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# Institutional Development in Norwegian Bilateral Assistance

*Development through institutions?  
Synthesis Report*

*Centre for Partnership in Development (DiS)  
with  
Nordic Consulting Group (NCG)*

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and  
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## Sub-studies and consultants

The Synthesis Report is based on four sub-studies which were prepared by independent teams and consultants:

1. **«Twinning for Development, Institutional Cooperation between Public Institutions in Norway and the South»,**

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Inge Tvedten (Team leader).

Steinar Askvik, Department of Administration and Organisational Theory, University of Bergen.

Southern consultants:

Pamela Rebelo, Independent Consultant, Mozambique.

Henning Melber, Director, Namibia Economic Policy Unit.

Incorporated in the report is a separate study from higher learning in Tanzania:

**«Cooperation between the Institute of Development Management – IDM (Tanzania) and Agder College, Norway»**

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2. **«Institutional Cooperation between Sokoine University and Norwegian Agricultural University»**

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## Foreword

Institutional development constitutes a major concern of Norwegian development cooperation. It refers to complex goals and processes, often with few or imprecise objectives, criteria and baseline data against which results can be measured. It is further difficult to isolate and determine the relative value of single interventions, and the often turbulent societal context in which institutional development takes place complicates accurate assessments.

Complexity is however no excuse for shielding key policy intentions from critical assessment, but is a timely reminder for readers looking for easy answers. In this study we have not sought to substitute the complex with the trivial. Difficult questions are addressed and explored, but not necessarily confirmed and resolved. Institutional development depends on an experimental and learning based approach, and we hope that this study can contribute to constructive learning and future improvements to policy and practice in Norwegian development cooperation.

The Study was commissioned by the Royal Norwegian Ministry of Foreign Affairs, and Erik Berg, Head, Policy, Planning and Evaluation Staff provided active support throughout the process. An Advisory Group consisted of Elisabeth Jacobsen, Rolf Ree and Erik Berg from the Ministry of Foreign Affairs and Lornts Finanger and Reidun Roald from NORAD.

Centre for Partnership in Development (DiS) with support from Nordic Consulting Group (NCG) administered the Study, convened three workshops, and coordinated and synthesised findings from four sub-studies.

This Report is written by Stein-Erik Kruse (DiS) with inputs from Erik Magnus Sæther (DiS), Michael Fergus and Arne Disch (NCG) and with comments from all Team leaders. Per Dalin (IMTEC) provided valuable comments during the process and also to this Report.

### **STRUCTURE OF THE REPORT**

Part I presents the background, purpose and design of the study. It explains the rediscovery of institutions in development, how this is reflected in Norwegian aid policies and the transition from using individual advisers towards institutional cooperation. Then the concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of broader system development.

Part II discusses the hypotheses and findings of the Study in terms of five basic elements:

- Concepts and Intentions – how policies and strategies are perceived.
- Strategies and Actions – how objectives are operationalised.
- Relevance and Outcomes – what results can be traced.
- Explanations – what factors promote or impede institutional development.
- Comparisons – how experiences compare across countries and channels.

The Report is rounded off by Part III on Findings and Recommendations from all the studies and serves also as the summary of the entire process.

The Annexes provide further insight into Norwegian policies on institutional development in Norway, present basic OECD statistics on the funding of institutional development, brief summaries of the sub-studies, as well as a bibliography.

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## OVERVIEW

### The Rediscovery of Institutions in Development

What factors explain and promote economic growth and development in Third World countries? Researchers and development agencies have searched for explanations and continually introduced new approaches and prescriptions for development cooperation. But still we do not have all the keys to understand why some countries prosper while others do not. Development is fundamentally about improving people's lives and should in principle only be a matter of applying the right ideas, relevant technical expertise and sufficient financial resources. But experience paints a much more complex picture and results have so far been meagre.

Access to natural resources – land and minerals – was at one time considered to be the critical prerequisite for development. Gradually thinking changed, and physical capital – infrastructure, machines and equipment – was held to be the key. Other factors, such as human resources and their potential to increase the speed of development later attracted much attention. In the 1980s strongly influenced by the World Bank and IMF, focus shifted to the role of sound policies in explaining countries differential growth. Since the state was unable to deliver on its promises, and state-dominated development strategies had failed, the logical end point seemed to be a minimalist state doing no harm, but not much good either.

More recently the pendulum has swung back – to the quality and effectiveness of a country's organisations and institutions and in particular to the capability of the state. Knowledge of the role of institutions is not new, but its rediscovery in leading economic circles shows that the hegemony of neo-liberalism has passed its peak. The World Bank devotes the major part of its Annual Report 1997 «The State in a Changing World» to such issues, and states firmly that:

*«this extreme view (of the minimalist state) is at odds with the evidence of the world's development success stories... which shows that development requires an effective state, one that plays a catalytic, facilitating*

*role, encouraging and complementing the activities of the private businesses and individuals. Certainly state-dominated development has failed. But so has stateless development... Without an effective state, sustainable development, both economic and social, is impossible. The state is central to economic and social development.»*

The debate on state-market relations has come full circle with theoretical support to the role of the state from new institutional approaches in economic theory (North, 1990).<sup>1</sup> A key message is that development is not just about the right economic and technical inputs to a free market of individual actors, but also about the underlying institutional environment: the rules, regulations, customs, ideologies and norms that determine «the rules of the game» and consequently the effectiveness of the market. Markets and governments are complementary: the state is essential for putting in place the appropriate institutional foundations for markets.

The formal rules, along with the informal values in society, are the institutions that mediate and shape human and organisational behaviour. It is important to note that this concept of institutions is very different from the traditional focus on provision of skills, equipment and resources to individual organisations. The emphasis is on the external environment, pressures and incentives guiding individual and organisational performance.

While much of this material remains safely in the academic domains, several insights and perspectives have been applied to issues of direct relevance to international development. There is a strong link between institutional development and sustainability. Progress towards sustained and self-reliant development depends on the strength and quality of a country's institutional capacity. This is because socio-economic progress requires people to coordinate their behaviour, which in turn requires institutions that provide incentives to cooperate, and organisations that bring people together for concerted action. An aid activity is not successful unless it takes into account the institutional environment and strengthens institutional and organisational capacities.

At the level of programmes and projects, it has become

<sup>1</sup> At the start of this decade, economic historians, including Nobel laureate Douglass North who had demonstrated the central importance of institutions in explaining past economic performance, began to turn to today's economic development efforts.

increasingly clear that many of the real problems linked to development aid lay not so much in intent and thrust, as in execution. And these problems are often organisational and managerial – rooted in difficulties experienced by local institutions in getting things done, thus representing a major bottleneck for economic growth and development (Berg, 1993). What is still weak or missing in many developing countries is the institutional infrastructure that can carry out the difficult task of converting policies into services and value for its citizens, and the commitment to changes which will make institutions work.

The current move towards programme assistance and sector wide approaches has also spurred renewed interest in institutional issues since such programmes depend on the quality and functioning of national institutions, and is as such closely linked to the discussion of reforms and changes in the public sector.

### **Perspectives on Institutional Development**

The discussion of the purpose for institutional development among aid agencies have sought to address and balance four perspectives:

- increasing the effectiveness of programme implementation,
- strengthening the capacity of organisations and institutions in developing countries to take the responsibility for their own development,
- restructuring the public sector as a result of political and economic conditions,
- addressing the formal and informal policies, rules and regulations, cultural norms and values in society.

The first perspective is the most technical where institutional development is perceived in terms of social

engineering relevant for improved programme delivery. The second perspective is primarily organisational with the aim of building institutional capacity as a prerequisite for national execution of programmes and self-reliance.

The third perspective views institutional development also in political terms, and illustrates that the process is neither neutral nor apolitical. When institutional development is placed in the context of public sector restructuring, it becomes closely linked to national political processes (Engberg Pedersen, 1997). Institutional development is inherently as political as it is technical in nature. The institutional structure of a country or Government reflects the existing relations and distribution of power and resources. Problems and low performance are not only caused by lack of resources or knowledge, but by political conflicts and often an institutional crisis where the legitimacy and support of public and private institutions are questioned or undermined.

The fourth perspective is the most complex since institutional development is here rendered inseparable from cultural development. Following a sociological definition an institution is a societally valued and sanctioned norm of conduct or rule of the game that guides and constrains individual and group behaviour. Thus, private property or kinship obligations would qualify as institutions. In this sense, it is not possible to think of developing institutions without attendant cultural changes (Hirschmann, 1993).<sup>2</sup>

### **Institutional Development and Norwegian Development Cooperation**

The broad idea of institutional development has gained new importance in the 1990s in both Norwegian and international development cooperation which has to do with the growing realisation of the role of institutions and organisations in the development process. In Norway the idea focuses, in particular, on the ability and capacity of developing countries to design and implement their own policies through the growth and nurturing of effective organisations and institutional frameworks in the public, private and civil sectors.

<sup>2</sup> Institutional economists have also provided interesting insights into how moral norms and social values explain the viability and efficiency of the market system (Platteau, 1994). The first argument is that private and public order institutions are needed to create order in the market. In particular the state has a critical role to play which goes far beyond that of establishing or strengthening mechanisms for control of fraud and deceit. The second argument is that moral norms sustain honest behaviour by generating trust and the right kind of preferences. As such norms can act as a substitute for state-engineered rules and control. With reference to Third World countries it is argued that economic development is especially difficult in countries where norms of limited-group morality prevail and do not give way to generalised morality.

*«Measures to strengthen important social institutions and organisations will be key areas of long-term cooperation. Institutional and human resource development will therefore be given greater emphasis as priority areas. In this connection, the Government considers it important to provide the best possible conditions for participation by a broad range of Norwegian expertise and institutions. Cooperation will not be limited to strengthening public institutions, but will also include institutions in business and civil society.»*  
(White Paper No.19 to Stortinget 1995–96, p.42–43)

Norwegian policies provide a broad framework and understanding of institutional development. The concept in its current form has not been around for very long in Norwegian development cooperation. Through the White Papers No.19 (1995–96) and No. 51 (1991–92) and NORAD's new strategy (1990a and 1992) the Norwegian Governments has strongly emphasised institutional development.<sup>3</sup> Sustainable development is said to depend on the initiative and responsibility of viable public and private institutions in developing countries. Institutional strengthening or capacity building for sustainable development has thus become a cornerstone and important rationale for Norway's involvement in international development cooperation.

This priority is increasingly reflected in Norwegian bilateral aid – in overall policy and programme documents, resulting in new country strategies and initiatives, alternative approaches to technical cooperation and modes of implementation.

Although institutional development efforts do date back three decades, the official shift in policy took place from 1993 with the establishment of the so-called «Norway axis» – linking institutions in the South and like-minded institutions in Norway. While institutional development is seen as the goal, institutional cooperation between public, cultural and research institutions, private companies and non-governmental organisations is the means. There are also other ways to reach the same goal, but it is assumed that these types of collaborative arrangements have advantages over other forms of technical cooperation (NORAD, Annual Report 1996).

<sup>3</sup> Norwegian policies on institutional development is presented and discussed in more detail in Annex 3.

*«NORAD must actively encourage participation on the part of Norwegian organisational and institutional life in development work. By means of active participation on the part of Norwegian organisations and institutions, NORAD will be able to draw upon competence, capacities and resources which we would otherwise not have access to. Through increased external participation, Norwegian society and public opinion in general will be enabled to identify themselves more strongly with, and show greater appreciation of, Norwegian development cooperation and the challenges and problems which this entails.»*  
(NORAD, Strategies for Development Cooperation 1990.)

### Rethinking Technical Cooperation

The new policy and NORAD strategy was also based on a critical rethinking of previous modes of technical cooperation and sought to provide a more institutional approach (Berg, 1998). NORAD decided in 1993 to reduce the recruitment of individual Norwegian long-term experts to work in partner countries, due to the meagre results in knowledge transfer and experience of poor integration of aid efforts into national institutions. The principal conclusion in the Nordic evaluation of technical assistance from 1988 was that technical assistance personnel were usually highly effective in operational positions, but much less so in transferring skills and in contributing to institutional development (Forss *et al.*, 1988).

The traditional technical assistance was also strongly criticised by development countries as ineffective in building institutions or creating capacity, as too costly at both macro and micro levels, as donor driven, distorting national labour markets (Berg, 1998) and ignoring the fact that the level of skills, knowledge and confidence among educated citizens in developing countries has changed dramatically. The challenges of the 90s are different from the needs of the 70s and 80s which should be reflected and result in new modes of technical cooperation.

Professional expertise from Norway was however still required and in the early 90s a strong political motivation existed to utilise Norwegian expertise and institutions more extensively in development aid. With active support from NORAD's previous Director General the agency changed its approach to technical cooperation

and started to recruit Norwegian institutions to enter into cooperation with similar organisations in partner countries. For the public sector, recruitment has been based on the identification of twinning partners in health, fisheries, petroleum, etc., and the number of collaborative contracts with NORAD funding has increased steadily.

The following figures illustrate the significant changes:

- The number of Norwegian long term experts has been reduced from 250 in 1985 to 50 in 1993.
- 35 public institutions are currently involved in over 100 institutional development projects.
- More than 80 non-governmental organisations support approximately 1000 large and small projects on three continents.
- 80 Norwegian private companies interact with an increasing number of companies in the South.

Twinning provides the recipient with a broad range of services through a Norwegian sister-institution which has a comparable institutional mandate, and the cooperation normally contains both learning in technical areas, as well as management and institutional issues.

Twinning principles also apply to the private sector where Norwegian commercial enterprises possess expertise and capital to be used in joint ventures. Norwegian non-governmental organisations (NGOs) increasingly define themselves as partner-organisations where collaboration with and strengthening of like-minded Southern partners are equally or more important than delivering social services and implementing particular programmes.

### **Challenges for the Future**

This Overview seeks not to summarise the entire Report, but highlight some issues and challenges for future Norwegian development cooperation.

#### **\* The Need to Clarify Aims and Strategies**

All studies confirm that significant reforms were introduced in Norwegian aid policies in the early 90s. We have identified a discernible increase in number of Norwegian organisations and levels of funding to institutional cooperation and institutional development. Strong commitment and broad support to the reforms were found in all sectors even if the knowledge and awareness were diluted and decreased proportionally with distance to NORAD's central offices.

But the concept of institutional development is still overused and underdefined. Policy changes are well explained and justified, but the suggested options are not sufficiently clear or defined. A mixed terminology is in use in all channels where similar terms have multiple meanings and few operational objectives allow the organisations to target effectively institutional development.

The suggested solution is not a simple formula which can easily be operationalised and solve the conceptual problem once and for all. There are no blueprints available for successful institutional development and experimentation with alternative models is encouraged. But a common point of reference and operational strategy are required to guide the process in order to avoid a situation where all organisations have their «private» definitions, or only put new labels on ongoing programmes to prove that they are working in line with new strategies.

The Synthesis concludes that the vision and overall objectives point in the right direction, but that NORAD still lacks an operational strategy or a «policy of the middle range». The organisations need also to focus attention on strengthening their own capacity and competence and improving the quality of internal policies and practice.

#### **\* Institutional Development is more than Organisational Development: The Search for a Holistic Approach**

Institutional development is too one-dimensional and tends in all sectors to be equated with human resources development (education and training) and provision of equipment and infrastructure. It does not sufficiently address the systemic aspects which goes beyond the strengthening of individual organisations: formation of organisational linkages, reforms in the specific sector environment and the broader societal context. There is increasing awareness that institutional development goes beyond competence-building and organisational strengthening, but few cases address the system level effectively. The Norwegian organisations are not well equipped for such issues and Southern partners seem not to welcome the broader system perspectives of institutional development.

Planning of holistic institutional development needs to include and address all levels of interventions: individual, organisation and system levels, and the donor needs to carefully consider the strategic choice of what levels

of intervention Norwegian aid could and should support.

#### \* **Confusion of Aims and Strategies**

Is institutional cooperation a means or an aim? Does cooperation between Northern and Southern institutions represent a value in itself or is it merely a tool to reach other aims, like institutional development? And what kind of connection exists between institutional cooperation and institutional development? Does the first necessarily lead to the latter or what are the conditions for a positive correlation?

The studies found considerable unclarity and confusion of concepts. The study defined institutional development as «*a process by which individuals, organisations and institutions increase their abilities and performance*» and institutional cooperation as a strategy «*to achieve capacity strengthening in one or both organisations*». The use of «twinning» and active involvement of Norwegian organisations are considered as one option for providing technical assistance.

A key message from the studies is that institutional cooperation should be seen as a means to an end and chosen among alternative options, if found to be the most effective and efficient response to the problem or task at hand. Norwegian institutions should be involved, provided that they have the required skills and capacity to work in developing countries, and not based on a principle or a right for those organisations to channel and administer Norwegian aid.

It is implied that the quality of Norwegian institutions vary a great deal. Several of the public and private institutions are professionals in their own fields, but not necessarily development agencies with knowledge and technology for problem solving in less-developed countries. Neither are they obvious or exclusive partners for NORAD – even if some of them are.

There is neither any intrinsic correlation between institutional cooperation and institutional development. The first may lead to the latter, but only on certain conditions. If twinning does not provide the answer in a particular programme, NORAD should in an active and pragmatic manner search for other options.

#### \* **Unexplored Opportunities**

New policies have led to more than symbolic changes, but the realities of programmes tend to remain unaffected

or encounter problems in accommodating new approaches. Institutional cooperation provides Norwegian organisations with new professional challenges in areas of organisational and institutional development, but those opportunities are not adequately addressed or explored. The organisations follow traditional patterns of knowledge- and technology transfer and seem not sufficiently equipped to deal with complex organisational and institutional issues.

#### \* **Dilemmas of Recipient Responsibility Should be Addressed**

Few bilateral agencies have emphasised the principle of recipient responsibility as forcibly as NORAD has. In line with such an overall principle, Southern partners should not be restricted to seek services and advice only through Norwegian partners. Institutional cooperation increases the degree of tied aid. Alternative ways of providing technical assistance should be encouraged in addition to twinning. There are examples of Norwegian organisations which have more recently entered the development scene shielded by preferential treatment from the Norway axis.

On the other hand Norwegian organisations should be optimally used given their actual comparative advantages. The study of University collaboration in Tanzania illustrates the other side of the dilemma when a recipient institution over time minimises the involvement of a former Norwegian counterpart to such an extent that it could be soon left out – in the name of recipient responsibility.

#### \* **The Need for an Active and Responsible Donor**

All studies discuss the role of NORAD and the donor is found to be important for making institutional development succeed. There are cases where NORAD played an important role to create necessary changes in ongoing programmes and facilitate new institutional programmes. On the contrary there are cases where NORAD was not or only marginally involved in the planning process, and institutional components ignored or weakly developed.

The critical variable is, however, not more or less involvement, but what strategic roles the donor should play. A major conclusion is that NORAD should not reduce its role to become a financier or bureaucratic controller only, but take active part in a professional dialogue and consultation with the partner – raise relevant questions and safeguard the institutional concerns.

Institutional development is a complex phenomenon which does not happen «by default», but requires systematic preparation, clear policy guidance and sometimes the function of a «watchdog». The principle of recipient responsibility does not exclude the donor from taking an active responsibility and make strategic inputs at critical junctures in the programme cycle, as long as the final decisions and implementation rest with the recipients. Non-involvement should not be identified with recipient responsibility.

#### **\* Need for Systematic Analysis and Preparation**

Sector studies and initial assessment of institutional issues were missing in all channels, and programmes suffered from weak links between analysis and action. Before institutional development and for instance public sector reforms are carried out, it is necessary to study and understand the current logic and functioning of organisations and institutions. Proper institutional diagnosis must precede institutional prescriptions. It is important to both nurture existing institutional capacity and suggest reforms and changes when such are required.

#### **\* Measurement of Institutional Development**

##### **Impact**

All studies confirm that systems for monitoring and evaluating changes in institutional development are not in place, and that there are few appropriate methods to evaluate processes, effects and impact. Activities at the level of human resources and competence building are often found to be successful in achieving short term objectives, but there is a lack of data and information on effects and impact at organisational and institutional levels.

There are also few efforts to discuss and evaluate the potential links between institutional development and overall Norwegian development objectives, like poverty reduction, gender, environment, etc. It is important to emphasise that institutional development is not an end in itself, but should contribute to long term social and economic development. There are threads between in-

stitutional development efforts and such long term goals, but they are often weak, confounded by other external factors, and traditional evaluation methods are not suited to measure their strength and direction. Huge resources are currently invested in various forms of capacity building which will necessitate innovative evaluation methods and more information on effects and impact.

#### **\* Institutional Change in a Southern perspective: Does Culture Matter?**

A key concern in all studies was to understand and assess institutional change in a Southern perspective. How do organisations and institutions in the South understand and perceive the new institutional strategies promoted by Northern donors? National consultants were included in all studies and special efforts were made to document the opinions of Southern stakeholders.

At a general level we found no major cultural conflicts and differences in the case studies. Institutional development efforts do not contradict policies and interests among Southern partners. Initiatives for institutional development came as frequently from Southern organisations as from Norwegian. An no alternative organisational models or options were suggested from Southern partners. But their major concerns were at the level of human and organisational development and not broader system development which was considered as too «political».

But what is the relation between culture and institutional development beyond the more pragmatic aspects we have discussed in this report? What kinds of institutions are suitable and relevant to development in different cultures? The basic question remains: Are we transferring our «ideas» on what it takes to make organisations and systems work without adapting them to culture-specific contexts? Most agencies are paying lip-service to the importance of «culture», but in reality cultural aspects are not well integrated.

## Part I: Framework and Issues in Institutional Development

### 1 BACKGROUND AND PURPOSE

#### 1.1 Introduction

Early in 1997 the Ministry of Foreign Affairs initiated a comprehensive study of institutional development in Norwegian bilateral assistance. The study was to examine experience relating to three channels used by NO-RAD: the public sector, private commercial firms and non-governmental organisations.

Centre for Partnership in Development (DiS) with support from Nordic Consulting Group (NCG) was requested to prepare a joint plan for four sub-studies, recruit teams, coordinate the implementation of the study process, and prepare a Synthesis Report for the entire Study. Four sub-studies were carried out and are presented in separate reports.

In this Synthesis Report findings and conclusions are briefly summarised, while the major part addresses key cross-cutting questions and hypotheses common to all studies. This is partly in order to present findings from each study and partly to compare experience across sectors.

This Part starts by explaining the background and purpose of the study and providing the conceptual framework for analysing institutional development. Then core questions and hypotheses are discussed more in-depth in Part III, and the Report concludes with a chapter on main findings and recommendations. The Annexes provide further insight into Norwegian policies on institutional development in Norway, present basic OECD statistics on the funding of institutional development, brief summaries of the sub-studies, as well as a bibliography.

#### 1.2 Objectives for the Study

The Ministry of Foreign Affairs decided to initiate this study in order to gather experience from institutional development efforts pursued within the various channels of Norwegian bilateral assistance. It was thought to be too early to make a total evaluation, but of critical

importance at this stage to summarise and analyse intentions, and to review how the new Norwegian approach was perceived, and translated into practice, and to evaluate the experience and outcomes so far of a selected group of programmes and projects. A critical reflection on policies and practices should, at this point in time, contribute constructively to the improvement of future action.

In the Inception Report the overall objectives for the Study were formulated as:

- a) to examine and compare institutional development strategies, experience and outcomes within channels for Norwegian bilateral aid,
- b) to increase the understanding of which factors influence and contribute to institutional development, and how public and private organisations in the South change and interact within this context,
- c) to contribute towards revising strategies for improved institutional development.

It was further emphasised that the Study should pursue three streams: Firstly, to review the institutional development strategies and experience in the three channels of Norwegian bilateral assistance, also drawing on international experiences and literature.

Secondly, it was to pursue a Southern perspective in the assessment of Norwegian efforts, and to increase the understanding of how Southern institutions perceive Norwegian cooperative initiatives and respond to institutional development efforts.

Thirdly, to place the discussion of organisational and institutional development in the context of overriding objectives for Norwegian bilateral assistance and overall macro-economic issues.

*It was designed primarily as a thematic study on institutional development and institutional cooperation, and not as a group of country studies or evaluations of specific programmes.<sup>4</sup>*

*Each sub-study would result in stand-alone reports, but should also address a set of core questions and hypotheses relevant to all channels so as to provide a*

<sup>4</sup> The Sokoine-Norwegian Agricultural University case was originally intended as an evaluation of a specific programme, but was later included in this study with a twin purpose.

basis for comparative analysis. In order to strengthen the thematic and learning-oriented focus, the studies should also look in-depth at interesting and promising cases rather than trying to cover a wide range of cases within each channel.

### 1.3 Channels, Studies and Cases

Despite the comprehensive approach it became evident that all the strategies that NORAD currently employs to support institutional development could not be covered. The selection of channels, countries and cases is presented in the following chart:

Norwegian Channels		Recipient Country		
		Public Institutions	Commercial Companies	NGOs
N O R A D	Public sector (Public institutions)	<ul style="list-style-type: none"> <li>• Fisheries and oil in Namibia and Mozambique</li> <li>• Higher education in Tanzania</li> </ul>		
	Private sector	Private Companies	<ul style="list-style-type: none"> <li>• Dyno in Indonesia</li> <li>• TANELEC in Tanzania</li> <li>• Tanesco in Tanzania</li> </ul>	
		Private consulting firms	<ul style="list-style-type: none"> <li>• Surveying and map-making in Indonesia</li> <li>• Physical planning and institutional building in Palestine</li> <li>• Consulting services in Tanzania</li> </ul>	
	Civil sector (NGOs)		<ul style="list-style-type: none"> <li>• Redd Barna, FORUT, Development Fund in Sri Lanka</li> <li>• Redd Barna, Red Cross, in Zimbabwe and Mozambique. NPA in Zimbabwe.</li> </ul>	

Table 1.1 Bilateral Aid Channels

NORAD uses and channels support through:

- **Norwegian public institutions** and their twinning arrangements with similar institutions in the South.
- **The private for-profit sector** has two sub-sectors:

- a) **Norwegian companies** which are involved in providing goods and services to both the public and private sector in developing countries, foreign direct investments and joint ventures, and

- b) **Norwegian consulting firms** which manage specific programmes or projects.

- **Norwegian NGOs** and their southern counterparts.<sup>5</sup>

<sup>5</sup> The most important feature of the diagram is the distinction between the three sectors in Norway since we will study and compare the characteristics of the three channels as instruments for pursuing similar institutional development objectives. On the recipient side the distinctions are blurred. Public institutions work with their public counterparts. Private companies and consulting groups work with both public and private organisations. NGOs collaborate mainly with NGO, but sometimes with public institutions.

There is a large number of organisations involved and a broad range of activities going on within each of these channels. It was decided that five sub-studies (covering a number of cases in selected countries) could best cover the field. There were two on the public sector, two on



the private sector (later combined) and one the civil sector. This resulted in the four sub-study reports referred to in the Foreword.

## 1.4 The Study Process and Methods

### 1.4.1 The Selection of Cases

The learning oriented thrust of the studies led to a deliberate search for information-rich cases which could potentially illustrate important dilemmas, best practices and future opportunities. The criteria adhered to and processes followed in selecting cases and countries were as follows:

The first step was a series of meetings starting with the Institutional Adviser in the Human Resources and Institutional Development Section in NORAD's Technical Department, followed by the Economic Development Section and the Department for Non-Governmental Organisations, the Department for Industrial Cooperation and the Sections for Asia, Latin-America and Southern Africa in the Regional Department.

In these meetings promising and information-rich cases were searched for – in particular cases where institutional development had been formulated as an objective and had been running for some years.

If possible there were to be cases from both African and Asian countries in the NGO and Private Sector Studies, and variation in the selected sample, e.g. Norconsult should not be the sole consulting company to be included. On the other hand we were interested to compare the same actors working in several countries and different actors working in the same country context. The selection of public agencies in the oil and fisheries sectors in Mozambique and Namibia provided opportunities for such comparisons. There was also a need to balance «hard» and «soft» sectors. Thus, the public channel has cases from higher education, fisheries and oil.

Given the complexity of the Study and the limited time available, the organisation's willingness to participate in the studies were considered important. The NGO team

emphasised in particular the participatory character of the Study, and cases were selected after surveying the Norwegian organisations and confirmed only after the Southern counterparts agreed to participate. In the public channel, contacts were established with the Directorates at an early stage. Other criteria and concerns applied were the size of the projects which represented priority areas in Norwegian bilateral aid policy.

On this basis 3 – 5 countries were selected from each channel and a list of potential cases prepared for each country.<sup>6</sup> Key staff members in NORAD and MFA commented on the lists and verified the relevance of suggested cases. Criteria for selection and lists of cases were included in Terms of Reference for each Study and tendering consultants invited to comment on the cases and to propose alternatives, if required. When the Terms of Reference were discussed in the Advisory Group, it was decided to go for a third round of discussion of cases. A brief presentation of the Study with the agreed criteria for case selections and the suggested countries and cases were distributed to all relevant Sections and Departments in NORAD and the MFA. The response was however limited and it was decided to continue with the initial cases. All consultants able to tender were kept informed during this process.

### 1.4.2 Methodological opportunities and constraints

Surveys covering broad representative samples of Norwegian organisations were carried out initially in order to provide an overview of activities in each channel. The survey phase also included interviews, seminars and meetings with a large number of Norwegian organisations.<sup>7</sup> In each channel the consultants were also requested to review and briefly summarise the «state of the art» in institutional development drawing on and making comparisons with available international literature.

Time and resources available did not allow the inclusion of a large sample of cases from each channel. The cases do however illustrate the work of key actors and the reports prove that relevant cases were selected and gen-

<sup>6</sup> The countries suggested were Namibia, Mozambique and Tanzania for the public channel, Ethiopia/Eritrea, Mozambique, Zimbabwe, Sri Lanka and Bangladesh for the NGO channel and Tanzania, Zambia, Nepal, Palestine and Indonesia for the private sector channel.

<sup>7</sup> The «Study of Public Institutions» covered all institutional partners with a survey and met with the established network in Norway. The private sector study survey included 76 companies and firms followed by individual interviews with a smaller sample. The NGO study started with a broad survey and a seminar. Individual meetings were organised as a follow up and as preparation to the fieldwork.

eral issues covered.

The comparative perspective were pursued through a set of common hypotheses which were discussed by all teams. The study design did not provide a framework to test all the hypothesis according to strict scientific criteria. Several important issues and questions were not resolved or sufficiently covered in the reports, and in such cases the need for further studies is underlined. Subjective elements are also acknowledged in all studies, but systematic checks and balances were in place during the entire study process. Some of the general methodological issues pertaining to evaluation of institutional development is discussed in chapter 5.1.

#### 1.4.3 Common Framework and Joint Workshops

A core team of consultants from DiS and NCG prepared the joint approach and a plan for the entire study process, while the studies were carried out by individual teams of consultants. To maintain a focus on the comparative perspective and cross-cutting issues, Terms of Reference were prepared using similar formats which consisted of identical core questions. Two preparatory workshops with all team members were organised to discuss and agree on definitions and use of key concepts, a list of hypotheses was worked out, and survey instruments and questionnaires were shared and discussed.

During field visits the teams worked independently, except for participation of core team members in some of the case studies. In the end all teams assembled to review draft reports, share insights and experiences, discuss relevance of the initial hypotheses and prepare a common set of recommendations. Based on available comments from the workshop and from circulation of draft reports to relevant stakeholders, final drafts of the sub-studies were prepared while the core team produced this Synthesis Report. As a final input all teams commented on the draft of the Synthesis Report.

As such this was a collaborative study process: maintaining a balance between central coordination in the initial and final stages of the process while using independent teams from various countries in the implementation of each study. A mix of Norwegian and foreign consultants (Danish, Swedish and Canadian) was deliberately chosen to foster impartiality and to bring in fresh insight to the Norwegian scene. Each team also included Southern consultants in order to strengthen the Southern perspectives and thrust of the studies.

An Advisory Group with participation from NORAD and the Ministry of Foreign Affairs was established and met with the teams three times during the study process for advise, review and quality control and early feedback to key users and decision-makers.

#### Study Process 1997 – 1998

January	MFA decided Study
March	DiS/NCG started work
April	Consultations with Norwegian Institutions
May	ToR finalised and consultants selected.
June	1 <sup>st</sup> Workshop
July	Hypotheses and methods developed.
August	2 <sup>nd</sup> Workshop
September/November	Fieldwork
December	3 Workshop. Final Drafts.
January/February	Synthesis Report completed

## 2 CONCEPTUAL FRAMEWORK AND QUESTIONS

### 2.1 What is Institutional Development? Levels and Dimensions

A recent review of «state of the art» in institutional development states that «there is probably no other area of development policy where so much money is spent in pursuit of an objective whose very name, as well as content, is subject to such basic and continuing dispute» (Moore, 1995, p.9).

The dispute will not be continued here, but Chapter 4.2 which follows summarises the conceptual consensus which emerged from the joint workshops, and which were attended by all parties to the Study.

Despite semantic pluralism and the complexity of the phenomena the terms try to capture, a review of relevant literature indicates that the underlying concerns and processes in institutional development share important similarities. We have tried not to invent a new set of definitions, but to stay as close as possible to what key actors in development use. We have partly been guided by UNDP, but decided to use institutional development and not capacity development as the broader term (UNDP, 1994) since this term seems to be most common in Norway and reflects better our analytical model.<sup>8</sup>

#### 2.1.1 A Multi-Dimensional Model of Institutional Development

Institutional development includes a broad range of activities at various levels of society and different sets of interventions on each level. Distinctions are often blurred and the broader terms build on narrower ones. The terms are meant to provide direction and intention – and not conceptual rigidity.

*Institutional development is here defined as the process by which individuals, organisations, and institutions increase their abilities and performance in relation to their goals, resources and environment.*

In this definition institutional development has three dimensions which address five different levels from various perspectives and can be presented as follows:

INSTITUTIONAL DEVELOPMENT		
Process dimension	Levels	Focus
Human Resource Development	1. Individuals and groups	Competence, motivation
Organisational Development	2. Organisations	<ul style="list-style-type: none"> <li>• Structures, processes and systems</li> </ul>
System Development	3. Network linkages  4. sector  5. Overall context	<ul style="list-style-type: none"> <li>• Patterns of communication/ collaboration between organisations.</li> <li>• Policies, rules, legislative framework.</li> <li>• Macro-level policies and conditions.</li> <li>• Cultural values, norms and traditions</li> </ul>

Table 2.1 Dimensions of Institutional Development

<sup>8</sup> Morgan & Qualman (1996) defines capacity development as a broader concept than institutional development, but it is difficult to gauge the difference. UNDP (1994), Moore (1996) and the World Bank (in Asplan 1993) use the terms interchangeably.

The process dimensions are as follows:

### (I) Human Resources Development

is concerned with how people are educated and trained, how knowledge and skills are transferred to individuals and groups, competence built up and people prepared for their current or future careers. This represents the broad areas of educating and training individuals and groups for general or particular purposes, and represents the first and basic building block of institutional development.<sup>9</sup>

### (II) Organisational Development

has another entry point and seeks to change and strengthen structures, processes and management systems in specific organisations in order to improve organisational performance.

There is variation between O.D. approaches, but in their «pure» form they have the following characteristics:

- focus on individual formal organisations and particularly their internal functioning,
- less attention paid to external contextual influences on performance,
- most concern with internal organisational changes,
- major activities and inputs include education, training, technical advice and equipment,
- organisational change occurs as a result of planned internal changes (in management, culture, administration, etc.) with support of external inputs.

### (III) System Development

is not a common term in development cooperation<sup>10</sup>, but in this study seeks to capture what goes beyond organisational development. It is a broader concept and brings in the organisational context. It includes an emphasis on links between organisations and the context within which organisations operate.

While organisational development starts inside an organisation, system development extends from the organisation to its linkages and interactions with the external environment. It also relates to how individual and organisational behaviour is regulated and affected by external constraints, pressures and incentives, norms and rules, etc. And contrary to the former organisational

perspective, an assumption is that organisational innovation requires also changes in external variables. Relevant macro-level issues are national level reforms of the central administration, decentralisation and deregulation, privatisation of public enterprises, etc.

A distinction is introduced here between organisations and institutions. Organisations form part of the fabric of institutions. Organisations can be changed and even eliminated without affecting the institution itself. A particular Ministry may be abolished, but the government will carry on.<sup>11</sup> Structures may change quickly, but not their guiding rules and principles.

It is important to keep in mind the different time perspectives. While human resource development often has a 1–2 years perspective, organisational development would need at least 3–5 years to make a sustainable impact. System development at the highest or rather deepest level means more than structural or functional changes, and requires a long term perspective. It involves fundamental social and cultural change and is often a more profound, long term and complex process than organisational development. We should be aware that some of those changes would be beyond the reach of donor-funded technical cooperation programmes.

Development of human resources and organisations may lead to increased effectiveness while system development may lead to enhanced legitimacy in a society (e.g. to acceptance by large groups of the population), and institutional development would depend on all levels and perspectives.

There are also different types and levels of system development:

### (3) The Network and Linkages between Organisations

which include the network and collaboration between organisations that facilitate or constrain the achievements of particular tasks and underline the interdependence of organisations.

<sup>9</sup> Institutional development would most likely include and depend on training and education components, but it is not necessarily true that all training and education have an organisational or system development objective.

<sup>10</sup> System development is often called institutional development, but we have found it useful to distinguish the encompassing term and the systemic elements that go beyond organisational development.

<sup>11</sup> Uphoff (1986) provides as examples (a) some institutions are not organisations (a law or a legal system), (b) some institutions are also organisations, (c) and organisations are not institutions (law firms).

### Organisations and institutions

We draw a disputed and often blurred line between organisations and institutions. It is important to keep this line and maintain a distinction between organisational and institutional development. Influential literature maintains the difference, and most donors refer to different though interdependent processes underlying organisational and institutional development. Often influenced by institutional economics, several reports suggest that institutions represent «the rules of the game» in society – the norms and rules which guide and constrain the behaviour of individuals and organisations and shape human interaction, while organisations are the actors or «players» (North, 1990 and Bates, 1995).

The purpose of the rules is to define ways a game is played, while the objective of the players is to win the game by a combination of skills, strategy and coordination following the set of rules, or through efforts to change them. Another sociological approach defines institutions as «patterns of behaviour that is valued within a culture». In both cases institutional development refers to activities geared towards guiding and regulating the environment in which organisations operate. Institutional development contributes to the framework within which organisations are placed, is a wide and holistic concept which implies an open-systems view on organisations. It also allows donors to deal with relevant national «themes» and «policies» rather than only projects and programmes.

**(4) The Sector Environment** which refers to the overall policy and institutional environment of the public, private and civil sector that constrains or facilitates organisational activities and affects their performance, including policies, laws, regulations, financial resources, etc.

#### **(5) The Overall Context**

which encompasses the broad action environment for the organisations, beyond the sector – including the political and socio-economic milieu (macro-policies and conditions) and the prevailing cultural norms, values and traditions which facilitate or constrain the functional capacity of organisations.

##### *2.1.2 Institutional Cooperation*

Institutional cooperation between institutions in Norway and the South is one of several alternative strategies to promote institutional development in international aid programs.

Institutional cooperation represents formalised long term cooperation between two similar or like-minded organisations in the North and South to achieve capacity strengthening in one or both organisations. It is one of the key strategies in Norwegian bilateral aid to enhance institutional development in the public, private and civil sector. The cooperation should ideally move beyond technical assistance and contribute to institutional development in the receiving organisation. There is no intrinsic correlation between institutional collaboration and institutional development, and a key task in the Study is to analyse the degree of correlation.

Institutional cooperation is perceived as providing the recipient with a broad range of competence and services through a long term collaboration with a sister institution with a comparable institutional mandate. However, experiences with institutional cooperation through twinning arrangements are not solely positive. The most common criticisms include the supply-driven nature of institutional reform, resistance to change of *status quo* in many Southern institutions, and the cultural and communication barriers between foreign advisers and consultants and local management and staff. The Public Sector Study discusses in detail the stated comparative advantages of twinning.

#### **2.2 Changing Theories**

The way in which donors and host countries think about institutional issues is also undergoing rapid changes. Four perspectives and related approaches may be introduced to describe these changes:

- *The traditional institutional development perspective.* The emphasis is on concepts and techniques of management analysis and organisational development, based on western management theory. Focus is on individual, formal organisations and particularly their internal functioning and service provisions.
- *Governance perspective.* In this perspective more emphasis is placed on political issues and how to create and sustain a supportive institutional environment. Analysis is linked closer to other institutions in public, civil and private sector, and the political implications of supporting certain orga-

nisations is also studied. Institutional growth is seen as depending to a large degree on bargaining, mediation and consensus-building among interest groups, bureaucrats and political leaders.

- *Institutional economics perspective.* Under the label of 'new institutionalism' techniques from micro-economics as well as socio-economic and historical perspectives are applied. Focus is on the role of individuals inside and outside the organisation and on incentive structures, deriving both from formal organisations and informal institutions as the 'market' and 'social relationships'. Focal questions centre on information asymmetry and strategic choices. The perspective tries to bring in the benefits of market forces and competition inside the programme or the organisational hierarchy. The new institutionalists also analyse state failure in weak states and the «transaction costs» weak institutions, including lacking laws and regulations, imply.
- *Capacity building (development) perspective.* It tries to synthesise the three other managerial-political-economic perspectives. It uses a 'macro' rather than a 'micro' institutional approach and deals with 'whole systems-in-actions' and national institutional patterns. Civic culture, social structures, personal trust and social capital as well as national psyche, ethnic, religious and many other cultural factors are used to contextualise organisational changes. It focuses on the facilitating conditions for donors to achieve such changes. For instance, from this perspective no amount of donor resources (training, management consulting, conditionality, policy reform, etc.) can surmount the effects of an inhospitable context<sup>12</sup>.

All of these perspectives are used in the study, however, to varying degrees depending upon the characteristics of the cooperating institutions, the type and scale of their programme assistance and the channels employed. The purpose is to identify characteristic features of institutional development in the various channels.

## 2.3 Study Perspectives

### 2.3.1 Institutional Change in a Southern Perspective

There is a need to understand and better analyse organisations, how they change, which factors influence in-

ternal processes, and what are the most appropriate strategies for institutional development and cooperation in countries in Africa, Asia and Latin-America.

Institutional development approaches were said to be strongly influenced by theories and management thinking originating in USA and Western Europe, and so far there seems to be more enthusiasm and commitment for the new approaches among donor agencies than among representatives from developing countries. There needs to be more reflection on how the new strategies are transplanted, transformed and adopted in non-western countries with different social and cultural systems. Do institutions and organisations in non-western countries function and change differently, and which factors influence their development? How do organisations in the South understand and perceive the new institutional strategies promoted by northern donors, and how do the responses and reactions affect potential outcomes?

### 2.3.2 From Micro- to Macro-Perspectives

The studies were designed within a bottom-up perspective. The stage was set for a broad discussion of issues at all levels, but the studies move from a micro- (human and organisational development) to a macro-perspective (system development). The assumption was that higher level success depends on lower level achievements, and unless the groundwork was done at individual and organisational levels, it would be less useful to speculate on overall relevance and outcomes at macro-levels. The overall objectives of the institutional development efforts is of course to increase the economic growth and reduce poverty, by the means of lowered transaction costs – the costs of planning, implementing and monitoring an exchange.

Due to time and data constraints the macro-dimensions is not sufficiently covered in this Study. Since there might be important interactions between the macro-environment and organisational development, this is an area which merits further work.

### 2.3.3 From Individual Advisers to Institutional Cooperation

A study of institutional development is by its very nature closely linked to a study of the modes of technical cooperation. «The Norway axis» has also promoted a new approach to technical cooperation. Currently, individual experts are sent out much less frequently by NORAD to work with institutional development in recipient organisations unless this is part of a larger coop-

<sup>12</sup> Morgan, P. and Qualman, A.: «Institutional and Capacity Development, Results-based Management and Organisational Performance», pages 4–11, in a paper prepared for SIDA, 1996.

eration framework. The institutional contracts with public institutions in Norway, and their twinning arrangements with counterparts in Norwegian programme countries are meant to replace the individual advisers. It is argued that institutional cooperation ensures institutional sustainability more than individual experts. Private sector development is also a priority in Norwegian bilateral assistance and both commercial companies and private consulting groups are providing goods and services to public and private counterparts guided by the same institutional development objectives.

However, the difficulties of expert assistance identified in technical cooperation at the end of the 1980s most likely also apply to institutional cooperation of the 1990s. The virtues of institutional cooperation and twinning arrangements seem well justified on paper, but it has been unclear to what extent the new approaches are more successful in building and sustaining capacity in recipient institutions whether public or private, by following principles of recipient responsibility, national ownership and participation.

#### 2.3.4 Comparing different Sectors

Each channel has different characteristics and each consists of a broad range of organisations. The NGO channel includes Northern and Southern NGOs and refers to «*strengthening of voluntary organisations in civil society*». The private sector channel seeks to «*strengthen*

*the market*», and involves e.g. the cooperation between commercial enterprises in Norway and public and private institutions in developing countries. The public channel represents institutional cooperation (twinning) between institutions in Norway and NORAD's programme countries and refers to «*building of capacity in the public sector*».

NORAD provides support through the three channels in order to strengthen the functioning of civil society, market and state in the respective programme countries. The study of private consulting firms and their role in institutional development comes in to a somewhat different category, but consulting firms are instruments NORAD uses to manage technical cooperation programmes in both public and private sectors.<sup>13</sup> These firms are guided by the same development principles and objectives as the other channels and actors.

The overall aim for all channels is to build organisational capacity and to create favourable institutional frameworks, even if this is planned and implemented differently.

#### 2.4 Study Questions and Hypotheses

All the studies address the following five general questions which were specified and elaborated in the Terms of Reference.<sup>14</sup>

QUESTIONS	LEVELS
1. What are the objectives for institutional development and how are they perceived by the various stakeholders?	Policies/objectives
2. How are the objectives operationalised?	Strategies, methods
2. Which factors support/impede processes of implementation?	Implementation processes
4. What are the results at various levels?	Individual benefits Organisational change System outcomes
5. Compare and assess the relative strengths and weaknesses of the strategies for institutional development.	

Table 2.2 Study Questions

<sup>13</sup> Only cases where private consulting firms are managing special programmes or technical assistance components are included. Cases where the firms are used as external advisers or to carry out appraisals or evaluations are not included.

<sup>14</sup> See Inception Report, Part II.

## Part II: Discussion of Hypotheses and Findings

### 3 CONCEPTS AND INTENTIONS

#### 3.1 The Five Key Elements

Based on the issues and questions in the Inception Report, the teams proposed a number of hypotheses to set a common framework for all studies. The teams also tailored hypotheses to the settings of their particular study. The joint hypotheses were organised around five key elements, each represented by two questions. The aim

was not to reject or confirm hypotheses with any statistical methodologies. An hypothesis was loosely defined as what we expected to find or believed a priori, and would like to discuss. The full list of hypotheses is included in Annex 1, but these are the five elements and guiding questions we will examine in the following chapters:

<p><b>CONCEPTS AND INTENTIONS</b></p> <ul style="list-style-type: none"> <li>• What do the organisations say they will achieve through institutional development?<sup>15</sup></li> <li>• To what extent are intentions clear, consistent and shared between the cooperating organisations?</li> </ul> <p><b>STRATEGIES AND ACTIONS</b></p> <ul style="list-style-type: none"> <li>• How are intentions operationalised and carried out?</li> <li>• To what extent are strategies and actions coherent, adequate and relevant?</li> </ul> <p><b>RELEVANCE AND OUTCOMES</b></p> <ul style="list-style-type: none"> <li>• To what extent are strategies and actions effective (in reaching objectives) and efficient (outcomes compared to costs)?</li> <li>• What are the outcomes at various levels?</li> </ul>	<p><b>EXPLANATIONS</b></p> <ul style="list-style-type: none"> <li>• What factors explain variation in outcomes?</li> <li>• How do such factors promote or impede outcomes?</li> </ul> <p><b>COMPARISONS</b></p> <ul style="list-style-type: none"> <li>• What are comparable international best practices?</li> <li>• How do experiences and results compare across sectors/channels?</li> <li>• How do outcomes of alternative strategies for institutional development compare?</li> </ul>
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#### 3.2 Institutional Development – A new Priority

- *Norwegian organisations (involved in aid) are increasingly engaged in institutional development (changes in quantity), and there has been a gradual shift in emphasis from physical to human and social capital (changes in quality).*

##### 3.2.1 Funding Patterns

Is it true that donors and organisations involved in aid have increasingly been engaged in institutional development (increase in funding), and that there has been a shift in emphasis from physical infrastructure to human and organisational resources?

To record overall levels and patterns of funding, OECD/DAC data were compiled and analysed for levels and trends in budget allocations in the area of institutional development first for a sample of OECD countries and then for Norway.<sup>16</sup>

Looking at other OECD countries<sup>17</sup> the following trends emerged for three periods (1987–89, 1990–92, 1993–95):

<sup>15</sup> The main parties would be: NORAD, Northern and Southern institutions.

<sup>16</sup> Annex 4: Institutional Development: Aid Levels. A Comparison of OECD Data across Countries and over Time by Economic Area.

<sup>17</sup> Eight countries are included in the sample and the sectors are: Public Administration, Human Resources, Infrastructure and Economic Sectors.



- Institutional development as a share of total aid has risen continuously, and has almost doubled from the 1987–89 average to the average in 1993–95.
- The actual amounts have also doubled from US \$ 2.1 billion to US\$ 4 billion.
- Institutional development as a share of total sector aid is by far the largest in the area of public administration (79% of total).
- In the social sectors, institutional development has hovered around 20% of the total, falling slightly to around 15% in the last period, as total aid to the sector has grown steadily.
- In the infrastructure sector, institutional support has fallen significantly and steadily over the period (from 13% to 7%), while it has risen rapidly to the economic sectors (from 17% to 39%).
- Most institutional development is not in the form of technical assistance, but in other forms of aid. This means that most of the financing tends to be for buildings and equipment needed to develop and run institutions, rather than building the capacity of personnel, organisational and system development.

Three important observations emerge and these are: Institutional development is receiving a larger share of available aid resources. The total volume is large and, more surprisingly, institutional development is more important in the economic sectors than in the social sectors.

If we compare the overall figures with data from Norwegian aid, it is striking how close Norway seems to be to the overall pattern:

- The share of institutional development makes up a significant share of all sectoral support.
- The rise in assistance to institutional development in public administration is particularly noticeable.
- Technical assistance as a share of institutional development seems surprisingly small.
- Norwegian support does not differ significantly from that of other donors with regard to distributional patterns<sup>18</sup>.

We believe that aggregate figures and findings reflect important trends, but it is important to be aware of some of the weaknesses in the OECD data:

- Each project is classified according to its main activity area only.

- Classifications and categories change creating problems in comparing data over time.
- Lack of consistency in how activities are classified.

Efforts were also made to extract comparable information from the NORAD data-base which has a different classification scheme from DAC. Data are classified here primarily according to which budget line they are allocated from. The main problem is however that there is very little in the way of *purpose or thematic* categorisations in the data-base, since data are basically used for accounting and program management purposes and not set up to be used for policy analysis. This means that NORAD has no mechanism for monitoring actual and changing levels of funding to various forms of institutional development or other policy priorities in Norwegian bilateral assistance.

The statistical data available seem at a general level to confirm the first hypothesis, but the same issues will be pursued further in the case studies.

### 3.2.2 Case Study Findings

It emerged that, within the public and NGO channels, there had been a discernible increase in institutional development support. The Study of Public Institutions emphasises that institutional cooperation is not new, but that the content has changed and records a steady increase in use of twinning arrangements between Norwegian and Southern organisations for supporting institutional development. Altogether 35 Norwegian public (mainly Directorates) and semi-public (research and higher learning) institutions are currently involved in cooperation with like-minded organisations in the South, through approximately 100 individual projects.

The NGO Study also points to an interesting two-way interaction between the NGO community and NORAD. Progressive NGOs influenced NORAD in promoting institutional development whilst the NGO Division in NORAD in turn, provided incentives to other NGOs to shift to partnership and institutional strategies. There seems to be a growing consensus among NGOs that cooperation with partner organisations is the preferred *modus operandi* when working in developing countries.

<sup>18</sup> For further details see Annex 4.

### NGOs and Partnerships

*«The NGO Study shows that one Norwegian NGO adopted an explicit policy to support organisational strengthening of partners as early as 1935, and about half the NGOs that now have such a policy adopted this before NORAD issued its strategies for institutional development in 1990 and 1991. The Survey results, plus evidence from the field missions, suggest that some Norwegian NGOs have been in the vanguard supporting the partnership approach, likely because it was congruent with their values. These NGOs then reinforced the shift in policy within NORAD's NGO Division.*

*Many NGOs work purposely to affect values, norms of behaviour, and government policies because institutional development corresponds to their value-based orientation to development, an orientation that has strengthened since the recent series of NGO evaluations could not confirm the «articles of faith» concerning the comparative advantages of NGOs. If NGOs cannot demonstrate that they are, say, more efficient and better at reaching the poorest groups, they need another basis for demanding more funds from official aid agencies and the public.»*

In the case of private companies and consulting firms there is no indication that they are now more engaged in institutional development. If anything, it could be a trend to be less involved and few companies and firms undertake anything which could be called institutional development. The new policies and trends have not had the same impact in this channel as for the public institutions and NGOs. Other, largely commercial considerations seem to have outweighed more long term, development-oriented objectives. The total budget for the Industrial Development Department in NORAD is approximately NOK 480 million. Around NOK 55 million or 15% of the total is allocated to institutional development. Around 76 companies have received funding from the Department in the recent years. In total, 26 out of the 37 companies that responded might have projects which contain some form of institutional development, but relatively small components.

### 3.3 What is Institutional Development?

- Objectives are used with multiple meanings, are unclear and difficult to measure.
- There are few relevant operationalised objectives that allow organisations to target effectively institutional development.

Findings have confirmed an increasing awareness, interest and funding for institutional development, but a critical question remains: Which phenomena have attracted attention and increased funding? How is the term used and defined? The hypothesis suggests that objectives and intentions are unclear, several terms are

frequently used with different meanings and it is hard to measure processes and results. The next hypothesis implies that there are few relevant operationalised objectives, e.g. that overall aims do exist, but there are less concrete, operational objectives to guide programme and aid managers.

We shall first examine to what extent Norwegian aid policies and strategies provide direction and content to institutional development<sup>19</sup>, and then how the terms are used and defined in the public, private and NGO channels.

#### 3.3.1 Policies for Institutional Development

In the Government White Paper No.51 (1991) institutional development is conceived as an important strategy to achieve overall development objectives. However, institutional development tends to be treated as synonymous with training and organisational development. In the Public Commission Report (1995) and the White Paper No. 19 (1995–96) institutional development is still a priority area, yet treatment of the topic is less extensive than in the previous White Paper, and the new documents seem not to provide further insights into the complex task of providing technical assistance to institutional development.

Both in the area of institutional development and recipient responsibility, NORAD seems to have been in the lead compared to the MFA. NORAD has on the other hand been influenced by other donors, especially SIDA, several multilateral organisations, Norwegian NGOs and public institutions involved in aid programmes.

<sup>19</sup> See Annex 3 for a more in-depth discussion of Norwegian policy development.

The Study of Public Institutions finds that:

*«the general impression is that the policy of institutional development and what it implies has received less attention within NORAD than other policy priorities such as poverty, gender and environmental issues. While the general policy statements received considerable attention, there were few initiatives taken to inform about the more practical implications of the new policy.»*

The dissemination of the policy changes has been inadequate.

*«The weakest link in the process of disseminating information, seem to be between NORAD and the Embassies and between Embassies and Southern partners... In line with this there is a considerable variation in the extent to which the staff at the missions understand and endorse the new policy... There is a positive will to develop further, but NORAD still has some work to do before the policy of institutional development and the strategy of twinning is anchored in the organisation.»*

The Guidelines for Private Sector Development in NORAD do not explicitly mention institutional development. On the other hand, the Guidelines have a lot to say about the practical content of what we have called system development – or institutional development at its highest level, such as:

- Support directed to the development of policies, legal systems and regulations.
- Support directed towards public infrastructure.
- Support for the development of relevant private organisations and institutions.

For the NGOs NORAD published in 1991 its own support guidelines stating that it is an overall goal:

*«To strengthen local organisations and beneficiary groups in the host countries. Cooperation between NORAD and these organisations is therefore intended to contribute towards developing the capacities and competence of the local cooperating partner.»*

This strategic vision made NORAD's NGO Division a leader in emphasising institutional strengthening through capacity building. The NGO Study also records that institutional development – widely interpreted – lies at the core of what NGOs are trying to achieve.

### 3.3.2 Case Study Experiences

The case studies illustrate the lack of clarity and consistency in terminology and definitions of key concepts in

all channels. There is a large repertoire of competing terms which are also open for broad interpretations.

The Study of Public Institutions points to the particular confusion as regards to the differences between organisational and institutional development and differences in perceptions and opinions that exist regarding what institutional development really is.

*«The main problem seem to be the relation between the more immediate objectives of strengthening organisational capacity, and the longer term objectives of institutional legitimacy and sustainability. This is largely the result of the absence of a common point of reference and a systematic emphasis on institutional development issues in NORAD's strategic planning documents.»*

Given the conceptual confusion and difficulties in targeting institutional development, projects are mainly understood as support to specific organisations. The concrete interventions tend to concentrate on competence building and improved technology and equipment, less on improved administrative routines and development of an accountable leadership, and least on linkages between the organisations and the larger context it is to serve.

In the case of Sokoine University in Tanzania no strategy pertaining to broader institutional development was said to exist up to 1996, and even in the new agreement objectives are too general and devoid of any specific strategy. The focus has remained on human resources development.

For private companies and consulting firms objectives were said to be clear maybe because objectives tend to be more pragmatic and financial in commercially motivated companies. On the other hand the Private Sector Study found that terms are used without clear and consistent operational definitions, which makes it both uncertain and difficult to know how much change has actually taken place.

NGOs have the most elaborate institutional development objectives, but less developed understanding of what they entail. There is certainly no common NGO approach to the issue, but huge variations in and between organisations. Several NGOs are, however in the process of developing their own policy statements and defining terms which are needed to assess progress. There is a firmer grasp of how the terms should be

employed and defined at the lower level in the institutional development hierarchy (human resources and organisational level) than at the system level. The bulk of money seems to be spent for tried-and true inputs and activities: technical training of local counterparts, equipment, and funding of administrative costs, but increasingly combined with new types of inputs, such as joint planning exercises, provision of consultancy services, support for applied research, etc.

There is broad agreement that there are few relevant operationalised objectives that allow organisations to target effectively institutional development. The case-studies confirm the hypothesis that institutional development is still ambiguous and under-defined both on the part of NORAD, public and private institutions and NGOs. However, there is an increasing feedback from the field about the need for and relevance of institutional development.

A narrow definition whereby institutional development is limited to «one thing» only would not be advantageous. Institutional development is a complex phenomenon and interventions need to take into account all dimensions and processes. But in order to make institutional development a policy priority in Norwegian bilateral aid a minimum requirement is to know what programmes and activities should be supported in its name. The review of statistical information, policies and cases suggests that Norwegian aid would benefit from clearer concepts and policy direction in particular at the operational level.

### 3.4 Institutional Development – A Donor Invention?

- *The institutional development objectives of the funder dominate those of the recipient throughout the chain.*

Institutional development and capacity building have made an appearance in donor vocabulary and the terms are used generously in their documents. Such terms and trends have also been strongly influenced by Western organisational theories and practices, but does this imply that the new donor strategies are met with scepticism, lack of commitment or resistance from Southern partners? And have alternative approaches to institutional development and arrangements for technical cooperation been presented from the South?

Deliberate efforts were made to pursue a Southern perspective in the studies, but we acknowledge the prob-

lems in reflecting rich nuances and unspoken sentiments, and the sample of cases is relatively small. It was found that concepts and objectives are often donor inventions and driven by the need of NORAD in Oslo to reformulate and reorient its aid policies towards national, recipient responsibility and the institutional dimensions of aid.

On the other hand objectives and intentions of Norwegian institutions were not found to dominate their counterparts. This came out clearly in the Study of Public Institutions. In fact, the initiative for institutional development came just as frequently from Southern institutions. In the case of Sokoine University in Tanzania the policy shifts were introduced and moved by NORAD, Oslo and the Tanzanian University leadership, with less support and enthusiasm from the Norwegian partner institution and NORAD, Dar es Salaam. In the private sector there was considerable awareness on the part of the recipients of the need for organisational and institutional development – more than the Norwegian companies.

Finally, we found no evidence of strong scepticism or resistance from Southern partners towards the new institutional approaches in the sample of cases. An interesting observation is that Southern organisations were not always aware of shifts in policy, and could not compare current and past performance. Southern partners had not been properly consulted in the discussion and evolution of the new policy, and the new messages had not been widely disseminated to partners. As policies move from headquarters they tend to become diluted, and in some cases the shifts in actual programmes were also marginal. But in most cases the changes were acknowledged, well received and seen as an opportunity to enhance national capacity.

To the extent that critical comments emerged it was from some Norwegian Embassies where institutional development was perceived as «*just another invention from the Head Office in Oslo*» or more importantly, that the use of twinning as a mechanism to provide technical assistance had grown too fast and uncritically. Early reactions to the new strategy within NORAD had indicated a mixed response among its employees. While the idea of making institutional development a key priority received strong support, the idea of making external institutions central actors in planning and implementation met with less enthusiasm (Statskonsult, 1995).

## 4 STRATEGIES AND ACTIONS

### 4.1 A Means to an End, a Process or an End in Itself?

It is a question to what extent institutional cooperation and development should be viewed as means to an end, a process or as ends in themselves (Bebbington & Mitlin, 1996). Let us first examine institutional development. For NORAD it is primarily seen as a *means to an end*, as activities meant to strengthen the ability of public authorities to perform and deliver better services to their clients. In some of the Norwegian policy statements institutional development is treated as *an end in itself*, where the primary focus is to strengthen a ministry, university or NGO so it can be a stronger actor in the public sector, in the research community or in civil society. In yet other versions, institutional development is *a process* where the collaboration or partnership is viewed as a process of continuing adaptation to change and internal reaffirmation that gives organisations resources to deal with problems as they arise.

The preferred approach in the case studies is not evident. Norwegian policies define institutional development primarily as a means to an end, but also as an end in itself. The instrumental use is most common where institutional development is defined as a component of a larger programme, where the objectives are to deliver tangible products or services, and where better management and improved organisational performance are perceived as prerequisites. On the other hand, there are institutional development programmes where the objectives are to strengthen the role and functions of a Directorate, a University or a company – and where viable organisations are assumed to be important and will, in themselves be beneficial to society at large, while such benefits are not included in the programme objectives. In the first policy papers it was an objective that the twinning arrangements could be sustainable – able to continue when donor funding ends.

The «end in itself» approach has increasingly been adopted by Norwegian NGOs where the criteria for success lie in their ability to strengthen partner organisations, and not in effective programme delivery. This has important implications for the selection of operational skills and for how NGOs are evaluated – not in terms of ultimate development impact, but in their ability to strengthen performance of their partners. The NGO Study finds that many NGOs have been in the vanguard on this point, and observes that NGOs, as

value-based organisations, seek to link up with like-minded organisations in the South, and then support only indirectly the projects of their

partners. Norwegian People's Aid has poverty alleviation and political solidarity as twin goals. It embraces the partnership concept both as an end in itself (solidarity) and as a means to fight poverty.

Institutional development as a process focusing on continuous collaboration between like-minded partners, has been pursued by smaller NGOs where development benefits are spin-offs from the collaboration rather than planned outcomes themselves.

The Study of the cooperation between Agder College and IDM underlines the partnership characteristics as a condition for effectiveness:

*«The underlying philosophy of the cooperation between the two institutions is based on the idea of equal partnership implying a spirit of mutual respect and willingness to understand cultural differences, and an attitude of trust, tolerance and openness in the relationship. Such a cooperation between equal partners can not be based on a consultant-client relationship.»*

Whether the partnership qualities in this case have improved performance and produced high-quality outputs are more questionable, so the «Agder College – IDM model» is not necessarily more effective. Paradoxically, the Sokoine Study shows that the introduction of the principle of recipient orientation in combination with a broad institutional development objective, has resulted in the Norwegian partner institution being relegated to the role of consultant.

Twinning is conceived by NORAD as a mechanism for providing technical assistance. Some Norwegian organisations seem not share this view, and treat the collegial and partnership collaboration more as a process. The two approaches might be complementary, but it is difficult to judge when collaborative efforts add value and when they simply add costs to the public twinning arrangements.

The nature of the answer would depend on the type of organisations involved. International NGOs and Universities have mandates which are motivated by international collaboration – mandates which exist regard-

less of NORAD funding, but benefit from additional support. Norwegian public organisations on the other hand have no development mandates as such, but could for pragmatic reasons be useful instruments for NORAD in providing technical assistance, e.g. when they have the skills and as long as they are able to perform. But the «Norway axis» concept could be construed as a right for Norwegian organisations to be involved in aid, where such participation represents a value in itself regardless of cost and effectiveness. In such cases NORAD may need to hold back and insist that Norwegian development objectives should be met.

#### 4.2 Organisational Support – Not Institutional Development

- Institutional development is mostly understood as support to specific organisations, and refers seldom to strengthening of organisational linkages, sector or system support.

This hypothesis posits that Norwegian organisations equate organisational with institutional development, and that they seldom address dimensions beyond organisational development, such as linkages (networking) and other forms of system development.

There is a dominant human resources focus in the understanding and application of institutional development among Norwegian organisations in all sectors. This means that the strengthening of Southern organisations through active collaboration, transfer of funds, equipment and competence is at the core of intentions and practices. There are however efforts to include the organisational environment and an increasing awareness of the influence of contextual factors. The Study of Public Institutions concludes that:

*«even though institutional development projects still mainly relate to the development of organisations, there has been a shift in emphasis in most projects towards looking at organisations as parts of a wider context.»*

System development is also reflected in broader sector approaches in bilateral programmes and, for the majority of NGOs networking is a common strategy. Components aimed at changing the sectoral or national institutional framework featured also in a number of

cases. Redd Barna in Zimbabwe seeks in cooperation with TARSC (a national NGO) to promote the principles of the UN Convention for the Rights of the Child within Zimbabwean law and culture. This clearly implies institutional development at the system level – laws, rules and norms of behaviour.

Private companies are by definition more directly linked to the context via the market. For a commercial company a healthy and competitive market is often a prerequisite for survival. The Private Sector Study thus concludes that private companies pursue the system perspective more out of necessity than from explicit policies and objectives. Several private consulting firms also take a broader view of institutional development. The Study examines in particular the unintended systemic effects of Norwegian companies and firms, and discusses to what extent the market could be defined as an institution and how the Norwegian funded projects influence the market institution.

There is nothing wrong in focusing aid efforts on human or organisational development only, provided this is deliberate and takes place within a well conceived strategy for system development. A fundamental premise in most institutional development is still that organisational capacity and performance are enhanced primarily through manipulation of internal variables and by supplying additional resources. This could be a constructive point of departure, but misses new insights and perspectives that seek to locate organisations in an environment that imposes on them performance demands, incentives, pressures and disciplines, which are also required to enhance organisational performance (Moore 1995).

It is not sufficient to provide organisations with the resources they need. They also need incentives to use those resources well. There are examples among the cases which illustrate the limitations of a restricted organisational approach (Sokoine Agricultural University) where a broader system perspective could have strengthened the position of the Tanzanian University. Such an approach is described as including the research policy-setting institutions, as well as the institutions acting as end-users of Sokoine research and graduates, e.g. institutions beyond the university organisation.

«A broader approach has been adopted by a number of donors, in particular SAREC and IDRC, in which, on the one hand, greater impact and value added is tried to be achieved at institutional level through support to broader partnership links, building capacities at all levels at universities, but in particular stressing the management capabilities. On the other hand, pro-

vide support to strengthening the institutional environment in which projects and programmes are carried out, e.g. bolstering the institutional framework handling research and higher education at national levels.» (The Sokoine Study)

#### What goes Beyond Organisational Development?

The Private Sector Study found that institutional development does not figure as a prominent and respected activity in the two projects in Indonesia. Technology transfer was the main subject for most strategic thinking whereas the broader concept of institutional development at the system level was left for management to cope with more or less ad hoc. The development of linkages between organisations, coordinating inputs to data-bases and making sure that geographical information reaches users, are all example of activities that take place, but depending on time and opportunities. There is no consistent strategy for these purposes.

The case from Palestine contains a range of activities above and beyond organisational development that can be called system development:

- The development of a legal framework for planning.
- The development of nation wide norms and standards of planning.
- The development of cooperative mechanisms to work with other organisations.

- Activities to enhance the use of planning documents.

The main point is that maps or geographical information are not institutions in their own right, but that an organisational framework to define, commission, produce and use geographical information is a relevant object of institutional development.

In the study of Dyno Industries in Indonesia it is asked whether there are any effects at system level from the project? Dyno does not make any claim that the joint venture has an institution building effect, but it could have a negative effect on the market by distorting prices through subsidies. The conclusion is however that Dyno Indria through its approach to its clients, its choice of product portfolio and technological emphasis contributes to development of the market. But this happens by pure coincidence, not strategic intent. In this case the effect on the market was positive, but it could have been negative under other conditions, and it is said that NORAD needs to consider such aspects when loan agreements are being negotiated.

#### 4.3 Hard or Soft Institutional Development?

- Most of what is carried out as institutional development represents transfer of hardware and technical knowledge, and is not specifically geared towards human and organisational capacity building in the recipient organisations.

The OECD data indicated that most of what was defined as institutional development actually came in the form of buildings and equipment, rather than capacity building of personnel, organisational and system development. An internal NORAD memo (NORAD, 1990b) admits that NORAD's institutional support has so far primarily been used for organisational infrastructure and human resource development, and not organisational or institutional development in its broader sense.

Evidence from the case studies is more ambiguous. In the case of public twinning and the Sokoine -Norwegian

Agricultural University cooperation hardware transfers and technical knowledge represent the main ingredients. NORAD's support to IDM has also targeted transfer of technical competence and improved technology and equipment.

When twinned institutions were asked about the principal outcomes of their cooperative efforts, 72% pointed to the development of technical competence and 59% to the transfer of improved technology. Only one third of the institutions perceived institutional development in any form as an outcome of the cooperation. The Study concludes that:

«institutional development projects tend to concentrate on competence building and introduction of improved technology and equipment, less on improved administrative routines and development of an accountable leadership. .... Much of what is carried out at the level of organisational development is «gap

*filling» in the sense that Norwegian institutions take active part in concrete activities with tangible outputs, and transfer of improved technology and hardware.»*

However, decreasing amounts seem to be allocated to capital investments and increasing amounts to technical assistance.

In the case of private consulting firms it was found that human and organisational development are important tools of the trade in the consulting field. It appears that consultants have more incentives to be at the forefront of development thinking than private companies.

For private companies and NGOs the evidence is not clear. Although straightforward technical assistance and hardware transfer are usually the main components of most industrial projects, training and capacity development are often equally important. NGOs work at many levels. In some cases they simply assist their partners with material and financial transfers, but there is a clear trend towards adopting a much wider approach to institutional development working at local, national, regional and international levels with issues like the rights of the child, sexual abuse of children, de-mining and the establishment of and support to regional networks and institutional development in the broadest sense.

#### **4.4 Changing Central Policies, but not Local Realities?**

- *In spite of new policy directions which emphasise institutional development the realities of programmes remain the same.*
- *The policy intentions of institutional development are not reflected in implementation.*

Have the changes been only symbolic or to what extent have the realities of programmes been affected by the new policy directives?

Evidence from the case studies differ. In the public channel policy shifts and the new strategy of «twinning» have had significant operational consequences. NORAD's «new» strategy has been discussed intensively at Headquarters and to a large extent been internalised by

its staff. There are flaws in implementation and critical comments on parts of the strategy, but overall there has been strong support which has had implications for country level strategies and individual programmes. The study of Sokoine Agricultural University provides an example of an «old» programme (supported over a period of 25 years) where shifts of policy have taken place on paper, but less in so in reality. It is interesting to note how the relatively new Palestinian project for physical planning has a broad institutional perspective. In both cases, NORAD played an important role in promoting the institutional objectives.

The NGO Study concludes that Norwegian NGOs over the last ten years have changed their policies and programmes significantly. The policies of partnership, non-operationality and institutional development were adopted quickly. Policy shifts in some of the larger NGOs actually preceded the new NORAD strategy from the early nineties<sup>20</sup>. Most of the NGOs prepared similar policy documents when the strategy first came, as it was a NORAD requirement to reflect NORAD strategies. The NGO Study shows that Redd Barna has more recently followed suit.

Private companies have less contact with the development assistance field in Norway and have consequently been less aware and affected by the policy shifts. In the case of private consulting firms it is interesting to note that Southern institutions have primarily initiated the institutional components and stressed their importance.

On the other hand the Study of Public Institutions makes on the other hand two relevant observations: First, that at the level of country programmes, the hierarchy of policy and planning documents have remained largely the same after the introduction of the new policy. And, secondly, the formal procedures for initiating, implementing and evaluating projects have also remained unchanged.

#### **4.5 Changing Values and Incentives**

- *There is a movement from value driven to commercially driven incentives in institutional cooperation.*

The reports provide no firm conclusions, but interesting insights. The twinning partners, consulting firms and NGOs have made conscious attempts to adopt new policies. In the case of Sokoine University there was little

<sup>20</sup> The intense discussion in Norwegian Church Aid from 1985 of its large operations in Southern Sudan and discussion of new approaches to partnership in international church fora gradually changed the organisation.



evidence of any commitment although this may be a «one-off» case. As far as private companies are concerned new policy directions have not been adopted.

The Studies did not find a general move towards commercially driven incentives in institutional development. In the case of Norwegian public institutions, almost twice as many report ideological rather than commercial motives for the cooperation. The incentive structure emerges however as a critical issue for public institutions. If the motivation for being involved in development cooperation depends primarily on interest from individuals, ideological or humanitarian motives and marginally on professional or commercial interests such involvement may in the long term be vulnerable and difficult to sustain.

For Universities on the other hand, professional motives underpin international collaborative efforts and the Norwegian Agricultural University also experienced considerable financial gain over a long period of time from such collaboration. Private consulting firms would have commercial motives for being increasingly involved in human and organisational development<sup>21</sup>, and the new concerns have also been taken up by previously technically oriented consultants. The Study of Private Companies finds no incentives at all for long-term institutional development – and certainly not commercial incentives. Institutional development seems to be perceived as a development oriented effort imposed by NORAD which adds extra costs, but no additional value for the companies.

Among the NGOs there could well be opportunistic reasons for «jumping on the bandwagon». On the other hand, the collaborative institutional approaches are consistent with NGO values and principles:

*«The raison-d'etre for NGOs is development rather than profit or, for political servants, vocation... Their value-based approach leads them to seek linkages with like-minded organisations (NGO Study)».*

The lesson is that the incentive structure must be compatible with the raison d'etre of the organisation involved. If it is a commercial enterprise, once the commercial importance disappears, they will also leave. If the interest is ideological, which is often the driving

force for NGOs, they might fight hard to find resources to continue a collaboration they think is worthwhile. And what is defined as worthwhile varies from one NGO to the other. What is more difficult is to define the incentive structure for the public institutions. This is an issue which needs to be analysed and discussed further.

## 5. RELEVANCE AND OUTCOMES

### 5.1. Monitoring and Evaluation:

#### How do we know the Results?

- *Systems for monitoring and evaluating changes in institutional development are not in place, and there are few benchmarks/standards to assess quality of performance.*

A general finding from the World Bank and other donors is that institutional development in social sectors has low success rates, much lower than hard or engineering type technical assistance (Berg 1993, p.24). It is also conventional wisdom that to construct irrigation canals is easier than establishing water management systems.

But a more fundamental issue which precedes an assessment of relevance and outcomes is whether we have any tools to gather data and information to measure results: to what extent monitoring and evaluation systems exist to detect and assess institutional progress, and if there are standards to evaluate quality of performance. In principle both indicators and standards of success are required since assessment of achievements will vary between individuals and groups and their perspectives, expectations, background, etc.

The studies confirm unanimously the suggested hypothesis which means that there are no or only few systems for monitoring and evaluating changes in institutional development, or benchmarks to assess quality. Norwegian NGOs reported difficulties in monitoring and assessing progress because of lack of baseline data, and problems in defining appropriate indicators and criteria for institutional development. Among private companies and private consulting firms there was a sense that reliable methods for evaluating institutional development did not exist. The Study of Public Institutions emphasised that the twinning institutions should assess their own performance and not leave this responsibility to NORAD, but also suggested that more external evaluations are required.

<sup>21</sup> Other motives or interests are of course not excluded. We are here trying to characterise the channels.

On the other hand the lack of effort in trying to measure impact is unfortunate. Huge resources are invested in the area of institutional development, and NORAD's

intention to become principally a financing and enabling agency, requires a strong analytic and evaluation capacity to justify such a role.

#### Issues in Evaluation of Institutional Development

- *Un-weighted multiple objectives: Few programmes have single and precise objectives, they are not weighted and constitute parts of long complex chains of means and ends where institutional development must be both evaluated as processes and products.*
- *Institutional development is a problem-solving, learning process where the end product is not part of a blueprint plan, but often follows from the process.*
- *Intangible output measures: It is difficult to define outputs and impacts and precisely measure the success of an activity (e.g. the outcome of placing a policy-adviser in the petroleum sector in Mozambique).*
- *Subjective perceptions or data derived from proximate indicators tend to dominate.*
- *Multiple determinants of performance: It is difficult to disentangle effects of institutional development efforts from other variables that contribute to institutional performance.*

Reviews and evaluations have been carried out, but in the sample of cases limited attention was paid to the institutional components of the programmes. Outcomes are most commonly measured with reference to lower level concerns. So far none of the twinning arrangements have been thoroughly evaluated. The Study of the 25 years cooperation between Sokoine and Norwegian Agricultural Universities found that no major evaluation had been carried out during this period. It also found flaws in basic monitoring: financial data (actual expenditure) and outputs achieved were not documented or were unavailable. Some of the larger NGOs are making efforts to measure impact, but so far with limited results.

There are at least two aspects to this. In an area with a high level of uncertainty and new policies, evaluation should have been an important tool for critical and continuous learning. With a high level of decentralisation and increased use of intermediaries for technical cooperation (e.g. twinning), accountability, checks and balances in the form of supervision and control are much needed.

#### 5.2 Achievements at Lower or Higher Levels?

- *Activities aimed at addressing lower level concerns (e.g. individual skills) are more likely to achieve their short term objectives than those aimed at higher level outcomes.*
- *Activities which successfully address lower level concerns are less likely to achieve sustainable improvements than those which successfully address higher levels concerns.*

There is broad agreement that activities at the level of human resource development were more likely to achieve short-term objectives than those aimed at organisational and system level outcomes. It was found that lower level achievements (in human and organisational development) were considerable, but there is a lack of data on higher level outcomes and relevance. Most programmes have few explicit and measurable institutional objectives, and macro-effects and relevance can mainly be identified as unintended or accidental effects. The case of Redd Barna in Zimbabwe examined in the NGO Study indicates however, that progress in setting and measuring objectives for the system level is feasible.

An important finding relating to the first hypothesis in both the public and private channel study is that lower level products are not less important for sustainable improvement than higher level processes. Both are required and depend on each other, and lower level activities must be planned and implemented with reference to higher level concerns in order to become relevant. It is necessary to train individuals, but a proper planning process must initially address broader institutional concerns such as: training for what purpose, how and with what content? The institutional concerns place the training in a long term development perspective. The same is true for organisational development, which is a necessary, but not sufficient condition for making a development impact.

In the case of private firms and companies it was argued that unless programmes met lower level objectives, e.g.

that organisations are made effective and legitimate, they could not meet any other either. With the types of interventions which we have studied here, solid ground-work needs to be done at the level of human and organisational development as a condition for change and innovation at higher system levels. One level does not exclude, but builds on the other and often interventions are required at all levels simultaneously. In the case of Geographical Information Systems<sup>22</sup> it is obvious that the production of maps need to precede the use and dissemination of the same. But the overall system perspective must also be present from the beginning to clarify questions like «who are the main stakeholders, who need what kind of maps to take what kind of decisions, and what are the best and most cost-effective ways to provide the necessary decision-making information?»

### 5.3 Relevance and Macro-level Outcomes

The ultimate evaluation-question is whether programmes contribute to the overarching aims of Norwegian development assistance, namely sustainable development and poverty reduction. And to what extent does institutional development address, is relevant to or has impact on issues like reforms in the central governments, decentralisation, private/public mix, privatisation of public enterprises, the formation of markets, transaction costs in business, etc.

Case studies show that most programmes are not sufficiently prepared with reference to higher level concerns and overall objectives in Norwegian development aid.

The Study of Public Institutions finds in its survey of Norwegian institutions that:

*«...most projects primarily address issues at the operational level... The impact on higher level concerns... is less frequent and less positive. In seven out of ten projects the Norwegian institution is satisfied with the overall outcome, but with no reference to higher level concerns. Most of the projects show that progress is made in the area of technical and general competence.»*

The Sokoine Study found that the collaboration had focused on single professional issues and as such been relatively effective, while links to broader socio-economic, policy and institutional issues have been downplayed making the contributions less relevant.

*«The collaboration has given priority to aspects which are of only marginal importance in relation to agricultural sector needs in Tanzania.»*

Within the same sector of research and similar political and economic context, the institutional development projects of Sokoine and the Institute of Development Management (IDM) have very different relations with stakeholders. The cooperation between IDM and Agder College has actively related to network linkages and macro-economic policies and emphasised the need to do relevant research and training in order to develop legitimacy and long term sustainability, while the Sokoine-NAU seem to have operated more in a vacuum.

In the Private Sector Study it is clear that all stakeholders, and in particular the recipient country authorities, view institutional development as a key to sustainable development. The Study concludes that interventions could have considerable impact in terms of macro-economic objectives of Norwegian development cooperation, but that it is far too early to assess whether the projects have had any impact, and in particular if poverty reduction can be related to institutional development pertaining to Norwegian funded projects.

There are no simple causal links between poverty reduction and institutional development. Such links are only indirect. Poverty is a complex phenomena largely shaped by factors that lie outside the scope of most aid-programmes. The main point is that there are no simple ways that monitoring and evaluation systems to confirm whether such an impact has been achieved during the life-time of a programme, or even during a few years after it has come to an end.

This negative statement does not exclude systematic assessment of the overall conditions of development, or tracing multi-causal links between specific interventions and over-arching objectives, but it is not possible to verify results in such terms. There is also a need for further studies with other designs to look more in-depth and systematically at macro-level outcomes. This Study pursued a deliberate bottom-up organisational approach which only allowed an exploratory discussion of issues of overall relevance and the macro-impact of institutional programmes.

NGOs have often lofty ambitions. In addition to their work at the national level, all three Norwegian NGOs studied clearly believe there is a higher, international dimension to institutional development which they

<sup>22</sup> Examined in the Indonesian case in the Private Sector Study.

should address. Norwegian People's Aid believes the international economic system creates inequalities and should be changed. Redd Barna promotes an international movement based on the UN Convention on the Rights of the Child. Norwegian Red Cross is a member of an international movement whose capacity to mobilise support throughout the world is central to its ability to respond to disasters. Both Redd Barna and Red Cross are actively working for institutional reform at the international level, e.g. the Geneva Convention and the Rights of the Child.

The NGO Study shows that Redd Barna Zimbabwe has been successful in advancing its goals to alter the national institutional framework relating to child sexual abuse. 22 local organisations are cooperating within a network with that aim. The work has had an impact on public attitudes towards the rights of the child and the sexual abuse of children, and so begun the long process of changing social norms and the informal institutional structure of society.

But in general it is a dilemma for the NGOs that so far they have no methods to critically monitor and evaluate potential outcomes of high level intentions and objectives, and few have even tried to find such methods.

#### *Results for Whom?*

In the Study of Public Institutions it was evident that the Southern counterparts gained more than the Norwegian institutions from the collaboration. A Northern provider- Southern receiver relationship dominated thinking and practice. In the NGO Study a rarer example is recounted where the Development Fund in Norway gains considerably from the relationship with its partner organisation in Sri Lanka, in terms of credibility, experiential learning, and assistance to other project partners in the region. The Study of IDM – Agder College suggests that there must be mutual advantages to the collaboration, and that such advantages can be found. In the other case from Sokoine and Norwegian Agricultural Universities the potential for mutual advantage has been systematically reduced over time.

#### **5.4 Do Objectives Make a Difference?**

- *Differences in objectives and design have less of an impact on institutional development than do differences in organisational capacity to implement programmes.*

Are policies and intentions overvalued? Do other factors make a more significant impact on institutional development? This hypothesis posits that objectives and intentions have less impact than the organisations' capacity to implement programmes. In other words, outcomes are determined by the process of implementation more than by intentions and plans. This does not imply that clear and relevant plans are unnecessary, but only that they are insufficient for understanding and predicting outcomes.

The Study of Public Institutions states that institutional cooperation may have worked well despite the lack of formal planning instruments and explicit objectives and designs. Southern institutions argued also that the level of ambition in formal plans was too high. In the private channel a majority of private companies and consulting firms had not adopted the theory of institutional development. In practice, however, some companies were involved in institutional development without using the «correct» terminology. The NGO Study lacks information to discuss the issue, but underlines the importance of Southern partners' capacity. On the other hand the case studies also illustrate how important deliberate plans and intentions are for creating awareness of new and complex issues and preparing the ground for innovations. The common sense message is that what you do is more important than what you say when it comes to implementation, but ideas and plans mobilise and guide the process in the first place.

#### **5.5 Whose Results Count?**

- *There is frequent disagreement between key stakeholders on the relative importance of project outcomes.*

Are results in the eye of the beholder and are there frequent disagreements between key stakeholders about project results?

The Study of Public Institutions revealed that key stakeholders tend to disagree on the relative importance of outcomes in the sense that Southern institutions evaluate projects more positively than their Norwegian counterparts. This is explained by differences in expectations (more realistic perceptions in the South of what can be achieved within the given time frame) rather than disagreements on what constitutes positive results. The Norwegian institutions often assess outcomes with reference to standards in their own institutions and NO-

RAD with reference to broader development objectives and both come up with less positive results.

The studies of Sokoine University and the private channel did not find major disagreements in the assessment of outcomes, while conflicting interests and views are quite common among value-based NGOs.

In general there is no strong and critical opposition to institutional development and cooperation as practised by Norwegian organisations. Problems and disagreements exist, but not on policies, or in what is assessed as valuable outcomes.

### 5.6 Value for Money?

How do costs compare to results? Do the case studies prove that institutional development represents good value for money or to what extent institutional cooperation is more cost-effective than other forms of technical cooperation? None of the studies examined cost-effectiveness in any detail or came to firm conclusions. There are several methodological problems in comparing and measuring various technical cooperation instruments, and more in-depth studies are required to provide more detailed information. The studies however, presented several relevant observations.

The Study of Public Institutions explains that actual costs of technical cooperation have become more transparent since Southern institutions began to administer funds from NORAD. As such they have become increasingly aware of the high costs of consultants, goods and services from Norway. Many seem to look at it as an inevitable part of the relationship with Norway, but there are also examples of Southern institutions using the high costs as an argument for seeking help elsewhere.

The Study finds it difficult to compare the costs of institutional twinning as a strategy for institutional development with for instance the traditional individual adviser. Institutional cooperation is found to be costly and the cost per person year is likely to be higher due to institutional overheads, but at the same time the range of services provided is broader through the institutional link. It is difficult to assess to what extent the broader collaborative efforts (mutual visits, number of people involved, etc.) add value in terms of improved impact – or only costs.

The Sokoine Study concludes that the collaboration has been very costly and based strictly on a cost-recovery policy.

*«The costs of educating the number of Masters and Ph.D. students over the programme can be estimated as being excessive, at least compared to available figures from other projects for unit costs in producing candidates abroad.»*

The IDM-Agder College Study found another pattern where costs look small partly because individual Agder College staff members subsidise the project, mostly in terms of opportunity costs and by following a low-cost and egalitarian approach to travel and per diems. It would be interesting to discuss further if collaboration agreements should be based on both partners' willingness to chip in resources, beyond the grant received and bills reimbursed. Would counterpart funding foster more genuine collegial and professional interest on both sides, and also strengthen the sustainability of the cooperation? Or should twinning be based on a business-like cost recovery policy for all activities?

Two findings relevant to the discussion of costs emerge from the Study of Public Institutions. Firstly, that the long term expert or adviser is still present as part of the new twinning arrangements, and in some cases also wanted by the Southern public agencies. The Norwegian advisers are no longer hired by NORAD, but recruited through the Norwegian twin and sometimes outside its own ranks. The Southern organisations expressed appreciation for the better continuity, flexibility and broader institutional backstopping in the twinning arrangements, but simultaneously the need for continued physical presence of a coordinator – or mediator between the Northern and Southern institution for twinning to be effective.

Secondly, case studies indicate that institutional cooperation is costly, and provides not necessarily «more value for money» than other means of technical cooperation. It is clear from the studies that twinning is not the only effective strategy. It should be used cautiously and deliberately in cases and countries where Norwegian institutions have the skills and motivation and where there is a demand for and interest in the potential partner. Other means of technical cooperation should also be considered and not avoided as a matter of principle. The mode of technical cooperation (e.g. whether twinning, long term adviser, short term expert, etc.) seems to engender more ideological discussion in Norway,

whereas Southern countries are concerned with the type of work that needs to be done, the financial resources and the qualities of the adviser, etc.

It should also be mentioned that there are examples of small collaborative arrangements in both the public sector and among NGOs where the cost is low, but where the studies were not able to determine cost effectiveness. Low cost is not a virtue in itself and does not necessarily lead to better impact.

### 5.7 Continuation and Sustainability

- *Institutional cooperation ends when donor support discontinues.*

This hypothesis states bluntly that continued collaboration depend on donor funding and is clearly confirmed in the Study of Public Institutions. Norwegian partners have few incentives and financial opportunities for sustained collaboration with Southern partners if NORAD does not provide the funding. Some of the research institutions would in principle have incentives to continue, but they need someone to meet the costs.

The situation for NGOs is less easy to define and the selected cases do not provide a test of the hypothesis, but given the considerable public funding, the current level of international NGO collaboration would most likely be radically reduced if support ceases. Only organisations with a high level of domestic income from members will be able to cope with dramatic cuts in NORAD support. Another finding relates to what happens to a Southern NGO which «graduates» from financial assistance from the Norwegian NGO (i.e. the Norwegian NGO is the donor). Evidence from the NGO Study suggests then that institutional cooperation does not invariably end when donor support stops.

The hypothesis is not confirmed for private companies. Firstly, there is a strong element of credit and not grants in the sector. Secondly, private companies will continue the cooperation as long as it is profitable regardless of continued support from NORAD. Private consulting firms have on the other hand no means to continue the cooperation unless somebody pays for their services.

The NGO Study made some particular comments on the issue of sustainability. If by «sustainability» we mean lasting independence of foreign donors, many in the NGO sector will be in trouble. Few NGOs in Sri Lanka

or in countries like Norway for that matter – are likely to be sustainable in the sense that the organisations can operate entirely on earned funds, as opposed to donations or grants. But sustainability has also other dimensions. Financial independence may not be a realistic goal for an NGO working with poor people in a poor country. Institutional self-reliance in the sense that the local NGO may direct or monitor its own work without close oversight and training by the donor NGO, is a more realistic target and an important step towards sustainability

As a corollary to the issue of sustainability, the question of «phasing out» arises. An aim of donors is often complete withdrawal after a period of time. When partnership becomes the *raison d'être* of aid, the question of sustainability is given a new logic. The whole idea of mutual learning implies presence and partnership and seen as a lasting relationship, where trust and stability are central ingredients and ends in themselves.

## 6 EXPLANATIONS

- *What factors explain successful institutional development?*

So far we have limited knowledge of what makes institutional development succeed. There is a diversity of internal and external factors that determine processes and outcomes. It is important to record results, but we also need to understand what factors contribute to successful institutional development and how differences in outcomes can be explained. Such information would be the basis for future learning and improvements.

A series of ten explanations was set out in an attempt to explore the observed variations in outcomes. It should be noted that there is significant research on what makes organisational development work, but much less on the broader concept of institutional development.

The studies provide several interesting findings and patterns, but the study design did not provide a sufficiently satisfactory framework to test more systematically the hypotheses. The sample of cases was relatively small, and it is difficult to determine whether successful institutional development depends on a set of unique factors in every situation or can be explained by certain basic variables which cut across context.

### 6.1 Cooperation based on Southern Demands and Initiatives

- *Successful institutional cooperation occurs when cooperation is initiated by Southern organisations and based on their demands, and not by Northern donors and organisations.*

There is a broad consensus in the studies that, when cooperation is demand-driven (initiated from the South) or where there are similar/like-minded commitments, then institutional development can be more easily mobilised. In the case of the Study of Public Institutions and Private Consulting Firms evidence seem clear for this. In the latter Study institutional development components were also mostly initiated by Southern partners.

The Study of Public Institutions found that Southern institutions often make the initial request to the Embassy, while the Norwegian institutions are in control of elaborating the joint programme. There is little evidence of Norwegian institutions taking the first initiative themselves, but institutional cooperation can only partly be demand driven since cooperation is tied to Norwegian institutions.

At least two-thirds of the Norwegian twinned institutions reported that their counterparts attached considerable importance to the principle of recipient responsibility and 80% considered that decisions were made jointly by the cooperating institutions.

The survey carried out in the private sector study found that cooperation was initiated by the Norwegian company, their partner organisation, or both of them. Only three companies stated that the initiative had come from NORAD. In the case of private companies there was no real evidence that demands were expressed by the recipient country. For the NGO sector as such it was not possible to generalise. The Sokoine Study provides no evidence that commitment from the recipient was decisive largely because the concept of institutional development was formulated and advocated mainly from NORAD Oslo.

### 6.2 The Role of Individuals

- *Successful institutional development happens when collaboration is initiated and mobilised by committed individuals, and later incorporated and supported by broader network of actors and organisational structures.*

The commitment of individuals appeared to be an important factor in explaining the evolution of institutional development and cooperation. The Study of Public Institutions in particular emphasised the importance of the committed individual.

«The survey confirms that one or a few individuals very often play a vital role for the development of the projects. There is in other words a strong personal component to the cooperation despite its institutional basis. This makes the quality of the collaboration very dependent on the personal qualifications of the individuals involved.»

It has to be recognised that many of the twinning arrangements are relatively small in relation to the size of the institutions. The number of people involved from Norwegian institutions is less than ten in 90% of the cases and somewhat higher in the Southern institutions. They are therefore bound to depend on the commitment of a few individuals who are experienced and specialised in international cooperation. An important finding was also that twinning seldom exists in its «pure» institutional form. The case studies confirm that the classical «expert» is still very much alive – often as a part of a twinning arrangement.

The case of Sokoine University is somewhat different. The collaboration between the two universities was originally initiated by a group of researchers at the Agricultural University of Norway whose primary interest and training was not in institutional development, but in furthering specific educational and research topics. The strong involvement of individuals in preparing the ground is quite natural and required, and in the Sokoine case this is not criticised. It is, however, argued that the collaboration could have profited greatly from involving some management or institutional development expertise in addition to the researchers from Norway. The same partners have also been together for 25 years which is far too long. Diversity and flexibility would have been better than such stability in relationships.

In the case of private consulting companies it is said that sound individual commitment starts off institutional development activities. For private companies the hypothesis is rejected. Here market forces may be more important than the efforts of individuals when it comes to institutional development.

The individual factor plays a crucial role in both North-

ern and Southern NGOs. With less bureaucratic structures and traditions than in the public sector, NGOs are open for individual initiative (and dominance) given favourable opportunities for making a change. Several Northern and Southern NGOs are still managed and dominated by strong individuals.

### 6.3 Blueprint or Emergent Approaches

- *Successful institutional development depends on an emergent, step-by step approach based on continuous mutual adjustment in planning and implementation, and not a fixed blueprint activity.*

#### Institutional Development as a Process

- *Institutional development is a long term activity.*
- *Institution building is a process rather than a blueprint activity. It cannot be programmed in detail and requires flexibility and adaptiveness on the part of the people involved, including funders.*
- *Institutional development is not a mechanical activity, but requires adaptiveness to the specific political, cultural, economic contexts.*
- *Institutional development involves changes in social relationships. This creates resistance, which needs to be met with proactive political support from leadership.*
- *There are generic skills that can assist in the process of organisational change – those of the organisation/management development specialist (Morgan & Qualman, 1996).*

The Study of Public Institutions found that most projects followed a blueprint approach. It points to the fact that the use of a more flexible planning strategy would necessitate a clearer definition of roles and responsibilities between NORAD as a funder and coordinator on the one hand, and the institutions responsible for the planning and implementation on the other.

In the case of University cooperation in Tanzania and the case of private consultants, the choice of approach was important, but not decisive in explaining outcomes. A flexible approach may not be possible between twinned organisations who have to follow the requirements of formal state-to-state agreements. On the other hand the Study of IDM's collaboration with Agder College found that:

*«the slow pace and evolutionary nature of the first phase of cooperation has no doubt been important in establishing the trust and mutual confidence which both parties have been insisting on.»*

In the case of private firms, the hypothesis was confirmed as it was considered that institutional develop-

ment in the private sector was achieved incrementally. With private consulting companies, one of the cases had followed a blueprint approach and the other a flexible one. Both had advantages and appeared to yield results. It cannot be said that one works better than the other.

It is further emphasised that institutional development has to rest on sound foundations. The private channel study states that:

*«It is useless to have a framework to discuss legislative proposals, if proposals are not produced. The model of cooperation with the Bureau of Statistics serves no purpose if the organisations do not produce or use population statistics. Hence, the project's strategy to develop production of plans simultaneously with, and even a little bit ahead of, institutional links is probably both prudent and necessary.»*

### 6.4 Cultural Training and Contextual Knowledge

- *Institutional development occurs when both parties are trained and have the skills to handle the technical and social/cultural aspects of cooperation.*



To what extent does effective management of cultural differences contribute to successful institutional development? There are obvious cultural differences between Tanzania, Namibia, Mozambique, Zimbabwe, Sri Lanka and Norway, and research has confirmed the importance of such cultural differences (Hofstede, 1991).

The Study of Public Institutions shows that the Southern and Norwegian institutions do not find cultural differences to be significant. The Private Sector Study also found that cultural differences are not decisive for explaining institutional development. This Study has however analysed another question: how the actors involved cope with cultural differences. Companies have no screening process to ensure that the wrong people are not selected for international work, and few prepare their staff for assignments abroad. Such formal processes are also absent when Norwegian public institutions send people overseas.

It appears that local personnel take on most of the burden of bridging and managing the cultural divide and not the Norwegian personnel. On the other hand the case studies found that the cultural dimensions were not considered as critical determinants, either by Norwegian or by Southern institutions. Norwegians were mostly well received, perceived to be well qualified and culturally sensitive<sup>23</sup>.

#### *An Adapted Knowledge Base*

To what extent does the knowledge base of the Norwegian organisations make a difference? The Study of Public Institutions found the competence and capacity of Norwegian institutions to be very varied. They were professionals in their own fields, but not development institutions with knowledge and technology for problem-solving in less-developed countries. Neither were they obvious partners in development simply by virtue of being public institutions with domestic skills and experience.

There are examples where the special conditions and needs of partner institutions were not taken sufficiently into consideration and unsuitable or inappropriate ad-

vice given. On the other hand several of the institutions are well qualified and prepared for development work. Variations in capacity and competence will always exist, but it is more problematic that NORAD's initial assessment of capacity and competence of the Norwegian institutions was found to be inadequate.

The NGO Study underlines the fact that the new emphasis on institutional development places great demands on the organisational capacity of the Northern partner. Norwegian NGOs need to acquire new skills in organisational assessment, institutional development and consultancy work. Some NGOs need to recruit new categories of staff since personnel whose experience is in emergency relief are not necessarily effective OD facilitators.

#### **6.5 Gender Differences**

The gender dimensions in institutional development was neither emphasised by the institutions involved or by NORAD. This is partly reflected in the fact that most data used in planning and monitoring of institutional development projects is not gender disaggregated and gender impact assessment is not systematically applied. The Private Sector Study found not surprisingly that:

- Few female consultants have been used in any of the projects. In most projects not more than 10% of the consultants were female.
- In the Southern organisations women are in most cases under-represented in number of total staff and at management level. Women are more common at the middle management level and found in positions related to personnel, administration or training.
- Neither the Norwegian company nor the partner organisation have any policies or working methods as to how to integrate the gender concern into their programmes.
- NORAD maintained in interviews that they usually do not demand that the issue of gender is a part of the agreement between Norwegian companies and their partners.

Efforts to address gender imbalances generally encompass part of the thinking and actions of Norwegian NGOs. However, this usually affects more the choice of a project or partner organisation (e.g. women credit projects and organisations) than the design and implementation of a capacity building project. Many Norwegian NGOs (or individual staff members) are «gender-

<sup>23</sup> The Private Sector Study referred to Palestinians informants wondering whether Norwegians had some kind of Arab origin. The Norwegian advisers emphasised cultural differences and how cultural factors influence implementation while their counterparts did not see any particular problems. Indonesians found the Norwegians peculiar in their managerial style. Not in any way negative, just different.

sensitive», but not competent in working through the gender implications of the partnerships and capacity building efforts.

### 6.6 The Role of Strong Organisations

- *Institutional development succeed when the counterparts are «strong» Southern organisations (with high levels of efficiency and ability to manage change).*

The studies do not provide sufficient data either to confirm or to reject this hypothesis. Private consulting firms and public institutions depend more on «strong» counterparts than private companies and NGOs. Unlike the public channel NGOs and private companies can select their own partners according to their preferences while NORAD cannot avoid potentially inefficient public institutions in favour of others. In the discussion of the cases from Namibia and Mozambique in the Study of Public institutions it is said that strong organisations may be better situated, but that the potential for change is considerable in weak organisations.

### 6.7 Contextual Factors

- *A relatively stable and predictable environment promotes institutional development.*

In the Study of Public Institutions the importance of external factors was less pronounced than expected. The bureaucratic tradition is the factor that is most frequently rated as having a negative impact, more often than political, cultural or economic factors.

The case studies however, demonstrated the importance of context. In Namibia the policies, rules and legislative frameworks are well developed. The situation in Mozambique on the other hand is very different. The country has gone through a long period of war and instability, the public sector has been weak and is currently undergoing fundamental changes – affecting most institutional development efforts. With reference to the volatile situation the NGO Study notes that organisational strengthening in Mozambique at best remains a «two-step forward and one step back process».

Differences in context do not imply that institutional development is needed and feasible only in stable contexts, but that strategies for institutional development should adapt to and take such differences into account.

*«Arguing that institutional development projects are more likely to be efficient and achieve legitimacy in stable and predictable political and economic contexts does not necessarily mean that the development potential is stronger than in less stable and predictable environments. The current transition in Mozambique also indicates that volatile public structures may be more adaptable to changes than established bureaucracies in Namibia. What the cases demonstrate is the importance of relating focus and type of intervention to the existing institutional capacity and context. In Mozambique human resources and organisational development should have first priority. In Namibia linkages to the external environment is more relevant» (Study of Public Institutions).*

The Private Sector Study could not confirm the hypothesis while the NGO Study found significant variations in goals, strategies and activities of institutional development:

*«which stem in large part from the differences in the host country context. While Redd Barna is going through a major change in policy and operational approach, there remain very significant differences across countries in Redd Barna programmes.»*

From the cases studied, at least three aspects of the national context warrant special mention. These are whether the country is in a state of emergency, the strength of the local civil society and the degree of politicisation.

### 6.8 Role of the Donor

- *Institutional development is promoted when there is clear policy direction, but no strong supervision and monitoring from NORAD.*

A general finding is that the role of the donor – NORAD – is an important factor in institutional development. The critical variable is however, not more or less NORAD involvement, but more on what roles NORAD should play.

On the role NORAD has actually played there were divided opinions. The Study of Public Institutions is partially critical of NORAD's role to date. The shift towards institutional development is commended and said to be more far-reaching than previous policy shifts within NORAD. On the other hand NORAD appears half-hearted about the shift and has given institutional development less attention than other priorities.

The Norwegian institutions were critical of NORAD's role to date. Only 50% thought that NORAD had con-

tributed constructively, 41% thought NORAD had taken an active and constructive part in implementation and only 33% thought NORAD's administrative structure functioned properly. At Sokoine University NORAD has not given clear policy direction on institutional development until recently, but this has partly been rectified in the new Project Document from 1996.

The discussion of the NORAD role in the Private Sector Study seems valid for the twinning arrangements in the public sector. Nine different, but complementary roles were said to be available to NORAD.

#### Potential Donor Roles

1. **Visionary** – *introduces and formulates the idea or direction.*
2. **Network builder** – *creating, building and maintaining networks.*
3. **Contact broker** – *establishing links between organisations.*
4. **Financier** – *provides the financial resources.*
5. **Operator** – *carries out the actual work.*
6. **Operational controller** – *supervises the process of using and integrating the resources.*
7. **Tactical controller** – *monitors and checks if the objectives and targets are reached.*
8. **Strategic controller** – *examines the purpose and strategic interests.*
9. **Teacher/informer** – *caretaker and disseminator of information.*

It was found that NORAD seldom plays the role of visionary and strategic controller in respect of institutional development, but if the strategic intent of NORAD is to be realised, it will be necessary to develop such capacity. In the public channel, however, NORAD has played a strong role in formulating vision and mobilising new partners through the Norway axis.

In the private sector NORAD has played a marginal network builder and contact broker role, while the opposite is true in twinning. This role has a potential for bringing in a broader spectrum of actors from Norwegian society to participate in development cooperation.

If the overall intent concerning institutional development is to be carried out in practice, it is necessary to provide strategic inputs and control when projects are formulated, financed and executed. NORAD has seldom played this role of strategic controller in any of the channels. NORAD should take on a leading role in designing the overall assistance frameworks together with other donors and the governments concerned.

NORAD's role configuration should to a large extent depend on circumstances. If a minimum package was to be defined the role of visionary, financier and strategic controller should be compulsory, while the network builder, contact broker and informer would add value, but would not be absolutely necessary. The role as operator is not relevant, and the nitty-gritty bureaucratic controller should be avoided//– to a larger extent than

today while the strategic support and evaluation functions need to be strengthened in line with result-oriented management.

At any rate, the principles of recipient orientation and national ownership should not become an excuse for reducing NORAD to a financial source and administrator. NORAD needs to take active donor responsibility and provide support through the entire programme cycle.

The cases show that the strategic intervention of NORAD has contributed to change a programme (Sokoine Agricultural University) or inserted and created the conditions and framework for a comprehensive institutional development programme (Physical planning in Palestine). Institutional development would not have taken place without the active support and involvement of the donor.

The NGO Study could not provide a test of the hypothesis as NORAD does not exercise close supervision and control over any of the NGO programmes studied. NORAD only influences NGO programmes indirectly. It is an interesting observation that both the NGO and private sector channels seem to be given more operational autonomy than public institutions. The latter are followed up directly by NORAD and considered more as their extended arms while the former are independent, self-managed organisations.

In particular the Sokoine Study pointed to the need for a further clarification of roles and responsibilities between NORAD Oslo and the Embassies, and between NORAD and the Norwegian institutions.

*«While most of the administrative responsibilities between NORAD-Oslo and NORAD-Dar-es-Salaam on paper may appear clear, certain unsettled issues remain, such as who has the responsibility of monitoring and supervising the programme. With the policy of decentralisation, an increasing administrative and supervisory burden has been left with NORAD-Dar, staffed with only one professional assigned to this task. This administrative system appears rather fragile. In addition, linking up with NORAD-Oslo professional staff, able to assess professionally the various components of the programme, has been weak.»*

### 6.9 Sector Studies and Organisational Assessments

- *Effective institutional development depends on systematic sector studies and organisational assessments for the selection of partners.*

In principle selection of new institutions to be involved in institutional cooperation should be based on analysis of sector needs and opportunities to ensure that the institutions are viable and relevant to the needs of their own country, and on an assessment of capacities and competencies of the potential Norwegian partners. To ensure more sustainable results from investment, it appears to be important for a donor like NORAD to provide more of its support of institutions within such broader frameworks of sector support programmes. But it is necessary to understand the roles, functions and underlying problems of institutions before any reforms and changes are suggested and implemented. When the problem is an institutional crisis, other interventions would be required than in a country with an acute shortage of resources.

The Study of Public Institutions made the remark that some of the public institutions had «lent themselves» to NORAD in the sense of being obvious choices in one sector. There is thus no screening process. So far no assessments of institutions regarding professional competence or their capacity and competence for development work and institutional development have been made. Initiatives are underway to rectify this situation.

<sup>24</sup> A feasibility study of issues relating to the ownership of a database was carried out, but it was considered premature to incorporate findings in the project document.

All studies found a lack of initial assessment and this was identified as an important area for improvement. Consequently, it is impossible to know the beneficial effect of such studies on institutional development. In the case of private firms, the Study doubts whether NORAD could do much to identify and initiate industrial cooperation. In the case of private consulting companies the evidence is more ambiguous. Despite the huge investments in the projects in Indonesia preliminary studies relating to institutional development issues were not carried out<sup>24</sup>, but in Palestine NORAD's initial planning was decisive in the design of the programme and several institutional development components. A general lesson is that a complex phenomenon like institutional development does not happen «by default», but requires systematic preparation, clear policy guidance, proper assessment and studies of organisations and their environments and ongoing evaluation.

## 7 COMPARISONS

### 7.1 Norwegian experience in an international perspective

- *Observations and findings in comparable international studies reveal similar patterns to the Norwegian cases.*

To what extent is Norwegian aid considered similar or different compared to other countries? It was not a priority task, but all studies were asked to place their findings in a comparative perspective. Observations were limited and relatively general. Few other bilateral agencies have emphasised and pursued the principles of recipient responsibility and institutional cooperation as thoroughly as NORAD has, but does this mean that Norway provides «better» institutional development? The new focus on institutions in development has led several donors to prepare new policies and approaches to institutional development, but there are less broad empirical studies carried out which can be used to compare results. At the level of policies some other donors have more elaborate guidelines for institutional development than NORAD, and a closer dialogue would be useful, but in general it is considered an area in a state of flux with more good questions than answers.

The general consensus is that Norwegian experience tallies with that revealed in international findings. In the Study of Public Institutions, findings were not dissimilar to those made in a major international study (Cooper, 1984). Other donors are currently in the process of

studying public twinning arrangements. For private firms the extent of institutional development achieved is quite similar to that reported by the World Bank. More recent World Bank studies, however, point at more positive impacts of foreign investments than recorded from Norwegian companies.

International studies of private consulting firms find more institutional development components than in the Survey of Norwegian firms. Those firms may not have changed so rapidly in response to new policies, or their programmes have not been analysed within the same conceptual framework.

Recent developments among Norwegian NGOs follow international trends, but institutional collaboration as an independent development objective may have a higher priority among Norwegian NGOs than among NGOs in most OECD countries (Kruse et al., 1998).

The following observations are based on more limited evidence: Individuals and organisations from Norway are in general given a good initial reception because they are Norwegian. Norway is still sufficiently small, its economic «footprint» in the South, and the presence of Norwegian corporate interests, are still relatively modest. There are few concerns that Norwegian aid is used as a lever for commercial interests or for some hidden purpose. Norwegians seem to be aware that there are important cultural differences, and try to be attuned to this. The stereotype Norwegian is open, understanding, and generous – sometimes to a fault, in that Norwegians can be uncritical, «too supportive» and sometimes naive.

Personnel from Southern Governments and organisations were often unaware of Norwegian policies and changes in strategy, but they were well aware of different donor behaviour and practices. The principle of recipient responsibility is not well known, but is judged through how it is implemented and how Norway differ from other countries. The Norwegian aid is considered to have the following positive characteristics:

- Willingness to fund core/administrative/recurrent costs.
- Flexibility relative to most other countries.
- Quick reaction/disbursement relative to many other donors.
- Fewer reporting requirements than most other donors.

- Greater willingness to be the sole funder to organisations, projects or programmes.

Most of the above are virtues compared to other donors and does not necessarily mean that Norwegian aid is good. Norway has also put its mark on the potentially progressive concept of «recipient responsibility» which goes beyond «ownership», often translated by donors into: «We want the recipient to develop a sense of commitment to the actions we want the recipient to undertake». According to recipient responsibility Norway would have to accept that developing countries have different and sometimes conflicting priorities.

Lastly, the NGO team observed how little disrespect Norwegian NGOs had for NORAD and the Norwegian government – a relationship which is much more tense in other countries (e.g. Canada, the US, UK). This reasonably open relationship between NORAD and Norwegian NGOs could lead to constructive communication on policy direction and reasonably polite disagreements on policy nuances, rather than rancorous fights over fundamentals. Norwegian NGOs are more likely to see the government policy as a shared agenda rather than an imposition. However, this kind of relationship would most likely not survive a severe and prolonged cut in the country's aid budget, or in the proportion of aid delivered via the NGO channel.

## 7.2 Similarities and Differences between Channels

Evidence from the studies indicate significant differences between the channels regarding their receptivity to institutional development approaches, and the likelihood that the new approaches will feature centrally in specific projects. In brief, development NGOs are «true believers» and partnership is a general feature of their work today. Public sector institutions seem open to the new approaches and have made progress in concretising institutional development, due to individuals involved, demands from Southern partners and other situation specific reasons. Private sector organisations on the other hand have not understood or have not been willing to adopt the new development jargon, although they may well promote activities that are consistent with institutional development as long as these activities promote their own objectives.

The links, cooperation and coordination between the three channels and organisations were not studied directly, but few links and mechanisms of cooperation

were observed in Norway. The channels are governed by different rules and regulations and at the country level no evidence were found of synergies from cooperation and coordination taking place within a country strategy framework.

The discussion of explanations in Chapter 7 indicates that many of the common-sense assumptions on the nature and process of institutional development may have to be reconsidered. The origin, process and outcomes are far more dependent on specific circumstances than has been assumed.

There are a large number of important factors that explain variations in outcomes, and it is important to search for and study such underlying factors. But the very nature of institutional development makes such knowledge less useful if a mechanical replication of one

set of factors is expected to produce similar results in new contexts. The variables may be the same, but the mix and interaction between factors depend heavily on contextual differences. On the other hand awareness of the process of institutional development and how different factors come into play are useful for planners with the ability to adapt critically such knowledge in new situations.

The Study of Public Institutions suggests eight issues (see the following box) which are found to be important for a successful institutional development project in the public sector. The same factors may not be applicable for NGOs or private companies, but future studies could identify and test the relevance of individual variables and clusters of variables required in each channel.

#### What Makes a Good Institutional Cooperation Project?

- *Clarification of policies.*

*A precondition for improved institutional development projects is that NORAD clarifies its policy and objectives, and makes sure that these are reflected in the hierarchy of policy and program documents.*

- *Initial assessments.*

*More emphasis must be put on the initial assessment of the competence and capacity of the Norwegian and Southern institutions involved.*

- *Close communication.*

*Few institutional development projects are initiated and planned by NORAD, the institution in Norway or the institution in the South alone. The important thing is to establish open communication with options for participation and influence for the Southern partner at an early stage.*

- *Personal relations.*

*The study has clearly demonstrated the importance of committed individuals for institutional development projects. However, strong dependence on a few individuals makes the cooperation vulnerable. It is therefore vital to widen the scope of the cooperation to a broad base of personal relations on all levels of the institutions. It seems particularly important to involve the top management at an early stage, in order to give the cooperation the necessary legitimacy.*

- *Flexible planning.*

*Most projects adhere to a blue-print planning principle, partly because NORAD's project cycle proce-*

*dures makes this necessary and partly because it is a convenient way to organise a project. It is necessary to find a balance between the need for clear objectives and indicators of progress, and the need to be flexible enough to change strategy when objectives turn out to be irrelevant or difficult to fulfil.*

- *Adapted professionalism*

*Despite the emphasis on the issue of institutional development, the core of the twinning projects is transfer of professional competence. A proper adaptation of professional knowledge makes necessary a real understanding of the political and economic context the Southern institution is to relate to, the competence and capacity of the institutions to absorb and use new knowledge, and socio-cultural differences in perceptions and ways of life.*

- *Long term goals.*

*All experience indicates that institutional development is a long term process. When relevant, longer term projects should be carried out with a more careful approach in terms of level of activity and costs.*

- *Support adapted to capacity and needs.*

*The fact that institutions find themselves on different levels of development must be taken into consideration. Weaker institutions will often need support to develop a basic competence in the organisation, while stronger institutions will be in a position to focus on output and the issue of legitimacy.*

## PART III: FINDINGS AND RECOMMENDATIONS

### 8. MAJOR FINDINGS

#### Concepts and intentions: Increased funding and commitment to unclear objectives

1. NORAD has continuously increased its support to institutional development and institutional cooperation. Within the public and NGO channels there have been a discernible increase in the number of actors and funding, while it has continued to be low for private companies and consulting firms. There is no data available to monitor more exactly actual and changing levels of funding.
2. There is an increasing awareness and commitment to institutional development in NORAD, among public institutions and NGOs. The studies found several promising cases in all channels of effective institutional collaboration. But the understanding of key concepts and objectives is still unclear. A mixed terminology is in use where similar terms have multiple meanings and few operational objectives allow organisations to target effectively institutional development. In the private sector channel however, few companies are aware of NORAD's institutional strategies and committed to the long term development objectives.
3. Norwegian policy documents provide strong support for institutional development. The shift in NORAD strategy provides overall direction, but fewer insights into how institutional development should be carried out. It is a priority which is left to each channel and organisation to define. NORAD still lacks an operational «policy of the middle range».
4. The shift towards institutional development and extended use of Norwegian organisations is broadly appreciated and is more far-reaching than previous policy shifts.
5. Institutional development efforts do not contradict policies and interests among Southern partners. Initiatives for institutional development came just as frequently from Southern institutions as from Norwegian. Few Southern partners had been involved in the discussion and evolution of new policies, and to the extent that Southern partners were aware of the shift, changes were well received and seen as an opportunity to enhance national capacity.

#### Strategies and actions: Missing overall development perspectives

6. Institutional development tends to be equated with provision of infrastructure and equipment, and human resources development (education and training), and does not address organisational linkages, policy environments and macro-development. There is increasing awareness that institutional development goes beyond competence-building and organisational development, but few cases address the system levels effectively.
7. A strong focus on poverty alleviation requires an approach where human and organisational development is placed within an overall development perspective – as a mean to more long term ends, and where institutional development is also linked to political processes.
8. New policies of institutional development have led to more than symbolic changes, but the realities of programmes tend to remain unaffected or to encounter problems in accommodating new approaches. Norwegian organisations wish to prioritise institutional development, but are so far not using new opportunities effectively. This is partly due to lack of operational strategies for how new roles should be played and partly lack of skills and experience with organisational and institutional development in countries in the South.
9. Incentives and commitment to institutional cooperation reflect differences between the channels, but there is no general move towards commercial incentives. Public institutions report ideological rather than commercial motives, while professional and financial motives underpin collaboration between universities. Consulting firms have mostly commercial motives and private companies find few, if any incentives. The collaborative institutional approaches are consistent with NGO values and principles.

#### Relevance and outcomes: Lower level results – weak empirical basis

10. Systems for monitoring and evaluating institutional development were not in place in any of the channels, and there were few standards by which to assess quality, relevance and impact.
11. Activities at the level of human resources were

more likely to achieve short-term objectives than those aimed at higher level outcomes. Targets for human resource development are often met, but there is a lack of information about changes at organisational and system levels.

Most programmes<sup>25</sup> are not prepared with reference to organisational and institutional concerns which Southern institutions view as keys to sustainable development. It was felt that interventions could have considerable impact on macro-economic objectives, but that it is far too early to assess such impact, and to what extent reduced levels of poverty can be related to specific institutional development efforts. The Private Sector Study examines in particular the unintended systemic effects of Norwegian companies and firms, discusses to what extent the market could be defined as an institution, and underlines the need to be aware of and analyse how Norwegian funded projects influence the market institution.

12. There is no real criticism against institutional cooperation from Southern institutions. Problems and disagreements exist at operational, but not policy levels. Southern public stakeholders tend to evaluate projects more positively than their Norwegian counterparts which often assess outcomes with reference to their own standards, whilst NORAD focus so in terms of broader development objectives.
  13. There are no firm conclusions on cost-effectiveness in the studies. The public sector study found institutional cooperation to be costly, and little evidence that twinning provides «more value for money» than other means of technical cooperation. There are successful twinning-arrangements, but the number has increased too fast, and new Norwegian twins are not sufficiently prepared for operating in developing countries. Twinning should be used in cases and countries where Norwegian institutions have comparative advantages, and where there is a demand for particular Norwegian partners. Other approaches to technical cooperation should also be considered and not avoided as a matter of principle. In line with the principle of recipient responsibility twinning should not be restricted to Norwegian institutions.
  14. Institutional cooperation ends when donor support discontinues. Sustained collaboration depends in most cases on external funding.
- Explanations: What makes institutional development succeed?**
15. When cooperation is demand-driven (initiated from the South) or where there are similar/like-minded commitments, then institutional development can be more easily mobilised.
  16. Commitment by individuals appears to be an important factor explaining the evolution of institutional development.
  17. A process approach does not necessarily yield better results than a blueprint plan. Most NORAD funded projects adhere to a blueprint principle, partly because NORAD's procedures make this necessary. The choice of approach is considered important, but not decisive in explaining outcomes.
  18. Cultural dimensions are not considered as critical determinants by either Norwegian or Southern institutions. Norwegians were mostly well received, perceived to be well qualified and culturally sensitive and cooperative. On the other hand it is mostly the Southern participants and not the Norwegian personnel who have to bridge the cultural divide.
  19. Competence and capacity within different Norwegian institutions are very varied. Most public and private institutions are professionals in their own fields, but not development agencies with knowledge and technology for problem-solving in less-developed countries. Neither are they obvious or exclusive partners for NORAD. There is no adequate screening and assessment of Norwegian institutions.
  20. Interventions are strongly influenced by the political and economic context in which institutional development takes place. This does not imply that institutional development is only feasible in stable countries, but that programmes must take different levels of development into account, and prepare strategies accordingly.
  21. The role of the donor is an important factor. The critical variable is, however, not more or less involvement, but what strategic roles the donor plays. The principle of recipient responsibility does not exclude that NORAD takes an active responsibility as a donor, and provides strategic support at critical junctures in the programme cycle.
  22. Sector studies and initial assessment of institutional issues were missing in all channels, and pro-

<sup>25</sup> This means there are exceptions like Redd Barna/TARSC and Norwegian Redd Cross/SAPRC where there is information and awareness of higher level outcomes.



grammes suffered from with weak links between analysis and action. A complex phenomenon like institutional development does not happen «by default», but requires systematic preparation, clear policy guidance, proper evaluation and studies of organisations and their environments.

### **Comparisons: More institutional development – not better?**

23. Few bilateral agencies have emphasised the principles of recipient responsibility and institutional development as forcibly as NORAD has, but no evidence shows they are so far doing it better than other agencies. Findings reveal similar patterns to comparable international studies, except for private firms which appear less involved in institutional development. Recent developments among Norwegian NGOs follow international trends, but there is evidence that institutional cooperation as an independent development objective has a higher priority than among NGOs in most OECD countries.
24. Few links were observed between the three channels and organisations in Norway. The channels are governed by different rules and regulations and at the country level no evidence were found of synergies from cooperation and coordination taking place within a country strategy framework.
25. The current involvement of Norwegian public institutions has several positive aspects, but there is no intrinsic correlation between institutional cooperation and institutional development. There is a need to identify the conditions and criteria for a positive correlation and to «hold back» in order to avoid that Norwegian institutions lead the development cooperation away from its basic goals and become too dominant.
26. Evidence suggests that Norwegian organisations are doing more institutional development, and are probably doing it better than they did before. Are they doing it well? It is too early to pronounce in general terms, and while some of the cases studies are encouraging, institutional development is not a game that players can expect always to win.

## **9 RECOMMENDATIONS**

Institutional development captures activities at many different levels of development cooperation and involves actors from the highest policy-makers to operational managers. Recommendations are directed at three levels in the system of Norwegian development cooperation i.e. the Ministry of Foreign Affairs commissioning this Study, NORAD, and the relevant Norwegian institutions.<sup>26</sup> The list is extensive and dialogue and discussions during will prove what recommendations are most relevant and useful.

### **9.1 Recommendations to the Ministry of Foreign Affairs**

#### **Policy formulation and experimentation**

1. Institutional development is an important key to sustainable development, and closely linked to political and economic processes. Norwegian aid policies should continue to place high priority on capacity building, recipient responsibility, and partnership, and secure a high-level and predictable funding with a strong emphasis on quality-improvements.
2. All development programmes should be prepared with reference to broad institutional concerns at all levels of society. Potential conflicts between strengthening existing institutions, needs for institutional change and a strong focus on effective poverty alleviation need to be addressed and discussed in the preparation of country assistance frameworks.
3. The Ministry must address the existing conceptual confusion and establish a common point of reference where a broad approach defines the relevant levels and dimensions.
4. The Ministry should take the lead in the formulation of a strategy for institutional development that can serve as a guideline for NORAD's more operational work. This needs also to work out priorities in case of conflicts between objectives and thematic areas. Institutional cooperation needs to be discussed both in light of the principle of recipient responsibility and its effectiveness.
5. With few blueprints available, the Ministry should allow and encourage experimentation with alternative institutional development approaches, discuss and share experience with other like-minded countries, and maintain a continuous dialogue with Southern governments and organisations receiving Norwegian aid.

<sup>26</sup> The following list builds on and extends the recommendations included in the various sub-studies.

### Policy dissemination and discussions

6. The Ministry could play a stronger role in clarifying Norwegian positions on institutional development in international fora, as for example the OECD and the UN agencies.
7. The Ministry should make sure that Norwegian policies on institutional development are disseminated to all Embassies and decision makers in recipient countries, and to personnel at Norwegian Embassies in countries where NORAD has no representation. Those Embassies should have access to professional support in order to respond to issues of institutional development in programmes that emerge.

### Policy monitoring and evaluation

8. The Ministry should consider whether financial targets can be developed to monitor priorities given to thematic issues (like institutional development) that cut across channels, regional and country programmes.
9. The Ministry should give a stronger emphasis on evaluation of institutional development and in particular assess the degree of fulfilment of overall Norwegian aid principles.

## 9.2. Recommendations to NORAD

### Formulation of guidelines and strategies

10. NORAD should prepare specific operational guidelines for its support to institutional development in the various phases of the programme cycle. NORAD should play an important role in designing the overall assistance framework together with other donors and the governments concerned, and strengthen the links between analysis and proposed actions.
11. The three levels of human resources, organisational and system development should be considered necessary in improving institutional performance. All programmes should not necessarily include all levels, but the process of selecting levels of intervention and programme components should start from a system perspective.
12. Continuous learning should be an important part of the strategy to promote institutional development where NORAD maintains the direction, while at the same time acknowledging the high level of uncertainty and rapid change involved.
13. Institutional development is a long term activity,

and external support should also be long term and predictable.

### Ways and means of institutional development

14. Institutional twinning should be seen as a means to an end and chosen among other options if found to be the most effective and efficient response to the problem or issue at hand. Norwegian institutions should be involved, provided that they have the required skills and capacity to work in developing countries. In line with the overall principle of recipient orientation, Southern partners should not be restricted to seek services and advice through Norwegian partners. Alternative ways of providing technical cooperation like promotion of international and regional networking, including easier access to professional associations, technical and economic cooperation between developing countries, management training, support for the development of regional and national training, strengthening of national consultancy and research institutions, etc. should also be encouraged and tried in addition to twinning.
15. Collaborative arrangements between two institutions should be limited in time. Diversity and flexibility would often be better than too much stability in relationships.
16. NORAD should ensure that all channels and institutions are guided by and adhere to Norwegian aid principles. Norwegian public institutions should not be expected to become development agencies, but to strengthen their awareness and knowledge about development issues in general and institutional development in particular. Private firms have their own objectives, but should as long as they receive aid subsidies be guided by and contribute to long term development objectives.

### Monitoring and evaluation

17. For NORAD as a whole, quantitative indicators should be developed that show allocations for institutional development. These must be identified, bench-marking figures established and monitored on a yearly basis.
18. Indicators to monitor the organisational and system dimensions of institutional development also need to be developed.
19. NORAD should systematically assess the capacity and competence of Norwegian organisations, and regularly review ongoing twinning arrangements.

### Clarification of roles and delegation of responsibilities

20. NORAD should define its roles in relation to the different channels and cooperating institutions, and clarify whether the public, private and NGO channels should be directed differently, i.e. whether private companies and NGOs should be more autonomous vis à vis NORAD than public directorates.
21. A minimum set of roles should be defined for NORAD. The emphasis on recipient responsibility needs to be supplemented with a stronger emphasis on donor responsibility. It is not sufficient for NORAD to be a financier and controller of institutional development, but it must take active part in mutual strategic development and support at critical junctures in the programme cycle.
22. More responsibility and operational flexibility should be given to the organisations involved, while strengthening NORAD's strategic planning and evaluation capacity.
23. NORAD should review the Project Cycle Manual in order to give more scope for the Norwegian and Southern institutions to plan and implement programmes. New ways of structuring the project cycle which give more attention to experimentation and adaptability, local commitment and organisational learning should be looked for.

### Strengthened resource base and training

24. NORAD should strengthen its own resource base on institutional development and make it more visible and accessible to partners. NORAD should also have access to a group experts on institutional development issues, that could be used for evaluations and provide support to Norwegian organisations.
25. NORAD should provide basic, on-the-job, and follow up training to all its staff members on institutional development. It should also ensure that technical staff of Norwegian public and private institutions involved receive necessary training in order to improve the overall performance of the input provided by Norway.<sup>27</sup>

### Process research and networking

26. Two cases could be selected in order to test the applicability of the broad approach to institutional development advocated in this Study, and a proc-

ess-research component included in order to record, analyse and disseminate experience.

27. NORAD should actively promote networking between organisations in the public, private and NGO channels by establishing fora like the one for public institutions.

### 9.3. Recommendations to Norwegian Organisations

#### Policy and identity issues

28. Institutions in all channels should discuss the basis, content and implications of institutional development and institutional cooperation:
  - a) Public sector institutions should consider and decide whether they will pursue an international agenda or not, adhere to Norwegian aid strategies and strengthen their capacities as development agencies.
  - b) Private sector firms need to enhance their awareness and knowledge of what are Norwegian aid principles, and to what extent current programmes support such principles.
  - c) NGOs should systematically identify the operational consequences of being partner organisations, and develop appropriate technical skills and working methods consistent with institutional development.
29. The organisations should examine their aid programmes in light of the different levels and dimensions of institutional development, define more clearly their own comparative advantages and priority areas where they can contribute most.

#### Building competence and capacity for learning

30. Public and private institutions in particular should put stronger emphasis on developing competence and capacity for problem-solving in developing countries. While retaining their primary emphasis on technical competence, they need to acquire new skills and become more professional with regard to general development issues and institutional development.
31. The organisations should strengthen their internal networking and actively draw on skills and resources available in other organisations. They should also consider using outside expertise as a bridge between Norwegian and Southern organisations, and in order to provide additional services.
32. The organisations should pay more attention to the interaction with personnel in developing countries and make a commitment to train their staff in cross-

<sup>27</sup> The training should not necessarily be provided by NORAD.

- cultural communication, and provide extensive briefings on their destinations.
33. The organisations should be wary of standardised approaches to institutional development and take contextual differences into consideration when programmes are planned.
  34. Lastly, the organisations should not leave quality control and evaluation to NORAD, but establish or strengthen their own internal monitoring and evaluation systems.

## Annex 1: List of Common Hypotheses

### A. CONCEPTS AND INTENTIONS

- What do the organisations say they will achieve through institutional development?<sup>1</sup>
- To what extent are intentions clear, consistent and shared between the cooperating organisations?

#### Hypotheses:

1. Norwegian organisations (involved in aid) are increasingly engaged in institutional development (changes in quantity), and there has been a gradual shift in emphasis from physical to human and social capital (changes in quality).
2. Objectives are used with multiple meanings, are unclear and difficult to measure.
3. The institutional development objectives of the funder dominate those of the recipient throughout the chain.

### B. STRATEGIES AND ACTIONS

- How are intentions operationalised and carried out? (e.g. what is carried out under the heading of institutional development?)
- To what extent are strategies and actions coherent, adequate and relevant?

#### Hypotheses:

4. There are few relevant operationalised objectives that allow organisations to effectively target institutional development.
5. Institutional development is mostly understood as support to specific organisations, and refer seldom to strengthening of organisational linkages, sector or system support.
6. Most of what is carried out as institutional development represents transfer of hardware and technical knowledge, and is not specifically geared towards human and organisational capacity building in the recipient organisations.
7. In spite of new policy directions which emphasise institutional development the realities of programmes remain the same.
8. There is a movement from value driven to commercially driven incentives in institutional development efforts.

<sup>1</sup> The main parties would be: NORAD, Northern and Southern institutions.

### C. RELEVANCE AND OUTCOMES

- To what extent are strategies and actions effective (in reaching objectives) and efficient (outcomes compared to costs)?
- What are the outcomes at various levels? (see attached diagram)

#### Hypotheses:

9. Systems for monitoring and evaluating changes in institutional development are not in place, and there are few benchmarks/standards to assess quality of performance.
10. The policy intentions (rhetoric) of institutional development is not reflected in implementation.
11. Activities aimed at addressing lower level concerns (e.g. individual skills) are more likely to achieve their short term objectives than those aimed at higher level outcomes.
12. Activities which successfully address lower level concerns are less likely to achieve sustainable improvements than those which successfully address higher levels concerns.
13. Differences in objectives and design have less of an impact on institutional development than do difference in organisational capacity to implement programmes..
14. There is frequent disagreement between key stakeholders on the relative importance of project outcomes.
15. Institutional cooperation ends when donor support discontinues.

### D. EXPLANATIONS

- What factors explain variation in outcomes?
- How do such factors promote or impede outcomes?

#### Hypotheses:

The following factors tend to promote institutional development:

16. when cooperation is initiated by Southern organisations and based on their demands (demand driven), and not by Northern donors and organisations (supply driven),
17. when Northern and Southern counterparts have similar and not conflicting commitment to and/or understanding of institutional development,
18. when collaboration is initiated and mobilised by

- committed individuals, and later incorporated and supported by broader network of actors and organisational structures,
19. when an emergent, flexible step by step approach based on continuous mutual adjustment is followed in planning and implementation, and not a fixed blueprint strategy,
  20. when both parties are trained and have the skills to handle the technical and social/cultural aspects of cooperation,
  21. when there are «strong» Southern organisations (with high levels of efficiency and ability to manage change),
  22. when the external environment is relatively stable and not too turbulent and unpredictable,
  23. when support from several donors to the same organisations are coordinated,
  24. when there is clear policy direction, but no strong supervision and monitoring from NORAD,
  25. when the selection of cooperating partners is based on systematic sector studies and organisational assessments.

### **E. COMPARISONS**

- What is comparable international best practices?
- How do experiences and results compare across sectors/channels (e.g. between public, private and voluntary)?
- How do outcomes of alternative strategies for institutional development compare?

### **Hypotheses:**

#### *(a) Between countries*

26. Observations and findings in comparable international studies reveal similar patterns as in the Norwegian cases.

#### *(b) Between sectors*

27. Aid organisations from different sectors have consistent objectives in respect of institutional development.
28. There are some key variables that explain variation in outcomes in all channels.
29. There are specific factors in each channel that explain internal variation.
30. Local ownership and sustainability is generally higher when the organisations are business-oriented firms or value oriented NGOs than public institutions. (The structure of incentives are different between the sectors.)

#### *(c) Between strategies:*

31. Institutional cooperation (twinning as opposed to individual technical assistance) is based on the following assumptions:
  - a) stable long term partnership as opposed to short term contracts and/or funding of single projects,
  - b) organisational continuity as opposed to individual vulnerability
  - c) access to broad organisational resources as opposed to limited individual knowledge,
  - d) higher cost effectiveness than other forms of international technical assistance.
32. Institutional cooperation (twinning) has a limited impact on improving organisational performance compared to other factors.

## Annex 2: Profiles of Sub-Studies

### MFA Evaluation Report 1/98:

#### **«TWINNING FOR DEVELOPMENT». INSTITUTIONAL COOPERATION BETWEEN PUBLIC INSTITUTIONS IN NORWAY AND THE SOUTH.**

*Christian Michelsens Institute, Norway.*

This Study examines the experience of institutional cooperation between public and semi-public institutions in Norway and the South. Altogether 35 Norwegian public institutions are involved in over 100 institutional development projects. 55 percent of these are larger public institutions (directorates and authorities), while 45 percent are institutions of research and higher learning. The report is based on information and data from a survey of the Norwegian public institutions and partner institutions in the South, case studies of institutional development projects in Namibia, Mozambique and Tanzania in the sectors of oil, fish and higher education, and interviews with staff from the Ministry of Foreign Affairs, the NORAD Head Office and Norwegian embassies.

#### **The Role of NORAD**

While general policy statements have been effectively disseminated within NORAD, there have only been limited attempts to formulate more specific objectives and guidelines. As a consequence, there is conceptual confusion particularly as regards the difference between organisational and institutional development, and uncertainty regarding the division of roles and responsibilities between NORAD and the institutions in the South and Norway. At the same time, institutional development projects are planned and implemented within NORAD's existing project cycle principles. This makes it difficult to accommodate the roles and responsibilities of the institutions themselves in the planning and implementation process. Having said this, a number of initiatives have been taken to clarify policy implications.

#### **Public Institutions as Agents of Aid**

Norwegian public institutions differ considerably in experience, competence and capacity for development work. Some have considerable experience, are involved in a large number of projects and have separate units

working with development issues, while others have limited experience and only a few individuals involved in development work without an adequate institutional basis. The individuals working with development issues have a range of incentives for doing so, but the institutional commitment is not equally strong. Public institutions give precedence to their responsibilities in Norway. While most of the institutions possess considerable professional competence, they are not equally forceful in pursuing Norwegian development goals and the broader objectives of institutional development. At the same time, they tend to argue that NORAD represents the main bottleneck for successful implementation of the projects they are involved in and that more responsibility should be left to the institutions themselves.

The public institutions in the South are generally positive towards the cooperation with Norwegian organisations, but are only to a limited extent familiar with the implications of the policy shift for their own role and increasing responsibilities. They also have problems separating NORAD and the Norwegian institutions as agents of Norwegian development aid. The capacity of the Southern institutions to absorb and use the human and technical resources accessible through the twinning agreements vary considerably. Some are also sceptical towards including higher level concerns such as organisational change, management and relations with external stakeholders in projects involving foreign institutions.

#### **Institutional Development Projects**

Despite the conceptual confusion and the unclear distribution of roles and responsibilities, the institutions are generally positive towards the institutional development projects they are involved in. The Southern institutions are normally more positive than their Norwegian partners. The majority of the projects have been established in the last 1–4 years, they are primarily but not only

funded by NORAD, they have budgets of around 10 million NOK and are planned for periods of between two and five years. The project period is significantly lower than what is recommended for this type of project. The projects involve a relatively large number of people, and thus conform with the idea of institutional development projects being something more than individually based technical assistance.

### **Institutional Development in the Sectors Oil, Fish and Research**

The case studies from Namibia, Mozambique and Tanzania largely confirm the general findings from the surveys of Norwegian and Southern institutions. The relation with NORAD is seen as problematic particularly by the Norwegian institutions, but the relations established between the partner institutions are seen as positive and constructive. The Southern institutions have a relatively strong influence on the identification of objectives and project activities, while the Norwegian institutions normally carry out the professional aspects of the twinning arrangements. Again, however, the projects mainly relate to lower level concerns even though some of them do have implications for the broader political and economic context.

The cases also make it possible to assess the importance of the political and economic context. More developed and stable contexts (like Namibia) are most conducive for institutional development efforts. At the same time, however, the options for making substantial contributions to development are also evident in less developed and stable contexts like Mozambique even though the risk element is larger. Context is not decisive. In Tanzania the cooperation between Agder College and IDM has fulfilled many of the objectives of institutional development by relating actively to the external context, while the relation between the Agricultural University of Norway and Sokoine has enhanced research capacity without making the research sufficiently relevant for the agricultural sector and Tanzanian society.

### **Institutional Cooperation as a Development Strategy**

Norwegian public institutions are increasingly engaged in institutional development, and there has been a shift of emphasis from operational interventions and physical outputs to development of human and social capital.

### **Concepts and intentions**

While there is confusion at the conceptual level particularly related to the differences between organisational and institutional development, the stated objectives in individual projects are consistent and clear. However, these tend to target lower level rather than higher level concerns in institutional development. Both NORAD and the public institutions need to sharpen their conceptual tools and their understanding of institutional development. Even though the policy of institutional development and twinning has been donor-driven, there is no evidence to suggest that the institutional development objectives of the Norwegian institutions dominate those of the partner in the South.

### **Strategies and actions**

There are few operational objectives that allow organisations to effectively target institutional development. Interventions tend to concentrate on competence building and introduction of improved technologies and less on improved administrative routines and accountable leadership, and least on linkages between the institution and the larger political and economic context. Much of what is done is gap-filling in the production of tangible outputs. This also contributes to institutional development, but only when the recipient institution is closely involved in the process. To develop a constructive relation between Norwegian and Southern institutions, it is necessary to find a balance between longer-term resident advisers and shorter term consultants. Public institutions are not development institutions. NORAD should make a close assessment of these institutions competence and capacity for development work.

### **Relevance and outcomes**

There are few standards to assess the outcome of institutional development projects, particularly as regards higher level concerns (institutional efficiency and legitimacy). The problem is exacerbated by the discrepancy between the relatively short project periods on the one hand, and the time needed to ascertain impacts related to networks, sectors and society at large on the other. As a consequence, outcomes are most commonly measured with respect to low level concerns and tangible outputs. Stakeholders tend to disagree on the relative importance of the outcome of institutional development projects, partly because of differences in perceptions of context and what is possible to accomplish. Despite the positive assessment of institutional development projects by the



institutions involved, institutional cooperation stops when donor support discontinues.

### **What makes a good institutional development project?**

Following from the analysis set out above, a number of issues are identified as important for a successful institutional development project. These include: i) clarification of policies and their implications; ii) initial

assessment of the cooperating institutions and political and economic context; iii) a demand-driven process of planning and implementation with close communication between the partners; vi) establishment of personal relations between individuals with strong institutional backing; vii) establishment of long-term development goals with reference to which all short-term interventions are made; viii) a division of responsibilities where NORAD takes on a guiding rather than an active role in project development.

### **MFA Evaluation Report 2/98:**

#### **«INSTITUTIONAL COOPERATION BETWEEN SOKOINE AND NORWEGIAN AGRICULTURAL UNIVERSITIES».**

*COWI, Denmark*

The Norwegian government has provided support for capacity building in education and research at Sokoine University of Agricultural (SUA) in Tanzania for nearly 25 years. Around 250 mill. NOK has been granted for this purpose, but the present study is the first systematic assessment of the cooperation, which has been seen as an institutional twinning arrangement between SUA and the Agricultural University of Norway (AUN).

#### **Capacity Building**

The long lasting collaboration, funded by NORAD, has been an expensive, but rather successful capacity building effort. The collaboration has provided significant inputs allowing for a comparatively high intake of students at various levels, and it has provided significant opportunities in teaching and research. The faculties/ departments have now become self-contained University institutions, capable of carrying out education at various levels, managing and priority setting. In addition to the many undergraduate students, it is estimated that a total of 131 Master students and around 30 PhD students have received their degrees thanks to the Norwegian programme support. A number of joint research projects between SUA and AUN researchers have been initiated over the years. The output from this collaborative research in the form of articles and contributions to national and international journals is substantial.

#### **Cost efficiency**

The main objective of the collaboration has been to support education and staff development, while the main component budget wise has been infrastructure development (equipment and, in particular, construction of buildings). It has not been possible to calculate exact unit costs of producing graduates at various levels. However, the costs of producing the candidates graduated via the programme can be estimated as being excessive. With other programme priorities, both the number of students educated and the amount of research carried out could have been substantially increased.

#### **Donor dependency**

For the year 1996/97, NORAD's support to SUA was 48.1% of the total University budget, nearly equalling the Government contribution to recurrent costs of the University, and no less than 83% of total external (donor) funding. The very high level of contributions from Norway over a very long period of time makes it unlikely that the capacity building efforts will ever become sustainable. The Government is withholding funds in expectation that donors might step in and compensate for shortcomings, which they actually seem to have done.

### Unbalanced support

In general, donor contributions to SUA have targeted selected institutes/departments, rather than supporting capacity building at the University at large. This unbalanced support structure may have hampered institutional development, as certain institutes or departments have not been able to play their expected role in serving agricultural sector needs, nor has the managerial capability of the University as such been strengthened. The priority given to the Faculty of Forestry is not the result of a well-conceived strategy adopted by NORAD, but based on the preferences of key Norwegian persons involved. For a long time this support was characterised by a focus on plantation forestry and the use of exotic species, rather than, for example, agro-forestry and the use of indigenous species, with limited immediate value for smallholders and their development needs.

For a very long period the activities have been following a supply-driven, rather than demand-driven, approach to capacity building in education and research. The collaboration has focused on single disciplinary issues, both with SUA and AUN, while links to broader socio-economic, policy and institutional issues have been downplayed.

### Modes of Operation

In a first phase before 1986, the collaboration was characterised by person-to-person contacts, gradually being replaced by a combination of personal contacts and institution-to-institution working modalities, while NORAD was the third party in the triangle. The Norwegian

researchers attached to AUN had during this period an important initiation-taking role to play, at the request of NORAD. In a second phase, from 1986 to 1996, the working modality was characterised by a more formal institute-to-institute collaboration programme, with the SUA partners taking on greater responsibilities and initiatives. With the framework agreement as of 1996, the mode of operation has shifted towards SUA being responsible for programming, planning and implementation, based on a NORAD-to-University agreement.

The principles of recipient orientation of the collaboration have been increasingly at the fore in the gradual evolution of the collaboration. With the implementation of NORAD's decentralisation policy, with management responsibilities transferred to the Norwegian Embassy in Dar es Salaam, and implementation, coordination and accounting responsibilities transferred to SUA, management has been reduced to a working modality between NORAD-Dar and SUA management.

The collaboration has shifted in character, from a twinning arrangement, to a situation where partners at AUN take on a role primarily as consultants and/or service providers, at the direct request of SUA partners. This has strained some of the comparative advantages in twinning arrangements, which has its rationale in a partnership constellation between researchers/ teachers in the North and in the South. The role of AUN researchers is becoming increasingly marginal. The primary reason is that AUN researchers are too costly, so that budget provisions, now handled directly by SUA, cannot sustain these high costs.

### MFA Evaluation Report 3/98:

#### «DEVELOPMENT THROUGH INSTITUTIONS. A STUDY OF PRIVATE COMPANIES AND CONSULTING FIRM».

*ANDANTE, Sweden.*

### Extent of institutional development

In the two channels of private firms and private consulting companies, there are relatively few activities that can be called institutional development. Most organisations, including NORAD itself, use a definition which equates organisational development with institutional development. Using this definition, the total annual ex-

penditure on institutional development in the industrial development department would amount to 55 million NOK, or around 15% of the department's total budget. There are some 26 firms engaged in institutional development (again with the use of the same definition), half of which are private firms and half consulting companies. But the most common feature is that the firms undertake feasibility studies, or deliver machinery and

equipment, or undertake training programmes, with little or no relation to institutional development.

The study found some promising examples of institutional development, and was in particular looking for examples of institutional development that go beyond organisational development. The authorities in the recipient countries have initiated these components, and they often undertake them without much technical assistance from their Norwegian partners. The demand for cooperation is there, but NORAD and the Norwegian firms are often slow to pick up the challenge. Private firms and consulting companies can have positive roles to play in institutional development, but much remains to be done before these roles can be realised.

#### **NORAD's roles**

NORAD has an important role to play, but needs clear and consistent strategies at all levels. There is also a need to develop capacity in institutional development analysis, so as to assess projects, to monitor and follow up, and maintain strategic control over activities. But NORAD's roles can shift considerably; there are cases where a very extensive set of roles is necessary, and yet at other times there is only need for a few strategic inputs.

A review of international experience indicates that the achievements in institutional development are generally low. It is a difficult intervention area, and many donor agencies have gradually come to realise that their success rates seldom are higher than some 25 – 30%. But the more hardware oriented, and the more practically oriented the projects are, the better do the institutional development results tend to be.

#### **Findings in respect of private consulting companies**

The three cases of private consulting firms, Geographical Information Systems (GIS) in Indonesia, Physical planning and institutional development in Palestine and Norconsult's joint venture in Tanzania, show that it is indeed possible, feasible and desirable to channel such assistance through private consulting firms. The process of technology transfer was designed in many different ways, and most projects followed several ways to build up individual competencies. One project had an elaborate formal training structure, with a heavy emphasis on degree courses abroad. Yet another had a totally ad

hoc approach, with little formal, structured training but a heavy emphasis on on-the-job training. Other projects showed different types of counterpart arrangements. The point is that all these approaches seemed to work under the conditions pertaining on the particular project. Successful technology transfer largely depends on careful tailoring of the inputs to the conditions on each particular project.

Similarly the organisational development on the projects followed different approaches. In one case, the approach was largely determined by the legal framework for interventions (Indonesia), which left considerable question marks as to how the achievements are to be sustained. The project organisation in the form of a joint organisation between Norwegian and Indonesian firms appears to promote effective and efficient implementation, but does not solve the long-range organisational issues. Overall, the organisational situation on all projects was fluid. But it is a practical skill, and there is a very practical bottom-line in terms of paying salaries, renting office space, and managing services, which has to be solved.

Systems development, or broader aspects of institutional development, were addressed in two of the three cases, but in very different terms. One of the projects had planned these activities and stipulated them in work plans, but on the other the planning was very loose, and depended on incremental learning. It is not possible to say which will be more successful. The full effects cannot be verified for many years to come, even though both projects have to be commended for the efforts they make.

#### **Findings in respect of private firms**

The three cases of private firms, Dyno's joint venture in Indonesia, TANELEC in Tanzania and Norplan's cooperation with TANESCO, show that institutional development is possible, feasible and desirable by means of the private firm channel, although it is often neglected. However, in comparison with the private consulting companies channel, there are significant problems in defining the appropriate level of locating the institutional development impact. It is interesting to speak of an institutional development effect, in respect to the market, both from the practical and from the theoretical point of view. But the market is an elusive phenomenon, and the interests of the firms do not necessarily lead to the best market development impact.

However, it is not only private firms which may have an impact on market development. Governmental institutions such as anti-trust authorities, price supervision bodies, consumer ombudsmen, could also be targeted for Norwegian development cooperation. But, these would by definition constitute another channel, hence there is a need to transcend the concept of channels in these four studies of institutional development, and at times to focus on economic and social sectors instead.

Technology transfer was generally not thoroughly planned for by the actors in this channel. It occurred ad hoc, and often the firm in the developing country had to pay a large share of the costs. Much of the technology transfer took the form of transfer of documents and technical information. Organisational development also took place ad hoc, and with a high degree of control from the Norwegian firms. To understand technology transfer and organisational development it is necessary to leave the common framework of development assistance project and instead realise that we are now discussing the internal corporate management of international firms, which follows another logic.

NORAD is not much in evidence after they have approved the loan, or training grant, or whatever instrument is used. There is a format for follow-up, which is applied, but whether it has any real clout – or even whether it should have any, is not evident in these cases.

### **Comparing the two channels**

In conclusion, many of the common-sense assumptions about the nature and process of institutional development have to be reconsidered. The origin, process and outcomes are far more dependent on specific circumstances than we tend to assume. The findings here are generally supported by concepts and theories in the sciences of organisational complexity, building on rapid responses to emerging situations, organisational learning, and capacities for self organisation.

There are some differences between the two channels. The private firms were often found to have clear and

commonly understood objectives for technology transfer and organisational development. These objectives followed from the integration of the subsidiaries in developing countries into the structures of multinational firms. At the same time, the projects followed (ad hoc) incremental steps in implementation, for example in respect of personnel training and organisational development. The organisations in developing countries often shared significantly in the costs. Interestingly, competent individuals rather than strong organisational counterparts seemed to be important for successful technology transfer and organisational development.

The private consulting firms, on the other hand, had more problems with objectives and with measurement of results. Blue-print approaches to project implementation also seemed to be doing rather well, contrary to what one might expect. The local partner organisations play a far more prominent role, both as clients in the contract relationship and as the ultimate beneficiaries of the interventions. The local organisations were very aware of the necessity of institutional development, and were the first to express a keen interest in such activities. So in these respects we found significant differences between the channels, differences that can be explained by the nature and interest of firms, and the working of competitive forces and governmental regulations.

But there are many instances in which the two channels are similar. The study found no significant growth in institutional development activities. It was generally acknowledged that it was important to get the basic production right before venturing into more elaborate organisational and institutional development activities. However, these levels may be far more closely integrated than we commonly see in project designs. It is also encouraging that institutional development can be undertaken under turbulent conditions, and it is not necessary to seek out stable and safe environments in order to launch institutional development projects. In both channels significant convergence in the understanding of the role and importance of institutional development was found.

**MFA Evaluation Report 4/98:****«NGO STUDY ON INSTITUTIONAL DEVELOPMENT.»***North-South Institute, Canada*

This document reports on a study of the institutional development efforts promoted by Norwegian NGOs and their partners in the South.

**Methodology**

The report is based on information and data from a review of Norwegian aid policies plus the literature on institutional development as these relate to NGOs, meetings with a number of NGOs in Norway, Sweden, Denmark, and Britain to discover what approaches these took to the development of counterparts and institutions

in the South, a survey of Norwegian NGOs and partner organisations in the South and finally case studies of institutional development projects in Mozambique, Zimbabwe, and Sri Lanka. It must be emphasised that the NGO team undertook a study rather than a full evaluation. Given a tight schedule, the NGO team used a «self-selection» approach by inviting Norwegian NGOs to suggest cases which they believed to be interesting and successful examples of institutional co-operation: the selection was then finalised after the relevant Southern organisations agreed to participate.

Norwegian NGO	Counterpart Organisations		
	In Mozambique	In Zimbabwe	In Sri Lanka
Redd Barna	Ministry of Social Welfare (Acção Social)	Training & Research Support Centre	Siri Prabodha
Norwegian Red Cross	Mozambique Red Cross	Southern Africa Partnership of Red Cross Societies	
Norwegian People's Aid		1. Zimbabwe Women's Finance Trust	
		2. Zimbabwe Women's Bureau	
FORUT			Alcohol and Drug Information Centre
The Development Fund			Future in Our Hands (Sri Lanka)

The study aims to glean lessons from successful projects, and makes no claim that the cases described are representative of NGO projects in general, in the focus countries, or in the portfolio of projects supported by the participating NGOs. The NGO team did, however, receive the full co-operation of the participating organisations, and supplemented the rich case study information with data from its survey and literature review before undertaking the analysis leading to its conclusions and recommendations.

**Literature review**

The review of literature revealed a number of strands which have direct relevance to the study of institutional development promoted by NGOs. In brief these are:

- increased awareness that laws, norms, and other institutions comprising «the rules of the game» have a tremendous impact on whether organisations and individuals will co-ordinate effectively to promote development of a society;
- traditional methods employed to strengthen organisations and institutions are too costly and often ineffective;
- NGOs are increasingly important in the international aid system, and particularly so in some Southern countries; and
- there is little hard evidence to support many of the «articles of faith» concerning the comparative advantages of NGOs relative to other development organisations.

### Norwegian aid policy

The NGO team found Norwegian aid policy is very conducive to NGOs that wish to promote ID in the South. This supportive policy environment is based in part on the priorities given to institutional development, recipient responsibility, and linkages between various Norwegian NGOs and their natural partners in the South. Also important however is a supportive funding policy for Norwegian NGO activities, often on the basis of multi-year «frame agreements» which provide reasonable assurance concerning the level and duration of funding. There is little evidence that the policy mix outlined above is perceived by many in Norway's development NGO community as an imposition. Indeed, many Norwegian NGOs espoused a North-South partnership approach to development well before such policies assumed prominence in the country's aid programme.

### Survey findings

The majority of Norwegian development NGOs, including all the larger organisations, responded to the survey.<sup>1</sup> In brief, the majority of NGOs reported that they had introduced new policies on capacity building, organisational strengthening of counterparts, and partnership and that their support for institutional development has been increasing. Over 90 percent of the respondents reported that efforts to build capacities in their Southern counterparts have resulted in positive changes, such as increased participation, better dialogue, and (more modestly) enhanced awareness of environmental, gender, and human rights issues.

At the same time, survey responses suggest that many Norwegian NGOs still focus their capacity building efforts principally on the provision of funding, equipment, and training to their Southern counterparts, rather than taking a broader organisational development approach. None of the Norwegian NGOs reported the use of specialised tools for organisational assessment or for the diagnosis of specific performance constraints; rather, they defined needs in the course of project or programme reviews, or reacted to crises experienced by their partners, or simply adopted an extended «getting-to-know-you» process. Still, the survey data suggest

Norwegian NGOs are increasing their support for organisational consultancies, the development of local sources of funding, and the use of local NGOs (service organisations) that specialise in providing support services to the country's NGO community. As well, Norwegian NGOs often provide support for networking among Southern NGOs on a sectoral, national, or regional basis, thereby attempting to institutionalise Southern NGO communities.

### Case studies

Team members examined a total of nine cases in the three focus countries. Five Norwegian NGOs participated, along with eight Southern NGOs and one government ministry. The Norwegian NGOs studied are eschewing direct implementation of projects in favour of building capacities in local organisations and developing more robust relationships (partnerships) with local counterparts which in turn are responsible for implementation. The participating Norwegian NGOs are also active in fostering NGO networks at the national, sectoral, regional, and international levels. In one case, the Norwegian NGO and its local counterparts are seeking to change the national institutional framework (laws and legal administration, cultural norms, support systems) with respect to children's rights.

The case studies strongly suggest that the local context dictates to a significant degree the ID goals, strategies, and activities pursued by Norwegian NGOs operating in a country. Specific contextual factors of clear import are (1) whether the country is in or emerging from a state of emergency, (2) the vibrancy of the local NGO community, and (3) the degree of political polarisation. For example, Norwegian NGOs still assume direct implementation roles in emergency situations, and their ability to subsequently transfer responsibility to local counterparts is largely based on the maturity and capacity of the local NGO community.

While it is difficult to make firm pronouncements on the basis of a limited number of cases examined over brief duration, some of the cases seem extremely successful and most have successful elements. A common but not necessarily causal factor in the most successful cases is that an adaptive approach had been used, which allowed the Norwegian NGO and its local partner(s) to learn-by-doing. While this observation may of course be an artefact of the method used to select the cases for study (i.e., cases were not randomly selected by were suggested by

<sup>1</sup> We calculate that the responding organisations account for over 99 percent of the Norwegian bilateral assistance channelled through Norwegian NGOs.

Norwegian NGOs then confirmed with the Southern counterparts), it also is consistent with the literature on «best practice.»

Those Norwegian NGOs that are new to ID approaches are also making great efforts to develop new capacities within their own organisations. All the participating organisations are taking steps to learn how to better support ID, capacity building, and partnerships, and in most cases they are updating their corporate policies to better reflect their recent experience. Most of the Norwegian NGOs have been experimenting with strategic planning

and medium-term country programmes to ensure their activities are coherent, consistent with their organisation's strategic goals, and appropriate to the local context. At the same time, none of the participating NGOs appear to use formal organisational assessment or performance diagnostic tools to supplement their understanding of what type of capacity building assistance is most required by their Southern counterparts. In a few cases, the Norwegian NGOs seem to have been slow in offering specific types of technical expertise in addition to funds, equipment, and general training.

## Annex 3: Norwegian Policies on Institutional Development

Like many other donors, the Norwegian government has emphasised the concept of institutional development in their aid policy for the 90ies. Institutional strengthening or capacity building for sustainable development has become a cornerstone and important rationale for Norway's involvement in international development cooperation as a part of their strategy to focus on the recip-

ient's responsibility in the development process. The emphasis on institutional development seems to be the combined outcome of a growing realisation of the importance of organisations and institutions in the development process, and frustration with the limited results from other forms of development cooperation, including technical assistance.

*Main components in the Norwegian development assistance are:*

- **the bilateral aid component**, which this study is focusing on, with policy framework set by the Bilateral Department of the Ministry of Foreign Affairs and implementation by NORAD, both under the responsibility of the Minister for Development Cooperation;
- **the emergency and political development component**, with policies and administration both centred in the Political Affairs Department of the Ministry of Foreign Affairs under the responsibility of the Minister of Foreign Affairs (From October 1997 also partly the Minister for Development Cooperation).
- **the NGO component**, which is also included in this Study, comprising some 80 organisations, a number of whom have major human, logistical and financial resources, with funding from both the bilateral system (NORAD) and the emergency system (Political Affairs Department of the Ministry)
- **the multilateral component**, with policies and funding for both Multilateral Development Banks and United Nations (UN) agencies located in the Multilateral Department of the Ministry of Foreign Affairs under the responsibility of the Minister of Development Cooperation.
- **the NORFUND component**, which will soon become operative with a capital base that will gradually be increased. This is the Norwegian Government's Fund for Private Sector Development in developing countries. Once NORFUND is in place, the way should be clear for increased investments by the Norwegian private sector in developing countries. NORFUND has an independent board appointed by the Minister of Development Cooperation. However, the existing Department for Industrial Cooperation in NORAD will continue its activity.

### Level of Strategies

We can identify strategies for institutional development at four different levels in the Norwegian bilateral development assistance. *First*, there are strategies expressed through Government White Papers to the Parliament, through the Expert Commission's recommendations in their Official Norwegian Report, and other channels to communicate overall strategic intent. *Second*, there are strategies formulated by NORAD itself, for guidance of its entire operations. *Third*, different departments or subdivisions within NORAD also establish strategies for institutional development, and in theory these could also be defined in respect of different instruments of cooperation. *Finally*, the actors who are actually undertaking projects, such as companies, consultants, public organisations and NGOs, could themselves set strate-

gies for institutional development. Here we will identify the strategies in existence at the first and second level, and discuss these strategies, in terms of relevance, clarity and consistency. We refer to the part-studies for a review of the two other levels.

### NORAD's «Strategies for Development Cooperation»

The history of Norwegian institutional cooperation and organisational development dates back to the first development decade. More recent perspectives, as reported in major policy documents however, go back to 1989/90 when NORAD's «Strategies for Development Cooperation» was presented. This strategy was based on the Parliamentary White Papers St.m. no. 36 (1984/85) and St.m. no. 34 (1986/87), in which the importance of



strengthening key public and private institutions in developing countries was emphasised, while admitting to the difficulty in separating technical aid and institutional support.

The NORAD strategy emphasised a change from *recipient orientation* to *recipient responsibility* in their aid policy.

*«Responsibility for own development presupposes robust, stable institutions. One of the causes of donor dominance in international cooperation is the weak administrative structures in developing countries. For the concept of recipient responsibility to be meaningful, Norwegian development contributions must also in the future be used to enhance proficiency and to reinforce public administrative capacity – institutional development – so that these institutions can become independent of aid as far as possible.»*

In the same strategy paper it is stated that:

*«NORAD must actively encourage participation of Norwegian organisational and institutional life in development work. By means of active participation on the part of Norwegian organisations and institutions, NORAD will be able to draw upon competence, capacity and resources which we would otherwise not have access to. Through increased external participation, Norwegian society and public opinion in general will be enabled to identify themselves more strongly with, and show greater appreciation of, Norwegian development cooperation and the challenges and problems which this entails.»*

This focus on Norwegian participation was later presented as the «Norway axis»<sup>1</sup> in development cooper-

ation. The idea is that the main responsibility for planning, implementation and reporting rests with the cooperating partners, in Norway and in the recipient country, while NORAD acts primarily as a source of funding and coordinating body.

NORAD decided to reduce the recruitment of individual Norwegian experts to work in partner countries, due to the meagre results in knowledge transfer and experiences of poor integration of aid efforts into national institutions. The principal conclusion in the Nordic evaluation of technical assistance from 1988 was that technical assistance personnel were usually highly effective in operational positions, but much less in transferring skills and in contributing to institutional development (Forss et.al. 1988). Professional expertise from Norway was however still required, and NORAD changed its approach and started to recruit Norwegian institutions for entering into cooperation with similar organisations in partner countries.

Apparently from the same period as the new NORAD strategy, an internal NORAD memorandum presents and elaborates a general strategy for institutional development.<sup>2</sup> The paper confirms that the overriding objective of institutional development is to enable recipient country institutions to perform their functions independent of foreign assistance. Thus, institutional development must be integrated in all essential parts of NORAD's activities.

Among such activities, the paper notes that the understanding and knowledge of institutional development among NORAD's personnel and advisers that are sent abroad, must be strengthened. The «School for Development Cooperation» has an important task here. It is necessary to review administrative routines and project assessments to make sure that institutional aspects are assessed. It is also necessary to strengthen Norwegian institutions that can be engaged in institutional cooperation as this will be the main strategy for institutional development.

Under the heading «strategic assumption», the paper notes that there is often an imbalance between institutions that engage in cooperation, and consequently it is important that the recipient organisation must be given the upper hand. It is necessary to accept that recipient responsibilities must mean that NORAD's scope for detailed control will diminish, the preparatory work must be allowed to take its time. It is recommended that

<sup>1</sup> In 1992 they introduced the term «Norwegian axis», later the name is changed to the «Norway axis».

<sup>2</sup> «Strategy for NORAD's activities in institutional development in developing countries.» It consists of 9 pages and has a title, but no author nor any date, but it is referring to the stronger emphasis on institutional development in the forthcoming Government White Paper no. 51 (1991/92). Its status in the organisation is thus uncertain to an external reader, and it is not clear how it is disseminated. It is written in Norwegian, and the quotations are our translations.

processes of cooperation should start at low levels of ambition, and gradually be allowed to increase – if the conditions are conducive to continued cooperation. NORAD should only support projects where both parties are committed to cooperation and where the Norwegian institution is sufficiently staffed and qualified. There is an objective that the cooperation should be able to continue also after the donor financing is terminated!

In sum, this document, as well as the others, proceeds on the assumption that institutional development is similar to organisational development. It certainly points at weaknesses – both internal and external – to reach the objectives, and it repeats and elaborates on these objectives. It does not introduce any ideas or plans that are contradictory to the other documents. On the other hand, it does not really spell out in any more detail what different sections should do, and as a strategy it is still very general. Perhaps most surprising is that none of the documents translates a priority area into financial terms. What are the budgetary consequences, if any, of these priorities? The last document explicitly says that institutional development should play a role in »all essential« activities of NORAD.

Another memorandum NORAD (1991) from July 1991 presents a more in-depth analysis of the public institutions in developing countries, including effects like the economic stagnation and the following structural adjustment programmes. NORAD should support the necessary reform of the public sector and the strengthening of the private sector and civil society. In such support NORAD should avoid making donor controlled «islands of capacity» with few prospects for a sustainable future.

Without any precise definition of institutional development they present their approach as a focus on quality – how well the institution or the collaborating institutions are functioning.

*«Focus will therefore be on the way the institutions are organising their activity in relation to their objectives. To clarify which components are suitable for assistance and how they relate we will split the term into three areas for application:*

1. *adjustright The structure and «construction» of the institution: management, administrative lines, rules for decision making, mechanisms for planning, contextual framework etc.;*

2. *adjustright human resources of the institution: level of education, profile of competence, organisational culture and working conditions, etc. and*
3. *adjustright Material resources: Infrastructure, equipment, maintenance, transport, etc.» (Our translation.)*

They conclude that there is a bias in NORAD's institutional support as they have been focusing on point 2 and 3, infrastructure and human resource development. The new policy should focus more on the organisational issues, *including* the contextual framework. This new orientation of the Norwegian policy implies a change from long-term advisers to a more flexible, low-profile, institution based assistance. This means shorter periods over a longer period of time. This model should also strengthen the responsibility of the recipient institution.

The memorandum also discusses modes of institutional cooperation, priorities, the importance of the partner dialogue and some criteria for the selection of institutions. The support should focus on key institutions with possibilities for wider influence, e.g. Ministry of Finance and Ministry of Planning, but also institutions at district levels in a process of decentralisation. As organisational diversity is important in a democratisation process support to NGOs is also included. Universities and research institutions focusing on management, planning, organisational theory and economics should also be prioritised. However, there is still no financial plan to implement this new strategy.

#### **White Paper No.51**

In 1991 the Ministry of Foreign Affairs released White Paper 51 (1991–92), «Trends in North South Relations and Norwegian Cooperation with Developing Countries». The proposition initially notes that:

*«if the recipient countries are to be in command of their own development, and if they are to plan and implement concrete programmes, it is often necessary to increase the competence levels and the institutions of the recipient countries. To a greater extent than previously, it is necessary to emphasise capacity building and institutional development, both as an independent subject and as a part of other types of development cooperation».*

In their guidelines for the Norwegian policy for development assistance we quote (Our translation and emphasis.):

«The Government will:

- *continue their strong emphasise of recipient orientation in Norwegian aid policy. The cooperation should be developed in accordance with the developing countries own priority and plans.*
- *Norwegian development aid should increasingly be based on recipient responsibility. This implies that the recipient countries themselves are main responsible for planning and execution of all developing initiatives,*
- *to a larger degree concentrate on sector and area programme in stead of isolated project aid.*
- *focus on a continued dialogue with the recipient governments about national political priorities, objectives and conditions for Norwegian development assistance. The importance of democracy, respect of human rights, good governance, efficient use of resources, and a focus on income distribution in the economic policy will be emphasised.*
- *emphasise the necessity of enabling framework conditions for an effective development assistance and sustainable development, and in a more responsive way adapt the assistance to changing conditions.*
- *emphasise the support to activities that enable the developing countries to meet the demands of the recipient responsibility. Capacity building and institutional development will be a key issue in this effort.»*

Based on this general assessment, the proposition proceeds to analyse capacity development, institutional development and research on almost 5 pages<sup>3</sup>. We quote selectively to capture the main flow of the argument. The three concepts were cast as partly overlapping and partly complementary areas of intervention. Capacity development occurs primarily through education and various types of training activities, research and on-the-job experiences. Institutional development, on the other hand, must take its starting point in institutional circumstances (e.g., administration, leadership, etc.).

The proposition confirms that institutional development is a broad concept which covers different activities that aim to strengthen the capacity of an organisation to solve its tasks. It does not only concern public administration, but also other public institutions in research and education, and non governmental organisation, as for example voluntary associations and trade unions. In-

stitutional development will often entail changes in organisational and administrative conditions to improve efficiency and effectiveness. On some occasions it will be necessary to change the competence profile or to add to the competencies and/or the material resources of the organisations.

In recent years there has been a growth in the extent of directly cooperating organisations in Norway and the recipient countries, both in public and private spheres, universities, research institutes, and many others. The proposition notes that institutional development has often been directly associated with the production of certain ends, it has not been an end or an objective in itself. Institutional development has not received priority, and thus the long-range effects and the sustainability of the assistance has suffered. When the recipient organisation has a well developed capacity a priori, then limited intervention may be effective anyway, but when the absorptive capacity is low, then it is necessary to take a more comprehensive view of institutional development.

Support to institutional development should aim at improving the structure and design of the institution (i.e., leadership, administrative structure, decision-making systems, planning capacity, mandate, etc.), and the institutions human resources (educational levels and competence profile, organisational culture and working environment), and its material resources (i.e., infrastructure, equipment, maintenance, transport, etc.). Support to institutional development can consist of training programmes, institutional support, personnel assistance, institutional cooperation, or any combination of these components.

Before an institutional development programme is approved, there must be a comprehensive evaluation of the role that the recipient organisation plays in society, as well as of its management and administrative structure, and its propensity to benefit and to embark on a change and reform programme. In addition, support to institutional development should be an integrated part of Norwegian assistance to the country.

Public administration has a fundamental role to play in national development, and will therefore have priority as a recipient of institutional cooperation. Primary importance will be assigned to institutions with responsibilities in planning and implementation of the country's development policy. The commercial sector is also important, and hence it is also possible to cooperate for the

<sup>3</sup> p.224–228 in White Paper 51 (1991–92),

purpose of supporting rational and effective management in commerce and industry. The Norwegian government also notes that development is a process involving several actors, and hence it is also possible to support institutions that articulate the interests of important social concerns. In conclusion, the proposition asserts that the Government of Norway will:

- contribute to capacity development in connection to particular Norwegian development cooperation and also at more general levels in order to increase the total educational and competence levels in the developing countries,
- emphasise that women shall have access to education and training at all levels,
- adapt the training, fellowship and personnel assistance to local conditions. Increase the role of institutional cooperation,
- emphasise institutional development in the developing countries, in order for these countries to be in a better position to manage their development,
- evaluate support to institutional development in the light of conditions in each institution and its social mission.

Support can be granted to both public and private organisations, and the proposition continues to discuss and set strategies for research cooperation, which are of no concern here.

There is no doubt that the proposition assigns a central role to institutional development. The sheer amount of text, and the rather detailed discussion the purpose of institutional development leaves no doubt about that. It is also interesting to note that the proposition contains a reflection on experiences to date. We should remember that this was written in 1991, and thus reflects experiences of the late 1980s. But it reads like a summary of present experience as well. The proposition discusses institutional development almost as synonymous to organisational development. All the examples it provides are examples of typical organisational development interventions, and the connection between institutional development and training is very close in the text. There are basically no sectors that are excluded, but priority is assigned to central government functions. Also, no channels are excluded, but the public sector is seen as the main target of institutional development.

## **NORAD STRATEGY: PART II**

To implement the new policies NORAD presented a part two of their strategy in 1992, focusing on some basic principles for bilateral development cooperation. We quote section 4.7 *Institutional development* in its entirety:

*«Norwegian development cooperation must contribute towards strengthening institutions in partner countries, so that in the longer term they will be able to carry out their responsibilities independently of foreign assistance. Such institutions may be in the public, semi-public or private sectors, at central, regional and local levels. Important measures will include:*

- *supporting reforms and organisational development which will increase the efficiency of the public administration at the central, regional and local level;*
- *supporting educational and research institutions which may improve the supply of expertise and knowledge which is lacking in important public and private institutions;*
- *supporting the establishment and development of institutions which may improve the functioning of business, industry and the market;*
- *emphasising the importance of institutional conditions for all development cooperation – if necessary by making financial support conditional upon the development of expertise and organisational changes;*
- *identifying and evaluating those institutions in partner countries which are suitable for Norwegian assistance. There will be emphasis on framework conditions and the possibilities for development;*
- *identifying and strengthening Norwegian institutions which are suitable for institutional cooperation in selected sectors;*
- *giving priority to using local expertise in projects and programmes supported by Norway;*
- *supporting training programmes, with particular emphasis on organisational development, administration and management training.*

*Support for institutional development will normally have a long-term perspective. It will require not only detailed knowledge of the institutions which we cooperate, but also knowledge of administration, management and leadership.*

*In selecting the type of cooperation to be provided, there must always be emphasis on the ability to continue the activities of the institution in question at a satisfactory level after the professional and economic assistance have been phased out. Support for the establishment of parallel administrative systems must be avoided.*

*On certain conditions, budgetary support may be provided to cover wages and operating costs at an institution for a limited period of time. Support of this type must not be provided if it is likely to prevent necessary organisational changes, or the costs cannot be covered by the institutions themselves at a later stage.» (NORAD, Strategies for Development Cooperation, Basic Principles, Edited 1992)*

In chapter 6.3 about institutional cooperation NORAD state that:

*«the purpose of institutional cooperation is to create viable institutions in our partner countries through direct cooperation between institutions in Norway and partner countries, or between developing countries. Cooperation agreements may be entered into with public institutions and administratively bodies, non-governmental organisations and commercial enterprises.*

*In considering suitable institutions there will be emphasis on the following:*

- *Norwegian organisations taking part in such cooperation must have a thorough understanding of the current principles of Norwegian development cooperation, of conditions in the partner country and of the institutions with which they are cooperating.*
- *The Norwegian institution must have sufficient professional expertise and staff capacity to be of benefit to the cooperating organisation. However, we must also ensure that Norwegian expertise is strengthened and maintained with a view to future cooperation.*
- *There must be evidence of a real interest in, and willingness to enter into, binding cooperation on the part of the management of the institutions on both sides.*

*It must be ensured that cooperation takes place on as equal a footing as possible. This means that plenty of time must be allowed for the preparatory stages, and that we must adapt to the recipient's capacity for making use of such cooperation. The centre of gravity of cooperation must rest with the partner in cooperation.*

*Institutional cooperation will often be supplemented with other forms of development cooperation, e.g. more traditional technical assistance, equipment, etc. However, in the long term, institutional cooperation is expected to reduce the need for traditional technical assistance administered by NORAD. Agreements on institutional cooperation are, in principle, agreements between two institutions, but they must be approved by NORAD and the authorities of the recipient country. Agreements must be entered into at the institutional level, and must contain clear guidelines for responsibility.*

*In, principle, all types of development cooperation funds may be used. Institutional cooperation between non-governmental organisations is regulated through NORAD's agreement with Norwegian institutions, while institutional cooperation within the university and college sector is partly regulated by the agreement that has been entered into between Norwegian Universities and the development cooperation administration.»*

The term «Norway axis» in development cooperation is now introduced for the first time whereas the content was presented already in the 1990 strategy. The strategy document does not define institutional development, and as the text illustrates, almost any project or programme intervention that has a training component or some aspect of organisational development could be termed institutional development. It is very general, and the question if it is too general to provide strategic guidance.

### **TRAINING EFFORTS**

In February 1993 Christian Michelsen Institute and Centre for Development Studies, University of Bergen, arranged a course in institutional understanding for NORAD's Training Centre for Development Cooperation (Bistandsskolen)<sup>4</sup>. The course was a result of the 1990/91 process that ended in the NORAD's strategies for bilateral development cooperation – Basic principles (Part II – 1992). In this process it was revealed a need to strengthen the Norwegian partners and NORAD's understanding of institutions in recipient countries. The course was however evaluated as being too theoretical in its focus and NORAD's institutional adviser developed the course further in cooperation with PA Consulting presenting a new annual course in December 1994. The new course had a more practical approach where cases of institutional cooperation were presented and the participants could exchange experiences from their work with Southern institutions, primarily in public administration.

<sup>4</sup> Today the Foreign Service Institute

### **THE PUBLIC EXPERT COMMISSION 1995**

The next document which is relevant to analyse is the Public Commission of 1995; «A Norwegian Development Cooperation Policy for a Changing World» (NOU 1995: 5). Chapter 5, subsection 5.3.1 discusses the aim and contents of a long-term programme for competence-, capacity- and institutional development. The commission treats institutional development on two pages, which thus receives relatively less emphasis than in the previously mentioned proposition. But it is clearly noted that institutional development is a priority area. The commission points to the problem-solving capacity as the key word, both at individual and organisational levels, hence the reason to treat these subjects jointly. There are five main points made in the text.

- First, institutional development can occur both at local and national levels. There has been a tendency to emphasise central government institutions, but it is equally important to engage in capacity building at local levels, and the commission particularly mentions organisations like voluntary associations, private firms, welfare societies, and others.
- Second, the commission emphasises that the cooperation should aim at changing the development framework and create enabling conditions. This should be a priority, and should be connected to the recipient's responsibility.
- Third, it is better when cooperation can be built on mutual advantages; that is, both donor and recipient should gain. In the long run, this is said to lead to more stable links and more sustainable patterns of cooperation. It will also mean that more actors from the Norwegian society can find a role in development cooperation.
- Fourth, poverty orientation should be the guiding light, and it is important to identify and address the mechanisms that create poverty in the developing countries.
- Fifth, it appears logical to concentrate long-term cooperation to a smaller sample of least developed countries, where there is a NORAD representation. This would be important in order to build up local knowledge and contacts for institutional development.

The Commission provides little guidance and strategic insights on how to go about the task. In comparison to the 1990/91 proposition, it changes direction somewhat, as it de-emphasises the role of central government institutions. But as the Commission does not define what it means with institutional development or how it relates to the channels of cooperation, it is not quite certain how it should be interpreted. Another change in comparison to the proposition lies in the promotion of mutual benefits. There appears to be a contradiction between the concepts of mutual benefit and local institutions on the one hand, and poverty orientation and addressing the broader frameworks of development on the other hand. But the text is not detailed enough to analyse how these apparent contradictions could be resolved.

### **GOVERNMENT WHITE PAPER NO. 19**

The Government White Paper No. 19 (1995–96) which mainly was based on the Commission's report see capacity building and institutional development as prerequisites for the ability of developing countries to take responsibility for their own development. The development of expertise and administrative capacity is also important in order to prevent aid dependency. But, in our view it adds little to the understanding and strategy in respect of institutional development as these subjects were treated in proposition 51.

The Government wishes to increasingly emphasise the capacity building and institutional development as:

*«past experience of cooperation between Norwegian organisations and institutions and their counterparts in developing countries has been good, and the Government wishes to ensure that this type of cooperation is further developed. The Government wishes to promote broader areas of contact between the developing countries and Norway with a view to ensuring that cooperation takes place on more equal terms. Extended trade and economic cooperation will be essential elements of this effort.» St.meld. no 19 (1995–96).*

### **OTHER REPORTS AND EVALUATIONS**

In recent years both Norwegian MFA and NORAD have commissioned papers and evaluations on the subject of institutional development. In 1990 a working paper was produced for the evaluation department, MFA with a suggestion for evaluation of institutional development and integration in development aid projects (Holdt, 1990). In 1993 the same department commissioned another working paper presenting the state of

the art in institutional development (Engberg-Pedersen, 1993). Both papers were focused at the public administration and more managerial sides of institutional development, e.g. how to integrate it into the project cycle and how to secure objects like effectiveness, participation, sustainability and accountability in institutional development. Statskonsult (1995) on the other hand focused more on the internal process and clarification.

MFA Evaluation report 1.95 about Technical Cooperation in Transition compares Norwegian policy and experience to other bilateral and multilateral donor experiences. They state that:

*«Norwegian policy on technical cooperation has changed in accordance with the DAC principles. The change is clearly visible in the new policy guidelines from the Ministry of Foreign Affairs and the new strategy of NORAD. The implementation of the new profile on technical cooperation in Norwegian partner countries in accordance with the political, economic and institutional environment.»*

The report continues with a discussion of institutional cooperation as this is regarded the key to institutional support in Norwegian policy, and ask whether institutional cooperation in terms of twinning arrangements will constitute the indispensable instrument it is expected to be, if it takes place without changing the profound nature of the relation. They argue that the best possible approach when the relation is unequal by nature, is to recognise the inequalities by bringing real motives and interests to the forefront.

The issue of vested interest is also touched upon. In the case of twinning of profit-making institutions in the private sector, commercial interests are obvious. The

same may also occur for public or semi-public institutions acting both as advisors for NORAD, partners with the Southern institutions and as an institution in search for funding. NORAD is now trying to clarify how to deal with the many roles the Norwegian actors must play in a small country like Norway. NORAD has also commissioned a manual for assessments of institutional sustainability to improve the institutional development effects of the many institutional cooperation projects.

### **NORAD – THE DRIVING FORCE**

Normally the Ministry of Foreign Affairs defines the policy for Norwegian development cooperation, whereas NORAD is responsible for developing guidance to the implementation of the policy. In the area of institutional development NORAD seems to have been the initiating force. The change from recipient orientation to recipient responsibility and the introduction of the «Norway Axis» is examples where NORAD reformed the policy that was later incorporated into the governments policy. NORAD on their side seems to be influenced by Norwegian NGOs, by SIDA and other bilateral donors and by the multilateral agencies.

This bottom-up approach may be one of the reasons why there is no stringent use of the terminology, although MFA sometimes seem even more confused than NORAD about the concept. After eight years of implementation most people equate institutional cooperation with institutional development and understand it as organisational development. However, the importance of the systemic framework is gradually recognised in NORAD and by the cooperating institutions.

## Annex 4: Institutional Development Statistics

### A Comparison of OECD Data across Countries and over Time by Economic Area<sup>1</sup>

#### 1. PREFACE

This paper is part of the background documentation prepared for the evaluation of Norwegian support to institutional development. The evaluation itself will rely for the most part on case studies, and will not generate any data regarding overall resource levels allocated to institutional development.

The Secretariat of the Development Assistance Committee (DAC) of the OECD receives data annually from all donors – bilateral aid agencies and multilateral lending institutions. The data are collected at the level of individual aid activities in the Creditor Reporting System (CRS) and in the form of annual aggregates in the DAC reporting system.

Institutional development is not separately identifiable in the annual DAC statistics. This paper therefore uses the CRS data to look at the levels and trends in budget allocations to the area of institutional development. As noted in this paper, there are major problems with the data which make it difficult to draw clear conclusions. The information nonetheless may help put the evaluation of Norwegian aid to institutional development in perspective.

#### 2. DAC DATA

The Development Assistance Committee (DAC) of the OECD maintains a DAC reporting system which gives an overview of the flow of aid resources provided by bilateral donors and multilateral lending institutions. The data are presented in the form of tables in an annual report. These figures are largely aggregate numbers, which do not provide much detail as to the use of funds. In addition, the DAC also collects data on commitments, which are defined as «a firm obligation to furnish resources of a specified amount under specified financial terms and conditions for specified purposes for the benefit of a recipient country, expressed in an agreement or equivalent contract undertaken by the government or an official agency acting on its behalf».

The data therefore represent formal agreements between the donor and recipient which are necessarily based on estimated project budgets. These data, which contain a lot more detail on the various activities to be undertaken, are put together in the so-called Creditor Reporting System (CRS), which are the data used in this analysis.

These data are put on the Internet by the DAC, where they are available in the form the aid donors actually present them, which is on a project by project basis. They are to represent the best estimate of total project expenditures through the lifetime of the activity – that is, for they most part they are not annual budgets. For technical reasons, some donors, such as the US, have chosen to report the estimated expenditures for a given year as a commitment. Some other countries, such as Belgium, do not have commitment data available on their internal systems, or these data are not reliable enough, so these donors therefore report disbursements in the CRS. In general, however, the data are thus neither on actual disbursements nor annual, which would have given a more accurate picture of real resource flows.

This presents certain problems with respect to the data, in particular changes in annual disbursements for certain aid categories. The coming on-line of a large multi-year project or program can make the contributions of a particular donor to that category «jump» considerably compared to the previous year, though the actual flow of resources will be smoother.

The projects are classified along several dimensions: by donor, by recipient, by economic area or purpose of aid, and by form of aid. The last two categories are identified by a six-digit code developed by the DAC. This scheme is an internationally accepted standard which is to be used by all, to ensure consistency in reporting over time and to permit comparison between countries. Five digits make up a purpose code, and a one-digit prefix shows aid form.

The one-digit prefix identifies four different forms of aid: (1) investment projects, (2) other resource provi-

<sup>1</sup> This document has been prepared by Arne Disch, Nordic Consulting Group



sions including commodities and supplies, (3) technical cooperation or technical assistance (TA), and (4) program aid or cash.

In this study, we are particularly concerned with technical assistance, which is largely the provision of expertise, training, fellowships, and small-scale equipment and running costs linked to the provision of the TA. This form of funding generally provides the «pure» form of institutional development. As will be seen in the tables later on, most of institutional development is in fact not in the form of technical assistance, but other forms of aid. This means that most of the financing tends to be for buildings and equipment needed to develop and run the institutions, rather than just the capacity building of the personnel and systems development, which is what «pure» institutional development is often considered to focus on.

The classification of projects or funding by economic area is what is of most concern in this study. The DAC has developed a three- and five-digit classification system, where the five-digit code simply builds on the three-digit codes to give some more sophisticated classifications.

The first three digits is the DAC-code most people are familiar with, since this is the one used in the annual DAC publications. The first two digits give the overall economic area: «11: Education», «12: Health», etc. The third digit gives sub-areas: «111: Education, Level Unspecified», «112: Basic Education», «113: Secondary Education», and so on.

The following two digits show main activity areas within these three-digit sectors. Within category «111: Education, Level Unspecified», there are four activity areas identified: «11110: Basic education policy and administrative management», «11120: Education facilities and training», «11130: Teacher training», and «11181: Educational research».

The last two digits follow a common scheme. This ensures consistency across economic areas and sub-areas, which permits aggregation. Codes ending with

xxx10 refer to policy, planning and program aid, administration and institution building, advice, and so forth. Other main categories end with 20, 30, 40 and 50, while more detailed codes run from 61 through 79. Education, training and research end in numbers from 81 through 89, while sector specific services have codes from 91 through 99.

The DAC provides fairly clear guidelines as to how data should be classified. Just to cite two sets of examples which are given in the latest DAC publication on the matter<sup>2</sup>:

- (i) Assistance to Ministry of Education to prepare an education sector program:

The appropriate code is «11110: Education policy and administrative management» and neither «government administration» nor «economic and development planning»

Training of government officers in project preparation:

The appropriate code is «15010: Economic and development planning».

- (ii) Construction of housing for experts working on an agricultural development project:

The appropriate code is «31120: Agricultural development» and not «housing policy and administrative management»

Construction of apartments in three cities:

The appropriate code is «16210: Housing policy and administrative management».

It is the last two digits which make the OECD data interesting for this study, since they can provide information on how much is directed to institutional development. At the same time, this detailed disaggregation creates classification problems.

Each project is classified according to its main activity area only. Ideally, a project should be broken down along two dimensions. On the one hand, a fairly broad-based project such as a rural development program might cover a number of sectors, and should therefore have been classified according to different three-digit

<sup>2</sup> Development Co-operation Directorate, Development Assistance Committee: «Review of DAC Statistics. Reporting on the Purpose of Aid». Prepared by Working Party on Statistical Problems. DCD/DAC/STAT(95)9/ Revision 1. Paris, 21.03.1996, 42 pp.

codes. In fact, the entire funding is now allocated to one sector only. Secondly, within the activities of a sector, some funding might be for construction of infrastructure, another part may be for institutional development, while a third component may be research. Here the funding should have been broken down by different activities within a given sector (the last two digits of the five-digit DAC code).

In practice, of course, it is not possible or practical to ask for such detailed break-downs of the budget data. The point is simply to note that the classification of a given project's budgets is problematic, and provides a serious bias in the data which it is impossible to correct for, because we do not have any way of estimating what the «true» break-down of figures should be. Whereas some of the biases presumably «wash out» in the aggregate, clearly not all of them will. The biases furthermore presumably vary from one donor to another, and have undoubtedly also changed over time.

Whether a project is institution building or investment related, for example, is not always easy to decide, despite the OECD/DAC guidelines, since a project may contain both aspects. Which one is chosen as the one under which the project is classified is up to the donor country's project officer to decide. Today, «institutional development» is considered «politically correct», perhaps particularly in the Scandinavian countries. A project which earlier was considered a rural development program and classified as such (»31120: Agricultural development«), can easily become an institutional development program during the 1990s. The reverse of course then also holds: a project which has always had a strong institutional component was classified in former years as investment related. These shifts in classification tendencies create obvious problems when trying to compare data over time.

A more vexing problem is the contradiction that the more sophisticated the classification scheme, the more arbitrary the classification. As long as there are only a few sectors into which projects can be classified, it is generally easy to place the various projects. One can at the same time be reasonably certain that the classification covers the entire financing within the project. Once the scheme becomes more detailed, it is much more difficult to decide where to place a particular project within the overall classification system.

This problem is compounded by a lack of consistency in

classifying activities. Whereas a project in most cases retains its classification during its lifetime, if a new phase of the same activity is agreed to, the classification can change. In many cases, this is legitimate – the new phase has a new emphasis with a new inputs composition.

In most cases, it is the desk officer handling a given project at head office which provides the classification. It is not clear what kinds of training and importance is attached to this exercise, but for most it is presumably just another chore which needs to be dispensed with as quickly as possible when the deadline looms.

The DAC itself does try to question the classification provided by the donors when there seem to be obvious problems, but the capacity to do so is clearly limited.

The CRS data which were downloaded from the Internet for this exercise covered the years 1980 through 1996. The tables presented here cover the period 1987–1995 only. Data from previous years were quite poor, in part because some of the current classifications were not used at that time. The 1996 data are patchy for a number of donors, and thus of little help.

The data have been grouped into four categories: general planning and public administration; human resources/social sectors; economic sectors; and infrastructure. This classification is used partly to be consistent with the breakdown of societal capital used in the other background paper on «Institutional Development and Transaction Costs». The annex tables thus provide information on total aggregates, and then broken down into these four categories.

### 3. NORWEGIAN AID DATA

NORAD maintains a database on all Norwegian aid which is disbursed. This includes the funds which are channeled through the multilateral system such as the UN family and the various development banks. The data are classified primarily according to which budget line in the Norwegian budget they are allocated from, which of course is different than the DAC classification scheme.

The database provides very detailed and accurate figures on budgets and actual disbursement, and the Norwegian data are quite up to date. The classification scheme used makes it difficult to carry out the kind of

analysis we would like to, however. The reason is that there is very little in the way of purpose categorizations in the database, since the data are basically used for accounting and program management purposes and not set up to be used for policy analysis. The database does contain a two-digit version of the DAC three-digit codes («DAC main sector» and «DAC sub-sector»), but the last two digits which indicate if an activity is for institutional development purposes are missing.

NORAD provided a complete set of data from 1980 till 1996, to make available a time series which was comparable to the DAC data. An attempt was made to analyze these data along the lines of the DAC numbers, since the NORAD figures undoubtedly are more accurate.

The idea was to take the NORAD database outcomes and compare them with the figures for Norway which the DAC CRS-data would generate. This would provide a test for the accuracy of the DAC figures, both with regards to the classification of aid flows, as well as overall aid levels. If there were serious discrepancies between the two data series, particularly at the aggregate level, this would be a serious warning regarding the reliability of the DAC data.

Because the NORAD database does not have the activity identifiers, an attempt was used to classify projects using the title of the projects as selection criterion. Projects with terms like «capacity building» or «institutional development» in their titles were selected, after projects first had been divided into the four main categories used in the DAC-based tables.

A screening exercise along these lines proved extremely time consuming and highly unsatisfactory. In the end, it was found that the groupings of project expenditures based on these selection criteria were not meaningful. This part of the data analysis therefore had to be abandoned. This means that it unfortunately has not been possible to use the better-quality Norwegian data to provide a good picture of Norwegian aid to various

forms of institutional development. The hope was to get a good time series providing an insight into the shifts in the composition of institutional development support across sectors. We were instead left with the less reliable DAC figures.

#### 4. THE FINDINGS

The CRS data for the period 1987–1995 were used. Because of the variations from year to year, the three-year averages for 1987–1989, 1990–92 and 1993–95 were used. This should get rid of some of the «noise» in the data, though how much of total error is eliminated is unclear.

In the first two tables, summary data are provided. These data refer to only eight of the larger donors, because those were the only countries for which complete data sets were downloaded<sup>3</sup>.

These countries are Denmark, France, Germany, Japan, Norway, Sweden, the United Kingdom, and the United States. As can be seen from the attached annex tables, there are considerable jumps in allocations to the same category from one year to the next by some donors. This is partly due to the problem noted above, of new large-scale activities being approved in a given year which in fact will generate multi-year expenditure streams. Another problem is that technical cooperation data on France, Germany and Japan are considered incomplete by the DAC. DAC believes this presents a particular under-reporting problem for the «public administration» and «human resources» sectors. The reporting during the period has, however, been stable, so there is no particular bias as far as trends are concerned. Coverage for Denmark, Norway and the UK has improved during the period used in this study, while that for Sweden has in fact deteriorated.

The data in Table 1 show the nominal average value of donor support to the four main sectors of public administration, human resources development, infrastructure, and economic sectors. In addition is the total value of aid by these donors, which includes other forms of aid, such as budget support, emergency aid, and multi-sectoral or aid which could not be classified.

The first row in each three-year period shows the amounts which were classified as «Institutional Development» within each sector. The second line shows total aid to the sector including institutional development,

<sup>3</sup> Downloading the database turned out to be an extremely time consuming and disk space intensive exercise. Because data are stored project by project, it became impossible to download all the activities. It was not possible to aggregate data directly on the Internet, and then download aggregates, which created at one point a serious problem, as the hard disk on the PC being used could not handle the database. The DAC secretariat in fact had to generate the aggregate data tables in Annex tables A.1.b-e, for which I am extremely grateful.

**Table 1: Institutional Development by Major Donors as Share of Total Aid (USD '000)**

Period	Category	Public Admin	Human Resources	Infrastructure	Economic Sectors	Total
1987–89	Inst Dev't	83,532	329,089	914,712	818,264	2,145,597
	Total sector	304,785	1,707,871	6,784,641	4,689,916	36,922,000
	Share	27.4 %	19.3 %	13.5 %	17.4 %	5.8 %
1990–92	Inst Dev't	420,712	479,618	682,913	1,541,086	3,124,327
	Total sector	652,973	2,361,366	7,904,097	4,858,631	42,235,000
	Share	64.4 %	20.3 %	8.6 %	31.7 %	7.4 %
1993–95	Inst Dev't	1,151,281	542,326	786,529	1,520,958	4,001,094
	Total sector	1,499,946	3,482,793	10,790,967	3,944,913	36,505,000
	Share	76.8 %	15.6 %	7.2 %	38.6 %	11.0 %

while the third line shows institutional development expenditures as a share of the sector total<sup>4</sup>. The general picture which emerges, is the following:

- Institutional development as a share of total aid has risen continuously, and has almost doubled from the 1987–89 average to the average six years later.
- The actual amounts involved have also doubled (as the nominal aid value over the period remained constant), from USD 2.1 billion to **USD 4 billion** – a considerable amount.
- Institutional development as a share of total sector aid is by far the largest in the area of planning and public administration. The increase is in fact quite astonishing, if the numbers are to be believed: while the share in the first three-year period already made up more than a quarter in the first three-year period, in the last three-year period it represented over three-fourths of the sector's aid. At the same time, this was the sector which grew the most in relative terms: support to the sector grew almost **five** times, support to institutional development within the sector grew almost **fourteen** times.
- In the social sectors, institutional development has hovered around 20 % of the total, falling slightly to

around 15 % in the last period, as the total aid to the sector grew steadily.

- In the infrastructure sector, this kind of support has fallen significantly and steadily over the period. Why this is so is not clear, but might be linked to the significant privatizations or transformations of public infrastructure departments into utilities which have taken place in the sector during the last decade. This has reduced the need for institutional support.
- The rapid rise for this kind of aid to the economic sectors is more difficult to explain. Part of the story is the overall stagnation of support to these areas (the average support in the last period was less than 85 % of the nominal support in the first period – the real value of course considerably less).

Given the data problems, one should not be too strong when drawing conclusions. But a couple of features stand out and seem to confirm the general impressions many have of the shifts in donor support. In the first place, institutional development is receiving a considerably larger share of available resources than some years ago. Secondly, the total volume of aid classified as «institutional development» reaches billions of dollars. The most surprising fact, if the data are to be believed, is that institutional development is more important both as a share of total sector resources and in the aggregate in the economic sectors than in the social sectors. Throughout the nine-year period, about three times as much money has consistently been spent on institutional development in the economic sectors compared with in

<sup>4</sup> The «Total» column for «Institutional Development» is not far off from the sum of the allocations to the four sectors. The «Total» for «Total Sector», however, is much higher than the sum of the four sectors. This last sum is total recorded aid from these eight countries, which thus includes all the various other categories, which in the aggregate are quite large.

**Table 2: Technical Assistance to Institutional Development by Sector (USD '000)**

Period	Category	Public Admin	Human Resources	Infrastructure	Economic Sectors
1987–89	TA/InstDev	2,326	13,203	24,245	6,356
	TA/Sector	37,527	62,472	92,157	67,493
	Share	6.2 %	21.1 %	26.3 %	9.4 %
	Total sector	304,785	1,707,871	6,784,641	4,689,916
	TA Share	12.3 %	3.7 %	1.4 %	1.4 %
1990–92	TA/InstDev	22,517	68,181	20,214	14,249
	TA/Sector	48,392	351,966	291,873	268,330
	Share	46.5 %	19.4 %	6.9 %	5.3 %
	Total sector	652,973	2,361,366	7,904,097	4,858,631
	TA Share	7.4 %	14.9 %	3.7 %	5.5 %
1993–95	TA/InstDev	29,953	51,520	71,598	39,712
	TA/Sector	47,989	386,443	220,235	183,637
	Share	62.4 %	13.3 %	32.5 %	21.6 %
	Total sector	1,499,946	3,482,793	10,790,967	3,944,913
	TA Share	3.2 %	11.1 %	2.0 %	4.7 %

human resources development, which on the face of it is a little difficult to understand<sup>5</sup>.

Table 2 below looks at the technical assistance component of sector aid. The first row for each three year period shows technical assistance, TA, to institutional development, the second row shows total TA to the sector, and the third shows the ratio of the first to the second. The fourth row gives total aid to the sector, and the fifth shows TA for the sector as a share of sector total.

Several aspects of this table are surprising. The first is that TA to institutional development in the public administration area was so low in the first period. This could have been due to misclassification (that is, many donors did not break down their TA into that which went to institutional development and that which was in general for the sector). It is difficult to see why this problem should be any greater in this sector than in the

other three, however, where the shares seem more reasonable.

TA to institutional development in this sector has grown rapidly as a share of the total, now making up nearly two thirds. The surprising thing, however, is that the total rise in TA to this sector has been very limited over the period – a little over 25 %.

TA in human resources development has grown more than six-fold over that same period, tripled in the economic sectors and up almost two and a half times in the infrastructure sectors in nominal terms. The relative share of TA going to public administration as a share of all TA has therefore fallen during the period, which seems counter-intuitive. Whereas this sector got 14 % of all TA in the first period, it received less than 6 % during the last three years.

Technical assistance as a share of all aid to the sector is also surprisingly low in the public administration sphere, and in fact has fallen continuously, from over 12 % in the first period to just over 3 % in the last one. It has been more important in the human resources sector, and as a share of total support only the infrastructure sector shows a lower level during the last period looked at. This again is counter-intuitive and merits some further analysis before final conclusions should be drawn.

<sup>15</sup> One reason may be that donors want to promote the economic sectors, and in particular private enterprise development. This, though, poses problems, since government funds cannot be given as grants to entrepreneurs or other private actors. Instead, one tries to support the sector through indirect means such as the establishment of various institutions, training programs etc – and also justifies some of the assistance by labelling it as «institutional development».

**Table 3: Norwegian Aid to Institutional Development as Share of Total Aid (USD '000)**

Period	Category	Public Admin	Human Resources	Infra-structure	Economic Sectors
1987-89	Inst Dev't	792	9,613	9,886	11,476
	Total sector	5,230	63,437	72,899	74,188
	Share	15.1 %	15.2 %	13.6 %	15.5 %
1990-92	Inst Dev't	4,618	11,297	23,348	7,272
	Total sector	4,618	78,322	144,167	57,993
	Share	100 %	14.4 %	16.2 %	12.5 %
1993-95	Inst Dev't	16,467	33,203	11,728	13,991
	Total sector	28,318	104,134	138,186	54,893
	Share	58.2 %	31.9 %	8.5 %	25.5 %

Table 3 gives data for Norwegian aid in the same structure as for the group of eight donor countries in table 1. While there are some differences, what is perhaps more striking is how close Norway in general seems to be to the overall pattern:

- The share of institutional development in public administration has risen sharply, and is by far the highest share during the last period.
- Institutional development is decreasing in importance in infrastructure, but increasing in the economic sectors and (unlike the general trend) in the social sectors.
- The share of total aid allocated to institutional development is increasing, and in nominal terms about two and a half times as much money is spent on institutional development in the last period compared with the first period.

Whereas one might perhaps have thought that Norway was devoting a larger share of its resources to institutional development than other donors, this overall does not seem to be the case.

### General Conclusions

- Aid to institutional development makes up a significant share of all sectoral support.
- The rise in assistance to institutional development in public administration is particularly noticeable. This supports the argument put forward in the companion background paper entitled «Institutional Development and Transaction Costs», that institutional development in this sector merits particular attention. It is clear that donors are putting more emphasis on this aspect of public administration, yet we do not seem to have good instruments for measuring impact from this considerable investment.
- Technical assistance as a share of institutional development seems surprisingly small. This may be more due to data problems, as much of the TA is financed in larger projects which are not classified as TA.
- Norwegian support to institutional development does not seem to be significantly different from that of other donor countries with regards to distributional patterns.

## Annex 5: Bibliography

There is a large volume of relevant literature relevant for those interested in institutional development. This is a selection of key books and reports from the different channels and categories. We refer to the four sub-studies for more representative publication lists. See also Moore (1995) which includes an annotated bibliography. Review.

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| 2.87  | Sosio-kulturelle forhold i bistanden  | 4.96  | Democratic Global Civil Governance Report of the 1995 Benchmark Survey of NGOs  |
| 3.87  | Summary Findings of 23 Evaluation Reports   | 5.96  | Evaluation of the Yearbook Human Rights in Developing Countries   |
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|       |   | 1.97  | Evaluation of Norwegian Assistance to Prevent and Control HIV/AIDS  |
| 1.88  | UNIFEM - United Nations Development Fund for Women  | 2.97  | «Kultursjokk og korrektiv» – Evaluering av UD/NORADs studiereiser for lærere  |
| 2.88  | The Norwegian Multi-Bilateral Programme under UNFPA   | 3.97  | Evaluation of decentralisation and development  |
| 3.88  | Rural Roads Maintenance, Mbeya and Tanga Regions, Tanzania  | 4.97  | Evaluation of Norwegian Assistance to Peace, Reconciliation and Rehabilitation in Mozambique                            |
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| 4.89  | Fisheries Research Vessel - "Dr. Fridtjof Nansen"   |       |   |
| 5.89  | Institute of Development Management, Tanzania   |       |   |
| 6.89  | DUHs forskningsprogrammer   |       |   |
| 7.89  | Rural Water Supply, Zimbabwe  |       |   |
| 8.89  | Commodity Import Programme, Zimbabwe  |       |   |
| 9.89  | Dairy Sector Support, Zimbabwe  |       |   |
|       |   | 1.98  | «Twinning for Development» Institutional Cooperation between Public Institutions in Norway and the South                |
| 1.90  | Mini-Hydropower Plants, Lesotho   | 2.98  | Institutional Cooperation between Sokoine and Norwegian Agricultural Universities                                       |
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| 7.90  | Non-Project Financial Assistance to Mozambique  |       |   |
|       |   |       |   |
| 1.91  | Hjelp til selvhjelp og levedyktig utvikling   |       |   |
| 2.91  | Diploma Courses at the Norwegian Institute of Technology  |       |   |
| 3.91  | The Women's Grant in Bilateral Assistance   |       |   |
| 4.91  | Hambantota Integrated Rural Development Programme, Sri Lanka  |       |   |
| 5.91  | The Special Grant for Environment and Development   |       |   |
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| 1.92  | NGOs as partners in health care, Zambia   |       |   |
| 2.92  | The Sahel-Sudan-Ethiopia Programme  |       |   |
| 3.92  | De private organisasjonene som kanal for norsk bistand, Fase I  |       |   |
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| 1.93  | Internal learning from evaluation and reviews   |       |   |
| 2.93  | Macroeconomic impacts of import support to Tanzania   |       |   |
| 3.93  | Garantiordning for investeringer i og eksport til utviklingsland  |       |   |
| 4.93  | Capacity-Building in Development Cooperation Towards integration and recipient responsibility                   |       |   |
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| 1.94  | Evaluation of World Food Programme  |       |   |
| 2.94  | Evaluation of the Norwegian Junior Expert Programme with UN Organisations                                       |       |   |
|       |   |       |   |
| 1.95  | Technical Cooperation in Transition   |       |   |
| 2.95  | Evaluering av FN-sambandet i Norge  |       |   |
| 3.95  | NGOs as a channel in development aid  |       |   |
| 3A.95 | Rapport fra presentasjonsmøte av "Evalueringen av de frivillige organisasjoner"                                 |       |   |
| 4.95  | Rural Development and Local Government in Tanzania  |       |   |
| 5.95  | Integration of Environmental Concerns into Norwegian Bilateral Development Assistance: Policies and Performance |       |   |
| 1.96  | NORAD's Support of the Remote Area Development Programme (RADP) in Botswana                                     |       |   |
| 2.96  | Norwegian Development Aid Experiences. A Review of Evaluation Studies 1986-92                                   |       |   |

