



Factsheet

Actors, Relations, Interests, Conflicts

How Cooperation works in Good Governance

Interaction is Key

Aiming at enhancing cooperation and coordination between the Zambian state and civil society, the Programme Democratisation, State and Civil Society (Good Governance) is dealing with a range of relationships between different actors. Professional and communicative interaction between actors is the basis of development cooperation. Interaction is fundamental for reaching the overall goal of the programme which is stated as: "Civil society organisations and networks support – responsibly – governance reform processes and the national poverty reduction policy."

Knowing the Actors

Successful cooperation with civil society organisations (CSOs) on development policy themes and programmatic priorities requires knowing the different actors in terms of what are their mandates and roles, who are their constituencies in the field of promoting good governance, how engagement with communities is structured, how planning and implementation of activities are done and finally, what impacts are achieved. Knowledge is also required on potential conflicts of interest between CSOs and cooperating partners as well as possible conflicts of interest between CSOs and state institutions as well as their membership partners. And finally, it has to be made clear what relationship exists between the Good Governance Programme and its civil society partners in Zambia. Is it a top-down relationship or a partnership between equals? Though the latter is aimed at by the programme, the dependency of civil society actors on external funding, which incurs the danger of vulnerability, may be the cause for an unequal partnership and for undesired and unintended outcomes of the cooperation.

The theoretical Basis

Looking at the relationship and interactions between actors from government, citizenry, and cooperating part-

ners and CSOs in particular, the Principal-Agent Approach represents a model for describing range and quality of relations. The Principal-Agent (PA) Approach is a core component of the New Institutional Economic Theory¹. This theory deals with the systemic analysis of the effects and structures of the institutional determinants of human behaviour.



Civil Society Day 2009: Bridging the information gap

The PA Approach differentiates the principal and the agent. In a PA situation the principal orders the agent to deliver material or immaterial services in the context of a contract which is defined as social interaction between the two actors. The principal grants the agent a certain restricted freedom of action which, however, can be used or even exploited by the agent to make decisions and act independently from the principal.

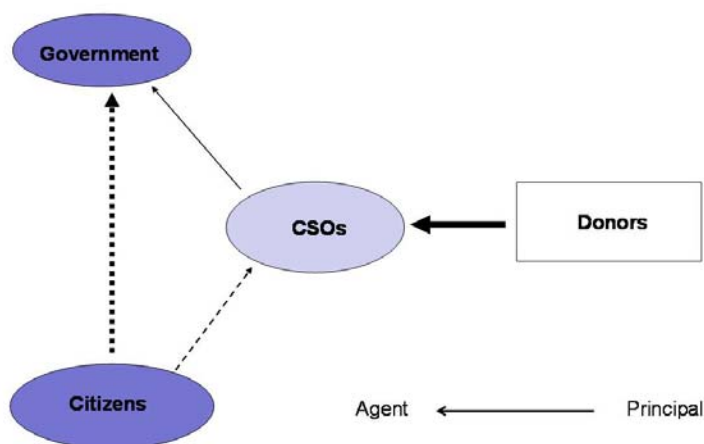
As a rule and an underlying assumption, all such contracts are incomplete due to the asymmetric distribution of information between the parties, whereby the agent usually has more information than the principal. Due to the cost involved of acquiring adequate and additional

¹ Lambsdorff, J. Graf, Schramm, M. and Taube, M (2005): "The New Institutional Economics of Corruption: Norms, Trust, and Reciprocity", Routledge, London 2005

information the principal usually lacks sufficient information. By using his information advantage, the agent will most probably follow his own goals and treat the principal's interests secondary. In the end, the asymmetry regarding information may result in some kind of exploitation of the principal by the agent.

Theory applied in Practice

Using the Principal-Agent Approach may help in the analysis of the multi faceted relationship between the main actors in development, viz. government, individual citizen, civil society organisations and donors. Applying the PA approach may allow to pro-actively identify possible conflicts of interest. The Good Governance Programme is acting in an environment where it is principal and the partnering civil society organisations are the agents. The model assumes the Good Governance Programme as donor.



The Principal-Agent Model: Four actors in Good Governance

Information makes the Relation

Government and citizens

Being the constituted and paid representative of the citizens of Zambia, the relationship between the government and the citizens can be described as a "basic contract" with the government being the agent and the citizens being the principal. Due to the lack of information of the citizens this constellation comprises quite a serious principal-agent problem. Considering the low representation of poor people in the political process while, at the same time about 70% of Zambia's population lives in poverty, a lack of access to one essential resource, which is information and knowledge and which would be applied to hold the government as the agent accountable becomes obvious. The Good Governance Programme aims at supporting civil society actors to connect the two actors and bridging the information gap between the principal and agent.

Donors and CSO actors

- Acknowledging three main functions of CSOs which are
- Contributing to state capability through participatory policy engagement in e.g. budget formulation
 - Holding the state accountable through investigations, engaging in dialogue and requesting response from state institutions and also proposing sanctions and change where the state is found to be lacking

- Contributing to building state responsiveness by identifying the needs of citizens, feeding back to state institutions results of socio-economic and socio-political research and community mobilisation requirement.

Most of the programmes supported by cooperating partners, including the Good Governance Programme, focus on capacitating CSOs in their effort of liaising citizens and government.

With the civil society organisations being the agents and the donors or cooperating partners being the principal, the latter usually having limited information on the CSOs' activities, the contract between the two, as described between the state and civil society above, also bears the risk of principal-agent problem. However, this constellation, contrary to the one between state and civil society, may experience a reduction of the mentioned problem since CSOs are receiving funds and thus have an incentive for aligning their interests and objectives with their donors by providing them with all information required. The aid contracts are further negotiated between the donors and the CSOs resulting to some extent at least in a balanced information exchange and in addition, to the transmission of – donor driven – governance values to the organisations from civil society.

What else impacts on the Relationship between Donors and CSOs?

The information gap is the core divide in relations between the principal and the agent. However, even a more balanced information level at both sides, resulting in a reduced principal-agent problem has impacts on the relationships at large².

Material aspirations

Taking into consideration the large number of unemployment in Zambia the provision of funding for civil society engagement may create material aspirations for employment, which in the end may stand contrary to the mandated performance of the organisation. If one assumes that the ambitions for securing funding being a core and hence, independent motive, the mandated objectives, programmatic aims and community based activities of a CSO could be undermined by the desire to raise additional funds and consequently, having the contractual obligations towards donors such as financial reporting in focus rather than the interests of the constituencies.

Agenda-setting turns into agenda-following

The alignment of interests between donors and CSOs is likely to cause a change in the initial task of CSOs from agenda-setting to agenda-following. This places serious constraints on home-grown strategies for development and the often emphasized ownership. By consequently losing the connection to the grass root level due to the either perceived or imposed development agenda of donors, CSOs also bare the risk of losing their legitimacy – if any – to voice the interests of their outreach member

² In addition to the PA Approach as described in the New Institutional Economic Theory, the reflections on the relations between CSOs and donors take account of the recent research by Masooda Bano, Dangerous Correlations: Aid's Impact on NGOs' Performance and Ability to Mobilize Members in Pakistan, World Development Vol. 36, No. 11, pp. 2297–2313, 2008

organisations and in the end, their constituency, which is the population at large. In this regard, donor-funded CSOs further seem to be less flexible in advocacy for citizen's interests and needs. In addition to their core mandate they are overstrained with their contractual obligations such as reporting, participating in donor meetings, preparing new proposals for funding etc. Donor-supported CSOs do not seem able to respond to a changing development and policy landscape as flexible as would be desirable.

Government and CSOs: A critical relationship

The relationship of government and civil society in Zambia though rather smooth with regard to service delivery and social welfare, has recently become rather confrontational with regard to issues such as participation, human rights and the rule of law. Government claims that CSOs are just criticizing the public administration and the state institutions instead of making result-oriented and constructive contributions. Government is further complaining that CSOs are lacking the ability to effectively gather appropriate knowledge on governmental processes and procedures.

An example of the confrontational relationship between the two actors is the new NGO Act passed by Parliament in August 2009, which is perceived as means to restrict the working environment of CSOs.

Urban bias

With a view to the aspiration for funding CSOs that are established at national level and work from either Lusaka or other urban areas – along the line of rail – may not be as active in their outreach as desirable and necessary. The concentration of civil society organisations in urban centres does not correspond with the geographical distribution of development needs in Zambia. Organisations that operate in urban areas have a tendency to implement prescribed programmes, which may not sufficiently respond to local needs and may not take into account local knowledge, interest and level of organisation in an appropriate manner. As a result many CSOs fail to stay connected to the grass root level and thereby lose their legitimacy, which is to voice the interests of the whole population. Being unable to mobilize a broad member base for better representing core interests of the population and at the same time being transparent in operations and accountable to them, it could be concluded that the contract partner of the CSOs are no longer the citizens, but the donors.

How to proceed?

The Principal-Agent Approach suggests a range of solutions based on the causes of the principal-agent problem the information asymmetry and the incongruity of the interests of the contractual partners. Solutions to PA problems can either be i) to improve the principal's information and/or ii) to bring in line the interests of both partners.

Aligning different interests

Bringing the interests of the principal and the agent in line constitutes a way of avoiding problems in establishing and maintaining relationships. By creating an institu-

tional environment in which the players face the same – or at least a well aligned and understood – system of objectives, perceptions and values the base and ultimately the incentives to share knowledge are established. Aligning interests most likely happens within CSOs that have a broad membership base. A broad membership base not only enhances the organisations' legitimacy to represent the interests of their constituency but also the potential for sustainability through efforts for diversifying the income sources. Consequently, donors should fund such CSOs and also actively encouraging them broadening their member base.

Establishing a certificate of quality

Obtaining credible information on the quality of the work of CSOs for example by receiving validated track record information, accepted certificates, audited accounts, bank guarantees in relation to contracts or an overall good reputation are means of preparing the way for a constructive and sound contractual partnership. The costs for obtaining such references should be covered by the agent itself, which is the CSOs. Such an approach is applicable for all three parties and relations, citizens and CSOs, government and CSOs and donors and CSOs.

Citizens and CSOs

Subscribing to a code of conduct for civil society organisations, which had to reflect the prevailing legislation and which would constitute the core value of the governance structure of civil society organisations would lead to more credible information and more transparency on the quality of work of CSOs. Citizens may be more willing to accept CSOs as kind of warden of their interest under such arrangement.

The NGO INSAKA initiative

With a view to establishing a code of conduct for CSOs including a self-regulatory framework, which also aims at offering credible information on their work, the Good Governance Programme contributes to an initiative called NGO INSAKA ("place to meet" in Bemba language).

Initially it was intended to propose a code of conduct for CSOs as alternative to the NGO Bill, which was re-tabled in mid 2009 and which has become an act by decision of parliament in August 2009. Notwithstanding the NGO Act, the NGO INSAKA initiative will propose a code of conduct for CSOs taking into account existing regulations and proposing an own regulatory mechanism. Developed and adhered to by the large number of INSAKA members, this code of conduct aims at representing a convincing alternative to regulation imposed by the state.

Government and CSOs

With CSOs having signed a common code of conduct stating their objectives, methods, principles, corporate values and transparent and participatory based governance structure, the government would be advised not to reject their suggestions on grounds of lacking governance within the third sector. A CSO owned regulatory mechanism is the base condition for transparency and accountability of CSOs.

Enhancing flexibility

Taking into account the limited flexibility of CSOs in regard to political changes, a further suggestion for enhancing the relationship between government and CSOs could be the promotion of basket funding. Flexible funding for thematic priorities and at the same time interconnected to the programmatic, for management and human resources development, would serve the overall purpose of assisting CSOs to become more specialised and develop their professional standing. The PA Approach with its potential for open dialogue and transparent information sharing would contribute to flexible relations between all partners.

Conclusion

The Principal-Agent Approach is an appropriate tool to analyse the relations between the Good Governance Programme and its civil society partner organisations. Knowing and acknowledging the complex structures and relationships between different actors and dealing with conflicts of interest through profound analysis, targeted consultancy and detailed thematic input for partner organisations constitute an important pattern in order to contribute to the overall goal of the programme and that of partners. Applying the PA Approach would allow identifying and at the same time overcoming constraints and strengthen the profile of partner organisations from civil society.

How the theory works in practice

Cooperation between the Good Governance Programme and AVAP

Being well aware of its position as principal in the cooperation with civil society organisations, the Good Governance Programme is intensively engaged in reducing the Principal-Agent problem. This can be exemplified illustrating the cooperation with one of the core partners of the programme, the Anti-Voter Apathy Project (AVAP). Established in 1995, AVAP is the key civil society player in systematically approaching voters, monitoring elections at different levels and liaison with parliament. The Good Governance Programme is providing financial as well as advisory and thematic support to AVAP. The PA Approach clearly assumes AVAP being the agent and the Good Governance acting as principal.

In order to further the cooperation and overcoming the PA-problem, the Good Governance Programme has elaborated the following aspects:

Bridging the information gap

By intensifying the cooperation in the form of a scheduled exchange of information, the Good Governance Programme gets a more detailed insight in the activities and current tasks of AVAP. In practice this is achieved by having one staff member of the Good Governance Programme directly providing advisory input in the headquarters of AVAP in Lusaka on a regular basis. This is a major contribution to overcome a possible information asymmetry and results in obtaining up-to-date information.

Promoting flexibility

As a means to achieve high flexibility, the Good Governance Programme is consciously minimising contractual obligations for AVAP such as reporting. Developing a standard format on reporting is one example of facilitating cooperation and by thus enabling AVAP to quickly respond to changing environment e.g. upcoming bi-elections.

Mobilising internal capacity and promoting agenda-setting

In view of the forthcoming presidential, parliamentary and local council elections to be held in 2011, AVAP has been working intensively on its new strategic plan 2009-2012. The Good Governance Programme has been supporting this initiative by providing extensive expert input while at the same time encouraging the development of a home-grown strategy of AVAP. The external expertise from an internationally experienced election analyst and observer was provided in the form of a comprehensive coaching and institutional learning exercise over a period of 25 days in June and July 2009. Almost all AVAP staff from the Democratic Information Centres and the national secretariat was engaged in creating the new strategic plan. In order to not impose own views and position the terms of reference and approach were intensively discussed with AVAP prior to the arrival of the consultant and then further fine-tuned during kick-off meetings with AVAP management. Additionally, the exercise included views from AVAP's partners. This approach has been promoting ownership and has been strengthening AVAP as an agenda setting actor.

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