

# CONCEPT NOTE ON INCENTIVES & PARTNER COMMITMENTS



ACROPOLIS

AID EFFECTIVENESS IN FRAGILE CONTEXTS





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The ACROPOLIS groups conduct academic research and provide academic services tailored to the Belgian development cooperation. Bringing together policymakers and researchers, their aim is continued professionalization and improvement in the quality and impact of the Belgian development cooperation policy. ACROPOLIS also contributes to the international visibility of Belgian academic expertise in development cooperation. The programme is funded by the Directorate-General for Development Cooperation and Humanitarian Aid (DGD) of the Ministry of Foreign Affairs, through ARES-CCD and VLIR-UOS. Three themes of work have been chosen for the 2014-2017 period: Aid Effectiveness with a Focus on Fragile Contexts; BeFinD - Financing for Development; and KLIMOS - Integration of the Environmental and Climate Change Themes in the Transition towards Sustainable Development.

### ACROPOLIS Aid Effectiveness with a Focus on Fragile Contexts

The research group working on Aid Effectiveness in Fragile Contexts gathers academic partners from Université St Louis Bruxelles (coordinating university), Universiteit Gent, Université libre de Bruxelles, Université Catholique de Louvain and Université de Liège. Its main areas of work are the operationalization of a fragile-sensitive approach for Belgium cooperation, risk analysis and management in fragile contexts, conditionality modalities, territorial multi-actor and multi-level approaches and support to local civil society organizations. The programme focuses its work on the Great Lakes Region of Africa and the Sahel.

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# Foreword

As one of its axis of work, conditionality has been a focus of research for the ACROPOLIS Aid Effectiveness in Fragile Contexts. In the beginning of 2016, the Belgian Incentive Tranche instrument was evaluated by the research team which mostly concluded in the ineffectiveness of the tool in the way it was built and operationalized in the four countries it was used. Recommendations were then made to review Belgian's approach to conditionality.

In parallel and with the support of ACROPOLIS, a note to the Strategic Committee was drafted and approved in February 2016 in which proposals of structural changes were made in order to increase Belgium's capacity to act in situations of fragility. As part of these structural changes, the document suggested the drafting of a new note on incentives and partner commitments to replace the 2012 policy note on the incentive tranche. The objective is to create or participate in a multi-donor framework of incentives and commitments at country level, which includes positive and negative conditionality (red lines and green lights). The note is mainly aimed at Belgian development actors (DGD, BTC and the field offices) even though a larger audience may be as part of an integrated country strategy and whole-of-government approach.

In agreement with DGD in March 2016, it was decided that the ACROPOLIS research team would work on a first draft of the new note, leading to this document. To enrich this process, consultations were held in Brussels in May 2016 and inputs from previous missions on conditionality (Burundi/Rwanda 2014, R.D. Congo 2016 and Burkina Faso 2016) were mobilized.



# CONCEPT NOTE

## INCENTIVES & PARTNER COMMITMENTS

### Introduction - context & challenges

In 2009, Belgium introduced a new instrument for its development cooperation: The Incentive Tranche. Built in four of its Indicative Cooperation Programs (ICP) – Burundi, Rwanda, D.R. Congo and Uganda), the Incentive Tranche was the allocation of an additional envelope if the partner met good governance related criteria. Meant to deepen the political and strategic dialogue with the partner country in order to promote specific elements of good governance, the instrument did not however prove to be fully effective, neither as a good governance tool nor as a development or political dialogue tool<sup>1</sup>. In 2012, an early reflection on the instrument led to a new policy note, covering most of its weaknesses and including numerous recommendations for its improvement. Nevertheless, the new note has not been utilized as no new incentive tranche was created since its adoption. Belgium's international development cooperation is now itself in mutation. With a shorter, more iterative and adaptive programming cycle (3-year-portfolios), the resort to Incentive Tranches as they were initially built is no longer feasible.

**A new framework for more tailored, relevant and effective incentives and partner commitments at country level is today necessary and is the substance of this note.**

Two preliminary remarks are however necessary. Firstly, this concept note is to be seen in articulation with other policy and strategic documents of Belgian cooperation and most especially the strategic note on situations of fragility as well as its internal processes such as risks assessment and management. Secondly, it is embedded in the principles and values of Belgian international development and as such has for common denominator the focus on dialogue and transparency.

<sup>1</sup>. See Leclercq, S. 2016. The Belgian Incentive Tranche: Lessons from a first generation. ACROPOLIS Aid Effectiveness in Fragile Contexts. Working Papers Series WP2016/002.

## From conditionality to incentives and partner commitments

For decades, conditionality has been the center of heated debates by and between academics and practitioners, whether it is on ideological or effectiveness grounds. The nature and operational mechanisms of conditionality have evolved greatly along these debates and along the transformations of international development itself.

In recent years however, numerous agencies and development actors have started to remove “conditionality” from their institutional and operational vocabulary. Even though this adjustment does not mean that programs are no longer tied by certain conditions, many actors are today reluctant to using the label “conditionality”. Terms like “triggers”, “benchmarks”, “particular engagements”, “hypothesis” or “guillotine clauses” are often used instead to determine the release ex-ante or ex-post of funds either as a reward or sanction of the beneficiary’s actions. More than cosmetic, this move away from conditionality reflects a triple trend.

(1) The use of the term “conditionality” has been increasingly politically sensitive due to the negative connotation it often carries. Whether it is because of its past uses (i.e. International financial institutions through the Structural adjustments plans) or its symbolic weight, the word itself has become sensitive in the relationship with the partners and its sole use is often perceived as running the risk of raising paternalist accusations.

(2) The mechanisms used to determine the allocation, suspension or termination of programs (both within and overall) have grown in complexity. Because today’s mechanisms are often multi-layered, multi-dimensional or multi-actor, the term “conditionality” and what is generally meant when used no longer accurately reflect these mechanisms.

(3) International development itself is mutating due to factors such as globalization, the focus on fragile contexts, the arrival of new actors (i.e. BRIC countries) or the decrease of the relative share of aid as resource of development with the rise of other supports such as trade, remittances, private flows or foreign investment. This transformation also impacts the nature of the relationship with partner countries, now more guided by “contractual forms” of cooperation, poorly translated by the classical understanding of conditionality.

**Belgium embraces these evolutions and, through this concept note on incentives and partner commitments, aims at working towards a better adaptation of its cooperation to the current challenges and opportunities of international development.**

## Objectives of the concept note

The central objective of the present document is to provide Belgian cooperation actors with an approach made of simple tools, guidelines and parameters to decide upon the relevance, nature and content of incentives and partner commitments mechanisms.

To do so, it should (1) build upon the lessons learned, (2) broaden the previous note on the incentive tranche and (3) acknowledge that a one size fits all approach cannot be effective.

- (1) Belgium should **learn from existing and past experiences**. This concept note aims at building upon the Belgian and international lessons learned and existing practices, not only at the DGD bilateral level but also through BTC, multilateral or other donors' experiences.
- (2) While relevant for the specific tool of incentive tranches, the present note aims at **widening the scope of the 2012 policy note** to cover all incentives and partner commitments set out by Belgian development actors.
- (3) An essential preliminary postulate to a pertinent approach is the acknowledgment that **there is neither a right algorithm** predefined to determine the right mechanism in the right situation nor a **one size fits all model** applicable in all countries. Rather, this note is a methodology to ask the right questions and find the best possible answers based on analysis, internal and external coordination and flexibility. This requires greater time and resources but is necessary for the quality and effectiveness of Belgium's international development.

By responding to these objectives, the Belgian approach should be able to mitigate the four major potential negative outcomes that may arise from incentives or partner commitments mechanisms.

- (1) First – and obviously – is the **absence of change** resulting from such a mechanism. In other words, the incentive or partner commitment fails to meet its objectives in terms of altering foreseen behaviors or outcomes.
- (2) Second is the **appearance of change** but with no actual positive outcome in regards to the desired results. Often referred to as "iso-morphic mimicry", it is the (legal, institutional or operational) adoption of the "the camouflage of organizational forms that are successful elsewhere to hide their actual dysfunction".
- (3) Third is the **polarization of actors**, no matter the level of implementation. A misuse of incentive or partner commitments tools can indeed have adverse effects on the national, regional or local contexts by, for instance, isolating actors of change and radicalizing hardliners or by becoming an obstacle to action if it provides grounds for actors whose interests or will are jeopardized by the programme (i.e. 'Do no harm' principle).
- (4) Fourth and last is the **loss of credibility** by Belgium as international development actor if incentives or partner commitments are not respected and none of the predefined consequences are implemented. The disbursement pressure should not take precedence over the respect of the terms of the programme or convention.

# A four pillar approach to incentives and partner commitments

Responding to these objectives requires a comprehensive approach between (1) the political and policy goals sought (“a vision for change”), (2) the tools or mechanisms available (“a typology of modalities”), (3) the blueprint principles (“a set of guiding principles”) and (4) the operational parameters to fine-tune the mechanisms (“a set of operational parameters”). These elements shape the four pillar approach decided on for Belgian international development choices in terms of incentives and partner commitments. These modalities can be of financial nature but also include non-monetary components.

## I. A vision for change

The first fundamental element of this approach is determining a vision for change and should be the bedrock to any discussion on mechanisms. Defining this vision is answering the following question: “**What do we** want to achieve in this **specific setting**?” As highlighted, three elements make up this vision: (1) the context of the partner, (2) the Belgian context and (3) the purpose of the modality.

- (1) There is no debate today that good development must start from the **context of intervention**. It is at the core of the agenda on aid effectiveness and the first key principle of Belgian’s strategic note on situations of fragility. The partner context is not only the institutional environment and the actors of change (“who is the incentive or the partner commitment built for?”) but also the nature and impact on the social contract between the government and its population or the presence, influence and actions of other bilateral or multilateral actors (i.e. the international community).
- (2) Often left out of the equation is the **context of Belgium** itself in the specific setting of its partner country. The issues of ambition and leverage are however key. Not only the position as actor of international development matters (importance as bilateral donor) but also other factors such as history, diplomatic ties, economic activities or public opinion count. Diagnosing and acknowledging its capacity to politically or financially incentivize or impulse commitment from the partner is crucial to maintain realistic and relevant aspirations for change.
- (3) The context(s) must be matched by a **policy objective given to the modality**. In other words, what is the mechanism used for? Is the incentive or partner commitment demanded an end in itself or is it an instrument used to achieve another goal – realize a specific project, foster political dialogue, secure sustainability, etc.? These questions are essential but often overlooked in the decision-making process. For instance, the nature of a mechanism will be dramatically different if the final objective of a programme is to bring water to a population or if it is to reinforce the capacity of the partner to bring water to its population.

## II. A typology of modalities

Building an approach to incentives and partner commitments implies that the nature of and resort to mechanisms is not pre-determined and should only be used when and how necessary. This section presents a general typology of the options available to Belgian development actors.

	Ex-ante	Ex-post
Incentives	<p><b>Pre-requisite conditions to the granting of (additional) funds</b>  Example: Granting funds for institutional capacity building if the partner passes the necessary legal and organizational justice reforms before the programme starts.</p>	<p><b>Performance-based mechanisms such as incentive tranches or top-ups envelopes</b>  Example: Determining if additional support or an expansion of the intervention zone is granted based on an independent study of the performances of communal police stations supported by the programme</p>
Partner commitments	<p><b>Triggers of suspension or reduction of funds before a programme or project begins</b>  Example: Deciding to not liberate the funds for a road building programme if the preliminary commitment of the authorities to provide and block the necessary budget for its 3-year maintenance is not met.</p>	<p><b>Triggers of reduction, suspension or termination of funds during a programme.</b>  Example: Suspending or reducing a health sectorial budget support if the predetermined redline clauses of political inclusiveness are not respected in the course of the convention.</p>

### III. A set of guiding principles

Once the objectives and options on the table are known, the translation of the first to the latter is not systematic and requires two types of lenses. One is a set of key principles to broadly guide the approach and the other is a set of operational parameters allowing to reach the most pertinent mechanism(s). The set of guiding principles are presented below.

- (1) **As multi-donor as possible.** Building incentives or partner engagements solely within a Belgian perspective has lesser chances of succeeding and can even lead to multiple contradictory engagements by the partner. Belgium therefore will, as much as possible, build or mobilize “coalitions of the willing” in its approach to incentives and partner commitments, including bilateral and multilateral donors, in order to reinforce leverage and increase the prospects for success.
- (2) **As multi-actor as possible.** While responsibilities for the incentives or partner commitments should be clear, the approach should engage widely with different national and sub-national actors, including local civil society.
- (3) **As multi-dimensional as required.** Most often, the vision set for incentives and partner commitments will not require a single type of mechanism but a combination of different complementary modalities to be effective. Belgium’s approach is therefore not limited to a choice between mechanisms but encourages, when necessary, the combination of mechanisms.
- (4) **As multi-level as required.** Likewise, according to their nature, mechanisms may often be required at different levels of programming and of the political-technical spectrum. Incentives or partner commitments may therefore, for instance, be needed at the ministerial, provincial, organizational or operational levels for the objectives to be met. Moreover, these multi-layered mechanisms may be anchored in a multi-donor perspective, if the incentives or partner commitments are rooted in other actors’ policies.

Necessarily combined, these guiding principles can lead, for example, to a set of mechanisms whereby (1) at the broadest political level, Belgian's human rights and governance red lines are aligned on the European Union's in order to increase coherence and leverage; (2) sectorial incentives are set in coordination with other bilateral or multi-lateral donors active in the sector; (3) sectorial partner commitments are defined in partnership with one or more like-minded donors; and (4) at operational level, a step-by-step approach can be designed with clear milestones along with commitments and incentives attached to them. This may include preliminary suspensive partner commitments in order for the programme to start and other incentives or partner commitments mechanisms with different degrees of green lights and red lights during the programme (i.e. some linked to disbursement, some to political dialogue, etc.) in a way that some do not cover the entire programme but rather certain results so that issues arising in one result do not prevent to move forward on others.

#### IV. A set of operational parameters

The final pillar to the Belgian approach is a set of operational parameters allowing to translate the vision and guidelines into concrete policy and programming modalities. These elements have to be kept in mind while defining the mechanisms.

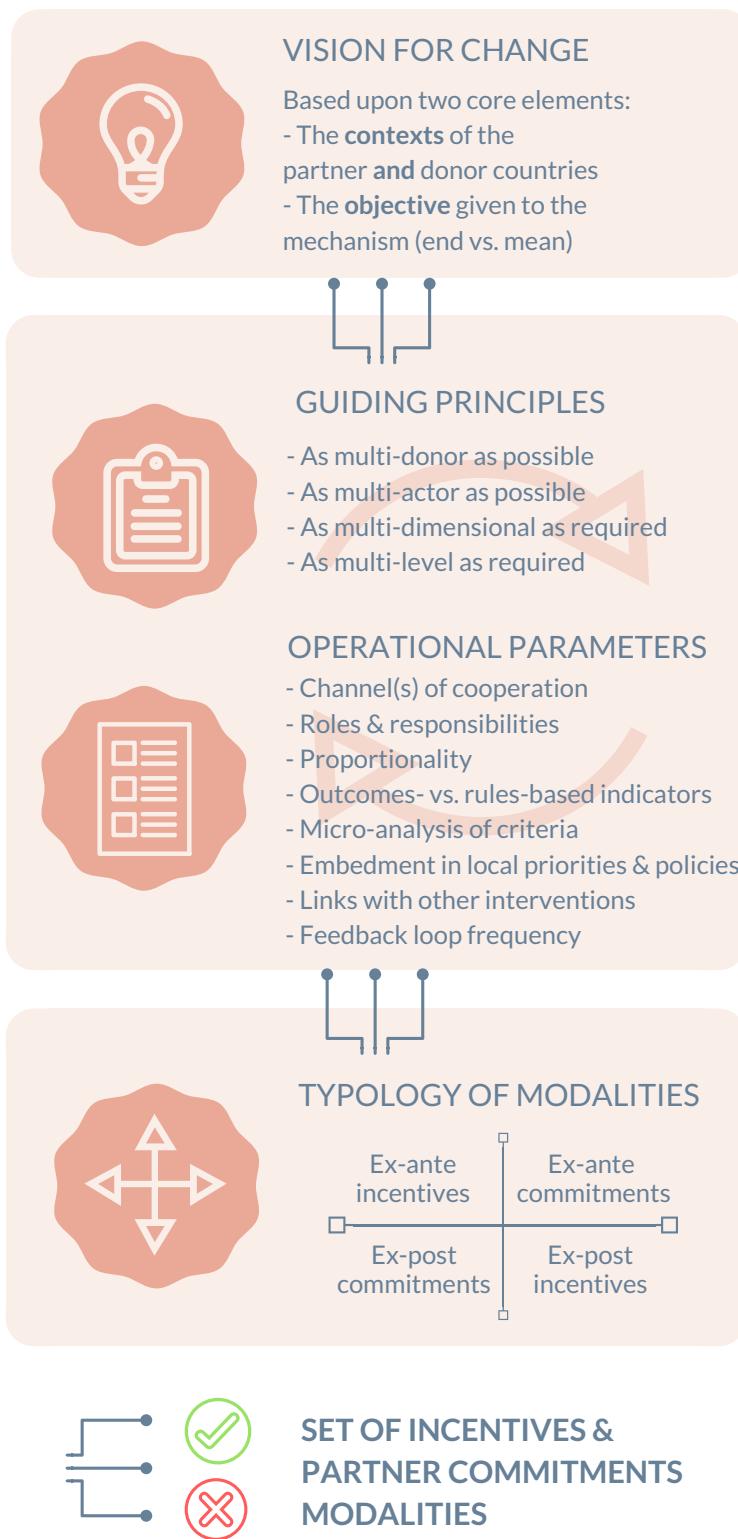
- (1) **Channel(s) of international development.** The foreseen modalities have to be filtered through and matched to the nature of the channel of cooperation. The type and ways mechanisms will be implemented will be different in cases of governmental cooperation, delegated cooperation, use of basket fund, or support to local civil society.
- (2) **Roles and responsibilities.** Inseparable from the question of channelling is the identification and division of roles and responsibilities in the mechanisms themselves among Belgian development actors (i.e. the Embassy foreign affairs and cooperation staff, Belgian Development Agency, DGD, representation in multilateral organizations, etc.).
- (3) **Proportionality of the incentive or partner commitment.** A Coherence between the modality set out and the behavioral change expected is necessary to maintain realistic and non perverse outcomes, especially in regards to sensitive issues in fragile contexts (police, army, justice, corruption, etc.).
- (4) **Outcomes-based (OBI) vs. rules-based indicators (RBI).** The indicators chosen have to be carefully examined to take better advantages and limits of rules-based or "process" indicators and outcomes-based or "results" indicators. A table, inspired by the work of Daniel Kaufmann and Aart Kraay on governance indicators is produced below. For instance, the resort to technical conditions or rules-based indicators has to be weighted against the risk of their subversion at the expense of substantial achievements or the risk of politicization of the "technical" aspects.
- (5) **Micro-analysis of criteria.** Each component of the mechanisms envisaged should be micro-analyzed. What should be examined are the local dynamics, the institutional environment and even the individual stakes of each criteria fulfillment in order to best assess the trade-offs (and potential risks) behind the modalities (i.e. political economy analysis, institutional environment analysis, etc.).
- (6) **Embedment in local priorities and policies.** Adequacy should be found between criteria and the engagement made by the partner to enhance its ownership and appropriation at different levels.
- (7) **Links with other interventions.** A strong connection between the sectors of interventions or funding and the incentive and partner commitment modalities is necessary in order to maximize gains in terms of legitimacy and political dialogue leverage.
- (8) **Feedback loops frequency.** Monitoring and accountability are key in the effectiveness of incentives and partner commitments mechanisms. The frequency and depth of feedback loops should therefore depend on the nature and arrangements of these mechanisms.

	Main virtue	Main limits
<b>Rules-based indicators (RBI)</b>	<ul style="list-style-type: none"> <li>RBI often offer better clarity in the modalities set</li> </ul>	<ul style="list-style-type: none"> <li>RBI are often less objective and clear than they appear</li> <li>Links between RBI and outcomes are often complex</li> <li>"Actionable" RBI do not necessarily have significant impact</li> <li>Major gaps may exist between RBI and implementation</li> </ul>
<b>Outcomes-based indicators (OBI)</b>	<ul style="list-style-type: none"> <li>OBI often better capture the views of the relevant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>OBI can be difficult to link back to interventions</li> <li>OBI are often measured on arbitrary scales</li> </ul>

Source: adapted from Kaufmann, D., Kraay, A. 2008. Governance Indicators: Where Are We, Where Should We Be Going? The World Bank Research Observer, 23, 1, pp.5-12

# BUILDING INCENTIVES AND PARTNER COMMITMENTS

## BELGIAN FOUR PILLAR APPROACH



# ANNEX A

## Examples

### Example 1 - a partner commitment

Suspend the liberation of funds for a road building programme if the commitment of the authorities to block the necessary budget for its 3year maintenance – and use towards this end as roads are progressively being built – is not met either prior to the programme or during it.

	Ex-ante	Ex-post
Incentives	Pre-requisite conditions to the granting of (additional) funds	Performance-based mechanisms such as incentive tranches or top-ups envelopes
Partner commitments	Triggers of suspension or reduction of funds before a programme or project begins	Triggers of reduction, suspension or termination of funds during a programme.

#### Vision for change

##### Context of the partner

Partner with poor governance and high country dependence on aid but low regime dependence to it due to other resources.

##### Context of Belgium

Political sensitivity of Belgium relations with the country but important aid commitment. Belgium emphasizes durability as a key criterion for disbursement and is willing to suspend programmes that do not meet it.

##### Objective given to the mechanism

Assure the durability of the road building investments of Belgium cooperation.

## Guiding principles

### As multi-donor as possible

Belgium is not the only development actor to provide support to road building and therefore is not only one confronted with the issue of durability beyond the programme length. A coalition of the willing could be built to conduct the political dialogue to gain leverage over the commitment as well as provide a common framework for monitoring, reporting and evaluating the commitments. Other donors may also foster leverage for the commitment if the road building programs facilitate the implementation of their programs by unlocking territories and access to populations.

### As multi-dimensional as required

The partner commitment can be combined with other forms of incentives and commitments to strengthen the chances of effectiveness. For instance, it can be linked to commitments made through a capacity building public financial management programme, through public procurement requirements at the macro level or to incentives in terms of training for the maintenance of roads itself.

### As multi-level and multi-actor as required

In the drafting of the partner commitment, roles and responsibilities should be identified so that it engages with a wide range of actors in the implementation or monitoring of the engagements. For instance, ultimate financial responsibility can be set at the Ministerial level (that set aside the necessary budget and provide the necessary financial proofs) with whom political dialogue is engaged; implementation responsibility can be set at the sub-national or contractor level with whom policy and operational dialogue for the actual maintenance of the roads is held; and monitoring (co-responsibility can be set at civil society level to reinforce accountability and state-society relations).

## Operational parameters

### Channel(s) of cooperation

As it is aimed at supporting the objectives of a bilateral programme, the modality remains within the scope of governmental cooperation between Belgium and Partner country.

### Roles & responsibilities

Belgian actors' division of roles and responsibilities should be clarified before setting up the commitment modality. For instance, the Ambassador (or Belgian Cooperation and/or Foreign Affairs Ministers) can play a key role in the the conduct of the political dialogue with the Minister and other bilateral and multilateral actors, the cooperation section of the Embassy can lead the monitoring of the commitment – collect and review the financial proofs of budget holding – and monitoring of the maintenance implementation based on and in coordination with BTC/BDA and international/local civil-society organizations (see infra) inputs at operational level.

### Proportionality

This partner commitment requires a triple examination in regards to proportionality. First, by ensuring that the mechanism itself reflects the necessary financial engagement to appropriately maintain the roads built. Second, by making sure that the partner has the capacity (financial and will) to respect that financial engagement. And third, by evaluating the leverage potential of (1) the trigger in regards to the programme ("is the modality proportional to the programme?") and (2) the suspension of the programme ("does the suspension matter for the partner(s) at the different levels concerned?").

## **Outcomes- vs. rules-based indicators**

The criteria of setting aside the necessary budget for maintenance and implementation of this maintenance after road work is realized is an outcome-based indicator that mixes both clarity and easiness to monitor.

## **Micro-analysis of criteria**

The modality is examined through an institutional environment analysis to determine if actors have an interest in the (non-)fulfillment of the commitment, if there are specific points of attention that should be monitored throughout the programme, if perturbations to the fulfillment of the commitment are expected, etc.

## **Embedment in local priorities & policies**

Two levels of embedment should be envisaged for this partner commitment. First is making sure that unlocking territories through road construction is part of the national and sub-national development strategies and political priorities, so that its suspension translates into leverage. Second is assuring that the partner commitment itself does not fall outside the scope of responsibilities and mandates at the different levels it involves.

## **Links with other interventions**

If the road construction programme is located in an area where other programs are being implemented, coherently linking the partner commitment to these other programs (ie. their own incentives / partner commitments) can reinforce leverage.

## **Feedback loop frequency**

Based on the nature of the partner commitment (a preliminary budget commitment and its disbursement through maintenance as road construction moves ahead), the initial assessment of the commitment is vital as it determines the occurrence itself of the programme. Nevertheless, the effective maintenance and its related disbursement could be envisaged bi-annually.

## Example 2 - an incentive mechanism

Provide additional support and an expansion of the intervention zone based upon an incremental system of rules-based and outcome-based indicators monitoring of the performances of communal police stations supported by the programme with reallocation mechanisms.

	Ex-ante	Ex-post
Incentives	Pre-requisite conditions to the granting of (additional) funds	Performance-based mechanisms such as incentive tranches or top-ups envelopes
Incentives	Triggers of suspension or reduction of funds before a programme or project begins	Triggers of reduction, suspension or termination of funds during a programme.

### Vision for change

#### Context of the partner

Partner with poor national and local governance, including its police forces.

#### Context of Belgium

Belgium wishes to focus its institutional support at a more decentralized / deconcentrated level and with a “more for more” approach to development cooperation.

#### Objective given to the mechanism

Provide incentives to all actors within the communal police system to reach concrete impacts for a programme aimed at reinforcing its capacity, accountability and legitimacy in the areas of intervention.

### Guiding principles

#### As multi-donor as possible

Even though it is a small country, as a sole actor, Belgium cannot cover the entire national territory. As it was done with The Netherlands in Burundi, a joint-programme allowing for a common approach (nature of communal police missions, etc.) with a common system of incentives allows for better coherence and leverage with authorities across country as well as provide a common framework for monitoring, reporting and evaluating the indicators linked to the incentives.

#### As multi-dimensional as required

The multi-dimensionality here would be found in the comprehensiveness and incremental nature of the system of incentives and the in-course adaptation and reallocation. For instance, if a communal police station does not meet a necessary benchmark, depending on the nature of that benchmark, the outcome can be a simple absence of the liberation of funds or a reallocation (a) to another communal police station, (b) to reinforce its capacity to meet the benchmark if considered necessary or (c) a reallocation towards another objective of the programme.

## **As multi-level and multi-actor as required**

Whether it is in the identification of the indicators or benchmarks that trigger the provision of extra funds or an extension of the intervention zone, in the implementation of the programme itself (as the nature and extent of that implementation depends on the steps achieved by the partners) or in the monitoring of the indicators, roles and responsibilities of multiple actors at multiple levels should be identified (ie. Ministerial level for the general framework of incentive system, communal police level for the specific incentives identification, local and traditional authorities and civil society organizations to foster the link between the programme and the population). For instance, some pilot communal police stations can be identified, whose primer role would of course be in the implementation of the programme but also, as benchmarks are met, this role can evolve around spreading the programme to their neighboring communal police stations (with funds for that extension and support). Also, civil society organizations can be involved through the co-identification with Belgium and the authorities of the indicators as well as with the responsibility to (co-)monitor them so as to reinforce state-society relations.

## **Operational parameters**

### **Channel(s) of cooperation**

In the case of a joint-programming with CSO involvement, it can involve different channels of Belgian cooperation such as multilateral cooperation, bilateral cooperation, delegated cooperation or CSO financing (through Embassy, BTC or DGD).

### **Outcomes- vs. rules-based indicators**

This incentive mechanism can use both types of indicators to better take advantage of their limits and opportunities. For instance, on the one hand, rules-based indicators such as the mapping into sectors of the territory under the communal police jurisdiction can occur at an early stage of programme implementation and can trigger additional funds for equipment and missions in the framework of the programme; on the other hand outcomes-based indicators such as the perception of security by citizens or legitimacy of the communal police can be used at a more later stage of implementation and trigger the expansion of the intervention zone.

### **Roles & responsibilities**

Due to the different channels that may be involved (cf. supra), Belgian actors' division of roles and responsibilities is key and should be clarified and formalized beforehand, particularly for the monitoring of the incentives indicators. For instance, the Ambassador and the cooperation section of the Embassy can play a key role at country level for the political dialogue with the national authorities in the drafting and monitoring of the general framework as well as with the high level coordination within the joint-programming modalities; BTC/BDA would assure the monitoring of the rules-based indicators of the incentive system and, in coordination with CSOs, the monitoring of the outcomes-based indicators.

### **Proportionality**

The issue of proportionality requires raising two simple questions: is the modality envisaged an incentive to the actors from whom it requires actions? If so, is it the right equilibrium between the objective sought by the incentive system and the interests and priorities of the actor in question? For example, the incentive of providing additional support to one successful communal police station if it trains its counterparts in a neighboring area might not be considered enough for its staff who feel they are entitled to individual extra-benefits.

### **Micro-analysis of criteria**

Like a partner commitment, the incentive modalities have to be examined through an institutional environment analysis to determine if actors have an interest in the (non-)attainment of the different indicators and if there are specific points of attention that should be monitored throughout the programme, if perturbations to the fulfillment of the commitment are expected, etc.

### **Embedment in local priorities & policies**

Incentive mechanisms should ensure that both the will (the programme itself) and the way (the different modalities / triggers) are embedded in local priorities and policies and correspond to the capacity and context of the actors.

### **Links with other interventions**

A concrete example of links with other interventions in this case can be the programs (through D3, the Embassy or BTC) to reinforce the CSO structures and capacities that can be involved in the monitoring of the incentives indicators.

### **Feedback loop frequency**

The incremental essence of the incentive mechanism sought here emphasizes the need for a continuous monitoring based on the nature of its indicators. This monitoring is however not handled by a single actor but rather by different ones depending of the modality and/or its level (cf. supra).

# ANNEX B

## Checklist

### Introduction

The objective of the checklist is to provide Belgian cooperation actors with a set of questions in order to guide them in deciding upon the relevance, nature and content of incentives and partner commitments mechanisms.

As a reminder, a typology of the major modalities available to Belgian actors is reproduced below.

	Ex-ante	Ex-post
Incentives	Pre-requisite conditions to the granting of (additional) funds	Performance-based mechanisms such as incentive tranches or top-ups envelopes
Partner commitments	Triggers of suspension or reduction of funds before a programme or project begins	Triggers of reduction, suspension or termination of funds during a programme.

## Vision – what do we want to achieve in this specific setting?

Key questions	Comments
What is the <b>general context of the partner</b> (level of governance, aid dependency of the country / regime, etc.)	
What is the <b>general context of Belgium</b> (relations with the partner country, political sensitiveness of the relations, political attention to certain sectors / areas / focus, etc.)?	
What is the <b>objective given</b> to the foreseen modality (an end in itself, an instrument to achieve another goal such as securing sustainability or foster political dialogue,etc.)?	

## Guiding principles

Key questions	Comments
<b>As multi-donor as possible.</b> Is there other bilateral or multilateral actors who can constitute “a coalition of the willing” regarding the foreseen modality in order to reinforce its leverage? And is there potential contradictory demands from donors resulting from the foreseen mechanism?	
<b>As multi-actor as possible.</b> Is it possible to engage with multiple actors (national, subnational, governmental and non-governmental) in the design and/or implementation of the modality (e.g. monitoring by local civil society)?	
<b>As multi-dimensional as required.</b> Can different types of incentives or partner commitments modalities be combined to increase effectiveness?	
<b>As multi-level as required.</b> Can incentives and partner commitments mechanisms be envisaged at different levels of the programming cycle and the political-technical spectrum, including by rooting them in other donors’ policies (e.g. relying on EU political dialogue mechanisms and red lines regarding human rights violations)?	

## Operational parameters

Key questions	Comments
<p><b>Channel(s) of international development.</b> How can the foreseen modality be matched (i.e. “fit for purposeness”) with the best channel of cooperation (e.g. governmental cooperation, delegated cooperation, use of basket fund, etc.)?</p>	
<p><b>Roles and responsibilities.</b> What would be the division of roles and responsibilities among Belgian actors in the design, implementation and monitoring of the modality (e.g. Embassy's foreign affairs and cooperation staff, CTB, DGD, representation in multilateral organizations, etc.)? And do they have the effective capacity to fulfill this role / responsibility (HR, mandate, financial)?</p>	
<p><b>Proportionality.</b> Is the foreseen modality coherent and proportional with the change expected?</p>	
<p><b>Type of indicators.</b> Are rules/process based indicators (RBI), outcomes/results based indicators (OBI) or a combination of the two best suited to reach the desired objective?</p>	
<p><b>Micro-analysis of criteria.</b> Have the indicators/criteria been carefully examined against the nature of local dynamics, institutional environment or individual stakes that their fulfillment would imply?</p>	
<p><b>Embedment in local priorities and policies.</b> Is there an adequacy between the incentive or partner commitment modality (and its indicators) and the strategies and priorities of the partner?</p>	
<p><b>Links with other interventions.</b> Can there be a connection between the sectors of interventions or funding and the foreseen modality?</p>	
<p><b>Feedback loop frequency.</b> Is the frequency and depth of the monitoring and evaluation of the indicators / criteria coherent with the nature of the modality and its objectives?</p>	