



# The Belgian Incentive Tranche: Lessons from a first generation *Working Papers Series n° WP2016/002*

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## Executive Summary

**The working paper critically examines the first generation of Belgian Incentive Tranches (IT).**

Introduced in 2009 and integrated in four countries' multi-annual bilateral programmes – Burundi (50M€), D.R. Congo (100M€), Rwanda (40M€) and Uganda (10M€) – the instrument is the allocation of an additional envelope if the partner meets good governance related criteria. The four experiences have resulted in four different outcomes: Burundi's IT was granted in 2012; D.R. Congo's was neither granted nor refused; Rwanda's was refused in December 2014; and the decision over Uganda's, initially planned for 2014, has been postponed *sine die*.

**Two main conclusions can be drawn from the analysis of the design and modalities of the instrument's first generation.**

First, there is a strong and general trend of politicization potential of the IT. All contain major aspects of their design subject to interpretation and therefore potential politicization, whether it is embedded in the criteria through subjective formulations or unclear indicators, the timing of the evaluation or the potential use made of the envelope. The consequence is two folded: the risk of *politicization itself*, which would translate into a decision based on other factors than the ones intended in the IT; and the *risk of a perception of politicization* for which, no matter how justified the decision to grant or not the IT, the credibility of that decision will be shadowed by the perception that the decision was made on other grounds. Both may also undermine the political dialogue between Belgium and the partner country.

Second, an analysis of the relevance and effectiveness potentials of the IT confirms and deepens the important limits to the instrument. Whether it is the intrinsic flaws of the rules-based or outcomes-based indicators of the criteria, the weak link between interventions and conditions or the proportionality and capacity to induce improvement in governance, the relevance and effectiveness of the tool are strongly undermined by its components and architecture and even more when it is contextualized in the partner country.

**The consequence of the important flaws in the design and modalities of the instrument has been a difficult implementation.**

Two major common issues have to be highlighted. First when compared to the initial planned timing, none of the the IT has been evaluated in due time. Burundi's occurred in June 2012 instead of September 2011, Rwanda's took place more than a year after the initial and Congo's and Uganda's never officially took place. If the reasons behind the postponement of the evaluations are often unclear and/or unjustified, they reinforce the politicized nature of the instrument or the weakening of its relevance and effectiveness. In fact, on the one hand, if we presume that internal factors are responsible for the delay, the absence of respect of the timing by Belgium reflects a certain degree of politicization. On the other, if contextual factors cause the the postponement of the evaluation, the

relevance and effectiveness can be questioned. Second, for the cases where a decision on the envelope was taken, the politicization potential and/or the perceived politicization potential actually led to a sanction/reward media treatment of that decision.

**Burundi: the only release.** In June 2012, Paul Magnette, then Minister of Cooperation, announced that Burundi had met the criteria and therefore that Belgium would release the entire envelope. Initially planned for September 2011, the decision over the IT was postponed to early 2012 in order to use the instrument as leverage in obtaining the validation of National Governance Strategy by the Council of Ministers. The IT turned out to be effective in the political dialogue with the Burundian authorities on the adoption of this strategy. However, the creation of new unforeseen criteria for the effective disbursement has hampered the predictability of the tranche and has deepened the politicization of the tool on the Belgian side as it moved away from a contractual agreement where both parties hold their end of the bargain.

Interviews also have highlighted that the release of the tranche turned out to be a “poisoned gift” in regards to Belgium’s aid commitment to the country because of a general rule requiring that 100% of the envelope of the current ICP be formulated and 50% executed before launching a new multi-annual programme with the partner. Even though the applicability of the rule is debated internally, its use would result in the enlargement of the basis upon which the formula is calculated and therefore to extend the current ICP – and the financial budgetary commitments – until the formulation and execution reach the necessary formulation and execution levels.

**Rwanda’s mix message.** In December 2014, the Belgian Embassy in Kigali released a press statement in which it recalls the criteria to grant the IT and then asserts: “After an assessment of those criteria, the Belgian side has found that that extra budget could not be disbursed, since some criteria are no longer relevant and other criteria have not entirely been met”.

However undisclosed, the relevance aspect of that decision may result from the political impossibility of limiting the evaluation to the two only years mentioned in one of the criteria (satisfactory proceedings of article 8 dialogue in 2011 and 2012) if the evaluation occurs in 2014. It may also be the consequence of the unavailability of two other criteria relating to the freedom of the press – the last available data being 2012 – and good governance – the body in charge of the review of the indicators was no longer existing due to the 2012 crisis between donors and Rwanda over the support of the M23 rebellion.

Oddly, Belgium also announced – in the same press statement – the allocation of 18 M€ extra in budget support to the Rwandan health sector. If this “extra” amount is not officially spent out of the incentive envelope, the real distinctiveness is questionable as (1) there was public confusion over the distinction, including by the Rwandan Foreign Minister, (2) the amount and sector of the extra budget correspond to the foreseen disbursement of the tranche and (3) budget support is often considered as channel for development cooperation in countries where governance standards are the highest.

**Conclusion: whether it is because of design or implementation flaws, the 200M€ instrument has mostly failed to live up to its expectations.**

As a development tool, the effectiveness of the tranche has been very limited as only one of the four tranches has been released – Burundi. Moreover, the envelope itself has only been partly disbursed due – ironically – to a governance-related crisis. As an incentive tool for good governance, the instrument has also mostly failed due to the fact that three out of the four tranches have either been refused or not assessed. Moreover, the only country for which the tranche was granted is now, in the beginning of 2016, in a deep political crisis. And as a political dialogue tool, the instrument has had contrasted results. If it seems to have had an impact on the adoption of certain policies in Burundi in the short term, the longer term effects are more questionable. For the other cases, the political dialogue ramifications have been either unnoticeable or even counter-productive.

**A double set of recommendations arise from the examination of the Belgian first generation of IT.**

The first set relates to the tool itself and how should Belgium improve the design and implementation of a second generation of IT – if it should decide to reproduce the experience in the future. The recommendation in this case is simple: implement the 2013 Political Note on the Incentive Tranche, drafted *after* the conclusion of the first generation IT.

The second recommendation is to engage in a wider discussion on the Belgian approach on conditionality. Belgium should develop a new approach to best tailor conditionality to its own context and the one of its partners.

In doing so, Belgium should pay attention to different elements: (1) the role, implication and responsibility of the different actors of Belgian cooperation; (2) the different channels of cooperation; (3) Belgium's own capacity to influence the partner relatively to the conditions it imposes; (4) the partner and its complexity including the quality of the existing political dialogue, the dependency of Belgium and/or other actors on the partner and the identification of (f)actors of change; (5) the presence and influence of non-traditional donors and the strengths and weaknesses of coordination; (6) the utilization of multi-level and multi-dimensional combinations of conditionality forms including positive and negative ex-ante and ex-post forms of conditionality; (7) weighting the use of technical conditions; (8) the micro-analysis of criteria to examine the local dynamics, institutional environment and even individual stakes of each criteria fulfilment in order to best assess the trade-offs behind the conditionality measures; (8) the proportionality of the conditioned envelope or action; (9) the embedment of conditions in the national priorities, engagements and policies; (10) the links with other interventions to maximize support and legitimacy.

## **Acronyms**

BTC	Belgian Development Agency
CPAF	Common Performance Assessment Framework
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
EGTGG	Enhanced Gains Through Good Governance
EU	European Union
FY	Financial year
GCP	Donor Coordination Group
GNI	Gross National Income
ICP	Indicative Cooperation Programme
IMF	International Monetary Fund
IT	Incentive Tranche
JBSR	Joint Budget Support Review
MSI	Media Sustainability Index
NGO	Non Governmental Organization
OBI	Outcomes-based indicators
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Aid
PRGF	Poverty Reduction and Growth Facility
RBI	Rules-based indicators

## Introduction

In 2009, during a phase of increased budgetary commitments to aid, Belgium introduced a new instrument for its development cooperation: The Incentive Tranche (IT). Built in several of its multi-annual bilateral development programmes, the IT is the allocation of an additional envelope if the partner meets good governance related criteria. Described in a Political Note in 2013, the underlying objective of the IT is to deepen the political and strategic dialogue with the partner country in order to promote specific elements of good governance in the implementation of its multi-annual programme (BDC 2013:3).

The decision to include such a tranche is based upon an internal analysis undergone for the preparation of the joint commission – gathering the Belgian and partner authorities – in charge of drafting the multi-annual bilateral development programme, called the Indicative Cooperation Programme (ICP)<sup>1</sup>. This examination aims at determining if the provision of additional funds has the potential to reinforce the drivers of change in the country (BCR 2013a).

So far, out of the eighteen partner countries of Belgium<sup>2</sup>, four ICP have included an IT, all situated in Central Africa: Burundi, the Democratic Republic of the Congo (D.R. Congo), Rwanda and Uganda (in chronological order). These four different experiences have resulted in four different outcomes. In Burundi's case, the IT was granted in 2012. In D.R. Congo's case, the IT was neither granted nor refused and the signing of a new intermediary ICP for 2014-2015 – without any IT or mention of the previous one – *de facto* closes the process. In Rwanda's case, the IT was refused in December 2014. And in Uganda's case, the decision initially planned for 2014 has been postponed *sine die* but unlike Congo, the ICP is still running making it the only first generation IT still pending.

If other bilateral or multilateral donors have been using fixed or variable tranches for their cooperation, the Belgian IT formula is very much unique. It reflects, however, parallel and mutually reinforcing trends in development assistance: the rise of the good governance agenda (see Hout 2007, Burnell 1994, Dietrich and Wright 2012); the development of aid selectivity (see Charnoz and Severino 2015); and the use of political conditionality (see Stokke 1995; Klingebiel and Heiner 2014; Uvin 1993; Koch 2015; Morrissey 2002; Molenaers, Dellepiane and Faust 2015). In technical terms, Belgium's IT is indeed an “ex-post positive political conditionality tool of aid selectivity based on good governance”.

## Objective of the working paper

The objective of this working paper is the following: critically examine the first generation of IT as instrument of Belgian cooperation.

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<sup>1</sup> Since the adoption of the new law on Belgian Development cooperation, the ICP has been renamed the Cooperation Programme (CP)

<sup>2</sup> This number corresponds to the 2003 Government Agreement which reduced the number of partner countries from twenty-five (as provisioned in the 1999 Law on cooperation) to eighteen in the name of geographical concentration. This number was further reduced to fourteen in May 2015 (for the full list of partner countries, see [http://diplomatie.belgium.be/fr/politique/cooperation\\_au\\_developpement/pays\\_regions/](http://diplomatie.belgium.be/fr/politique/cooperation_au_developpement/pays_regions/))

This work is not, however, the first attention given to the tool. The Belgian IT have indeed been under external scrutiny since their creation. Nevertheless, this attention has either been on the analysis of criteria fulfilment by one of the partner countries, as it was the case with Burundi or Rwanda (Seurs, Ysewyn and Risch 2012, Van Laer 2014) or been very limited to general considerations within a wider framework of analysis such as the OECD-DAC peer review (OECD 2011:73, OECD 2015:61) or an annual NGO evaluation of Belgian ODA (CNCD 2015:32). No in-depth review of the instrument has been realized, and coherently so considering the necessary distance from its conception and implementation.

One important piece of work has however been conducted internally in 2012 with the drafting of the Political note on the IT, approved by the Minister in November 2012 and published in early 2013 (op. cit.). This note is an early reflection on Belgian IT experience – produced right after the release of Burundi’s IT – but will have an “awkward” status in our research. Indeed, it is a self-acclaimed “refining” of the instrument which mostly contains recommendations that have not had the chance to be mobilized as the IT had already been incorporated in the different ICP (ibid:3). In other words, a “refined version” of a tranche does not exist (yet) and therefore cannot be examined in this work. We will however come back to the Political note in the concluding section of the working paper.

In order to conduct a critical examination of Belgian IT experiences, the working paper will be divided in four parts. The first part contains a presentation of each of the IT, taken chronologically, including its envelope, criteria, ratio to ICP, repartition or decision. Given the diversity of the attributes of each IT, gathering these elements in a single frame is a necessary preliminary step which could not be relegated to the annexes of the working paper. These elements will serve a double purpose: build upon them in the other sections and refer to them during the analysis. The second part relates to the conception of the instrument itself by Belgium cooperation. It highlights the different issues that raise the “rules of the game” around two lines of analysis: the politicization potential of the instrument and its relevance for good governance and effectiveness. The third part moves to the implementation and points out the successes and (mostly) the difficulties and complications the IT has faced. The concluding section builds upon the analysis to provide conclusions and recommendations on the incentive tranche, its potential reproduction and the outlooks for a wider discussion on conditionality approaches for Belgium.

## Part I. The four cases of incentive tranche

### Burundi – Indicative Cooperation Programme 2010-2013

**Minister:** Charles Michel

**Amount of the ICP:** 150M€      **Amount of the IT:** 50M€

**Total budget available for Burundi:** 200M€      **Ratio IT/ICP:** 25%

**Priority sectors of the ICP:** Agriculture, health and education

**Apportionment of the IT:** Not indicated

**Status of Governance in the ICP:** Theme of particular attention      **Budget:** 12M€

**Criteria to release the incentive tranche:**

- (1) Declaration by two electoral observation missions (European Union and Belgian parliamentarians, if present) that the 2010 elections, taken as whole, have taken place honestly
- (2) The validation of the action plan of the National Governance Strategy by the political Forum of the Partners Cooperation Group, and the beginning of its implementation
- (3) A Country Performance and Institutional Assessment (CPIA) indicator equal to or above the current 2.5.
- (4) Successive positive reviews of the Poverty Reduction and Growth Facility (PRGF) by the International Monetary Fund

**Planned timing of the decision:** Special Partners Committee of 2011 will discuss the results of the evaluation of the criteria and suggest to the two governments the division of the decided enveloped

**Decision:** Granted by Minister Paul Magonne in June 2012, with the requirement, for its implementation, that the Burundi government create a monitoring mechanism to update, on a quarterly basis, the tracking table of the execution of (1) the Good Governance National Strategy, (2) the Fight against Corruption National Strategy and (3) the Fight against Poverty National Strategy (BCR 2012:35).

**Repatriation of the IT (ex-post):** Health (9M€), agriculture (9M€), scholarship program (8M€), education (6M€), pavement (4M€), justice (3M€) and police (3M€)



## D.R. Congo – Indicative Cooperation Programme 2010-2013

**Minister:** Charles Michel

**Amount of the ICP:** 300M€      **Amount of the IT:** 100M€

**Total budget available for Congo, D.R.:** 400M€      **Ratio IT/ICP:** 25%

**Priority sectors of the ICP:** Agriculture, roads & ferries (bacs) and education

**Status of Governance in the ICP:** Integrated theme to be included from conception to implementation and monitoring in all interventions of the three sectors of concentration

**Apportionment of the tranche:** 50% for 2012 and 50% for 2013 with an allocation of 15M€ for road & ferries, 25M€ for agriculture, 40M€ for delegated cooperation and 20M€ as reserve<sup>3</sup>

### **Criteria to release the incentive tranche**

- (1) Smooth conduct, before the end of 2011, of the electoral process
- (2) The will to substantially move up Congo in the ranking of the “Doing Business” report of the World Bank
- (3) The will to obtain an equal or higher CPIA indicator score than the current one
- (4) The will to continue progress with International Monetary Fund and end up with successive positive reviews of the Poverty Reduction and Growth Facility (PRGF) by the International Monetary Fund

**Planned timing of the decision:** Special meeting of the Partners committee to be held before the end of 2011.

**Decision:** Criteria not examined during the ICP 2010-2013<sup>4</sup>. A new “intermediary” ICP was concluded in April 2014 for the period 2014-2015 without the inclusion a new incentive tranche nor a reference to the previous one.

<sup>3</sup> A reserve was included in the ICP to respond to punctual demands that may or may not be executed in the sector of concentration (see ICP 2010-2013 2009:23)

<sup>4</sup> No public statement has been made on the Congolese incentive tranche. Only a Ministerial response by Jean-Pascal Labille, in January 2014, mentions that the criteria have not been commonly examined by Belgium and Congo and therefore that the granting of the tranche is not at the agenda (see BCR 2014).

## Rwanda – Indicative Cooperation Programme 2011-2014

**Minister:** Olivier Chastel

**Amount of the ICP:** 160M€      **Amount of the IT:** 40M€

**Total budget available for Rwanda:** 200M€    **Ratio IT/ICP:** 20%

**Priority sectors of the ICP:** Health, energy and decentralisation

**Status of Governance in the ICP:** Theme of particular attention

**Apportionment of the tranche:** To be used in sectors of the ICP

**Criteria to release the incentive tranche:**

- (1) Satisfactory proceedings of the article 8 dialogue<sup>5</sup> in 2011 and 2012;
- (2) Progress with respect to the third component of the CPAF, namely Enhanced Gains through Good Governance, as assessed by the Joint Budget Support Review and confirmed by a 75% performance of related indicators.
- (3) Progress with respect to Media Development as assessed by the Joint Governance Assessment and confirmed by a score of 2.5 in the IREX – Media Sustainability Index and Professional Journalism Index. If these indicators are not available at the time of the Mid-Term Review comparable indicators (in terms of content, international acceptance and annual assessment) will be used.

**Planned timing of the decision:** September/October 2013, following the mid-term review of the ICP, to decide on a budget increase of a maximum of 40M€.

**Decision:** Refused by Minister Alexander De Croo in December 2014 following an internal examination of the criteria.

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<sup>5</sup> Article 8 dialogue is part of the Cotonou agreement between the European Union and African, Caribbean and Pacific countries (cf. Infra)

## Uganda – Indicative Cooperation Programme FY2012/13 –FY 2015/16<sup>6</sup>

**Minister:** Paul Magonne

**Amount of the ICP:** 64M€

**Amount of the IT:** 10M€

**Total budget available for Uganda:** 74M€

**Ratio IT/ICP:** 13,5 %

**Priority sectors of the ICP:** Education & training and basic health care

**Status of Governance in the ICP:** Emphasized as a transversal theme in the concentration sectors and through additional development tools like delegated cooperation and incentives through supplementary funds

**Apportionment of the tranche:** To be spent for the financial year (FY) 2014/15 on the two concentration sectors plus the environment

### **Criteria to release the incentive tranche**

- (1) Progress in the implementation of the recommendation of the ‘European Election Observation Mission’ regarding the appointment process of the Electoral Commission
- (2) Progress in Ugandan membership of the Extractive Industries transparency initiative, with at least an official application for Ugandan membership
- (3) In the assessment by the EU COM and in the “underlying principles” of the Joint Budget Support Framework process, there is a positive evolution in the respect of human rights over the period 2012-2014.

The first two criteria will be assessed on the basis of the article 8 dialogue<sup>7</sup> between the European Union and Uganda, held in the framework of the Cotonou agreement.

**Planned timing of the decision:** According to the ICP, based on the most recent evaluation of these criteria in Kampala, an Extended Partner Committee meeting was to be held in 2014 to discuss the progress made in the three criteria and propose to the two Governments for an increase of a maximum of 10 million Euros to the ICP (2011).

**Decision:** Not yet decided. An internal evaluation of the criteria by the Belgian Embassy in 2014 did not lead to a decision. Another evaluation should be held in 2016.

<sup>6</sup> The Ugandan ICP, unlike the other ICP discussed in this working paper, is based on the financial year and not the calendar year.

<sup>7</sup> Cf. infra.

## **Part II. Design of the Incentive Tranches: looking at the tool**

If only four IT have been used in Belgium's development programmes, their above detailed presentation clearly illustrates the absence of homogeneity in the manner in which they were constructed. Not only do they differ in their outcome but their components are also dissimilar. Whether it is their criteria, their absolute or relative importance in regards to the ICP, the timing of the evaluation and/or decision, or the way in which the IT should be spent – and the very existence of this information –, the four IT greatly vary in their very essence.

These differences do not only stem from internal Belgian factors relating to the Minister or the team in charge of drafting the IT. It is important to recall that any ICP – and therefore any IT – is the product of negotiations between Belgium and its development partner as both sign the document.

The objective of this section is to look into the instrument itself – not its implementation – along two simple lines of analysis, drawn from the nature of the instrument and its objectives.

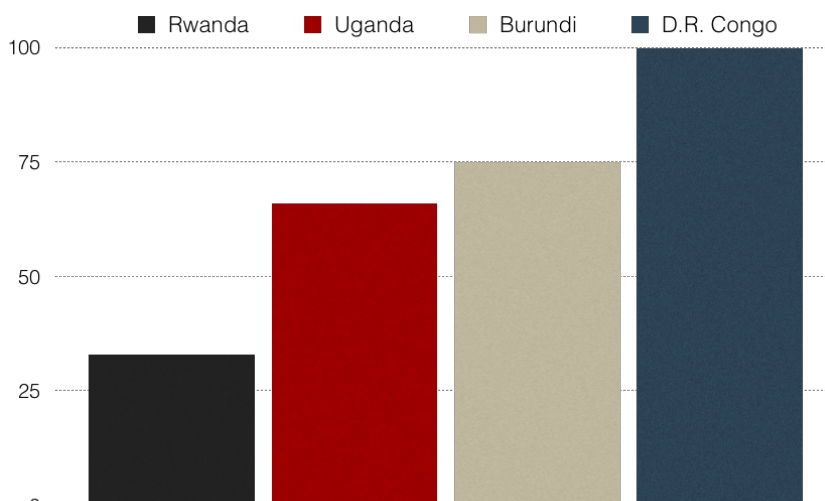
The first is the politicization potential of the instrument. While it is presented as an objective tool aiming at technically assessing improvements in good governance, the components of all four IT offer important margins of appreciation allowing for an important perceived and/or real politicization of the instrument. Evidence shows that the tool clearly reflects a reluctance to free the instrument from political interpretation that may or may not lead to granting the tranche. This evidence is not only shown by the formulation of the criteria but also by the other components of the instruments. In other words, no matter the actual changes relating to good governance in the partner country, options always remain open for Belgian decision makers.

The second line of analysis is the relevance for good governance and effectiveness of the tool. Looking at the criteria and the overall importance of the IT in regards to the ICP and Belgium's "status" in the country, it will be demonstrated that certain aspects of the IT question or even undermine its relevance and effectiveness.

## Politicization potential of the instrument<sup>8</sup>

### (Subjective) formulations of a claimed objective tool

A major flaw existing in all four tranches is the vague phrasing of some of its criteria. Put forward as a technical and objective instrument, the formulation of some of its criteria rather strikes by its subjectivity. All IT do indeed contain at least one criteria for which the clarity is undermined by a subjective formulation (sometimes even multiple within a single criteria), very few of those being mitigated by a sub-indicator. And so despite evidence that in order to increase effectiveness in aid delivery – as asserted by the OECD Development Co-operation Directorate guidance work – “the conditions attached to disbursements, and the process through which their fulfilment is assessed, should be clearly specified and leave little margin for interpretation, thus reducing the uncertainty surrounding disbursement decisions” (OECD 2003:32). As shown on graphic 1, on a “subjectivity spectrum”, Rwanda and D.R. Congo would be on the far ends as all of the criteria for D.R. Congo’s IT contain subjective phrasing, three quarters in Burundi’s case, two thirds for Uganda and a third for Rwanda.



Graph 1. Percentage of criteria containing subjective formulation

### **Burundi, D.R. Congo, Uganda and Rwanda – *Positive, substantially, progress and satisfactory***

“Successive *positive* reviews of the Poverty Reduction and Growth Facility” (Burundi)  
“(…) *substantially* move up D.R. Congo in the ranking of the “Doing Business” report” (D.R. Congo)  
“(…) to *continue progress* with International Monetary Fund (D.R. Congo)  
“(…) end up with successive *positive* reviews” (D.R. Congo)  
“*Satisfactory* proceedings of the article 8 dialogue in 2011 and 2012” (Rwanda)  
“*Progress* in the implementation of the recommendation of the ‘European Election Observation Mission’ regarding the appointment process of the Electoral Commission (Uganda)

<sup>8</sup> In this section, italic is being used to highlight certain phrasing and is not therefore in the original text

“(…) *positive* evolution in the respect of human rights over the period 2012-2014 (Uganda)

The formulations used in these IT raise questions rather than provide a solid foundation for evaluation. For instance, how can a *positive review* be defined? While International Monetary Fund reports may underline good developments in the partner country, at what tipping point are those culminating to a *positive review*? Idem for D.R. Congo’s *continued progress*, Uganda’s *implementation progress* or its *positive evolution* in terms of human rights, there is no clear indication of what it may account concretely. Regarding a *substantial* move up the ranking of the “Doing Business” report for D.R. Congo, how many places does that translate into? One, two, five, twenty, fifty? Answering this question has substantial impact on what is being required from the partner.

The interpretative potential is even more acute in the case of Rwanda’s IT and the notion of *satisfactory* proceedings of the Cotonou’s agreement article 8 dialogue. This dialogue can be satisfactory at different levels. For instance, simply as a forum of discussion in which the partner country and the European union discuss openly. In this scenario, *satisfactory* would be translated by the mechanical conduct of the proceedings, no matter their outcome. *Satisfactory proceedings* could also mean the advancement in the objective of the article 8 dialogue which is to engage in “a comprehensive, balanced and deep political dialogue leading to commitments on both sides” (EU 2014: art.8 §1). However, again, what is the nature, number and extent of the commitments necessary to be considered *satisfactory*? Moreover, the qualitative assessment of the proceedings may be further hampered by the nature of the dialogue which has to be conducted in a flexible manner, “formal or informal according to the need and conducted within and outside the institutional framework” (ibid, art.8 §6).

### **Burundi & D.R. Congo – *Honest* and *smooth* elections**

“Declaration (...) that the 2010 elections, taken as a whole, have taken place *honestly*” (Burundi)

“*Smooth* conduct (...) of the electoral process” (D.R. Congo)

The uses of the words *honestly* and *smooth* raise evident concern. On what point of the spectrum of election holding can we place the *honesty* or *smooth* mark? How to differentiate an honest or smooth conduct from a validation? Why favour the first over the second? Taking the case of Burundi as example, if the European Union (EU) Electoral Observation Mission report notes that the elections generally “took place calmly and peacefully” (EOM EU 2010:4), can the observation of increasing violations of the freedom of assembly, of reunion or political expression throughout the elections (ibidem) be constitutive of an *honest* conduct of elections? Or can the observation that most parties struggled to ensure a widespread political campaign at the exception of the CNDD-FDD (party which won the previous elections) and pointing out the use of state means by this party be also constitutive of such an *honest* conduct (ibid, p.3)?

### **Burundi & D.R. Congo – *Successive***

“*Successive* positive reviews of the Poverty Reduction and Growth Facility (PRGF) (Burundi & D.R. Congo)

While a more extensive discussion on the nature of this criteria will arrive in the next section, the significance of *successive* is itself an issue in the two contexts. First because there is no clarity on whether two would be enough to consider the criteria met. Second because in both Burundi’s and D.R. Congo’s cases, the planned evaluation of the criteria is set for as early as 2010 (“after the 2010 electoral cycle for Burundi and before the end of 2011”) while the multi-annual programmes started the same year, therefore raising the question: considering that the PRGF review is done on an annual basis, how many successive review can take place in one year?

#### **D.R. Congo – The *will, will, will***

“The will to substantially move up D.R. Congo in the ranking of the “Doing Business””

“The will to obtain an equal or higher CPIA indicator score than the current one”

“The will to continue progress with International Monetary Fund”

Three of the four criteria of Belgium’s most important IT – worth a 100 M€ – are based on a *will* assessment on the side of the Congolese government. However vague, the concept of political will has been under scrutiny by a few academics attempting to measure it. Fox, Goldberg and *al.* have, for instance, broken down the issue of political commitment in the case of HIV response to three dimensions: expressed, institutional and budgetary commitment (2011). Another useful analysis lays in Derick Brinkerhoff’s attempt to measure political will for anti-corruption efforts through five characteristics or indicators: locus of initiative, degree of analytical rigor, mobilization of support, application of credible sanctions and the continuity of effort (2000). However, in the case of the Belgian IT in D.R. Congo, there is no precision or otherwise indication of any methodology to assess the will on the three issues relating to their respective criteria. As a consequence, it leaves a fourth of the ICP’s total budget, under a very vague definition of what *will* actually translates into and how it has to be evaluated. What represents the will to substantially move up a ranking, to obtain an equal or higher score or to continue progress leaves much room for political interpretation and/or a perceived political instrumentalisation.

#### **Burundi – Beginning(s)**

“... and the *beginning* of its implementation”

In the same line, the recourse to the phrase *beginning* is a vague concept calling for an important level of interpretation. Is the identification of a project of the strategy *the beginning* of implementation? The formulation? The first activity? The first result? The first impact? Without any indication, the interpretation of this element can extend the timeframe for months or even years.

#### **Rwanda & Uganda – Mitigated interpretation through a sub-indicator**

Progress (...), with at least an official application for Ugandan membership (Uganda)

Progress (...) as assessed by the Joint Budget Support Review and confirmed by a 75% performance of related indicators (Rwanda)

Progress (...) as assessed by the Joint Governance Assessment and confirmed by a score of 2.5 in the IREX – Media Sustainability Index and Professional Journalism Index (Rwanda)

In two of the four IT, the use of the very subjective term *progress* is counterbalanced by a sub-indicator, reducing its margin of interpretation. As it has just been demonstrated however, this represents an exception rather than the rule and none of the IT are exempt from having at least one criteria in which there is subjective wording.

### **Clarity of indicators**

#### **Burundi & D.R. Congo – CPIA Indicator**

Considering the clarity of the indicators, notwithstanding the formulation, two issues arise. The first, present in Burundi's and D.R. Congo's IT, relates to the need for the partner country to obtain an equal or better Country Policy and Institutional Assessment (CPIA) score. The CPIA is the World Bank's annual rating of the quality of a country's policy and institutional framework, "where quality refers to how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance" (WB 2010:15). The overall CPIA score is measured by the average of the four areas of the CPIA: economic management (three indicators), structural policies (three indicators), policies for social inclusion and equity (five indicators), and public sector management and institutions (five indicators).

In the case of the IT at stake here, there is no precision on what is meant by the CPIA score. One would assume that a lack of precision would imply that it is the overall CPIA score. Nevertheless, it is mentioned that the "current" score for Burundi is 2.5 which does not correspond to the overall CPIA score of Burundi, neither for 2007 (3.0), 2008 (3.0) or 2009 (3.1)<sup>9</sup>, the likely possible years available at the time of the ICP drafting<sup>10</sup>. One would then go one level down to look at the average score for the "public sector management and institutions" cluster, the most linked to the good governance agenda of the IT. Burundi's CPIA score for this cluster is close (2.6) but not the same as the 2.5 indicated<sup>11</sup>. Finally, at the indicator level, four could potentially be the "CPIA score" mentioned in the criteria as their result is 2.5 for one year or more in the 2007-2009 timeframe: business regulatory environment, financial sector, property rights and rule-based governance, and quality of public administration. If the first two are unlikely considering the nature of the IT, the last two could both be used in this case. Given these elements, it has been impossible for us to determine – except if a manual error was made in the drafting of the ICP – which CPIA score was the baseline for improvement. The consequence of this lack of clarity can have major impacts when evaluated, both in Burundi and D.R. Congo's cases.

<sup>9</sup> All the data relating to CPIAs are available online at <http://datatopics.worldbank.org/cpia/country/burundi>

<sup>10</sup> Indeed, after 2009 is impossible and before 2007 is highly unlikely considering that the 2007 and 2008 were available at the time of drafting and therefore would qualify as "current".

<sup>11</sup> A look at the other clusters also shows that none are close to the score of 2.5 indicated in the criteria.



The internal political developments required to reach the objective are very different if the assessment is made upon one indicator, one cluster or the overall score.

### **Burundi & Rwanda – Assessment clarity**

The other clarity issue concerns the method of assessment of one of the criteria in Burundi's and Rwanda's IT. For the latter, it is mentioned that in the case where indicators are not available at the time of the review, "comparable indicators (in terms of content, international acceptance and annual assessment) will be used". No elements of procedures are however detailed on who should decide which new indicator would be used. If it could be assumed that this decision would stem from a mutual agreement, the stakes of deciding on an indicator at the same time as its evaluation are much higher than beforehand because the results of that indicator already exist<sup>12</sup>. Therefore, choosing the indicator means meeting one of the criteria and vice-versa. Rwanda may indeed not be inclined to agree upon an indicator that it knows it does not meet. The decision over that indicator becomes highly politicized. In the case of Burundi, the first criterion on the electoral process requires two declarations, one from the EU and one from "Belgian parliamentarians, if present". Again, there is no clarity on the procedure to be followed if Belgian parliamentarians do not participate in an electoral observation mission or produce a declaration. A potential for politicization arises from the blurriness of these elements.

### **(Planned) timing of the evaluation & predictability of use**

#### **Clarity and issues with the timeframe**

The moment when the criteria have to be evaluated to determine if the envelope is granted to the partner has been dealt very differently between the four IT. One evaluation has to be done before a certain time (D.R. Congo – before the end of 2011), another combines a timeframe and a Belgian-led process (Rwanda – September / October 2013, following the mid-term review of the ICP), another has to be done for a certain event within a yearly timeframe (Burundi – Special Partners Committee of 2011) and the last one is planned to be held within certain (large) timeframe (Uganda – 2014). However different, none can be considered precise, leaving much room for interpretation. If Rwanda's timing is the most specific of the four, this specificity is clouded by the second determining component of the evaluation moment, the mid-term review. There is no indication on how the evaluation timing would be adapted if the ICP mid-term review does not take place before the set date – which will eventually occur in reality (cf. infra). Overall, the argument of flexibility – adapting to the context – is largely outweighed by the importance of the predictability of the evaluation in this case, as the timing plays a crucial role in the indicators available and of course the outcome. This vagueness not only contributes to politicize the instrument but also impedes its incentive dimension.

#### **Predictability of use**

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<sup>12</sup> The choice of an indicator is in itself a political question. Choosing an indicator is underprincipled by values and policies and determines what is important to evaluate and what is not in a particular area (See MacRae 1985)

Another relevant matter in the construction of the different IT is what is going to be done with the released tranche. Again, there is not a common approach chosen between the different countries and a spectrum of clarity can be highlighted. On the opacity end, Burundi's ICP does not provide any information on how it should be spent and/or when. Rwanda's IT only specifies that it should be spent in the sectors of intervention of the ICP. Uganda provides more elements with a specific time (FY2014/2015) and content (the two concentration sectors plus the environment). On the clarity end of the spectrum is D.R. Congo for which a specific time and content is determined with even specific amounts (cf. supra). The lack of clarity, mostly in Burundi's case, raise an evident concern on the politicization potential of the choice on the moment when the IT would be spent and on the nature of the programmes it would be spent on. This argument can however be counterbalanced with the opportunity that this politicization offers as a sub-tool for political dialogue, instilling reforms from the moment of release. In other words, if the IT is granted to the partner, the planning and repartition of the tranche can be another window for political dialogue to move forward on good governance issues. Nevertheless, the lack of predictability also undermines the capacity of the partner State to prepare and plan for aid and its effective execution<sup>13</sup>. One can therefore assume that the incentive of making the necessary improvement in good governance without the knowledge of the manner in which the IT would be spent is lessened.

### **Amount of the tranche and the possibility of its fragmentation**

A last element of the politicization potential of the IT is simply its envelope<sup>14</sup>. Two issues are important to raise here. First, all but one IT (D.R. Congo) stipulate that the amount available is a *maximum*. Such formulation leaves no guarantee for the partner country to receive the full tranche, even if it meets all criteria. In other words, if one country complies to all requirements of the IT, Belgium does not *have to* – or *engage itself to* – provide the entire envelope. As mentioned multiple times in this section, there is a strong reluctance of Belgium for a real commitment to offer predictability of the tranche to the partner with the inherent potential of politicization that it implies.

The second issue concerns all IT and is the possibility to fragment the envelope at a *pro rata* fulfilment of the criteria. Two sub-levels of uncertainty then arise. One is the “value” of a criterion. Should one criterion be valued by the division of the number of criteria? In other words, should a country which has achieved two out of four criteria receive half of the envelope? Or should each criterion have its own relative value? In Burundi's case for instance, should the criterion of successive positive reviews of the Poverty Reduction and Growth Facility by the IMF be worth more or less than the other criteria? If so, who should decide this fragmentation and how should it be decided? None of those questions are answered in the IT and therefore raise evident concern.

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<sup>13</sup> For discussions on aid predictability and the negative effects of aid volatility, see for instance Lensink and Morrissey 2000, Kharas 2008, OECD 2011b

<sup>14</sup> The envelope will also be the object of another argument – on the incentive potential of the IT for which the amount is not fixed in advance – see next session

The other level of uncertainty in regards to the fragmentation of the envelope – consequence of the first – is the *collective* value of the criteria. If questioning the relative value of each criterion is relevant, it is also important to question if these criteria have *any* value as standalones or if the added-value of an IT precisely resides in the fulfilment of *all of them*. In other words, a combined value that exceeds the sum of its parts. While the absence of any reference to a fragmentation of the IT may lead us to believe that such fragmentation is not imaginable<sup>15</sup>, two elements contradict, or least question it. First is of course the mention of a *maximum* amount of the envelope which can be interpreted both as a way to adjust the envelope even if the country has fulfilled all conditions but also if it has only *partially* fulfilled them. Second is the explicit reference to the feasibility of such fragmentation in the final recommendation of the Political Note on the IT (2013:11). Nevertheless, as mentioned earlier, this note was drafted *after* the conclusion of the ICP (and the IT) with the partner countries and therefore its applicability for the “current” ICP is questionable. It could be argued that it is a “change of rule during the game”.

The in-depth analysis of the architecture of the IT – without questioning their relevance, effectiveness or implementation at this stage – reveals a strong and general trend of politicization potential of the IT. Rwanda can be qualified as the least potentially politicized while D.R. Congo can be considered the most potentially politicized. Nevertheless, all contain major aspects of their design subject to interpretation and therefore potential politicization, whether it is embedded in the criteria through subjective formulations and unclear indicators, the timing of the evaluation or the use made of the envelope. It is worth mentioning that there are two mutually reinforcing sides of this potential: the risk of *politicization itself*, which would translate into a decision based on other factors than the ones intended in the IT (i.e. budgetary constraints, reputational risk of increasing aid to a country whose recent governance track record is not good even if it has met the conditions of the IT, please the partner government even if it has not met the conditions of the IT, etc.); and the risk of *perception of politicization* for which, no matter how justified the decision to grant or not the IT can be, the credibility of that decision will be shadowed by the perception that the decision was made on other grounds<sup>16</sup>. Both also have the potential to undermine the political dialogue between the Belgium and the partner country.

## **Relevance and effectiveness**

### **Nature of criteria: what means for what ends?**

Prior to the examination of the implementation of the IT, a second line of analysis should be explored: the relevance of the instrument as designed and the likelihood of its

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<sup>15</sup> An examination of all the discussions relating to the IT in Belgium’s Chamber of Representatives also reveals no indication on the consideration for such fragmentation and as we will later see, no decision in that direction have been taken so far.

<sup>16</sup> For interesting discussions on perceptions of politicization, see Bartels and Johnston 2012

effectiveness in regards to its objectives, starting by an examination of the nature of the criteria. Without going into the ideological debate on the means derive of the world at the expense of the ends (see Andrews 2014), it is important to raise the question of the connection between some of the criteria of the IT and the good governance objective of the tool. If neither the definition of good governance (see Weiss 2000) nor the way it should be measured (see Bovaird and Löffler 2003) are questions which yet to have found a strong consensus, researchers have tried to look into the relationship between the two.

Daniel Kaufmann and Aart Kraay have contributed to this discussion by distinguishing rule-based indicators (RBI) from outcome-based indicators (OBI) of governance and identifying virtues and limits to both (2008). They define the first as the “components intended to provide the key *de jure* foundations of governance” and the second as the “*de facto* governance outcomes that result from the application of these rules” (ibid, p.2). The table below summarizes the virtues and limits of the two types of indicator of governance

**Table 2 – Key characteristics of indicators of governance (source: Kaufman and Kraay 2008:5-12)**

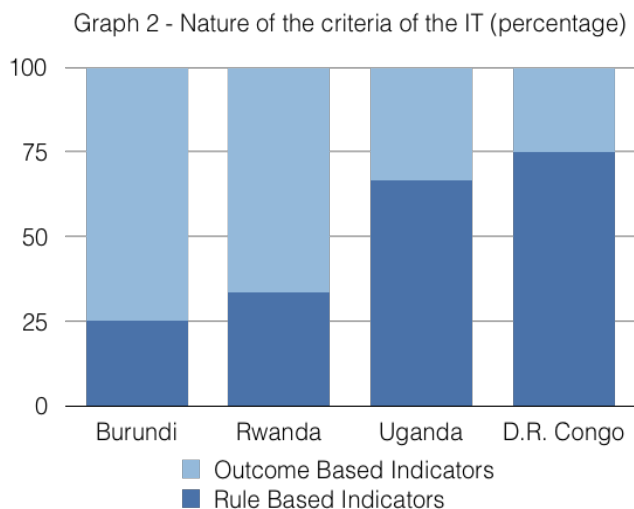
Nature	Main virtue(s)	Main limit(s)
Rules-based indicators	Clarity	Indicators often less objective and clear than they appear; complexity of the links between indicators and outcomes; “actionable” indicators do not necessarily have significant impact; major gaps may exist between rules and implementation
Outcomes-based indicators	Capture the views of relevant stakeholders	Indicators can be difficult to link back to interventions; often measured on arbitrary scales.

This distinction between rules-based and outcomes-based indicators and their respective advantages and drawbacks provides a heuristic framework for IT analysis. To do so however, it is first required to identify the two types of indicators within the four Belgian cases (cf. table 3). If most criteria are self-evident, a remark has to be made in regards of D.R. Congo’s criteria. Indeed, while all indicators seem at first glance to be outcomes-based, the use of the formula “the will to” changes their nature to “rules-based” as what is being assessed is not the outcome but the mean or instrument to attain it (the will).

**Table 3 – Distinction between rules-based and outcomes-based indicators in the IT**

Nature	Burundi	D.R. Congo	Rwanda	Uganda
<b>Rules-based indicators</b>	Validation of the action plan of the National Governance Strategy	Will to (1) substantially move up in the ranking of the “Doing Business”;  (2) obtain an equal or higher CPIA indicator score than the current one;  (3) continue progress with International Monetary Fund	Satisfactory proceedings of the article 8 dialogue in 2011 and 2012	Progress in the implementation of the recommendation of the ‘European Election Observation Mission’ regarding the appointment process of the Electoral Commission  Progress in membership of the Extractive Industries transparency initiative, with at least an official application for membership
<b>Outcomes-based indicators</b>	Declaration by two electoral observation missions that the 2010 elections have taken place honestly;  A CPIA indicator equal to or above 2.5;  Successive positive reviews of PRGF	Smooth conduct, before the end of 2011, of the electoral process	Progress with respect to the third component of the CPAF as assessed by the Joint Budget Support Review and confirmed by a 75% performance of related indicators.  Progress with respect to Media Development as assessed by the Joint Governance Assessment and confirmed by a score of 2.5 in the IREX	In the assessment by the EU COM and in the “underlying principles” of the Joint Budget Support Framework process, a positive evolution in the respect of human rights over the period 2012-2014.

Interestingly, all IT possess a combination of rules-based and outcomes-based indicators, but at very different proportions (see graph 2). These proportions are compelling to highlight for a better understanding of methodological concerns in the construction of the IT. Nevertheless, as Daniel Kaufmann and Aart Kraay have suggested, both have the potential to assess a positive evolution in the governance of a country. Therefore, RBI and OBI should not be valued differently based solely on their nature (“Is it better or worse to have more or less of each in an IT?”).



However, this potential does need to be examined for the IT’s criteria. And so in two interdependent ways. One is through the lens of the relevance of the criteria to evaluate progress in governance; the other is the suitability of the criteria in the specific setting of the IT.

### **Outcome-based indicators (OBI)**

#### Are the OBI in the IT relevant to assess a positive evolution in the governance of a country?

The very essence of the IT allows to bypass the main limit of OBI, which is their link to interventions. Indeed, the IT is an outcome-based envelope detached from direct Belgian interventions. In other words, the indicators do not have to be the identified result of a specific programme.

Notwithstanding the use of vague formulations (cf. supra), the achievement of the chosen OBI would indeed bring about better governance. If critics exist on the indicators used (i.e. CPIA, IREX, PRFG reviews, etc.), these often represent standardized assessment methods of governance. Honest elections, a positive evolution in the respect of human rights, positive reviews of the PRFG are largely justifiable measures for better governance.

Nevertheless, one issue is important to raise in the ways these indicators are used in some of the IT which is the need for Burundi (and D.R. Congo<sup>17</sup>) to achieve a score that is “equal to or above” the current one. If the objective of the IT is to give incentive to improve governance, the requirement of an *equal* score instead of solely an improved one is highly questionable in regards to the effectiveness of the instrument.

#### Are the OBI relevant in the specific setting of the IT?

<sup>17</sup> This argument is relevant for D.R. Congo even though – as explained earlier – these criteria are considered here as RBI.

Taking a step back to examine the OBI in the context of the IT reveals an important drawback to the chosen OBI indicators. Indeed, most of the indicators are not indicators specifically designed for the IT but rather external indicators mobilized for the tranche. Only Rwanda's third component of the CPAF (Common Performance Assessment Framework)<sup>18</sup>, which is the Enhanced Gains through Good Governance, is a nationally-based OBI (cf. infra).

This is important because of timing, availability and ownership. While it is not clear for all IT (cf. supra), evaluation is planned to take place between six-months and two and half years after the beginning of the ICP. Considering that a year's external indicators is based on the previous year's data, the actual improvement possible for which the incentive is founded on is very limited. For instance, what would be the incentive – under the IT – of Burundi's government to improve its governance if an evaluation occurs in 2010, when the efforts would not have yet been showing in the CPIA score available?

Timing of the external indicators also raises a political concern. If the indicators capture a previous year's data, therefore the governance information used in the evaluation can be a year old. In the case of important governance problems between the moment of the last available data year and the moment of evaluation, the granting of the tranche becomes politically sensitive even though all the criteria could be met on paper. The effectiveness of the tool can thus be weakened.

Finally, relying only or mostly on external indicators does not facilitate the ownership or appropriation of the partner whose focus of work is most often on its own national development strategic framework which already contains indicators.

### **Rules-based indicators (RBI)**

Are the RBI in the IT relevant to assess a positive evolution in the governance of a country?

If the OBI in the IT benefit from not having to link themselves to interventions, RBI do have to link together indicators and outcomes to be relevant (cf. supra). In that regard, all seven RBI in the IT are questionable. Indeed, whether it is the validation of a plan – even if slightly mitigated by the beginning of an implementation, the multiple “will” to do something, article 8 proceedings, implementation regarding an appointment process or a membership to a transparency initiative, the connection between the indicator and an ameliorated governance is neither direct nor evident. Would the positive assessment of D.R. Congo's will to move up the ranking of “Doing Business” index mean that governance in the country has improved? The lack of substantiation to answer this question for the RBI strongly affects the efficacy potential of the instrument. Moreover, clarity of the criteria – already examined earlier in this work – is also not a strength of the IT.

Are the RBI relevant in the specific setting of the IT?

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<sup>18</sup> The CPAF is a tool by which Rwandese Government and its development partners jointly measure progress towards the achievement of the Government's stated strategic priorities. This progress is assessed by the Joint Budget Support Review where Rwanda and its partners are represented (WB 2012)

Two elements are worth mentioning in answering this question. First, RBI and more generally means-indicators are subject to the risk of iso-morphic mimicry by « adopting the camouflage of organizational forms that are successful elsewhere to hide their actual dysfunction », as defined by Lant Pritchett, Michael Woolcock, and Matt Andrews (2012:2). Interpreted widely, iso-morphic mimicry represents a way for actors to formally comply with demands or requirements while not actually moving towards outcomes, or even undermine them. Concretely Burundi's government may very well validate a plan for a National Governance Strategy, create an anti-corruption court to begin its implementation while not achieving any concrete impact in terms of an improved governance if the court only exists on paper or if it is only used to investigate and prosecute members of opposition parties.

Interrelated to the issue of iso-morphic mimicry is the incentive to move beyond the rules to reach implementation. The assumption that, based on the "reward" of setting the rules in place, the actor would push further towards implementation is not obvious. Nadia Molenaers and Leen Nijs indeed argued in their evaluation of the European Commission Governance Incentive Tranche in 2008 that "when the benefits have been gained ex-ante, the recipient's (agent) incentive to comply is very low" (2008:2).

### **Final remark on both OBI and RBI**

Another aspect of analysis of both OBI and RBI has not been touched upon in this work so far, which is the methodology used to select them. This issue relates to the wider questions of ownership and donor-led reforms. This scrutiny is however not possible due to the unavailability of the information, whether it is because it has not been made public or simply because it does not exist. On what grounds do these criteria have been selected? Did it involve the partner and if so at what level? Has there been a systematic political economy analysis of each criterion to determine its realist nature, the capacity of the partner to attain it or the implications for the stakeholders or for the internal power dynamics? Has there been a coordination of the donor community in regards to the demands made? All are questions important to mention even if their answers are out of the reach of this research.

### **(Absence of) substantial connections with Belgian interventions**

Evaluating the effectiveness potential of the IT also involves a wider look at the instrument itself beyond its components. Part of this discussion has to turn to the links between the tool and the cooperation programme it is a component of. Even though governance is a "theme of particular attention" (Burundi, Rwanda) or an "integrated theme" within the sectors of concentration (D.R. Congo and Uganda), Belgian interventions in the ICP are not directly linked to the fulfilment of the criteria of the tranches. Based on this reality, a few have flags have to be raised.

In the introduction of this working paper, we mentioned the uniqueness of the IT in the landscape of conditionality. An aspect of this singularity is also its hybridity. On the one hand it is an ex-post conditionality tool in nature by being a results-based modality of aid. On the other, a core component associated with a results-based aid practice is the strong



link between interventions and conditions (Klingebiel and Janus 2014). This link is indeed a major point of distinction between the second generation conditionality<sup>19</sup> from which donors have often moved away from due to its mixed results (ibid), and the more recent practice of results-based aid for which this interaction – often operationalized at a much more micro-level – is key (Keijzer and Janus 2014). Stephan Klingebiel and Heiner Janus explain:

“One important distinction between second generation conditionality and conditionality in the context of results-based aid is the nature of conditions. Second-generation conditionality focuses on political conditionality aspects, meaning conditions that are not directly related to the specific aid intervention. Aid is used to incentivise reforms of the broader political system beyond the scope of donor-funded interventions in specific sectors. Conditionality in the context of several results-based aid approaches, however, explicitly addresses technical triggers closely related to the outcome of a specific aid intervention” (2014:§8)

The effectiveness of the IT could therefore be jeopardized by this hybridity; a strength of a results-based approach being balanced by the weakness of the conditions associated to a more traditional conditionality. Two related risks are worth mentioning. One is the risk of isolating the political dialogue on governance in the tool itself and its evaluation. This may lead to a situation in which (1) if the partner abandons the idea of meeting the requirement of the criteria, the political dialogue on governance as a whole may be absent or meaningless or (2) that governance issues outside of the scope of the criteria of the IT is not admitted to the political dialogue by the partner. The second risk combines the absence of link between the instrument and the interventions and the externalisation of most indicators. These detachments may lead to a weaker political dialogue between Belgium and its partners as there may be little interest and reason on both sides for a strong and constant dialogue on the issues covered by the IT beyond its evaluation itself.

### **Facing the ambition: proportionality and capacity for change**

Carrying on the evaluation of the effectiveness potential of the IT, we now turn to the crucial aspect of *leverage*. Governance issues are sensitive ones and the interests of the stakeholders may well differ from the donor perspective. Leverage is however very difficult to measure. The absolute value of the envelope of the tranche has indeed little heuristic worth in anticipating its effectiveness as incentive for governance improvements. Nevertheless, some objective elements can be taken into considerations. Three incremental factors can help evaluate this leverage: (1) Weigh of development cooperation; (2) Weigh of Belgium as an actor of development cooperation; and (3)

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<sup>19</sup> Two generations are often referred to in the literature when conditionality is discussed. The first generation aimed at economic policy reform is mainly reflected by the World Bank and Internationale Monetary Fund structural adjustment programmes. The second generation is concerned with building a right policy environment and is associated with political conditionality with focuses on accountability, transparency, and recognition of human rights (ibid).

Weigh of the Incentive Tranche as part of Belgium development cooperation. These are defined below and their data presented in the table 4 below <sup>20</sup>.

- (1) Weigh of development cooperation** (green in the table) as measured through an indicator of the aid dependency of the country. As it has been argued elsewhere (See Girod and Tobin 2016, Mackie and Zinke 2005), the threats to suspend development cooperation flow – an inversed but similar logic to the IT – have a greater chance of achieving results where aid dependency is higher. The data used here is the percentage that the total ODA represents in the Gross National Income (ODA as % of GNI)<sup>21</sup>.
- (2) Weigh of Belgium as an actor of development cooperation** (yellow in the table) as measured through five indicators: (1) the amount of the ICP (ICP); (2) the amount of Belgian ODA (BE ODA); (3) the amount of total ODA (Total ODA); (4) the ratio of Belgian ODA to Total ODA (BE ODA/Total ODA); (5) the position of Belgium as a bilateral donor based on ODA contribution (Ranking of BE as bilateral donor); and (6) the position of Belgium as donor (including multilaterals) based on ODA contribution (Ranking of BE as donor)
- (3) Weigh of the Incentive Tranche as part of Belgium development cooperation** (red in the table) as measured through three indicators: (1) the amount of the IT (IT); (2) the ratio of the IT to the ICP; (3) the ratio of the IT – broken annually – to the total development cooperation.<sup>22</sup>; and (4) the ratio of the IT – broken annually – to the GNI.

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<sup>20</sup> The data used for all of these elements is from the year in which the ICP was agreed upon. This choice was made as the data of that year best captures the elements on which the stakeholders base their decisions upon.

<sup>21</sup> The choice of the ratio of ODA to GNI rather than the ratio of ODA to the national budget was done over the consideration that the first is more representative of the aid dependency of the regime (i.e. the elite in power) that most likely will be leveraged by the aid provided (ibid).

<sup>22</sup> To calculate the ladder, it is assumed that the IT would be disbursed in the last two years of an ICP (as planned for D.R. Congo's), therefore the amount used is half of the envelope. As the amount of the envelope is in euros and the ODA data available is in US dollars, the conversion of the amount of the IT was made at the rate of the date of the ICP agreement. The information is the following: Burundi (22 October 2009) 1,49 ; D.R. Congo (21 December 2009) 1,43 ; Rwanda (18 Mai 2011) 1,41 ; Uganda (5 avril 2012) 1,31. Tool for conversion: Oanda. Available at: <http://www.oanda.com/lang/fr/currency/converter/>

**Table 4 – Indicators of leverage potential (source of data: OECD/DAC data through Aidflows.org and ICP)**

Country	ODA as % of GNI	ICP (€M)	BE ODA (US\$M)	Total ODA (US\$M)	BE ODA/ Total ODA (%)	Ranking of BE as bilateral donor	Ranking of BE as donor	IT (€M)	IT/ ICP (%)	½ IT/ Total ODA (%)	½ IT/ GNI (%)
Burundi (2009)	32,5%	200	53,8	584,4	9,2%	1	2	50	25%	4,2%	1,3%
D.R. Congo (2009)	13,4%	400	182,4	2324,4	7,8%	3	5	100	25%	2,1%	0,3%
Rwanda (2011)	18,4%	200	75,6	1258,7	6%	3	7	40	20%	1,6%	0,3%
Uganda (2011)	10,3%	64	14	1621,7	0,8%	10	Outside the top 15	10	13,5%	0,3%	0,03%

However imperfect, the combination of these three factors provides an idea of the potential relative incentive value of the instrument as leverage for Belgium in the political dialogue for the improvement of governance in a specific country.

Other important factors of course come into play in this potential such as diplomatic, historic and trade relations. Nevertheless, it can easily be argued that the importance of these ties between Belgium and a development country is translated by the level of aid provided by Belgium and its place as a bilateral donor, factors taken into consideration here.

Country conclusions can be drawn based on these data.

**Burundi's IT** incarnates the greatest financial incentive for the partner and best potential leverage for Belgium. The combination of an important aid dependency of the country, a significant place of Belgium as donor – being the first bilateral partner and a contributor to multilateral organizations – and a relative weight of the IT (a quarter) within its cooperation gives a relatively strong leverage potential to the instrument.

**Congo's IT** however cannot claim such leverage strength. ODA – and therefore Belgian ODA – represents a smaller part of the country's GNI and even though the envelope of the IT is itself significant relative to Belgium's ICP, the leverage potential is not as important as Burundi's, especially considering the position (third as bilateral and overall fifth) of Belgium as donor in D.R. Congo.

**Rwanda's** aid dependency is greater than D.R. Congo's but is counterbalanced by a weaker spot of Belgium as donor (third as bilateral but overall seventh) along with a smaller envelope for the tranche relative to its ICP.

**Uganda's IT** is the one with the least leverage potential to instil governance improvements. Indeed, Belgium is the tenth most important bilateral donor with an ODA representing only 0.8% of the total ODA in the country, an IT that constitutes 15.6% of the ICP (the lowest of the IT) which would represent only 0.03% of the GNI. The financial incentive for the government to move forward the conditions of the IT can easily be overcome by the incentive not to achieve them, for instance on the requirement related to natural resources.

These conclusions are however based on the indicative envelope of the IT. The incentive potential can be further hampered by the previously made argument of the lack of clarity on the amount itself of the envelope, whether it is a *maximum* and if it can be split.

The analysis of the relevance and effectiveness potentials of the IT confirms and deepens the important drawbacks highlighted by the analysis of the politicization potential in the design of the instrument. Whether it is the intrinsic flaws of the rules-based or outcomes-based indicators of the criteria, the weak link between interventions and conditions or the proportionality and capacity to induce improvement in governance, the relevance and effectiveness of the tool are strongly undermined by its components and architecture and even more when it is contextualized in the partner country.

### Part III. From instrument to incentive: a difficult implementation

The consequence of the politicization and weakened relevance and effectiveness potential has been a difficult implementation. Paul Magnette, the Minister of development cooperation between the end of 2011 and the beginning of 2013, mentioned that difficulty during a session of the External Relations Commission of the Parliament in July 2012 when referring to the Congolese IT:

“I do not want to criticize what has been done before I arrived but the criteria as expressed are not easy to evaluate. They refer to external indicators (World Bank, CPIA, IMF) as well as a smooth electoral process, which is always a little bit vague to evaluate. It will therefore not be easy to judge these criteria but for the sake of credibility of the Incentive Tranche instrument, it is important that we get there anyway” (BCR 2012:3)<sup>23</sup>.

The most visible result of the inherent flaws of the instrument is that none of the IT have had a similar outcome so far. Burundi’s IT was granted, Rwanda’s was refused, D.R. Congo’s was never discussed and the official evaluation (and decision) of Uganda’s has been postponed.

This section does not intend to (re)evaluate the criteria for each IT in order to determine if the decision (or absence of) taken was *right* or *wrong*. Not only because this exercise has already been done in some cases (Seurs, Ysewyn and Risch 2012, Van Laer 2014) but also because the arguments highlighted in the previous sections make it mostly irrelevant in the evaluation of the instrument itself. Moreover, a detailed analysis could not be matched up with the Belgian evaluation as it was not made public beyond a positive or negative response.

Rather, this section touches upon the implementation as a process. To do so, it will first look at the timing of the evaluation – if an evaluation occurred – and the questions that the difference with the initial planning raise. A short sub-section will then be devoted to the way the decision on the allocation or refusal of the IT was portrayed in the media. Finally, a specific focus will be given to the two envelope for which a decision was officially taken, Burundi and Rwanda.

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<sup>23</sup> Original quote in French: « Je ne veux pas émettre de critique sur ce qui a été fait avant que je n'arrive mais les critères tels qu'ils sont énoncés ne sont pas faciles à évaluer. Ils font référence à des indices externes (Banque mondiale, CPIA, FMI) ainsi qu'à un bon déroulement du processus électoral, ce qui est toujours une chose un peu vague à évaluer. Il ne sera donc pas facile de porter un jugement sur ces critères mais pour la crédibilité de l'instrument de la tranche incitative, il est important que nous y arrivions malgré tout ».

### **(Actual) timing of the evaluation**

When compared to the initial planned timing, none was evaluated in due time. Burundi's occurred in June 2012 instead of September 2011, Rwanda's took place more than a year after the initial date (September/October 2013) and Congo's and Uganda's never officially took place. The difference between those two is that in Congo's case, the ICP in which the IT was a part of was replaced with a new intermediary ICP, therefore "closing" the IT issue under the former. In other words, to this date, Uganda's IT is the only one still running.

If the reasons behind the postponement of the evaluations are often unclear<sup>24</sup> and/or unjustified, they reinforce the politicized nature of the instrument or the weakening of its relevance and effectiveness. Indeed, on the one hand, if we presume that internal factors are responsible for the delay, the absence of respect of the timing by Belgium reflects a certain degree of politicization that allows it. On the other, if contextual factors cause the the postponement of the evaluation, the relevance and effectiveness can be questioned.

Indeed, two main contextual factors may delay the evaluation: (1) a negative outcome of the evaluation is anticipated and neither Belgium – to not undermine the political dialogue – nor the partner country – to not be singled out on governance issues – wish to officialise an evaluation and decision process; or (2) contextual factors undermine the evaluation process either "physically" (i.e. a conflict occurs) or symbolically (i.e. the criteria may be met but considering other violations, it is politically impossible for Belgium to grant additional funds to the regime for improvements in governance). Either way, postponing the evaluation process only undermines the credibility and therefore the relevance and effectiveness of the instrument.

Moreover, the postponement has potential consequences for the evaluation itself. Firstly, if the evaluation is delayed, the extent to which the indicators have to be used will be questioned. On the one hand, from a results-based perspective, it is relevant to extend the period of analysis to the last available data – the greater the period between the indicator and the evaluation, the greater there is a risk of inadequacy between the decision and the context at the time of that decision. On the other hand, in a formal perspective, extending the initial period of these indicators – especially in the cases in which it was explicitly mentioned (ie. Rwanda and article 8 proceedings or Uganda and the 2012-2014 human rights evolution review) – can be perceived as "changing the rules during the game" and can of course have a negative impact on the outcome of the evaluation.

Secondly – and as we will see in Rwanda's case below –, delaying the evaluation may result in the unavailability of some of the indicators which may in turn force Belgium and its partner country to negotiate over other indicators to rely on. However, the negotiation would not be on the indicators but on the liberation or not of the IT as the data of the

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<sup>24</sup> The reasons may be linked to internal Belgian causes (elections, change of Ministers, budgetary, etc.) or related to the context (for instance the 2012 crisis of development cooperation in Rwanda following UN reports of the country's support to M23 rebellion which led to suspensions from many donors of part or entire programmes of development or the 2014 crisis of development cooperation in Uganda following the passing of the law on homosexuals)

indicators would be known by both parties. Finally, the delay in the evaluation can only reduce the theoretical interval (cf. infra) in which the envelope released can be disbursed. For instance, Burundi's tranche was granted in mid-2012, allowing theoretically only a year and a half for the identification and formulation the 50M€ envelope in the 2010-2013 multi-annual cooperation programme.

### **From incentive to sanction or reward**

In the implementation of the instrument, the politicization potential and/or the perceived politicization potential actually led to a sanction/reward media treatment of the outcome where there was one. For Burundi, Belgian newspapers referred to the tranche as a "bonus" (La Libre 2012) and a humourist even used the liberation as basis for a radio column in which he depicts it as a throw of money out the window in a corrupt country (RTBF 2012a). For Rwanda's IT, the titles in the press emphasize a sanction-related vocabulary rather than the outcome of the evaluation of an objective tool. For instance, "Belgium deprives Rwanda of 40 million euros" (Le Soir 2012) or "Belgium refuses the last payment of Aid to Rwanda" (RFI 2012).

### **Burundi: the only release**

#### **The decision (and leverage on national policy making)**

During a Ministerial visit in January 2012, Paul Magnette, then Minister of Cooperation, declared himself "optimist" on the release of the IT envelope in Burundi (7sur7 2012). Five months later, in June 2012, he announced that Burundi has met the criteria of the IT and therefore that Belgium would release the entire envelope of 50M€ (RTBF 2012b).

Initially planned for September 2011, the decision over the IT was postponed to early 2012. In September indeed, one of the criteria was clearly not met: the validation of the action plan of the National Governance Strategy. The plan was approved by the political forum in May 2011 but the validation by the Council of Ministers was still pending. The negotiations were however at a very advanced stage, with Belgium being the lead for the donors in the discussions with the Burundian government (Seurs, Ysewyn and Risch 2012 :5). The IT was therefore an important leverage for Belgium in these discussions that eventually led to the validation by the Council of Ministers of the 2011-2015 National Strategy for Good Governance and the Fight against Corruption on 20 October 2011 (MPGGP 2011).

Even though the direct impact of the IT on the adoption is hard to evaluate, according to the Minister of Cooperation, Jean-Pascal Labille, "If we had not made the establishment by the Burundian authorities of a national plan to fight against corruption a condition for the release of this tranche, the question would undoubtedly have been less discussed"<sup>25</sup> (BCR

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<sup>25</sup> Original quote in French: "Si nous n'avions pas posé comme condition à la libération de cette tranche l'établissement par les autorités burundaises d'un plan national de lutte contre la corruption, la question aurait sans aucun doute été moins débattue"

2013b). In other words, the IT revealed to be effective in the political dialogue with the Burundian authorities on the adoption of the strategy.

### **Ex-post requirements: A conditional disbursement?**

The release of the IT did not initially foresee additional conditions for the disbursement of the envelope. Paul Magonne however indicated to the Belgian Chamber of Representatives that the implementation of the envelope was subject to the creation, by the Burundian government of a monitoring mechanism which would, on a trimestral basis, update all the monitoring tables of the implementation of the national strategy on good governance, the national strategy on the fight against corruption and the national strategy on the fight against poverty (BCR 2012:35). If the existence of conditions for the disbursement of the envelope does not seem irrelevant in the dialogue with Burundian authorities for the implementation of the different national strategies, the *creation* of new unplanned criteria for the effective disbursement further hampers the predictability of the tranche and deepens the politicization of the tool on the Belgian side as it moves away from a contractual agreement where both parties hold their end of the bargain.

The monitoring did however take place – not in a trimestral but annual frequency – through the Strategic Forum of the Donor Coordination Group (GCP). The advances in the implementation of the national strategies and the Strategic Forum of the GCP remained however weak (SVP-NCCA 2014:27-28). A capacity building project was financed by Belgium to reinforce the Ministry of Good Governance but the project as well as the Strategic Forum were suspended following the electoral crisis in 2015 (MFA 2015).

The major crisis that is now taking place in Burundi should also force Belgium to reflect upon its instruments of cooperation, whether it is their nature, design or the way they are implemented. Indeed, signs of degradation of the political situation and of governance related matters have surfaced way before the release of the IT in 2012<sup>26</sup>, which has nonetheless been released.

### **ICP disbursement rule and the “poisoned” gift of the IT**

A last element of Burundi’s granting of the IT should be mentioned here in this work. Some interviews conducted have highlighted that the release of the tranche turned out to be a “poisoned gift” in regards to Belgium’s aid commitment to the country. Indeed, a general rule of Belgian cooperation wants that 100% of the envelope of the current ICP be formulated and 50% executed before launching a new multi-annual programme with the partner (BCR 2012:15). The consequence of topping up 50M€ to the 150M€ would be to enlarge the basis upon which this formula is calculated and therefore to extend the current ICP – and the financial budgetary commitments – until the formulation and execution rules are reached. Nevertheless, the reality of the “poisoned gift” nature of the tranche cannot be confirmed as there is no internal consensus as to the applicability of the rule in this case for two reasons. First the 50% rule was adopted *after* the signing of the ICP with Burundi. And second, the integration of the tranche into the calculation of

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<sup>26</sup> See for instance the International Crisis Groups reports in 2011 and 2012, respectively entitled “Burundi: From Electoral Boycott to Political Impasse” and “Burundi: Bye-bye Arusha?” (ICP 2011, ICP 2012)



the ICP spending is itself debated as some have argued that it is a standalone top up that is not part of the ICP.

## **Rwanda's refused IT: a mix message?**

### **The decision**

In December 2014, the Belgian Embassy in Kigali released a press statement in which it recalls the criteria to grant the IT and then asserts: "After an assessment of those criteria, the Belgian side has found that that extra budget could not be disbursed, since some criteria are no longer relevant and other criteria have not entirely been met" (2014).

### **Issues with indicators and in-course adaptation**

Two issues stand out in the decision, one related to the relevance of criteria, the other to their fulfilment. As explained earlier, the latter will not be discussed here. Nevertheless, the relevance is key to assess the instrument itself. Indeed, out of the potential problems identified above, some arose for the evaluation of Rwanda's IT.

#### Timing of Article 8 evaluation.

Initially planned for September/October 2013, the evaluation and decision on the IT only took place in December 2014. If the question raised in the previous section on the extent to which criteria should be used in the evaluation process remains open for most criteria, the criterion on the satisfactory proceedings of the Article 8 dialogue is formally limited to 2011 and 2012. How *relevant* or otherwise politically feasible to limit to these two years when two more dialogue have taken place may be one answer to the relevance issue of the criteria signalled in the decision.

#### Availability of indicators and in-course adaptation

Another issue that may result in the conclusion made on relevance of the criteria is the availability of the IREX Media Sustainability Index (MSI). Indeed, at time of evaluation the latest IREX data available was only for 2012, a year for which Rwanda would not meet the 2.5 requirement (1.94)<sup>27</sup>. No index has however since been released<sup>28</sup>. The sole use of the 2012 index could therefore be problematic. The criterion however foresaw the possibility that the IREX MSI would not be available and included a clause which stated that "If these indicators are not available at the time of the Mid-Term Review comparable indicators (in terms of content, international acceptance and annual assessment) will be used" (cf. supra). Nevertheless, as anticipated earlier, negotiating for a new index at the time of evaluation can only be led by the knowledge of the outcome wished by the actors. Drawing the conclusion of irrelevance may therefore be the product of an impossible negotiation.

The criterion related to the progress of the "Enhanced Gains Through Good Governance" (EGTGG) component of the Common Performance Assessment Framework (CPAF) suffers from a similar unavailability but the causes behind that unavailability is relevant to our

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<sup>27</sup> IREX data for Rwanda available at <https://www.irex.org/resource/rwanda-media-sustainability-index-msi>

<sup>28</sup> The 2015 index for Rwanda should be released in 2016.

analysis. As mentioned earlier, the CPAF is a tool by which Rwandan Government and its development partners jointly measure progress towards the achievement of the Government's stated strategic priorities. The progress is measured annually through the Joint Budget Support Review (JBSR) in which Rwanda and its partners are represented (cf. supra). Two assessments are relevant for the IT timeframe. The FY2010/2011 JBSR revealed that out of the fifteen indicators of the EGTGG, nine were reached, three were not and three were not going to be assessed before FY2012/2013. The 75% objective of the available indicators for FY2010/2011 was therefore met. In turn, the 2011/2012 FY JBSR revealed that eight indicators were met, two were partially met, two were not, one was unavailable and two were not to be assessed before FY2012/2013. 66.6% of available indicators (8/12) were reached, thus not attaining the 75% benchmark.

As evoked earlier, a crisis between the donor community and Rwanda occurred in 2012 following the UN Report on the support of the country to M23 rebellion (Van Laer 2014:13). As a consequence of the crisis, donors suspended their budget support to the government of Rwanda which also indirectly impacted the "joint" character of the Budget Support Review, the development partners no longer being part of it. The FY2012/2013 JBSR was therefore not held in the same manner as the previous ones and no scoring took place. Accordingly, no evaluation against the 75% benchmark could occur. Unlike the IREX MSI criterion, no alternatives were envisaged, leaving the criterion mostly irrelevant. Nevertheless, the unavailability is not extraneous to governance issues as it is product of a crisis between donors and Rwanda on the basis of the crisis related to the reported M23 rebellion support.

### **Refusing the extra envelope while providing extra budget support**

The last phrase of the last paragraph of the above-mentioned Embassy press release on the IT's refusal is somewhat puzzling: "To ensure the continuity of the ICP and show commitment to the long-term partnership, Belgium decided this month to allocate 18 million € extra in budget support for the Rwandan health sector" (2014)

In the same press statement, Belgium therefore concludes that the conditions for an extra envelope based on governance criteria are not met but in turn decides to provide 18 M€ - almost half of the initial IT amount - in sectorial budget support to its partner.

The extra budget envelope provided to the health sector may have been an anticipation to the postponing of the next ICP after the 2017 elections in Rwanda, announced a few weeks later, in January 2015 (RTBF 2015a). Alexander De Croo, the current Minister, has indeed expressed his will to not sign new ICP in the Great Lakes region *before* the different elections processes have been held (Burundi 2015, R.D. Congo 2016 and Rwanda 2017). In this scenario, the extra-envelope would therefore serve as a "bridge funding" between the current ICP and the next in order to not jeopardize the predictability of aid in a key sector of Belgium's development cooperation in Rwanda.

Nevertheless, if this "extra" amount is not officially spent out of the incentive envelope, the real distinctiveness remains questionable. In fact, a few elements blur the lines between, on the one hand, a combination of a refusal and an extra budget provided and, on the other, this extra budget as a partial release of the tranche.

The first element is simply the public confusion around the distinction. An article in the New Times, Rwanda's main English speaking daily newspaper, addresses Louise Mushikiwabo's – Rwandan Foreign Affairs minister – response to the press on Belgium's refusal to release the envelope. Acknowledging the withholding of the fund, she stated that "Belgium has every right to release aid money or not, it's their sovereign decision, they do what they want with their money" (New Times 2014). Nevertheless, according to the article, "she also disclosed that Belgium had recently had pledged to release Euro 18 million of the Euro 40 million "incentive" package" (ibidem). Even if the extra budget support in the health sector is not part of the IT, the distinction seems unclear for – or made unclear by – the Rwandan authorities.

Moreover, the amount (18M€) as well as the sector (Health) of this extra budget correspond to the foreseen disbursement amount (maximum of 40M€) and sector (health being a sector already present in the ICP) of the incentive envelope. In other words, if the extra envelope is not a fragment, it strongly appears to be one and allows for confusion on the message sent.

Finally, a last important element to highlight is the channel through which this extra amount will be disbursed. Budget support is often considered as channel for development cooperation in countries where governance standards are the highest (see Hayman 2011). "Sanctioning" a country for not having met the necessary governance improvements while "rewarding" its governance through budget support constitutes a contradicting message by which a questionable separation seems to be made between economic governance and political governance.

## Conclusion & recommendations

### Conclusion on the Belgian first generation of Incentive tranches

In its half-decade peer review of development cooperation of the members in 2011, the Development Co-operation Directorate (DAC) of the OECD was confident that the IT would “likely be helpful to Belgium in fragile contexts” (OECD 2011:73). Its hopes for improvements were in three areas: (1) political dialogue – “The ability to allocate an additional tranche if the partner meets a set of conditions provides scope for political dialogue” (ibidem), (2) good governance and (3) implementation of development programmes – “This new tool will allow Belgium to hold its partner accountable for creating the conditions needed to implement the development co-operation programme successfully”.

Whether it is because of design or implementation flaws, the 200M€ instrument has mostly failed to live up to its expectations<sup>29</sup>.

**As a development tool**, the effectiveness of the tranche has been very limited as only one of the four tranches has been released – Burundi. Moreover, the envelope itself has only been partly disbursed due – ironically – to a governance-related crisis.

**As an incentive tool for good governance**, the instrument has also mostly failed due to the simple observation that three out the four tranches have either been refused or not assessed. Moreover, the only country for which the tranche was granted is now, in the beginning of 2016, in a deep political crisis resulting in sanctions from most donors in Burundi<sup>30</sup>.

**As a political dialogue tool**, the instrument has had contrasted results. If it seems to have had an impact on the adoption of certain policies in Burundi in the short term, the longer term effects are more questionable. As for the other cases, the political dialogue ramifications have been either unnoticeable or even counter-productive.

Despite these conclusions however, we do not suggest here that the explanation of this lack of success is to be found in the nature itself of such a positive ex-post good governance performance based conditionality mechanism. Our analysis rather points to a double deficiency on the way the tool has been conceived and the way it was implemented in the four contexts of Burundi, Rwanda, Congo D.R. and Uganda.

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<sup>29</sup> The subsequent OECD-DAC peer review, in 2015, also emphasized this lack of success. Basing itself on the case of Rwanda, the report points out that the incentives proved to be difficult to implement partly because of a bad conception of the objectives and performance indicators, the difficulties in the evaluation of the criteria as well as the insufficient dialogue with the Rwandese authorities. Consequently, the report recommends that Belgium review its strategy and methodology to support positive conditionality (OECD 2015:61)

<sup>30</sup> Among others, Belgium and the EU have suspended their direct support to Burundian authorities (RTBF 2015b, Jeune Afrique 2016), France and the Netherlands have suspended their security cooperation (Le Point 2015, NLGOV 2015), The EU and the US have decided on targeted individual economic sanctions (The Guardian 2015, Council 2015) and the US has withdrawn the status of privileged trading partner of the country (WH 2015)

## Recommendations

### Implement the Political Note on the Incentive Tranche

A double set of conclusions arise from the examination of the Belgian first generation of IT. The first set relates to the tool itself and how should Belgium improve the design and implementation of a second generation of IT – if it should decide to reproduce the experience in the future.

As it may be recalled from the introduction, the Belgian Political Note on the Incentive Tranche, drafted in 2012, has a delicate status in the examination of the first generation of IT. In fact, it has been drafted *after* the setting up of all the four cases which therefore could not be evaluated against it. Yet, its existence during most of the life of this first generation has made it unavoidable in the IT implementation phase – for instance with regards to the uncertainty over its fragmentation (cf. *supra*).

A closer look at the Political note is even more inevitable when considering the recommendations to be made for potential future tranches. In this regard, we can refer to the typical answer of a realtor when asked what are the three most important factors of a good real estate investment: location, location, location. In the same way, we argue that the three most major recommendations for improving the IT as instrument of conditionality are: implement the note, implement the note, implement the note.

Indeed, the note covers most weaknesses identified in this working paper. Divided in four parts on (1) context and challenges, (2) vision, (3) priorities and (4) tracks for implementation, the document raises critical issues and provides fourteen recommendations to improve the instrument.

For instance, regarding the politicization of the instrument, the note poses as preamble to the creation of an IT the following questions: “Do we wish to and can we use this instrument with the partner country while assuming all the associated consequences for us as well as for them? Is there political will to be subject to the risks and consequences that goes with a sustained dialogue (...) and do we have the sufficient capacity in the Central Administration, in our Embassies and Cooperation services to concretely attain the underlying objective of the Incentive Tranche?”<sup>31</sup>. We can add that an incentive tranche should only be used when the current political dialogue with the partner country is sufficiently good. In this case, the criteria should be systematically reviewed during the regular partners’ committee meetings between Belgium and its partner but also through a permanent dialogue.

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<sup>31</sup> Original text in French: « souhaitons-nous et pouvons-nous utiliser cet instrument avec le pays partenaire en assumant toutes les conséquences qui lui sont associées tant pour eux que pour nous ? Existe-t-il une volonté politique d’être soumis aux risques et conséquences qu’entraîne un dialogue soutenu (...) et disposons-nous des capacités suffisantes à l’Administration centrale, dans nos ambassades et dans nos bureaux de coopération pour atteindre concrètement l’objectif sous-jacent de la tranche incitative ? » (BDC 2013:§2.3)

The document also emphasises the necessity to embed the tranche into a contractual framework in order to “prevent being perceived as a paternalistic reward or sanction”<sup>32</sup>.

The final section on the “tracks for implementation” identifies different factors of success for an improved IT in regards to: (1) the appropriation or ownership of the instrument – conditions should support (f)actors of change; (2) the clarity of the criteria – “the formulation of the conditions should be univocal”<sup>33</sup>; (3) the credibility of the process – the IT should not be another way to enlarge the ICP with known-to-be fulfilled conditions and the envelope should not be released if the conditions are not clearly met; (4) the internal capacity reinforcement – political dialogue should be an integral part of the work of the Development cooperation Attaché; (5) the coordination with the actions of other donors; (6) the feasibility of the IT in terms of political will, expertise and resources; (7) the coherence between the conditions and the interventions that can contribute to their achievement; and (8) the continuity of the instrument as part of an integrated reform strategy.

The Political Note therefore constitutes a solid basis for Belgian policy makers to ameliorate the instrument.

### **Engage in a wider discussion on the Belgian approach on conditionality**

As already noted in the Political Note, an IT is *one of many instruments* whose objective is to bring about better political or technocratic governance in partner countries (2013:§2.2). As such, it should not be systematically used, neither on a geographical nor economic (i.e. low income vs. middle income countries) basis.

Instead, Belgium should engage in a wider discussion on conditionality, understood widely as conditions, incentives or partner engagements.

This should be done on two premises. One is the simple definition of conditionality as an “incentive instrument in the relationship between two actors, in which one actor aims at changing the behaviour of the other by setting up conditions for the relationship and by manipulating its cost–benefit calculation by using (positive and negative) material incentives” (Koch 2015:99).

The other premise are the contexts, both of the partner’s (including the presence, influence and actions of other actors) and of Belgium’s foreign policy (including cooperation, diplomatic, defence and economic activities).

Along with or in replacement of the Political note on the incentive tranche itself, Belgium should therefore develop a new approach to best tailor conditionality to its own context and the one of its partners. In doing so – and as we conclude – attention should be paid to the following elements.

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<sup>32</sup> Original text in French: “éviter qu’elle soit perçue comme une récompense ou une sanction à caractère paternaliste” (BDC 2013:§2.4)

<sup>33</sup> Original text in French: « La formulation des conditions doit être univoque » (BDC 2013:§4.2)

**The actors of cooperation.** Clarity on the role, implication and responsibility of the different actors of Belgian cooperation (headquarter, embassy, BTC, etc.) in the formulation, evaluation and follow up of conditionality measures.

**The channels of cooperation.** Differentiation between governmental cooperation, delegated cooperation, use of basket fund, support to international or local civil society in the approach to conditionality.

**The place as actor of cooperation.** Assessment of Belgium's own capacity to influence (politically or financially) the partner relatively to the conditions it imposes and internal coherence across its different partner countries.

**The partner and its complexity.** Quality of the existing political dialogue with the partner with a focus on the factors affecting it such as aid dependency and governmental discourse towards donors. Dependency of Belgium and/or other actors on the partner (natural resources, partner participation to peacekeeping mission, etc.). Identification of (f)actors of change to refine the conditions and prevent pressures to their non-achievement.

**The international presence.** Attention to the presence and influence of non-traditional donors and to the strengths and weaknesses of coordination of "like minded" ones, especially in the EU family. Multiple (contradictory) conditions from different donors jeopardize their fulfilment and Belgium should enshrine its approach within a multi-donor framework of engagements and incentives at country level.

**Multiple forms of conditionality.** Develop a model opening the possibility to utilize multi-level and multi-dimensional combinations of conditionality forms including positive and negative ex-ante and ex-post conditionalities.

**Technicality.** Weight the use of technical conditions as they can open the door to political changes but also to subversion in their technical but not substantial achievement.

**Micro-analysis of criteria.** Examine the local dynamics, institutional environment and even individual stakes of each criteria fulfilment in order to best assess the trade-offs behind the conditionality measures.

**Proportionality of the conditioned envelope or action.** Coherence between the conditionality instrument set out and the behavioural change expected with a specific attention to sensitive sectors (i.e. unlikely success of limited incentives for major reforms required regarding issues like police, army, justice, corruption, etc.)

**Embedment in national priorities and policies.** Adequacy between criteria and engagements made by the partner to enhance ownership and appropriation at different levels (see Collier, Guillaumont and *al* 1997, Molenaers and Leen Nijs 2008).

**Links with other interventions.** Closeness between sectors of interventions and criteria of conditionality with the gains in terms of support (see Morrissey 2002), legitimacy and "a place at the table" that it may incur.

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