to which state, civil society and private sector institutions work according to known rules (in predictable ways); the distribution of power between the political executive and other groups; and relationships between state and society. It also considers key trends that have the potential to change the rules of the game.

In any political system, the rules of the game will be a mixture of formal and informal practices. But in many developing countries there is a big gap between the formal provisions and how public institutions actually work – particularly if the formal arrangements were imposed rather than negotiated between the state and organised social groups. Sometimes the formal framework is itself part of the problem. But more typically problems arise because of the divergence between formal rules and informal practices.

The below-reported table tries to spell out the possible combinations and the respective outcomes of the interaction between formal and informal institutions. According to the degree of effectiveness of formal institutions and that of convergence of their objectives with those of informal actors, it is possible to observe a range of relations that varies from complementary to competing. To understand the nature of these relations and the potential for conflict or synergy, is central to any analysis of the quality of governance and to eventual attempts to identify entry points for the international community.

A typology of relations between formal and informal governance²

	Effective formal governance	Ineffective formal governance
Convergent objectives of informal and formal governance	Complementary	Substitutive
Divergent objectives of informal and formal governance	Accommodating	Competing

Most countries have formal rules and procedures that are designed to help insulate public institutions from the private sphere of personal relations / private interests. However in practice decisions are frequently made, and resources allocated, according to a different set of informal 'rules' that serve the personal interests of individuals or groups. Highly personalised systems tend to make for arbitrary policy-making; low effectiveness of the public service; poor control of corruption; and often low growth. They also encourage organisation of influential people around narrow, private interests rather than collective action around broader public goods.

Poor people are likely to be particularly disadvantaged. Although they may gain short term benefits from being part of a patronage network, informal systems will often reflect the very unequal power relations within society. Poor people are more likely to benefit from public institutions that follow predictable, transparent practices that provide them with some access, within a system of open, civic competition for power. That is their best chance (short of

revolution) to make their numbers count. The good news is that, at least in the medium term, better off groups would also benefit from a more 'institutionalised' basis for governance.

This part of the analysis needs to incorporate a historical perspective in so far as it continues to influence both formal and informal practices.

The Formal Framework

Formal legal and administrative arrangements help shape the informal rules of the game, although the main problem is often divergence between formal rules and actual practice. In some contexts there may be a pressing need for legal or constitutional reform; or chronic instability of formal arrangements may be damaging for governance.

Suggested Questions: To what extent are the formal rules embedded in the constitution and the legal framework the outcome of a negotiation between state and society? How (in)consistently are they being applied? To what extent is the political executive constrained by law, constitution? Does it provide for regular, open, inclusive competition for political power? Are there problem areas (e.g. national security overrules privacy; civil-military relations)? How often has the constitution been changed, and how easily? Is there a legal framework for civil society, interest groups, political parties to operate? Is gender equality safeguarded by law? Is there a Right to Information Act?

More Informal Factors

Political Competition

The nature and extent of political competition is partly determined by the formal legal framework, but social relationships and informal political processes are also highly significant. How politicians gain and maintain power is central to their own motivation, and influences how political parties and civil society groups organise. Where competition is based on personal identity or personalised patronage networks, politicians may have little incentive to deliver on election promises of broader public goods, and political parties are unlikely to organise around public programmes or specific issues.

Suggested Questions:

i) Is political competition conducted through non-violent means, and regulated by law, or is there abuse of formal procedure? To what extent do people use public resources to stay in power? How important is political power to those who compete for it? Is there a history of coups or other illicit changes of power?

Keep in mind that other analytical tools (such as the Track Record, Sector Track Record, EU governance profiles, etc.) provide a good picture of how far formal provisions cover key governance, anti-corruption and human rights concerns. The analysis under this heading should draw on that material, and identify areas where deficiencies in the formal framework are itself part of the problem, or changes have the potential to contribute to better governance (bearing in mind that legislative changes may not do much by themselves to change actual practice)

Think about whether there are adequate anti-corruption provisions, and whether international Human Rights conventions are embodied in domestic law

Due to the informal nature of the factors and in order to perform a proper analysis, it may be necessary to rely also on interviews, if written material does not provide you with adequate answers to the questions.

Informal institutions refer to unwritten rules, norms, expectations, and processes. These institutions are understood locally, but as a general rule, they tend to be somewhat difficult for outsiders to apprehend (or work within)

Think about the impact of issue-versus identity-based politics: mobilisation around personal identities (based on social groups, not around a common interest in poverty reduction) is likely to fragment the voting power of poor people

² Adapted from Helmke & Levitsky, 2004

- ii) How exclusive is the political elite? (in terms of its socio-economic or institutional base, rate of turnover of individual members?)
- iii) How far are ordinary people able to vote / join political parties? Are particular groups excluded (legally, or in practice?)
- iv) What do voters expect their elected representatives to deliver: individual patronage benefits, community-specific benefits, or broader public goods? Are tax and public spending key election issues? How far do political parties organise around programmes rather than personalities?

Institutionalisation

This section focuses on the extent to which government, civil society and private sector organisations are 'institutionalised' – i.e. they follow public, transparent, known rules and procedures, so that their behaviour is routinised and predictable. Keep in mind that institutionalisation is not an unambiguously good thing – bad practices can be institutionalised, and a political executive that faces few restraints but is highly institutionalised can abuse its power.

But many developing countries tend to suffer from highly personalised government and political systems that are both weak and arbitrary. So greater institutionalisation is likely to be beneficial for governance, because it can increase the legitimacy and effectiveness of

a) state organisations, by strengthening their capacity to design and implement policy, and to make credible commitments to citizens; and

b) civil society organisations, enabling them to aggregate interests and channel demands.

This in turn can strengthen constructive state-society engagement (see below).

Suggested Questions: To what extent do government, civil society and private sector organisations follow public, transparent, known rules so that their behaviour is routinised and predictable? Think in particular about the **public bureaucracy** (especially public financial management, recruitment and promotion practices); the **police and military**; **policymaking processes** (is there formal provision for public consultation?); **political parties** (is party organisation based on recognised procedures that are independent of individuals?); **civil society organisations** including professional, business and religious groups (are they membership based? Do they have transparent elections for office holders?)

Distribution of Power

This section looks at how power is shared, starting with how the political executive shares power with other groups (whom does it have to take notice of?). Some governance assessments

Think about whether personal wealth or security depend on winning, in which case competition is more likely to involve violence and abuse of power; whether there is a viable role for the political opposition

Keep in mind that most governance assessments measure performance of state and civil society organisations against a normative framework. This analysis is concerned with institutional processes and behaviour (although 'institutionalised' behaviour will often imply closer correspondence between actual practice and formal rules). The degree of institutionalisation is particularly important for corruption, the very definition of which implies a clear distinction between an institutionalised public sphere and more personalised relationships in the private sphere.

Keep in mind that the interest here is not in a detailed institutional analysis (though these can provide useful source material), but in where the system is positioned along a spectrum running from highly personalised to highly institutionalised.

A proxy indicator of the extent to which personnel management is 'institutionalised' might be the frequency of, and mechanisms for, staff transfers.

Keep in mind that any strategy for strengthening civil society or public accountability mechanisms needs to take account of how power is shared in a particular context.

presuppose that more power sharing will contribute to better governance. However, this will depend on who is sharing power and how. The political executive may look powerful (the power to control others) if it faces few checks and balances or organised interest groups, but may be quite weak in terms of capacity (the power to act and to design and implement policy). An effective political system depends on achieving a balance between authority and control by the political executive, and accountability to citizens. The latter requires some power sharing, but not too much (which could lead to ungovernability).

Suggested Questions: How, and to what extent, does the political executive share power with the:

Military (through formal and informal arrangements). Is the security sector under the democratic control / oversight of civilian authorities?

Legislature (e.g. does it initiate legislation, exercise financial control)?

Police

Judiciary (does it have constitutional power over / actual power to challenge the executive?)

The Public Bureaucracy

Other Levels of Government (do they have elected officials, independent law-making powers, revenue-raising capacity, revenue sharing guarantees?)

Public Enterprises (especially those with large revenues from control of oil, minerals: are they a 'state within a state'?)

Private Sector (e.g. a small number of large, transnational companies may have significant policy influence, especially in countries with large natural resources. Business may fund political parties or control the news media; or have policy influence through their ability to control movements of private capital).

Traditional Institutions (there may be formal arrangements for power sharing as well as informal ones.)

Religious Actors (are they integrated into the constitution? or in opposition to state power? Do they have access to transnational organisations or resources? How much ability to mobilise?)

Mass Media (who owns and controls it? Which segments of society are the consumers of the mass media? And what outreach does media have?)

Civil Society Organisations (this includes a diverse group of organisations with differing interests and capacity to influence public policy, which are shaped by the political / institutional context)

Uncivil Society (criminals, terrorists)

External Actors (e.g. regional or international actors exerting competitive pressures, or arrangements affecting trade, investment, security. International political, criminal and terrorist networks. Donors, especially in aid dependent countries).

Keep in mind that it may also be useful to look at relationships between groups other than the political executive.

Keep in mind that power sharing (e.g. between the political executive and civil society groups) will not automatically lead to better governance.

These questions address both formal power-sharing arrangements (e.g. do groups have power over other actors due to legal arrangements?), and more informal relationships (e.g. which groups have economic power, or social power to mobilise others?)

Keep in mind existing enforcement mechanisms: who has the power to make others comply with existing arrangements?

CSOs: Think about membership organisations (e.g. trade unions, professional associations, groups of service users, grassroots livelihood organisations) as well as elite, urban policy-oriented NGOs.

External Actors: Think about transnational criminal networks, international actors that collude in bribery, money laundering, narcotics or other illegal trading. Do international donors or international NGO networks influence budget or policy decisions, e.g. China's growing influence on Africa)? Is there a large and active Diaspora community and do they provide an important revenue base through remittances?

State-Society Relations

This section draws on all four previous sections of the 'Rules of the Game' to reflect on the nature of state-society interaction. The ability of the state to negotiate and mediate different interests is critical to more effective, accountable governance. Historically states and public institutions have evolved through political processes of bargaining between rulers and organised groups in society. In many developing countries, there is little effective state-society engagement, and access to state resources may be limited to small, elite groups, often as a way of maintaining social stability. Citizens will only have incentives to organise if they believe that states have the capacity and interest to respond; states can only design and implement effective public policy if societal groups are able to aggregate and represent their interests. More institutionalisation of both state and societal groups will help to make their interaction both more inclusive (offering entry points to larger numbers of people) and more constructive. An important question for policymakers is whether changes in state behaviour or in the design of public programmes could stimulate collective action by citizens, and trigger more effective engagement with the state. In the short-term poor people can benefit from patronage networks, but they stand to benefit more in the longer term through organisation around shared interests, that can make their numbers count.

Suggested Questions: How much engagement is there between government and citizens? Are relationships conducted through personalised networks or more public engagement with broader, organised groups of citizens? Is there a social contract (e.g. based around tax, use of public revenue, or the provision of security)? Are state-society relations highly polarised (e.g. around ethnicity, or ideology)? Do interest groups make demands based on ethnicity or other exclusive criteria, or on the basis of universal rights?

Identifying Key Trends

Looking at the four sections of Rules of the Game (formal framework, political competition, institutionalisation, distribution of power), is it possible to discern any broad trends? In particular, are there signs of movement towards more rules-based behaviour, or significant changes in the way important groups are sharing power?

Suggested Questions: Are there major socio-economic trends or pressures that are helping to change the rules of the game? Are changes in the regional security environment affecting the extent to which government shares power with

Keep in mind that state-society engagement may be very limited if government has independent sources of revenue, low legitimacy or capacity to act, or if there is limited political competition.

Public Policy Change: Think about whether a more transparent, broadly based tax system, or more predictable funding for basic education could stimulate mobilisation by taxpayers or parents.

Keep in mind whether groups operate through personal contacts, seeking individual or exclusive benefits; or through more open, public mechanisms, seeking public goods.

These questions highlight aspects that may require more detailed study (e.g. of state-business relations)

Keep in mind: here we are not looking at current events, but at more medium term factors that could be influencing the rules of the game; it is the difference between the 'photo' (the current events from the 'Here and Now') and the 'film' (longer term trends).

Socio-economic Trends: Think about economic growth, rise of a white collar middle class, urbanisation, improved communications (including roads, and technological advances), demographic changes, education, HIV/AIDS, increased competitive pressure from regional or global markets.

the military? Is membership of a regional organisation increasing pressures for more rules-based behaviour? Has a succession of relatively fair, peaceful elections helped to embed democratic processes?

III. HERE AND NOW

The 3rd dimension addresses matters that have an imminent impact on state-society relations. It includes two sub-categories: the current context and the main actors / stakeholders. These issues will usually also be covered by the regular reporting from Embassies.

Context

This is about how current events and circumstances influence the objectives and behaviour of key actors / stakeholders (see next section). The broader context is shaped by foundational factors and rules of the game; here the interest is in the current situation and potential developments in the near future.

Suggested Questions: Where does support for the government come from; is it a stable or fragile coalition? Has a recently contested election damaged its legitimacy? What issues will most influence whether it gets re-elected? Does it have sufficient resources – human and financial – or are these a binding constraint on its ability to act? Does it face a financial squeeze or crisis? How well has it responded? Are there major security concerns – internal or external? Are special events (e.g. hosting the Olympics) influencing policy stances? Are major constitutional changes in prospect? When is the next election?

Actors and Stakeholders

This section identifies key actors and stakeholders, taking account of those with institutional capacity to act, and those that share power with the political executive. It covers institutional actors and individuals.

Suggested Questions: Taking account of the Power and Change analysis, which groups have the capacity to act, and the power to make their voice heard, and must be taken seriously by the government? Do these groups have interests that overlap – actually or potentially – with those of poor people? Which individual actors might be particularly influential, and what are their interests? What issues are groups organising around: tax, service provision, corruption, environmental concerns, gender issues? Or more local, livelihood concerns? More narrow, personalised interests?

Be selective when discussing this dimension. The emphasis should be on analysis, not detailed description. It may highlight the need for later, detailed analysis (e.g. stakeholder or institutional analysis) to support the design of specific interventions.

Think about current events against the background of previous sections of the Power and Change analysis, including 'key trends' (e.g. the changing context for business).

Make a 'most important'-list, e.g. key state ministries and institutions, religious organisations, political parties, the media, diaspora, criminal networks, business, elders, donors, neighbouring country governments

Think about how the rules of the game shape the basis on which state and society interact.

Think about individual actors when dealing with a highly personalised systems, as they can have disproportionate influence

This part could be taken forward using existing tools for stakeholder analysis, mapping interests, capacities, strategies and relationships with other actors, in relation to specific policy areas as required.

IV. OPERATIONAL IMPLICATIONS OF THE POWER AND CHANGE ANALYSIS

This section provides a bridge between the Power and Change Analysis and the workshop discussion on operational implications. There is no automatic link between the analysis and specific aspects of donor policies or programmes. This is in contrast to more normative governance assessments based on World Bank Institute or other indicators that identify institutional "gaps" or weaknesses (such as voice and accountability, rule of law, corruption), with the implication that donors might have a role in directly strengthening these institutions. Instead, the analysis directs attention to deep structures and informal institutions (foundational factors and rules of the game) that shape the incentives and behaviour of current actors, and help explain weak governance and poor development performance. This can provide new insights into opportunities and threats faced by development actors.

This section should draw on the Power and Change Analysis: a) to highlight how the governance context of the partner country shapes opportunities and threats for development, and b) in the light of that to reassess the opportunities and threats for donors, and how they might respond more effectively. At this stage, the objective is not to take specific account of the Dutch policy framework or of the strengths and weaknesses of the RNE or Ministry. These will be factored in during day 2, step 5 of the workshop, and inform the final process of making strategic choices.

First consider opportunities and threats at the country level, by addressing the following questions:

1. What are the most important underlying challenges regarding governance?
2. How do these help explain key aspects of development performance?
3. What local incentives and pressures for reform/positive change already exist?

Second, consider the implications for external actors, including donors:

4. How would you reassess opportunities and threats for external actors? How could they respond more effectively?

Question 1:

What are the most important underlying challenges regarding governance? Take account in particular of:

i) Foundational Factors that impact fundamentally on governance. These might include oil, regional or internal conflict/instability, weak political community, ethnic cleavages, challenging geography etc

ii) Rules of the Game: these might include limited or violent

Use this concluding section as a hand-out for workshop; keep it short (2 pages), and provocative. The aim is to direct attention to key factors, not offer solutions.

These first three questions feed into the Opportunities & Threats table connected to the fourth question (page 19).

Think about foundational factors, rules of the game as well as the current context.

Make sure you always include anti-corruption in this section.

political competition, highly personalised rule (weak institutionalisation), a dominant military, weakly organised horizontal interest groups, minimal state-society engagement. Of particular concern to donors might be high or growing levels of aid dependency.

iii) Here and Now

Question 2:

How do these underlying challenges that follow from the Power and Change analysis help explain specific aspects in the country's development performance, e.g. poverty reduction, level of corruption, growth, rule of law, human rights? Two examples are given below. It is mandatory to provide a worked example concerning a country's level of corruption. In addition, one or more boxes can be provided for other key RNE programme area. (*This section links directly to day 2, step 4 of the workshop*).

(mandatory) Example: Corruption

What factors help explain the existing levels of corruption?

Foundational Factors could include...

- elite competition for rents from natural resources
- weak state legitimacy

Rules of the Game could include...

- weak civil control of the military
- OECD businesses collude in corruption
- exclusive political and social elite
- fierce political competition where 'winner takes all'
- patronage to buy off potential (violent) opponents
- political mobilisation around identity, not issues
- weakly institutionalised public finance management
- personalised state-business relations
- few powerful people pay tax

Here and Now could include...

- a new government proclaims "zero tolerance" for corruption.
- Donor conditionality

Example: Primary Education

What helps to explain low government investment in primary education?

Foundational Factors could include...

- ethnic diversity and factionalism
- gender relations
- state focus on security, not service provision
- challenging geography.

Rules of the Game could include...

- opposition or indifference from a dominant landed or caste-based elite
- political mobilisation around personalities, not issues
- secular and ideological tensions in curriculum development
- weakly institutionalised public financial management.
- lack of clear responsibilities between local and subnational government

Here and Now could include...

- a pending election
- a large new World Bank project

Question 3:

What local incentives/pressures for positive change related to governance already exist? (this could be a good indication of what sort of change is politically feasible in the short to medium-term).

Donors tend to focus on the "Here and Now" in looking for entry points/other opportunities to support positive change. These factors can be important, but relying on individual reform champions or short-term opportunities can make it difficult to sustain progress. Power and change analysis directs attention to longer term factors that could contribute to changing the institutional incentives faced by key development actors and policymakers.

This section should draw in particular on "Rules of the Game", including PCA sections on institutionalisation, state-society relations, and identifying key trends. Examples of local pressures for change could include a growing middle class pressing for action on corruption (particularly if they are taxpayers); businessmen facing international or regional competition, who are demanding better infrastructure or regulatory environments; pressures arising as a result of democratic change (youths demanding jobs), urbanisation, increasing education, better communications, growth in particular sectors of the economy -- all of which could be providing incentives and opportunities for different groups to organise. More "institutionalised", organised parts of the state or civil society could also be sources of pressure for change (e.g. a more assertive legislature, or judiciary). Social mobilisation around a "rights to information" movement might also be important.

In this context, "incentives" can be regarded as wide ranging motivations that include economic interests (e.g. business seeks more public goods provision), but also political interests (e.g. more rules-based, predictable processes provide entry-points into the policy formulation process).

Positive "change" refers to the achievement of more effective and accountable governance that is more institutionalised and less personalised.

Question 4:

How would you reassess opportunities and threats for external actors, including donors? How might they respond more effectively?

The PCA suggests a different role and approach for donors, whatever sector they are working in. The PCA leads us to consider possibilities to:

- *focus more on influencing the context in which formal institutions operate (rules of the game), less on direct interventions to build capacity of formal institutions;*
- *focus more on addressing the institutional incentives that shape that behaviour, less on changing behaviour of individual stakeholders (through conditionality, dialogue);*
- *focus more on processes of change (especially state-society interaction), less on agents;*
- *focus more on governance across all sectors, and how sector work contributes to governance, in addition to specific governance projects.*

- base opportunities and threats more on local context and pressures for change, less on a donor agenda.

This section provides a direct link to the workshop, and in particular the opportunities and threats analysis (step 2 on day one by all donors, and step 3 on day two). Its purpose is to help workshop participants to think about operational opportunities and threats for the overall programme arising from the country context and local pressures for change, before going on to consider strategic choices for the Netherlands (steps 4 and 5 of the workshop). This section should be presented along the lines of the table below, and is intended to stimulate discussion rather than provide a blueprint for action. Opportunities include making different judgments, and taking different approaches as well as doing different things.

It can be safely assumed that the 'Rules of the Game' dimension will occupy a central position in answering this question and that it will most likely generate the main opportunities and threats in the below-reported table.

Threats	Opportunities
<p>Consider in particular foundational factors: they are fundamental in shaping rules of the game and therefore development outcomes.</p> <p>Think about rules of the game : the basis of political competition, the distribution of power, the extent of institutionalisation, the nature of state -society bargaining can all weaken the capacity and incentives of both state and societal actors to pursue a development agenda.</p> <p>Where are the major risks for donors? Does external intervention risk making problems worse? (E.g. , exacerbating ethnic cleavages; inadvertently fuelling violence; overloading weak administrations;</p>	<p>Don't be tempted to put foundational factors into the "too difficult" box. There could be opportunities to address them incrementally, and indirectly (e.g. the challenge of state - building, or of managing major ethnic cleavages, through programme design). But foundational factors should never be ignored.</p> <p>Rules of the game can present opportunities, e.g., if some parts of the state or civil society are particularly well "institutionalised".</p> <p>Think about local pressures for change, and opportunities to build on what is already working well (even if this does not accord with donor best practice).</p> <p>Are there opportunities to work a wider range of partners? -- especially if they have incentives and capacity to influence</p>

<p>reducing incentives for domestic revenue mobilisation; reinforcing an over-powerful military)? Are there particular risks/challenges in some sectors? Is unrealistic conditionality leading to aid volatility?</p> <p>How much influence do external actors really have? Are existing assumptions and timeframes for programme objectives realistic? Are there strong local political incentives that constrain a development agenda?</p>	<p>government, even if they do not directly share a poverty or governance agenda. Moderate religious leaders, sections of private business, taxpayer groups, professional associations or trade unions may all have interests that overlap with those of donors. Think about how elite interests could be changing. Think about the language you use in the engaging with these groups (they often find development jargon a turnoff).</p> <p>Are there are opportunities for more incremental approaches that might work better? E.g., instead of systemic civil service reform, assistance for more partial reform that has local political support, and is linked to outcomes (e.g. merit based recruitment for certain categories of teachers, or health workers). Or long term support for a policy unit that could help support strategic change (e.g. within a single ministry).</p> <p>Think about joining up diplomatic, commercial, security and development interests. Are there opportunities for action at a global level that could have an impact on rules of the game (e.g. limiting collusion of OECD governments and business in corruption/money laundering; controlling the arms trade more effectively; improving access to OECD/EU markets on terms that encourage rules-based behaviour (e.g. FLEGT); supporting the EITI (if the country is rich in oil and minerals)).</p> <p>Are there opportunities to change donor behaviour in ways that could have a positive impact on rules of the game? (Think about the impact of aid modalities, especially aid volatility, conditionality, and donor</p>
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<p>Think about the here and now: is there a need to re-evaluate the significance of current threats and opportunities (e.g. reformers may have less room for manoeuvre than is often assumed, but threats (e.g. a fiscal crisis), could provide entry</p>	<p>procedures: could more be done to reinforce and not undermine local institutionalised budget and policy processes?</p> <p>Could different approaches to programme design provide incentives for user groups to organise? Or encourage support from local political actors, or civil society activists? For instance, longer term, more transparent, predictable funding; local decision-making with opportunities for users to participate; incentives for frontline staff; excellent public communications can all affect incentives.</p> <p>Are there opportunities to revisit civil society strategies: e.g. opportunities to support more productive state-society engagement, not just "demand side" pressure?</p> <p>Think about scope to make better use of information and communication strategies, to encourage organisation by service users/taxpayers/civil society groups, and better-informed public debate/media coverage.</p> <p>Think about tax reform as an entry point for improving domestic accountability and government performance.</p> <p>How could sector level support contribute to demands for better governance in the medium term (education, roads, jobs)?</p> <p>Here and Now opportunities might include: reformers in key positions; a fiscal crisis that provides incentives for revenue reform; hosting a major international event that puts the spotlight on human rights; general</p>
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points for starting to change the rules of the game (e.g. by providing a stimulus for tax reform).	elections.
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3. The Workshop

Introduction

Taking the Power and Change analysis as a starting point, a 2-day workshop provides the setting to review strategic priorities for governance and anti-corruption, as an input for the Multi Annual Strategic Plan (MASP).

- Day 1 is reserved to discuss and consolidate the findings (optional: including external stakeholders, e.g. like-minded donor countries, experts, government representatives as appropriate etc)
- Day 2 focuses on discussing the implications for RNE governance and anti-corruption strategies and the MASP (recommended: for Embassy and Ministry staff only)

Hand out Power and Change Analysis (or only the Operational Implications of the PCA – Section) to all participants beforehand.

Day 1: validate findings

Day 2: discuss strategy

DAY 1: Consolidating the Findings

Step 1 – Agree on the Findings

» » » To what extent do you agree with the Power and Change analysis? What important pieces of information are unclear, missing or incorrect?

Discuss the findings of the Power and Change analysis. Also take note of the data which is provided in the Track Record and other reference reports and address the following question:

- **Do you agree with the conclusions of the analysis?**
Note areas of convergence and divergence regarding the Power and Change analysis, including the section on 'Operational Implications of the Power and Change Analysis' discussion document.

Allow points of divergence within the group. It is unlikely that everybody agrees on the findings.

Step 2 – Discuss Implications for Donor Agendas

» » » **What are the implications of the Power and Change analysis for external support, and specifically for governance and anti-corruption interventions?**

At the end of Day 1, there could be an opportunity for donors jointly to take stock of current approaches and strategies in the light of the Power and Change analysis. Drawing on the "Operational Implications of the Power and Change Analysis" section, are donors sufficiently alert to the underlying challenges? Are current approaches and timeframes realistic? Are there missed opportunities? How do the political and bureaucratic pressures on donors (e.g. to disburse funds) affect local rules of the game? Could changes in aid modalities or donor procedures help (e.g. by reducing transaction costs, or uncertainty; or by helping to reinforce domestic accountability, rather than accountability to donors?).

The discussion could be framed in terms of reassessing opportunities and threats presented by the country context

DAY 2: Towards Governance and Anti-Corruption Strategic choices as input for the MASP

On Day 2 of the workshop, participants consider the implications of Power and Change Analysis for the strategic choices facing the Netherlands in preparing the MASP. The focus is on governance (including anti-corruption), but (as the PCA highlights) foundational factors and rules of the game will affect work in all sectors; and there could be opportunities to support better governance through sector work. So workshop participants need to look at the programme as a whole, not just governance.

Power and Change Analysis can add value to the MASP by:

- *Providing a context analysis that helps to explain underlying reasons for current "**development trends**".*
- *Enriching **stakeholder/actor identification/analysis** by directing attention to underlying rules of the game that shape their interests/behaviour.*
- *Underlining the need for realism about objectives and timeframes, but also highlighting new opportunities and threats in considering the **Dutch policy framework***
- *Drawing up implications for the overall embassy policy, including political, economical, development and security issues.*

In one day it will be possible only to kickstart the process of reviewing strategic priorities, by:

- *reviewing opportunities/threats at the level of the overall programme, in light of the PCA.*
- *considering the implications for one or more specific sectors/themes (including at least anti-corruption).*
- *Identifying the implications for the current MASP, taking account of external opportunities/threats, but also the Dutch policy framework, and internal strengths and weaknesses.*

Step 3 – Review Opportunities and Threats

» » » Does the Power and Change analysis lead you to reassess opportunities and threats to a development agenda arising from the country context ?

Power and Change Analysis can initially be discouraging. It highlights threats, including huge governance challenges, long timescales for fundamental change, and the limited influence of outsiders on internal political processes. But it also highlights new opportunities for donors, provided they are prepared to take a long-term view, and work in more indirect ways to support change at the level of institutional incentives or rules of the game.

Use the opportunities and threats analysis included in section IV of the Power and Change Analysis ("Operational Implications") as a starting point for discussion. Take another close look at this and highlight those opportunities and threats that seem most relevant for the RNE, through a participative process of open discussion and debate.

Step 4 - Reassess Opportunities and Threats for Sectors/themes and Approaches (MASP)

» » » How could RNE approach development in key sectors more effectively?

There will not be time to address this question for all sectors of the programme, or in much detail. Take one or two key programme areas/themes or sector level objectives. Anti-corruption should always be included. Consider how, in the light of the opportunities and threats analysis under step 3 above, you might want to approach things differently. You should draw on section IV of the Power and Change Analysis (Operational Implications), in particular question 2 that suggests how underlying governance challenges help explain development performance in key sectors.

Here are some examples of how you might want to approach things differently:

Anti-Corruption (mandatory)

Donors often approach anti-corruption by establishing or supporting Anti-corruption Commissions, advocating new legislation, and supporting civil society anti-corruption groups. In some cases these approaches may be effective, but, especially where there is little political interest in addressing corruption, more indirect approaches may be appropriate, including:

Do more to limit access of political elites to rents from untransparent natural resource exports, and corrupt earnings (by support for EITI, OECD anti-corruption measures and compliance with the UN Convention against Corruption).

Change conditions for entry of products to EU markets to provide incentives to fight corruption (e.g. FLEGT). Work with the private sector (e.g. pharmaceutical companies to limit corruption in drugs procurement, banks in order to prevent transfer of illicit funds abroad).

Provide long-term support to improve public expenditure management and procurement, and link this to support for CSOs that call for increased transparency in government finance and/or

act as independent watchdogs by scrutinising official records and disseminating their findings to the larger public.

Aid modalities can affect rules of the game: more predictable funding, and support for more institutionalised budget processes, could provide entry points for MPs and civil society groups to scrutinise the use of public funds.

Excellent public information about the source and use of funds provided by donors and from taxpayers could encourage more public scrutiny (e.g. the PETS process in Uganda).

Support for national and sectoral business coalitions for change and voluntary codes of business conduct

Support for CSOs that advocate implementation and review of compliance with the UN Convention against Corruption.

Think about tax relationships. In some cases (e.g. post conflict) the task may be to re-establish a basic capacity to collect tax. In others there could be opportunities to support tax reform in ways that help strengthen governance capability and accountability (e.g. simpler, more transparent, more broadly based tax regimes could reduce opportunities for evasion, and strengthen accountability by stimulating taxpayer mobilisation. More public debate about tax and spending could stimulate action by the Public Account Committee). Even where reform is difficult, small, practical steps could start to change rules of the game; and tax is such a strategic governance issue that it should not be too readily consigned to the 'too difficult' box.

Even when opportunities for governance reform at the national level are limited, there may be entry points at the local level. In some settings, the entry point might be bottom-up participatory reform, such as community-driven development, especially when it also supports the development of local government transparency, capacity and accountability.

Support reforms to empower users like parental participation in schools, water users associations, community conservation groups in order to strengthen the demand for governance

In all these examples, it is important to think about state-society interaction: changes (sometimes quite small ones) in the way public institutions operate could provide entry points and incentives for interest groups to organise; this in turn could increase pressure for greater public accountability, and the ability of politicians to make effective policy responses.

State Fragility

The PCA highlights factors that are fundamental to processes of state-building, and is therefore especially relevant when considering state fragility. In particular it emphasises the importance of finding a balance between state effectiveness (the need to establish basic public control and authority), and state accountability and responsiveness to citizens. Both contribute to perceptions of state legitimacy in the eyes of citizens. Separate guidance is being prepared about how to operate in fragile states, and should be consulted by embassies. The key point is that donors need to be particularly alert in fragile state environments to the political processes of state-society interaction that could help constitute more effective and legitimate public authority which is accountable to society, and to avoid action that might undermine this.

Donors often approach fragility by concentrating on effectiveness, but legitimacy and notably accountability are also critical.

Foundational factors are likely to be particularly important in fragile states: make sure you don't neglect them.

The way in which services are delivered can affect **rules of the game** : e.g. establishing parallel structures that by-pass government may undermine local accountability relationships.

When state administrative capacity is weak, it will be particularly important to avoid overloading policymakers with detailed advice and demands that are externally driven. Looking for locally relevant issues around which there could be constructive state -society interaction might be a better starting point.

There could be ways of designing public programmes that help re-establish basic public capacity as well as promoting legitimacy, especially inclusion and accountability.

For example, a recent DFID - commissioned study in Nepal recommends:

- a new scheme for inclusive public service recruitment, starting with a traineeship programme (i.e. so as to avoid a direct threat to existing civil service interests). Aptitude tests would replace normal entrance requirements, with the objective of recruiting from underrepresented social groups; extensive in-service training would be provided.
- introducing a property tax to provide an "own revenue" base for subnational government, to make it more effective and accountable. A property tax would affect non-poor groups, in the hope that this would encourage them to organise and demand accountability.
- pooling of donor resources to provide less fragmented, more predictable funding for rural service delivery, thus increasing prospects for effective action and mobilisation of user groups.

Other examples:

- In some cases support for re-drafting the constitution, and organising citizen consultation, could be appropriate.
- The PCA directs attention to the basis of political competition, including whether this is organised around personal identity and patronage networks, or around issues. In designing public programmes for basic service delivery, there could be opportunities to shift the rules of the game in the direction of greater political engagement around issues, e.g. by changing the expectations of users (and hence their willingness to organise around service delivery issues); and by encouraging the participation of political activists, elected representatives and front line officials. The question to bear in mind is what incentives and opportunities different stakeholders might have to get involved, and how their engagement could increase inclusion and therefore state legitimacy.

Poverty Reduction

Despite a PRS process, there may be little genuine political commitment to poverty reduction. So, in addition to direct approaches (e.g. policy dialogue), there may be a need for longer-term, more indirect strategies to start changing the rules of the game. These might include:

- Aid modalities that provide long term, predictable funding for basic services (e.g. through sector support). This could encourage government officials to invest in better, more rules-based planning and budgeting systems, which in turn could provide entry points for political activists and elected representatives to engage in the policy process, and make it worthwhile for user groups to invest time and effort to organise to demand better services.
- Better, more reliable, accessible information of all kinds could provide the basis for better informed public debate about poverty, and engagement by the media. This might include information about how public funds are allocated and used; data about the extent and distribution of poverty (eg household surveys); comparisons between regions of a country and different countries in a region; and long term support for national statistical services.
- action at the global or regional level to promote trade and investment opportunities for poor countries, and remove subsidies and tariff barriers in rich countries;
- in landlocked countries, and where remote regions are inaccessible, roads might be a priority for both poverty reduction and governance;
- parts of the private sector which do not directly share a poverty agenda may share an interest in a range of public goods that would also benefit poor people, including infrastructure, and a better regulatory environment;
- donor language could be important in trying to engage with a broader range of partners (business, professional groups, the military, religious groups), using concepts that resonate locally (e.g. national reputation, security, prosperity), and avoiding jargon.
- if there are local schemes that are working well, they could provide a starting point to build on.

Step 5 - Linking SGACA and MASP: Strategic Choices for the Netherlands

If time allows, the workshop should aim to kick-start the process of reviewing opportunities and threats identified in steps 2-4, in the light of Dutch policy priorities, and an assessment of the internal strengths and weakness of the RNE. The review of opportunities and threats under steps 3 and 4 above may suggest the need for changes to the current strategy. It could point to new priorities, or to risks that suggest suspending current activity. But it is more likely that it will prompt you to revise expectations, objectives, timescales, partners and approaches within existing sectors. It is also likely to inform key judgments that the embassy makes, e.g. about conditionality, or budget support; and the way to approach political dialogue. It may highlight the need to give greater priority to existing interventions (e.g. the Paris agenda, or action at the level of the OECD or EU). It may also highlight the need to develop new skills and ways of working.

Discussion at the workshop should aim to identify key points that will require further elaboration at a later date. It should cover:

- A review of the current country strategy as set out in the Multi Annual Strategic Plan. In the light of the PCA and the review of opportunities and threats, do you need to re-assess priorities, risks, realism of timeframes and objectives, alignment with local priorities? What is working well, what is not working, and why?

- Looking ahead, a review of strategic choices facing the Netherlands, taking account of the Dutch policy framework as set by Ministers, and RNE/Ministry strengths and weaknesses. The latter will include:
 - **internal strengths and weaknesses** (policy guidelines from The Hague, current embassy strategy, level of staffing, skills mix, level of sector expertise and knowledge etc). The review will also need to take account of headquarters level pressures from parliamentarians, lobby groups etc.

The internal strengths and weaknesses of the embassy can be found by analysing the following questions:

1. What do we do well? What relevant resources do we have access to?
2. What are the areas where staff thinks the functioning of the embassy could be improved?
3. What do other people consider as our strengths and weaknesses?
4. What are our strengths and weaknesses in terms of historical or other ties with the hosting country?

While answering these questions, keep in mind the following categories: capacity, competencies, resources, management/ organisation, processes, culture and relationships/networks with partners. Let participants first think individually about the questions in relation to the categories. The contributions can then be written on post-its by individual participants and put on the wall (prepare paper sheets with categories in advance). Given the possible sensitive nature of some contributions, facilitators will have to guarantee anonymity. A plenary discussion subsequently will allow discussing outcomes, including contradictions and main conclusions.

Workshop participants might find it useful at this point to employ the below reported SWOT diagram, to map out the options (in addition to the reassessment of Opportunities and Threats as suggested by Step 3 of the Workshop).

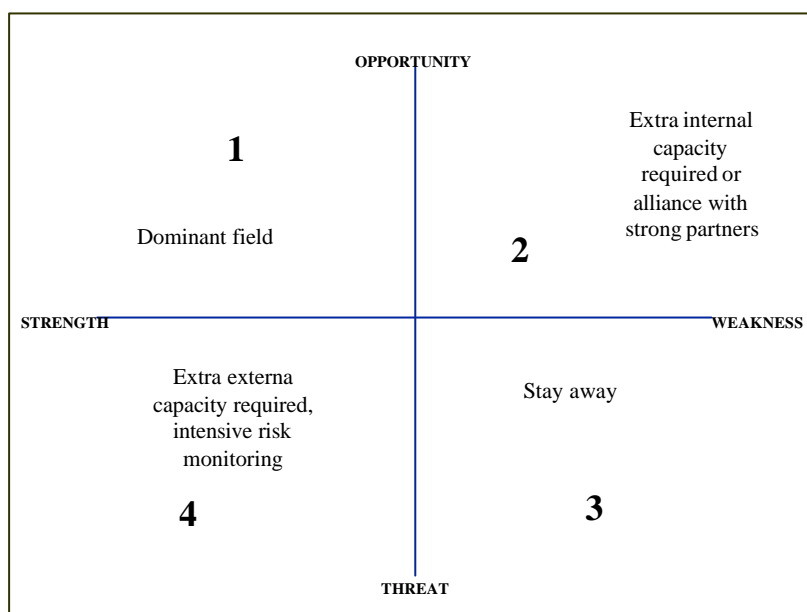
The purpose of the SWOT analysis is to allow the embassy to map out the strengths, weaknesses, opportunities and threats, and subsequently to make strategic choices about the focus for the coming years. Strategic choices will be elaborated in step 6 into strategic goals and results, as well as possible consequences for operational management.

Completing the SWOT-diagram

A SWOT-diagram can be used to derive strategic choices. In a SWOT-diagram, opportunities and threats are positioned on the y-axis and strengths and weaknesses on the x-axis.

The starting point is the opportunities and threats, which are each plotted individually on the y-axis to fit the extent to which they represent an opportunity or threat. These derive from step 3. Subsequently, each of the opportunities/threats is taken to position on the x-axis according to the extent to which they correspond to strong or weak points of the embassy.

It is of crucial importance to provide for thorough discussions on the exact positioning of the issues on the SW and OT axis of the diagram, since this constitutes the basis for making strategic choices and for subsequently formulating strategic results. The use of a SWOT-diagram is illustrated below.



The numbers in the example each reflect the outcome of a process of positioning an opportunity or threat on the y-axis, and coupling this with a position on the x-axis of strengths and weaknesses. Number 1, for instance, is positioned in the quadrant that combines opportunities and strengths. Obviously, there are strong reasons to select this opportunity and to formulate strategic goals and results around it. Number 3, on the contrary, is situated in the threat x weaknesses quadrant. This forms a likely basis for dropping this particular threat and not formulate strategic goals and results. An embassy likely needs specific strong points to be able to contribute to counteract a threat (which would in that case be situated in the strengths x threat quadrant). Number 2, finally, represents an opportunity but is positioned on the weaknesses part of the x-axis. A decision to formulate a strategic goals and results may still be formulated, keeping in mind, however, the need for internal operational measures and the usefulness of an alliance with strong partners.

Looking at the SWOT diagram, you will typically see that the strategic choices derive from Number 1. However, it might be possible that Number 2 and/ or 4 also allow for possibilities for (further) engagement.

Tips:

- A SWOT diagram can be done for the different policy areas together, in order to create an overall picture of the embassy's portfolio
- Use the opportunities and threats as previously formulated
- It is important to get the consent of all participants for the selected choices.

- **Example of a strategic choice**

The PCA identifies as possible sources of local pressure for action on corruption: a) that political elites are concerned about the country's reputation as one of the most corrupt in the region; and b) growing pressure from businesses facing increased regional competition. However, threats arise from the fact that elections are due, and politicians need resources to finance their campaigns.

The embassy has identified its strengths in relation to anti-corruption, based on past activities: expertise of staff, earlier support to anti-corruption mechanisms, strong image as champions of the anti-corruption drive among authorities, media and CSO's.

Subsequently, it selects 'support to the coalition for the ratification and implementation of the regional anti-corruption convention' as an excellent opportunity to capitalise on its strengths, and to help reinforce existing local pressures to address corruption.

Yet, the Embassy will have to overcome an internal weakness due to forthcoming transfer of dedicated, experienced and well-connected staff. It recognises the risks associated with the forthcoming elections, but also sees the regional coalition as an opportunity to provide a focal point for increased public awareness and mobilisation of support for anti-corruption measures.

The overall strategic choice that comes to the fore is to engage in supporting medium term ratification and implementation of the regional anti-corruption convention, by reaffirming existing networks and supporting a CSO reform coalition. Risks will be mitigated (transfer of staff through training) and monitored (risks related to elections).

AT THIS POINT THE CONSULTANT PASSES ON RESPONSIBILITY FOR THE WORKSHOP TO THE EMBASSY ITSELF.

Step 6 – Further steps for the MASP

The previous steps have culminated into a set of strategic choices, which represent the embassy's vision for the coming years in relation to the development context of the partner country. The intervention strategies and corresponding strategic goals and results will have to be included for each of the strategic choices.

Break down each strategic choice into:

1. A strategic goal with a 4-year horizon
2. The strategic results for the embassy
3. A short description of the intervention strategy
4. A short description of the operational consequences.

This specification gives the management of the embassy an opportunity for steering and accounting.

The **strategic goal** is the country specific 'matching part' of the relevant operational objective of the embassy. It presents the intended situation within 4 years with regard to the particular issue in question. It is typically formulated at outcome level and involves a goal on the level of the partner country to which the embassy intends to contribute. Influence on goal achievement is shared with other actors notably the government and depends on the quality of the analysis and the intervention strategy of the embassy.

The level of ambition for a strategic goal varies according to the specific country context and according to the issue at stake. In general, the ambition is higher when the external analysis (cf. opportunities and threats section) reveals particular opportunities and a shared agreement over policy objectives among relevant stakeholders (authorities, donors, Dutch embassy, etc.). In contrast, threats to the development process and lack of agreement on policies will typically lower the ambition of a strategic goal without, of course, altering its relevance.

The **strategic results** of the embassy present the contribution of the latter to the realisation of a strategic goal. Strategic results are typically formulated at output level and within reasonable reach (control) of the embassy, which is accountable for their achievement and formulated in a 'SMART' manner. Strategic results are assessed and may be readjusted on a yearly basis.

In view of opportunities identified and the position of the embassy in relation to its partners, the appropriate level of ambition can be set. This is, of course, related to the level of ambition of the overall strategic goals. It is crucial that in breaking down strategic goals, the specific contribution of the embassy is made explicit, in order to precise the results to which the embassy can be held accountable. As noted earlier, the intervention strategy is determined by the identified opportunities for the embassy and the position of the embassy in relation to its partners. The strategy will be at a higher level (outcome) when, given the identified opportunities, the policy congruence and value added is higher and vice versa (output).

The **intervention strategy** describes how and with whom the embassy aims to realise its strategic results in contribution to the strategic goal, and on what assumptions this is based. This strategy is determined by the position of the embassy in relation to its partners and the nature of results and goals.

The intervention strategy of the embassy should give an answer to the question "How can the strategic goal/result be achieved and with whom?". Therefore, to determine the results and intervention strategy, an in-depth view of the embassy's partnerships is needed. Insight in relevant stakeholders provides a useful basis for risk management, which is also part of the intervention strategy. Possible levels of ambitions include:

- putting a particular issue on the agenda;
- elaborating a written proposal/ plan of action on a particular issue;
- having the proposal/ plan of action adopted by stakeholders;
- having the proposal/ plan of action implemented.

Operational management refers to the inputs that the embassy will use to reach this goal and to any changes (e.g. work division or processes) that need to occur to reach the goal as efficient as possible.

For each of the strategic goals, the embassy can at least outline the consequences in terms of required human and financial resources. Relating a specific strategic result to available resources provides insight into the feasibility of achieving it. Further on, when the multi-annual strategic goals lead to major changes in the organisation, those changes need to be made explicit. For example, reorganisation of working processes, the need of specific support from HQ or extra capacity. It states to be very useful to take the outcomes of the internal analysis (step 5) into account while determining the consequences for operational management. Note that operational management is more than human and financial resources; it is also about competencies, management/ organisation, processes, facilities, culture and relationships/ networks with partners.