Good Governance

Policy document
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List of abbreviations

ADC Austrian Development Cooperation and Cooperation with Eastern Europe
DCA Development Cooperation Act
EC European Commission
EU European Union
GTZ Gesellschaft für technische Zusammenarbeit
MDG Millennium Development Goal
OECD Organisation for Economic Co-operation and Development
PRS Poverty Reduction Strategy
SDC Swiss Agency for Development and Cooperation
SIDA Swedish International Development Agency
UN United Nations
UNDP United Nations Development Programme
Foreword

This policy document forms the basis for Austrian Development Cooperation and Cooperation with Eastern Europe (ADC) good governance activities. It is not a direct implementation instrument but provides answers to important questions on the definition of terms, fundamentals and medium-term objectives. Separate policy documents on human rights and conflict prevention and peacebuilding are also essential components of good governance as seen by ADC. Implementation is based on strategy papers derived from policy documents. Policy documents thus answer the question “what does ADC do” while strategy papers provide information on how ADC achieves its objectives. This policy document is meant for ADC staff in Austria and other countries and for ADC partners.

It is divided into five chapters. After the introduction, the second chapter deals with definitions of terms, the third chapter with challenges for ADC in the sector of good governance, followed in chapter 4 by a description of the ADC focuses and strategic orientation. The fifth and last chapter looks in greater detail at the concept of coherence.
Summary

Experience of the last few decades in partner countries in the South and in South Eastern Europe has shown that bad governance and the abuse of human rights severely jeopardise human development.

Good governance has thus taken on increasing importance in the last 15 years in development cooperation and is regarded today both in partner countries and by donors as an essential prerequisite for human development. It has evolved during this time from its original focus on economic processes and administrative efficiency to a subject with stronger links to democracy, the rule of law and participation. The Millennium Declaration represents the most forceful and explicit commitment by the UN Member States to date to the principles of good governance.

A functioning public sector that respects principles such as transparency and participation and is accountable to its citizens, a dynamic civil society that can express and respond to the needs of the poorest members of society, and a justice system that provides legal security all contribute to human security, poverty reduction, protection of the environment and hence to the objectives of ADC. Good governance is thus a theme of fundamental importance for all areas of activity.

This topic is already anchored in many ways in ADC activities: on the one hand through a pervading principle in the various work areas such as environmental protection, water supply and sanitation, or private sector and development, and on the other hand as an intervention sector in its own right relating in particular to specific programmes and projects to promote democracy and the rule of law, the protection of human rights, conflict prevention and settlement, and local governance programmes.

Building on achievements to date, ADC will continue to anchor good governance systematically at several levels in its work with partner countries so as to ensure a coherent approach and to increase the effectiveness of its activities. It will operate at various levels:

- **at the multilateral level** in the framework of the relevant coordination forums and working groups;
- in the **programming processes** in the partner countries, among other things through political dialogue and in harmonisation and alignment processes;
- in the budget support sector;
- at the programme and project level within the project cycle.
1. Introduction

Good governance has taken on increasing importance in the last 15 years in development cooperation and is regarded today both in partner countries and by donors as an essential prerequisite for human development. There is international consensus on the basic components of good governance.

Effective institutions and processes, the protection of human rights and democratisation, conflict prevention, civil society participation, combating corruption and the achievement of equitable economic and social results are the main components of this international consensus. Core elements of good governance are transparency, participation and accountability. International declarations such as the Millennium Declaration, the Declaration on the Right to Development, international conferences such as the International Conference on Financing for Development (in Monterrey) or the World Summit on Sustainable Development (in Johannesburg), and other relevant documents such as the Human Development Report of 2002 or the report by the United Nations Secretary-General “In Larger Freedom” of 2005 define good governance and human rights as important prerequisites for poverty reduction and development and confirm their mutual interaction.

For ADC, good governance is both a goal in its own right and a method for attaining its three main objectives of poverty reduction, protection of the environment and natural resources, and ensuring peace and human security (see the Austrian Development Cooperation Act [DCA]). It is already anchored in various ways in ADC but its status could be enhanced even further. This can be achieved by concentrating on particular focuses and by way of political dialogue and the specific implementation of programmes and projects within the project cycle.

2. Definition of terms

“In the context of a political and institutional environment that upholds human rights, democratic principles and the rule of law, good governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development.”¹

In terms of overall understanding and international consensus, good governance is an overriding concept from which can be inferred a number of fundamental principles and intervention sectors suitable for helping to achieve the aims of ADC. Experience of the last few decades in the partner countries in the South and in South Eastern Europe have shown that bad governance and the abuse of human rights severely jeopardise human development.

Good governance has evolved from its original focus on economic processes and administrative efficiency to a subject with stronger links to democracy, the rule of law and participation. This is also the understanding of ADC as it permits attention to be drawn to political and institutional processes and results and to the role of the state in the development process and its responsibility to its citizens.

Although good governance is not conclusively defined in international law, there are specific indications in various international documents about its meaning in an.

¹ Cotonou Partnership Agreement, Article 9.3
Anchoring in international law framework

Functioning institutions are essential for poverty reduction

International legal context. This can be seen, for example, in the United Nations Universal Declaration of Human Rights i) in Article 21, which recognises and stresses the importance of participation in government and ii) in Article 28, which states that everyone is entitled to an international order in which the rights and freedoms set forth in the Declaration can be fully realised.

The UN committees have also recognised the importance of good governance in their work. For example, General Comment 12 by the Committee on Economic, Social and Cultural Rights on the right to adequate food states that good governance is essential to the realisation of all human rights, including the elimination of poverty. The Committee on the Rights of the Child and the Human Rights Council also refer to good governance in relation to legal security and justice.

A functioning public sector that respects principles such as transparency and participation and is accountable to its citizens, a dynamic civil society that can express and respond to the needs of the poorest members of society, and a justice system that provides legal security all contribute to human security, poverty reduction, protection of the environment and hence to the objectives of ADC. Good governance is thus a theme of fundamental importance for all areas of activity (see Chapter 5).

3. Good governance as a challenge for ADC

3.1 Good governance – key aspect of poverty reduction

In a globalised world with a hitherto unattained level of economic, technological and political freedom there is nevertheless more poverty than at the end of the Cold War. On the one hand there are – at least officially – more democratically governed states than ever before; on the other hand, however, there has been an increase since the 1990s in the number of violent conflicts within states in which civilians are the primary victims. The percentage of the population of sub-Saharan Africa living on less than one dollar a day rose from 44.6 per cent in 1990 to 46.4 per cent in 2001.2

It is generally agreed that in an interdependent world politics and political institutions are increasingly important for human development. If institutions function inefficiently, the poor and disadvantaged (vulnerable) are the main sufferers: they are less able to defend themselves against violations of their rights or to demand and insist on the rights to which they are entitled; conversely, they are particularly reliant on functioning public services.

In the same way that human development requires more than just an increase in the income level, good governance is more than just the existence of an efficient public sector. It also calls for fair and responsible institutions that respect human rights. Governance structures must ultimately be fully responsible to their citizens, and the population must have the possibility of participating in discussions and decisions that affect their lives.

3.2 International framework

The developments described above are taken into account in the international framework. Austria contributes to the design and development of this international framework as a member of the international community. Within the United Nations (UN), European Union (EU), Organisation for Economic Co-operation and Development (OECD) and international financial institutions (IFIs), the promotion of

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2 UN Millennium Development Report 2005
good governance became an essential instrument on development agendas in the 1990s and often an integral component of programmes and projects. Awareness of the significance of good governance is also growing in partner countries. This can be seen, for example, in the peer review mechanism of the Member States of the African Union or the UN consensus documents such as the Monterrey Consensus (see Chapter 1).

The particular value of good governance can be seen by the fact that its terminology is pragmatic and that the concept has proved to be practical and expedient in relation to the functioning of society and its political system. Thus UN Secretary-General Kofi A. Annan describes good governance as the most important factor for development and the elimination of poverty. In this respect the Millennium Declaration represents the most forceful and explicit commitment by the UN Member States to date to the principles of good governance.

Good governance and the Millennium Development Goals

Good governance is a key to the achievement of the Millennium Development Goals (MDGs), which present the world for the first time with a compact set of international goals by which to measure poverty reduction, human development and environmental protection. The most recent report of the UN Millennium Project notes a number of positive developments, but also many other ones that give rise to concern and which put the achievement of the MDGs by the year 2015 at risk. It recommends donor countries and their multilateral organisations to choose a poverty reduction approach based on the MDGs and thus to support efforts in developing countries in the form of Poverty Reduction Strategies (PRS) to achieve the MDGs. In the bilateral context the MDGs should be formulated as specific operational goals for countries in the framework of bilateral programmes.

The Millennium Project Report stresses the importance of good governance for achieving the MDGs. Progress in the realisation of human rights, for example, has an impact on Goals 1 to 6 (right to food, gender equality, education and health). The building and promotion of capacities in the public sector has a positive effect on Goal 1 – halving poverty – because, for example, corruption can be more effectively combated, public services improved, human rights strengthened, and the living situation of the poor be improved in this way. Although significant progress has been made in the standardisation and development of governance indicators, on closer analysis the MDG indicators still have a very strong social orientation and pay less attention to democratic and participatory aspects.

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3 Positive developments noted in the UN Millennium Report include: reduction of poverty in Asia; 130 million fewer people live in extreme poverty; primary education in five development regions has reached 100 per cent; reduction of maternal mortality in many regions. Negative developments include: the poorest are becoming even poorer; increase in tuberculosis; child mortality is not being reduced quickly enough.
4. Good governance focuses

4.1 The current ADC policy

Poverty reduction, protection of the environment and natural resources, and peacebuilding are the main aims of ADC. Ownership, allowance for the social and cultural environment, the use of appropriate technology, gender equality and taking into account the needs in particular of children and people with disabilities are the guiding principles (see DCA and the latest Three-Year Programme). Good governance is important for all ADC aims and principles. It is best visible with regard to human security and peacebuilding, since democratic structures, the rule of law, observance of human rights and a culture of peaceful conflict settlement form the basis for human security. The Three-Year Programme also cites human security and human rights as aims of ADC, building on previous activities and the traditional focuses of Austrian human rights policy, including the protection of children in armed conflicts, empowerment of women, justice and the rule of law, protection of minorities, people with disabilities and internally displaced persons (IDPs) and the right of all people to food, education, health, and political and civil rights.

Good governance is already anchored in many ways in ADC activities: on the one hand as a common principle in the various work areas (environmental protection, water supply and sanitation, or private sector and development, see Chapter 5), and on the other hand as an intervention sector in its own right relating in particular to specific programmes and projects to promote democracy and the rule of law, the protection of human rights, conflict prevention and settlement, and local governance programmes such as decentralisation programmes that promote local participation, access to justice, etc. This policy document creates a common framework for the various measures and interventions.

4.2 Principles and intervention sectors

Building on achievements to date, ADC will continue to anchor good governance systematically in its work with partner countries so as to ensure a coherent approach and to increase the effectiveness of its activities. It will operate at various levels:

- at the multilateral level in the framework of the relevant coordination forums and working groups;
- in the programming processes in the partner countries, among other things through political dialogue and in harmonisation and alignment processes;
- in the budget support sector;
- at the programme and project level within the project cycle.

A stronger profile will also be achieved by focusing and concentrating on a number of principles and sectors (see Fig. 1). This breakdown will permit a targeted approach, facilitate management and demonstrate that the concept of good governance can take on a number of different forms. There is no exclusively valid model that can be directly implemented to achieve good governance.

Capacities within ADC partner countries vary considerably and range from effective partnerships to “difficult partnerships” and post-conflict countries. The concept of good governance offers sufficient scope to identify the potential for cooperation even in difficult situations.
The right mixture of instruments and ways of achieving objectives can be determined only by means of a governance analysis in a given country. Implementation calls for a process based on pragmatism and dialogue.

This policy document is implemented by means of detailed strategy documents, the provision of instruments and methods for programming and in the project cycle, monitoring and evaluation and greater coordination and cooperation between thematic experts and country desks (see Chapter 5).

Figure 1: ADC good governance – principles and sectors

<table>
<thead>
<tr>
<th>Principles</th>
<th>Human rights</th>
<th>Democratisation</th>
<th>Peace-building</th>
<th>Rule of law and justice</th>
<th>Civil society</th>
<th>Administrative reform</th>
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4.2.1 Principles

4.2.1.1 Participation, ownership and empowerment

Participation in development cooperation means developing and implementing activities jointly, based on the realisation that the active participation of those directly involved increases the sustainability of development, strengthens its legitimacy and promotes capacity-building (see Chapter 4.2.2.5). ADC encourages this kind of participation through good governance by involving all stakeholders in the implementation of its programmes and projects. Clear and transparent decision-making processes at the administrative level are an important element in the realisation of the participation principle and are essential for a functioning democracy.

Ownership means that any measure should be designed from the outset in such a way that those directly concerned can take it over and participate actively on their own responsibility. ADC endeavours to make its programmes, projects and programming processes transparent for all concerned and to carry them out with the participation of all relevant social groups. This also means that ADC works with existing institutions in accordance with their potential and capacities rather than building up parallel structures (see Section 1 DCA).
Empowerment is a process enabling disadvantaged groups to assert their rights. It also means enlarging the base and enhancing the potential of disadvantaged groups (particularly the poor) so that they can call institutions that affect their lives to account, negotiate with them and participate in them. On the basis of its past focuses and experience, ADC concentrates on local governance as an important area of intervention as it enables citizens to assert the rights that affect them directly, such as the elaboration of decentralised development plans.

4.2.1.2 Transparency and accountability

Accountability calls on the actors (a government, ministry, project manager or ADC) to bear responsibility for their actions. It is the opposite of arbitrariness and demands openness and the assumption of responsibility towards the population. This entails an obligation to transparency and traceability and to the effective provision of services. ADC must also act transparently and accountably and facilitate the functioning of control levels at the micro and macro levels. This increases the effectiveness and efficiency of projects and strengthens the administrative and political framework in the partner countries.

4.2.1.3 Mainstreaming of conflict prevention

Development cooperation in partner countries takes place in a wider political context and must therefore take account of the conflict potential of its activities. ADC partner countries are to be found in regions where violent conflicts are taking place, as well as in post-conflict countries and fragile states. As a quality assurance measure, all ADC activities call for a conflict-sensitive approach that permits identification of conflict potential. In practice, this means taking account of the interaction between the conflict and ADC activities with a view to preventing negative and exacerbating effects and strengthening positive, peace-promoting ones. The aim of mainstreaming and integrating a conflict prevention perspective into country programmes and projects is to reduce or resolve direct or structural conflicts (see policy document on conflict prevention and peacebuilding).

4.2.1.4 Combating corruption

In the context of the ADC commitment to good governance, corruption is to be understood as the behaviour of persons or representatives of the public sector that deviates from their official responsibilities and takes advantage of their power for private aims and enrichment. This behaviour is also often facilitated by private enterprises or donors. Corruption is therefore a symptom of poor governance and an important development policy problem in its own right.

A distinction can be made between individual, systemic (service sectors such as health or education) and political corruption (concerning party financing or elections, for example). ADC takes account of corruption in its programmes and projects by incorporating anti-corruption elements (anti-corruption clauses in agreements, quality criteria in project cycle management, monitoring, etc.). Corruption will also be emphasised more strongly as a theme within ADC at all intervention levels in programming processes, political dialogue and through specific anti-corruption projects.

In international legal terms, combating corruption is anchored in the United Nations Convention Against Corruption, which was drafted with the participation of developing countries. The EU has repeatedly stressed its support of this Convention.
4.2.2 Sectors

4.2.2.1 Human rights
All human rights (civil, political, economic, social and cultural rights) are universal, indivisible and interdependent. In a human rights context, poverty reduction starts with recognition of the equal dignity of all human beings and their right to an existence with dignity. Extreme poverty is not only the absence or deprivation of the right to accommodation, food, work, health and a reasonable standard of living, but also the absence of opportunities or the ability to exercise various political and civil rights.

The probability that states will achieve the aims of sustainable development and participative democracy is all the greater if human rights are respected. Observance of human rights is closely connected with other good governance intervention sectors, including democratisation, the role of civil society and the rule of law. The promotion and protection of human rights as a sector in its own right permits a targeted approach beyond the themes listed above or a focus on individual human rights. ADC operates at three levels: the level of political dialogue, the sectoral level and through integration of a human rights perspective into projects and programmes (see policy document on human rights).

4.2.2.2 Democratisation
The promotion of democratisation in ADC activities calls for the strengthening of democratic governance mechanisms. These include ongoing daily decision-making processes and mechanisms at the national, regional and local levels by which a country is democratically governed. The institutions, processes and traditions that determine decisions within a country need to be identified. The support of ADC in this area ranges from promoting access to information and civil society participation, parliamentary development, decentralisation processes and local governance to support in elections and reconciliation processes. ADC recognises that democratisation is a gradual and long-term process that takes place within a specific socio-economic and cultural context.

4.2.2.3 Peacebuilding and conflict prevention
The interaction between poverty, violence and disintegration of the state forms the background to the increased commitment by ADC to peacebuilding and conflict prevention as a principle and quality criterion (Chapter 4.2.1.3) and as a proactive commitment through specific peacebuilding measures. Based on its experience, ADC focuses its interventions on strengthening the justice and security systems, reintegration of those affected by conflicts, and promotion of local organisations (capacity-building and empowerment) involved in conflict prevention (see policy document on conflict prevention and peacebuilding).

4.2.2.4 Rule of law and justice
The rule of law and a functioning justice system entails in particular the impartiality of the justice system, the validity and observance of the constitution and laws derived from it, separation of powers and equality before the law and legal institutions. Experience in the countries of the South and East have shown that although legislation exists, the implementing provisions or the implementation itself are deficient. An active economic sector, transparent public administration and a functioning civil society require a normative framework that guarantees stability and fosters dynamic social and economic life. ADC focuses on the following levels to strengthen this framework:
improving access to civil and criminal law mechanisms (observance of standards, free legal advice, etc.)

- human security (observance of human and minority rights, see policy document on conflict prevention and peacebuilding)
- support for ombudsperson institutions.

4.2.2.5 Civil society

The term civil society includes all non-state organisations, in particular non-governmental organisations (NGOs) and other non-profit-making associations that represent specific public interests – consumer associations, unions, human rights groups and grass roots movements. The promotion of civil society involves empowerment, participation in decision-making processes of social and political relevance and also fostering a constructive relationship between civil society and the government and administration. Intervention can take place at the local, national and regional levels and through international organisations.

4.2.2.6 Administrative reform and the administration of public resources

A functioning administration ensures that public resources are distributed systematically and equitably, and that the government does not abuse its competences, does not intervene improperly, does not act corruptly and thus builds public confidence in the state and fosters private investment. It also means that reforms take effect and result in an administration that handles resources carefully and that can in particular fulfil its service function with regard to the poor. These goals can be served by administrative reform including policies with adequate control mechanisms, transparency and public responsibility so as to minimise corruption. To achieve improvements in these areas, ADC focuses on decentralisation and local governance, promotion of capacities and the development of technical capabilities and competencies (institution building).

5. Coherence, harmonisation and alignment

5.1 Coherence and coordination within ADC

Because of its universal character, good governance is of importance for all ADC activities. For example, this can be clearly traced in the sectoral policy on rural development where there are four direct entry points:

- through the emphasis on the particular importance of promoting decentralisation and democritisation processes for rural development, where participation and empowerment are the relevant governance principles
- in relation to conflicts caused by migration, resettlement or unsuccessful transformation from shared use of available resources to individual and market-controlled resources
- through the need to develop and strengthen the specialist competence of local administrations
- through the emphasis on equal perspectives for men and women and the recognition of the central role of women in rural development.

Gender governance in general is taken into account in ADC activities through specific projects to promote women and through gender mainstreaming as a strategy to achieve gender equality.

Good governance also plays an essential role in private sector development, where transparency, responsibility and accountability – of both state and corporate actions – not only make a positive contribution to private sector development but also reduce the risk of corruption. Formal entrepreneurship and investments are
inconceivable without an existing legal framework and the possibility of asserting rights.

ADC takes account of the connection between good governance and protection of the environment and natural resources at various levels. At the international level this takes place through global environmental governance (in climate protection, for example); at the national and local levels the implementation of laws and regulations and monitoring of their observance are promoted. At the local level, the focus is on legal insecurity regarding the use of resources.

Humanitarian aid activities are also embedded in the wider context of governance in the respective countries. Even with large-scale destruction, local structures are often the only functioning basis for the organisation and management of life in the individual households. The potential of local and national governments and NGOs and community structures as possible partners is taken into account in ADC humanitarian activities, since humanitarian aid very quickly moves from simply satisfying basic needs to longer-term projects such as the rebuilding of democratic administrative structures.

ADC will take greater advantage of the synergies in these interactions in future. The inclusion of a governance perspective is an essential component of this approach and means that participation, transparency and accountability as well as anti-corruption measures will be integral components of all programming and will be anchored in the project cycle. Greater cooperation and coordination between thematic experts and country desks in the elaboration of country and regional programmes, tendering processes, etc., will be a further element.

5.2 Coherence, harmonisation and alignment in Austria and the international context

To ensure coherence and maximum cooperation, ADC will seek and actively encourage dialogue with all partners. The exchange of information and discussion facilitates a shared learning process from which all concerned can benefit. By intensifying dialogue with all line ministries, e.g. through interministerial forums, ADC can also promote coherence in foreign, trade and defence policies. In an international context, Austria will further promote the implementation of good governance together with other partner countries in the various forums, committees and working groups.

Where ADC works directly with partner governments, the subject of good governance will be qualified in detail through political dialogue, in particular in country programming and in the harmonisation and alignment processes. The latter serves to increase the effectiveness of work, lowers transaction costs and promotes ownership of and alignment to ADC partners, a commitment that Austria undertook as a signatory to the Paris Declaration on Aid Effectiveness in 2005.
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