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**CAPACITY-BUILDING  
IN DEVELOPMENT  
COOPERATION:  
TOWARDS INTEGRATION  
AND RECIPIENT  
RESPONSIBILITY  
MAIN REPORT**

*by*  
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September 1993

**Evaluation of the Role of Norwegian  
Assistance in Recipient Countries'  
Administrative and Institutional Development**

# **Capacity-Building in Development Cooperation**

## **Towards Integration and Recipient Responsibility**

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**Asplan Analyse As**

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**The views expressed in this report are those of  
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## Acronyms and Abbreviations

CIDA	Canadian International Development Agency
DAC	Development Assistance Committee, OECD
DANIDA	Danish International Development Assistance
DDP	Dairy Development Programme, Zimbabwe
FHP	Family Health Project, Zimbabwe
GDP	Gross Domestic Product
IDOK	NORAD's Information and Documentation Centre, Oslo
IMF	International Monetary Fund
LFA	Logical Framework Analysis
NGO	Non-governmental organization
NOK	Norwegian Kroner
NRWSSP	National Rural Water Supply and Sanitation Programme, Zimbabwe
OECD	Organization for Economic Cooperation and Development
PIP	Public Investment Programme, Zambia
PSIP	Public Sector Investment Programme, Zimbabwe
R&D	Research and Development
SIDA	Swedish International Development Authority
UNDP	United Nations Development Programme
ZEPIU	Zambia Education Projects Implementation Unit



# EXECUTIVE SUMMARY

## 1. Introduction

### 1.1 Background and Purpose of the Evaluation

A basic strategy of Norwegian development cooperation is that it should be oriented towards the needs of the recipient and be integrated into the plans and priorities of the recipient countries. This *recipient orientation* includes *recipient responsibility* which means strengthening indigenous institutions so that these in the longer term will be able to carry out their responsibilities independently of foreign assistance on a sustainable basis. In the pursuit of this strategy, the Royal Norwegian Ministry of Foreign Affairs decided to launch an evaluation to assess whether and how this strategy is brought into practice. The Terms of Reference (cf. Annex 1) specify the following *main objectives* of the Evaluation:

- "A. To provide background material for preparation of strategies for Norwegian development cooperation aiming at:
- Further integration of development assistance programmes / projects into the recipient country's development plans and budgets
  - Strengthening of the recipient's role and responsibility with respect to planning, budgeting and implementation of all activities financed by development assistance
  - Further integration of the management of development assistance programmes / projects into the recipient country's public administration
- B. To discuss institutional aspects in the recipient countries' administration and the impact this may have on the implementation of the strategies mentioned above."

### 1.2 Methodology

The present Evaluation was undertaken in three phases:

- 1) Identification of issues and conceptualisation of the Study approach. This included a *workshop* in Oslo in February 1993, with representatives of the Royal Norwegian Ministry of Foreign Affairs, NORAD Headquarters, and Norwegian research institutes.
- 2) Case-studies in *Zambia* and *Zimbabwe*, comprising desk studies, interviews and field work during three weeks in March 1993. The cases, selected by the Royal Norwegian Ministry of Foreign Affairs, were:
  - The three most recent *country programmes* in each country; and
  - Three *state-to-state cooperation programmes* in each country.

The findings were presented in two *Country Case Studies* on Zambia and Zimbabwe, whose Executive Summaries are included as Annexes 2 and 3 to

this Report. They are focused on *institutional* aspects only. They do not provide overall assessments of NORAD-supported development programmes, nor do they aim to assess the overall *impact* of the projects / programmes studied. Such tasks were not included in the Terms of Reference.

- 3) This *Main Report*, prepared on the basis of the Country Case Studies, examines issues related to the role of Norwegian assistance in recipient countries' institutional development. It deals with state-to-state cooperation only. Norwegian aid administration is the primary target audience, although the findings are relevant to other donors and to recipient governments involved in aid integration and management. The Draft Main Report was discussed at three one-day seminars in Zambia, Zimbabwe and Norway before being finalized.

## **2. The Context**

### **2.1 Capacity-building in Development Cooperation: History and Concepts**

In international development cooperation, there have been two approaches to institutional issues and capacity-building. Some see it as a *technical question* of how to establish a framework for effective and sustainable development programmes. Others see it as an *opportunity for donors* to enter the political-administrative realm of recipient countries, including the central corridors of government bureaucracies, and to raise the recipient / donor interaction to the political level.

In the early 1990s, these two views have merged, because of the increasing concern about *good governance* and *sustainable development*. This has also increased the conflicts over institutional issues. This Report examines the contours of an acceptable compromise: *openness and honesty in the political dialogue*, and *quality and insight in all forms of capacity-building assistance*.

In the present Report, *institutions* are examined in their *organized form* only. The focus is on government institutions, although institutions of civil society (NGOs, private sector institutions, etc.) are of increasing significance to development cooperation. The concepts of *institutional development* and *capacity-building* are used interchangeably. They represent the *process of strengthening the indigenous capacity of institutions to perform their functions on a sustainable basis*.

In the 1990s, these concepts reflect an increased involvement in *policy dialogues on good governance and national sector development as a framework for development cooperation*. Norway must improve its own capacity to take active part at this level of state-to-state cooperation.

### **2.2 Institutional Issues in Norwegian Development Cooperation**

Among its bilateral development cooperation objectives, the Government of Norway has recently emphasized two *institutional objectives*:

- 1) *Recipient responsibility* means responsibility for policy-making, priority-setting, planning and implementation of all development activities.
- 2) *Good governance* which in the present Report comprises three aspects:
  - Effective, accountable and transparent public administration;
  - Rule of law, guaranteed rights of individuals, and improved public security; and
  - Democratisation and people's participation in economic and social development processes.

These institutional objectives are included in three recent documents:

- The Government's White Paper to the Storting (Parliament) on Norway's Cooperation with Developing Countries (1992);
- The Royal Norwegian Ministry of Foreign Affairs' Strategy Paper on Support for Democratic Development (1993); and
- NORAD's Strategy for Development Cooperation, part I (1990) and II (1992).

The sharpening of the Norwegian aid profile is seen in the following:

- The concept of development cooperation is extended through the emphasis on human resources development, capacity-building, and good governance.
- Creating viable institutions to cope with development challenges and to develop a democratic system should be an integral part of Norwegian assistance both as a separate area and as an aspect of programme cooperation in other areas.
- Institutional development is seen as a necessary condition for effective assistance. NORAD should contribute towards minimisation of donor dependency and reinforce institutions at various levels to enable them to carry out development activities on a sustainable basis.
- Norway should support democratic measures, based on fundamental principles and international standards and on country-specific traditions and processes. The main responsibility for establishing a democratic system lies with the national authorities. Norway's assistance should concentrate on measures that the authorities themselves wish to implement with external help.
- The new strategies demand new roles, for both recipient and donor, with clear and realistic obligations. Transfer of responsibilities requires new follow-up measures and a willingness to react when obligations are not met.

The principles expressed in the recent Norwegian policy and strategy documents accord well with the current way of thinking in the international donor community.

### **2.3 Challenges in State Building: The Role of Development Cooperation**

Against the dire economic, social, political and environmental crises facing the governments of developing countries, particularly in Africa, there has been a tendency for the donor community, led by the multilateral finance institutions, to

propose and enforce quite rigid standard solutions, which do not take account of the differences in national capacity and political direction. Particularly the *powers and institutions of the state* have been under constant attack since the early 1980s. This raises three key demands on donors, including NORAD:

- 1) The donors must be fully aware of the ideologies and beliefs inherent in their demands for good governance in and by developing countries. Only *transparency and openness* on the values of both sides can lead to a fruitful dialogue on improvements in the contents and structures of national governance.
- 2) The donors must acquire sufficient *insight into the history of state building* in their partner countries, in order to be able to offer useful support of further state building and national development, including through capacity-building assistance for good governance.
- 3) Neither the donors nor the recipients must expect that 'recipient responsibility' means freedom for the donors to 'waive responsibility' for the institutional aspects of programme design and implementation, including the choice of institutional options and the management of operations. Recipient responsibility must be combined with *capacity-building assistance* to ensure that the recipient institutions have capacity to live up to their responsibilities.

These principles are needed to overcome a series of key *dilemmas in the institutional aspects of current state-to-state cooperation*, viz.:

- Donors demand both recipient responsibility and good governance, although the former could force the donor out of issues of national governance;
- Donors offer recipient responsibility but demand targeting, effectiveness, decentralization, etc., which cannot be achieved without donor involvement in national policies;
- Cooperation shall take a starting-point in government plans and budgets, although these may be unrealistic as a framework for priority-setting;
- Donors seek to promote a pluralistic society through state-to-state cooperation, although the latter makes it difficult to reach non-governmental institutions;
- Development programmes assume institutional capacity while adjustment programmes at the same time reduce government staff and resources;
- Development programmes push for rapid and effective services delivery through institutions that need time for capacity-building; and
- Donors demand transparency and good governance while also insisting on donor control and detailed accountability to the donor.

These dilemmas constitute the fundamental challenge for capacity-building assistance to recipient government institutions towards the year 2000. For example, the fungibility of aid, i.e. the supplementary and exchangeable nature of aid and national resources, makes it insufficient for Norway to overcome the conflict between *recipient responsibility* and *targeting* by choosing to support only 'progressive' sector programmes. Norway must relate explicitly to the decisions of implementing institutions on the *use* of resources within programme agreements.

### 3. Key Issues and Their Implications for Norway

#### 3.1 Country Programming

Considerable human resources are vested in the country programming process on the Norwegian side. The process is linked up with a hierarchy of plans and documents of an overall and country-specific character. The design of the process seems to *assume* a situation where the two Governments during the annual process:

- Review topical development problems in the recipient country;
- Discuss strategies and efforts made by the partner country's Government to solve the problems;
- Define the overall need for contributions by foreign assistance; and
- Hence define a niche and a role for NORAD assistance.

Norway's aspirations and the principles behind the country programming process are very *ambitious*, especially considering Norway's rank as a small or medium-sized donor in a large and complex donor community. For the *government of the partner country*, the purpose of the process is less ambitious. Its basic aim is to *integrate the Norwegian assistance into national plans and priorities*. It would be inappropriate to expect this government to prepare specific country programmes for each of 15-20 donor agencies. The country programming process represents an opportunity to:

- Discuss political preconditions underlying the development cooperation;
- Request assistance from Norway in those sectors and fields where a positive response is likely or even certain;
- Mediate a compromise of priorities; and
- Discuss the management of the development activities.

The country programming process lacks activities which may close the gap between the overall, state-to-state political discussions and the concrete, bilateral country programme portfolio negotiations. Norway's main institutional objectives, i.e. good governance and recipient responsibility, are frequently verbalized during the process, but the lack of implementation and follow-up at this level is critical. This analysis of the country programming process has the following implications for Norway:

- 1) The design of the country programming process should be reconsidered. The Norwegian objectives and expectations are too ambitious: They presuppose that the recipient country can and will take part in a comprehensive process which places considerable strains on its resources and capacity, in view of the large number of donors operating within each country.
- 2) The country programming process should be more of a joint process in preparation, planning and implementation. As a minimum, the key documents prepared for the process should be available to all parties, and should be written in English. Since recipient governments cannot and should not engage in comprehensive country programming for all their donor partners, the joint

country programme documents should be brief, coherent statements on: development cooperation objectives, priority-setting principles, country-specific institutional approaches; and a corresponding programme portfolio.

- 3) The country programming process cannot in itself contribute much to the two institutional development objectives: good governance and recipient responsibility. The process should involve all relevant institutional parties (including implementing organizations) in the partner countries and hence establish a common institutional framework and approach to cooperation at programme level. In a few selected fields of relevance both to good governance and programme management, the country programming process should lead to the identification of separate capacity-building efforts to be supported by Norway.
- 4) Norway should support the aid coordination initiatives taken by the recipient government, to minimize the risk of donors' 'ganging up' in coordination activities headed by donors. Capacity-building for national aid management in the sectors and areas that receive the bulk of Norwegian programme assistance, is a relevant field for separate Norwegian capacity-building assistance.
- 5) As an integral part of country programming, an *institutional country strategy* should be prepared, with two objectives: Firstly, to formulate a *common approach for all NORAD activities* in the country concerning integration of aid into national institutions. Secondly, to identify a *niche for separate Norwegian capacity-building assistance*, in addition to what is included in regular programmes. This capacity-building assistance should give substance to Norway's promotion of good governance and recipient responsibility and facilitate the common approach to institutional development in Norwegian assistance to the country. The institutional country strategy must be flexible; its preparation must not add to the administrative burden and complexity of country programming in state-to-state cooperation. The preparation of the institutional country strategy should be integrated into the regular country programming process, rather than resulting in a separate paper. In this way, the institutional country strategy should, in fact, minimize the burden and facilitate the unavoidable tasks of integrating Norwegian assistance into national institutions.

### **3.2 Integration of Aid into National Institutions and Operations**

Through its emphasis on recipient responsibility, NORAD has achieved more than other bilateral donor agencies in integration of its assistance into national institutions. The two country case-studies showed, however, that this was less effective in Zambia as the administratively weaker country: Ad hoc solutions have characterized the institutional approach; and the recipient institutions and their operations have been so heavily influenced by Norwegian assistance that national and local priority-setting becomes pre-determined and too biased towards Norwegian programme objectives. The analysis has the following general implications for Norway:

- 1) NORAD should continue to emphasize *institutional integration* of its assistance in accordance with the objective of recipient responsibility. However, NORAD

must be more aware of the likely distorting effects on actual *priority-setting* by the recipient institutions. NORAD must address this through explicit capacity-building assistance to its key partner institutions.

- 2) NORAD should refine the *operational integration* of its assistance, aimed at reducing the administrative burden on recipient institutions. The legitimate need for NORAD to monitor the use of Norwegian resources should be met through *capacity-building for recipient accountability*, not through NORAD-specific administrative procedures on monitoring and reporting.
- 3) NORAD should no longer allow *institutional programme design* to follow *after* the agreement on overall programme objectives. NORAD should involve itself actively in *institutional screening and choice* during the early stages of programme identification and formulation. To the widest extent possible, such explicit institutional screening and choice should be undertaken as a *joint exercise* with national institutions. This should not be considered as an inappropriate intervention in national sovereignty. On the contrary, it is a precondition for recipient responsibility for policy-making and programme implementation.
- 4) In general, Norway should promote further the understanding within its development policies and in NORAD's organizational culture that *active capacity-building assistance is compatible with the principle of recipient responsibility*. This is required particularly at the level of *sectoral and sub-sectoral policy-making and planning*. New forms of capacity-building assistance are needed to enable Norway to pursue both good governance and recipient responsibility as institutional development objectives.

### 3.3 Institutional Sustainability

Through the emphasis on recipient responsibility, Norway gives high priority to the achievement of *institutional sustainability* in its programme cooperation. Programme implementing institutions should have the necessary financial, technical and human resources and administrative capacity to continue their functions after termination of NORAD support. The analysis has the following general implications for Norway:

- 1) NORAD should incorporate assessments of the *prospects for institutional sustainability* in all stages of the programme cycle. It should be an important criterion in the process of screening and choice of institutional arrangements for individual programmes. However, the objectives of recipient responsibility and institutional sustainability cannot stand alone. The vested interests of the elite and the bureaucracy must be weighed against the capacity of the institutions to reach the target group and the long-term development objectives.
- 2) NORAD should include instruments of *recipient accountability* in the design of programmes. The aim is to ensure that programme implementing institutions remain committed to agreed programme objectives and values. Instruments aimed at 'outwards' institutional accountability to the target group include:

- Communication activities;
  - Hearing procedures;
  - Organized beneficiary participation;
  - Performance-related financial systems; and
  - User contributions for operations and maintenance.
- 3) *Simplicity* in institutional arrangements should be emphasized, to the extent of establishing two or more programmes with separate objectives, instead of forcing too many institutions at different levels of government to cooperate. NORAD is better equipped for coordination of programmes than recipient institutions are for coordination of activities within one programme. The lowest levels of government should not be over-burdened with coordination tasks as a result of too complex institutional arrangements and unclear lines of authority.
- 4) *Coherence in planning and implementation authority* should always be pursued for the recipient institutions. Split authority, with some institutions in charge of planning and others in charge of implementation, tends to lead to institutional vacuums or duplication of responsibility.
- 5) NORAD should adopt the following *approaches to organizational effectiveness*:
- Avoiding by-passing of national institutions;
  - Seeking solutions to institutional problems where the solution reflects the existing capacity of the participating institutions;
  - Raising the quality of donor / recipient dialogue on programme management to the level of policies, programme output and impact, and hence avoiding micro-management;
  - Minimizing the implications of brain-drain by aiming at capacity-building in institutions instead of primarily in individuals; and
  - Emphasizing demand fulfilment in the delivery of services.
- 6) NORAD should support experiments with *cost recovery* and *burden-sharing* aimed at *financial sustainability*. However, financial sustainability must not be the only objective: Such experiments should aim also at *effectiveness* and *democratisation* through involvement of users and beneficiaries. This multi-purpose approach should also apply to Norway's involvement in measures aimed at privatization and decentralization, which should never be viewed only as financial adjustments.
- 7) NORAD should ensure that the human resources development efforts under NORAD-supported programmes comply with the *measures by core institutions* of the recipient government, such as the Ministry of Finance and the Public Service Commission, to retain key staff and to improve management and accountability practices in the public sector. NORAD should minimize programme-specific systems of both incentives and accountability, and accept that the risks of misappropriation of resources will remain larger in developing countries, precisely because these are still developing an indigenous capacity and culture for good governance and public sector management.



### 3.4 Capacity-building Assistance in the Project Cycle

Hitherto, Norwegian capacity-building assistance has focused on *training* and has been implemented primarily by *advisers and consultants*. The Study Team's analysis has the following implications for Norway:

- 1) NORAD should fully utilize the potential of all *capacity-building instruments*:
  - Organized and in-service training;
  - Financing of workshops and seminars;
  - Analysis of policy and strategy options;
  - Support to the establishment of new institutions;
  - Development of admin. procedures for planning, priority-setting, etc.;
  - Provision of flexible (e.g. performance-related) financing;
  - Provision of advisers and consultants for catalytical tasks; and
  - Support for staff retention measures, including salary incentives.
- 2) Capacity-building assistance for recipient responsibility and good governance is most effective if it is provided in the context of Norwegian support to *sector programmes* and *integrated programmes*. The reason is that many issues of organizational effectiveness and good governance can only be addressed 'across the board', i.e. through simultaneous application in the public sector at large. Hence, NORAD should continue the move away from independent project organizations as primary mechanisms of cooperation.
- 3) NORAD should address institutional issues in all stages of the project cycle. Screening and choice of institutional options is essential at the early stages of each programme agreement, but it should also be a continuous task of NORAD representatives in partner countries, in cooperation with national institutions. Similarly, capacity-building assistance should be both an integral part of programme implementation and a stand-alone technical assistance effort.
- 4) NORAD's *separate capacity-building assistance* should aim to close the gap between the dialogues on overall policies and on programme management. It should be directly relevant to the sector and integrated programmes supported by NORAD in the country and at the same time address institutional issues of importance to good governance and recipient responsibility. This concentration of capacity-building assistance in the fields that receive the bulk of Norway's financial assistance should reduce, rather than increase, the risk of the Norwegian assistance having a distorting effect on national and local priority-setting.
- 5) *Examples* of separate capacity-building assistance of relevance to Norway are:
  - Examining social policy options in the context of structural adjustment;
  - Strengthening national capacity for aid management in social sectors;
  - Establishing monitoring systems on social costs of adjustment;
  - Analyzing capacity-building needs for devolution to local authorities;
  - Developing local government support programmes; and
  - Experimenting with people's participation in operations and management of public services.

- 6) NORAD should apply a *systematic approach to institutional learning*, which emphasizes recipient *accountability*. Monitoring and evaluation should be less ad hoc, and the need for independent evaluation should be fully acknowledged. Furthermore, NORAD's capacity for early decision-making on the results of institutional learning should be improved.

### 3.5 Perspectives on Capacity-Building in Development Cooperation

Institutional issues and capacity-building assistance must not become the primary concern of development cooperation. Their role must be seen in the broader context of: *overall development promotion* by the recipient government; the *management of aid*; and the *dialogue on development and aid* between recipients and donors.

After the recent 'triumph' of market forces, governments lack a comprehensive *paradigm of governance and development promotion*, in particular a set of *new means to promote development by non-government institutions themselves*. Policy-makers and core government ministries in African countries strive to fill this gap. For this they receive too one-sided offers of assistance from large multilateral and bilateral donors, partly because the like-minded countries hesitate to offer assistance to these central political and administrative levels. For example, Ministries of Finance and Planning require high-quality assistance to manage the introduction of:

- *programme performance budgeting and reporting systems*, to replace the typical budgeting based on previous years' inputs and activities and reporting on physical achievements only;
- *dialogues on strategies and promotional instruments*, to supplement the dialogue between planning departments in core and line ministries related to sector- and area-specific plans; and
- *new methods of improving the performance of public sector institutions*, including reorganization aimed at institutional simplification and introduction of staff retention measures and incentive systems.

Similarly, *line ministries, sector institutions and local authorities* need assistance in the move away from top-down planning, management and regulation, towards promotion through incentives and demand-oriented service delivery. These are crucial areas for capacity-building assistance.

The quality of national governance depends very much on a series of other national institutions that traditionally have received little capacity-building assistance: Public Service Commission or Department of Personnel and Administrative Affairs; State Auditors; Human Rights Commission or Office of Ombudsman; The legal system which is often used as a battlefield for key aspects of good governance: corruption, electoral fraud, inter-institutional authority conflicts, etc.; Universities and research institutions; Sub-national authorities; Semi-public institutions of civil society, including powerful associations and unions as well as a diversity of functional NGOs.

Given these extensive needs for increased capacity-building assistance, it becomes essential to ensure an *optimum division of responsibility* among donor agencies. The

Report outlines a division of responsibility among four donor categories (multilateral banks; UN agencies; large bilaterals; and like-minded bilaterals) in the assistance to the development of individual sectors: health, agriculture, education, industry, etc.

The suggestion for *like-minded bilateral donors* is that they should aim to include capacity-building components in their sector support programmes. By linking technical and financial assistance, they can help ensuring that national sector policies reflect and influence major public services delivery programmes. However, since for example the Nordic countries must also give priority to targeted programmes, they must *concentrate their contribution to sector policy dialogues and related capacity-building assistance on a few selected sectors in each partner country*.

A final, critical perspective on capacity-building concerns a new approach to *aid management*. Recipient governments have three aid management objectives, viz. to achieve maximum integration of foreign assistance into national institutions, plans, budgets and operations; a reduction of the administrative burden on the recipient's planning and implementing institutions; and greater and longer-term predictability in aid flows. These objectives are not met in today's typical aid management regime, which has two characteristics:

- It functions as a *market place* where core ministries seek to mediate between the requests of a multitude of line departments and the preferences of a multitude of donor agencies.
- Its *institutional complexity* is devastatingly high as a result of 'projectitis': Aid is tied to individual projects and programmes, each requiring numerous formulation, supervision, review and evaluation missions as well as programme-specific administrative and financial procedures and reporting systems.

The Report outlines an improved '*sector policy dialogue*' approach to *aid management*, which especially would facilitate a concretization of the search for means of development promotion aimed at good governance, and reduce 'projectitis' by forcing donors to relate to national sector policies, plans and medium-term investment budgets and to operational programming for sectors or sub-sectors.

The new approach to aid management assumes that the recipient government's line departments etc. have sufficient capacity to lead and participate in the sector policy dialogue. *Capacity-building assistance for policy preparation*, therefore, becomes decisive in the line departments and specialized sector institutions at national level.

### 3.6 Demands on Norwegian Capacity

The objective of integrating aid into the recipient country institutions and the institutional preconditions underlying development cooperation (participation, decentralization, good governance, etc.) demand a different quality of competence and professional skills in the Norwegian aid administration. A stronger NORAD involvement in capacity-building activities would require the following capacity:

- Experience in policy formulation, priority-setting, planning and budgeting;

- Insight into the country's public administration, its traditions, culture, structure, procedures, relationship with civil society and general mode of operation;
- Understanding of national development processes, with an emphasis on the economy, state-building and general development strategies;
- Qualifications in leadership development, financial management and accounting and organisation analysis and development;
- Knowledge of methods and instruments of capacity-building, including procedural and human resources development;
- Experience in mobilisation of local organisational resources and empowerment of community institutions; and
- Competence in monitoring and evaluation and especially in the use of information through feed-back, dissemination and decision-making.

One aim of the emphasis on independent capacity-building assistance, advocated in this Report, is to 'close the gap' between the overall, state-to-state policy discussions and the concrete management of bilateral cooperation programmes. For this, the capacity needed lies less in diplomacy than in the field of organisational development. For Norway seriously to emphasize and pursue the two institutional development objectives of good governance and recipient responsibility, internal capacity-building efforts must be increased considerably. Some of the implications could be:

- 1) To strengthen the resource base at NORAD Headquarters with respect to qualified staff, integration of the institutional issues into the administrative structures and procedures of the different departments, and development of the NORAD Information and Documentation Centre (IDOK) as the main 'corporate memory' in this particular field.
- 2) To expand the programme of the Norwegian Training Centre for Development Cooperation in the field of training in institutional development, and to make it compulsory and easily available to the professional staff at NORAD Headquarters and the Representations at country level as well as to technical assistance personnel.
- 3) To undertake studies, evaluations and reviews in the field of state-building and institutional development, based on experience gained by NORAD as well as other donors and the partner countries. The dissemination and use of such knowledge should be looked at as a central source of capacity-building.
- 4) To support, in particular, programme development in relevant fields of separate capacity-building assistance. This may require financial and technical support for research cooperation and pilot capacity-building programmes involving research institutions in Norway and in key partner countries.

The aim should *not* be to upgrade 'public administration assistance' to a priority sector for Norwegian development cooperation. The aim should be to improve the capacity of recipient institutions in fields of relevance both to good governance and to the national management of sectors and areas that receive the bulk of Norwegian programme assistance.

## INTRODUCTION

### Background and Purpose of the Evaluation

A basic strategy of Norwegian development cooperation is that it should be oriented towards the needs of the recipient and be integrated into the plans and priorities of the recipient countries. This *recipient orientation* includes *recipient responsibility* which means strengthening the indigenous institutions so that they in the longer term will be able to carry out their responsibilities independently of foreign assistance on a sustainable basis.

In the pursuit of this strategy the need was felt within the Norwegian aid administration for a discussion of experience gained and lessons learned from past and ongoing development cooperation. A basic purpose was to assess whether and how the strategy is brought into practice and to provide background material as a starting-point in a comprehensive discussion of recipient responsibility, integration and institutional development.

Consequently, the Royal Norwegian Ministry of Foreign Affairs decided to carry out an evaluation with the following *main objectives* as expressed in the Terms of Reference:

- "A. To provide background material for preparation of strategies for Norwegian development cooperation aiming at:
- Further integration of development assistance programmes/projects into the recipient country's development plans and budgets
  - Strengthening of the recipient's role and responsibility with respect to planning, budgeting and implementation of all activities financed by development assistance
  - Further integration of the management of development assistance programmes/projects into the recipient country's public administration
- B. To discuss institutional aspects in the recipient countries' administration and the impact this may have on the implementation of the strategies mentioned above."<sup>1</sup>

### Methodology

The present Evaluation was undertaken in three phases:

- 1) Identification of issues and conceptualisation of the Study approach. This included a *workshop* in Oslo in February 1993, with representatives of the Royal Norwegian Ministry of Foreign Affairs, NORAD/Headquarters and

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<sup>1</sup> The Terms of Reference for the Evaluation are attached this Report as Annex 1.

Norwegian research institutes. The workshop was based on a Working Paper prepared by the Team.<sup>1</sup>

- 2) Case-studies in *Zambia* and *Zimbabwe*. The cases, selected by the Royal Norwegian Ministry of Foreign Affairs, were:
- The three most recent *country programmes* in each country; and
  - Three *state-to-state cooperation projects / programmes* in each country.<sup>2</sup>

The case-studies were based on:

- *Desk studies* of documents on the cases selected as well as documents related to political, economic and social issues in Zambia and Zimbabwe;
- *Interviews* with Norwegian development cooperation personnel, representatives of the authorities in the countries and of other relevant donors and institutions.
- *Field work* in Zambia and Zimbabwe during three weeks in March 1993.

The findings of the case studies and studies of the framework and contextual factors in Zambia and Zimbabwe were presented in two *Country Case Studies*.<sup>3</sup> The emphasis in these reports was put on *description, analysis and assessment* according to two main institutional development objectives: *Recipient responsibility* and *good governance*. The Country Case Studies focused on *institutional* aspects only. They do not provide overall assessments of NORAD-supported development programmes, nor do they aim to assess the overall *impact* of the programmes studied. Such tasks were not included in the Study Team's Terms of Reference.

- 3) This *Main Report*, prepared on the basis of the Country Case Studies, discusses all relevant issues connected with the role of Norwegian assistance in recipient countries' institutional development. The Main Report points at some *implications* for Norway in this particular field of development cooperation.

A Draft Main Report, dated July 1993, was discussed at seminars in Zambia, Zimbabwe and Norway in late August/early September 1993. Representatives of the Zambian and Zimbabwean Governments, of the Norwegian Ministry of Foreign Affairs and NORAD, of other bilateral and multilateral donors, as well as of research institutes attended these three seminars. They have resulted in significant changes to the Draft Main Report, including a new Chapter 8, putting institutional issues in a broader context of overall aid and development.

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<sup>1</sup> Engberg-Pedersen, P.: "The State of the Art in Institutional Development", Oslo, 1993.

<sup>2</sup> The cases studied are listed in the Terms of Reference, attached to this Report as Annex 1.

<sup>3</sup> "ZAMBIA - COUNTRY CASE STUDY" and "ZIMBABWE - COUNTRY CASE STUDY", Oslo, 1993, are available at the Royal Norwegian Ministry of Foreign Affairs, Evaluation Unit, Oslo. The *Executive Summaries* of the Reports are attached this report as Annexes 2 and 3.

## The Study Team

The Study Team undertaking this Evaluation has the following members:

- Otto Hauglin, Asplan Analyse, Oslo, team leader
- Arne Dahlen, AD-Consult, Oslo
- Poul Engberg-Pedersen, COWIconsult, Copenhagen
- Amanda Hammar, Interconsult, Harare
- Gilbert N. Mudenda, Institute for Policy Studies, Lusaka

The *Main Report* was written by Team members Dahlen, Engberg-Pedersen and Hauglin with contributions from Hammar and Mudenda. Dahlen, Hauglin and Mudenda prepared the *Country Case Study on Zambia*. The *Country Case Study on Zimbabwe* was prepared by Engberg-Pedersen, Hammar and Hauglin.

The Study Team wishes to underline its role as an *independent team*. The views expressed in the Reports are those of the authors and should not be attributed to the Government of the Republic of Zambia, the Government of the Republic of Zimbabwe or the Royal Norwegian Ministry of Foreign Affairs.

## Limitations of the Study

As mentioned above, the present Study is based on two Country Case Studies which, due to the selection of cases, discuss only some aspects of the field of institutional development, namely state-to-state relations. This necessarily limits the scope and implications of the findings.

Furthermore, the case studies are limited to two sub-Saharan African countries, Zambia and Zimbabwe. To what extent it is possible to generalize from experience and lessons learned in these countries to all of Africa or to all developing countries is an open question. The Study Team has in its preparation of the Draft Main Report drawn on the findings and conclusions from the Country Case Studies, but has no ambition to give the assessments a broader, more general significance.

The Terms of Reference underline that "an approach emphasizing practical value for subsequent development cooperation planning should be given priority". The Main Report does not repeat the *evidence* from programme level findings presented in the two Country Case Studies. The Main Report is *issues-oriented*, raising pertinent questions for consideration by Norway and its partners in development cooperation. The question of the scientific validity of the findings is less significant than the question of the *relevance* of the issues raised to practical development cooperation.

The Team offers this Main Report as an input into the clarification - through discussions and further studies - of Norway's optimum approach to capacity-building in development cooperation. Thus, the carriers and constituents of the *Norwegian* development cooperation programmes are the prime target audience of the Evaluation Reports.

This might give the Study findings too much of a donor perspective, which would be in contradiction to Norway's emphasis on *recipient responsibility*. The Study Team has made an effort to incorporate the perspectives of both recipient government institutions and the intended beneficiaries to the widest extent possible. Furthermore, it is hoped that Norwegian participants in development cooperation, who are better prepared and with more insight in institutional issues, will be able more forcefully to promote the perspectives of the recipients in the international development debate.

### **Acknowledgements**

The Study Team would like to express its appreciation of the helpful cooperation and good will it received from all individuals met with, and of the efforts of individual departments to provide the Team with necessary information. Especially, the Team wishes to offer its thanks to Government representatives, to representatives of different donor organisations, and to NORAD's staff in Oslo and at country level.

Perhaps the most significant indication of the increasing importance attached to institutional issues was found in the highly qualified and very detailed response made by the authorities in Zambia, Zimbabwe and Norway to the Draft Country Case Studies, as well as in the comprehensive, frank and fruitful discussions at the three seminars dealing with the Draft Main Report.

The Study Team highly appreciates these efforts and would recommend that Norway seize the opportunity to enter into a broad dialogue on issues of institutional integration, good governance, recipient responsibility, capacity-building etc. This dialogue should take place in the context both of Norway's country programme negotiations with Zambia and Zimbabwe and of, for example, the Consultative Group meetings on the two countries.



## **PART I: THE CONTEXT**



# 1. Capacity-building in Development Cooperation: History and Concepts

## 1.1 Historical Overview

### 1.1.1 Introduction

In international development cooperation, there have been two approaches to institutional issues and capacity-building. Some see it as a *technical question* of how to establish an efficient framework for effective and sustainable development programmes; i.e. institutions must be strengthened to achieve the objectives of particular development projects. Others see it as an *opportunity for donor agencies* to enter the political-administrative heart of recipient countries, including the central corridors of government bureaucracies, and to raise the level of recipient / donor interaction to the political level. In the early 1990s, these two views have to some extent merged, because of the increasing concern about *good governance* and *sustainable development*.

This has, however, increased the conflicts over institutional issues: On the one hand, public sector institutions in developing countries have improved their own capacity, and they demand high quality and professionalism in technical cooperation and support to institutional development; this is a result of human resources development in most developing countries. On the other hand, the governments of developing countries react to the questioning of their national sovereignty which is inherent in donor demands and conditionalities related to: good governance, accountability, public sector adjustment, privatization, human rights, democratisation, etc.

The only acceptable compromise to these conflicts is that the donors' approach to institutional issues becomes characterized by: *openness and honesty in the political dialogue*, and *quality and insight in all forms of capacity-building assistance*. This Report provides a foundation for a dialogue on the requirements of capacity-building in the public institutions of developing countries, and at the same time examines the demands on the aid policies and procedures of donors, in particular Norway.

### 1.1.2 Six Stages in the Approach to Institutions in Development

Table 1.1 shows how the emphasis on institutional issues has changed over the past 40 years in accordance with changes in relations between the governments of Western and developing countries (with a focus on Africa).<sup>1</sup> The Table confirms that the preoccupation with institutional issues has reflected the changes in development theory and in the general emphasis in international development cooperation.

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<sup>1</sup> The six stages in the approach to institutional development are described in a paper by Peter Morgan for CIDA: "A Framework for Capacity Building - What, Why and How", *mimeo*, draft, November 1992. See also "The State of the Art in Institutional Development. A Working Paper", *op.cit.*

**Table 1.1 Institutions in Development: Six Stages**

1. Historical development period	2. Institutional development	3. Objectives of national institutions and key characteristics of institutional development cooperation
Pre-independence: The colonial state	Colonial administration	Ensure law and order; Maintain authority; Raise revenues to finance the colonial administration
1950s/1960s: Modernization, trickle-down	Institution building	Provide basic, modern institutions for public investment: Rational institutional enclaves
1960s/1970s: Development across the board	Institutional strengthening	Improve existing institutions and administration; Institutional strengthening as project component
1970s: Basic needs and integrated development. The role of the State	Development management / administration	Improve state planning and intervention; Manage integrated projects; Reach target groups through public services; Organize public participation
1980s: Structural and sector adjustment: Macro-management	Institutional diversification and developm.	Improve organizational performance in public and private sectors; Restructuring, adaptability and sustainability of sector-wide institutions
1990s: Poverty alleviation and sustainable development	Capacity-building for good governance	Create enabling environment for all actors; Improve effectiveness and accountability of political-administrative fabric of society; Guarantee human rights

The changing use of concepts represents more than just unavoidable and confusing 'fashions' in international development cooperation: Institution building, institutional development, institutional support, institutional capacity building, human capacity building, institutional strengthening, organizational strengthening, capacity development, organizational development, development management and development administration.

The challenges in the 1990s are discussed further in Chapter 3. The objective of institutional development and capacity-building is to develop an appropriate, locally designed and sustainable framework that can:

- 1) Create and sustain an environment for open dialogue and dynamic policy-making amongst all stakeholders, based on transparency, accountability, cooperation, etc.;
- 2) Develop programme and project objectives based on comprehensive needs assessment, drawing on inputs from all levels, including the intended beneficiaries;
- 3) Devise policies, based on an analysis of different options, that respond effectively to these objectives, and which are both implementable and flexible;
- 4) Establish sustainable structures and procedures for effective planning, implementation and management, including making correct institutional choices;

- 5) Promote the development of human resources of sufficient quality to carry the adopted policies; and
- 6) Ensure effective feedback and learning mechanisms that stimulate dialogue and appropriate policy evaluation and development among all relevant parties.

## 1.2 Definitions and Conceptual Approach

For the purpose of the present Evaluation, a few concepts are defined and used as follows:

*Institutions* are examined in their organized form only. Institutions have a mandate, a structure, human and financial resources, and legitimacy, i.e. their functions and operations are to some extent accepted by their surroundings and clients. The focus in this Report is on government institutions, although institutions of civil society (NGOs, private sector institutions, etc.) are of increasing significance to development cooperation.

*Institutional development* and *capacity-building* are used interchangeably.<sup>1</sup> They represent the *process of strengthening the indigenous capacity of institutions to perform their functions on a sustainable basis.*<sup>2</sup> This definition emphasizes the significant link between indigenous capacity, performance in the form of functions and output, and sustainability. Institutional development shall improve the impact of development cooperation in four respects:<sup>3</sup>

- 1) *Effectiveness*: Effective and efficient national institutions and project organizations are needed to ensure that development projects and programmes reach the objectives agreed to by both the donor and the recipient government. Effectiveness concerns the extent to which the desired objectives have been achieved; and efficiency concerns the extent to which results have been achieved with the minimum necessary use of resources.
- 2) *Participation*: Institutions are needed to (and themselves need to) ensure that the target group / the intended beneficiaries get a stake and a role in project activities during all stages of the project cycle.
- 3) *Sustainability*: National institutions (government, private, NGOs, target group organizations etc.) are needed to take command of development efforts in all

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<sup>1</sup> This is in line with a recent World Bank definition. See the Bank's "Office Memorandum: Classification of Technical Assistance", June 23, 1992.

<sup>2</sup> See the World Bank: *Institutional Development in Africa: A Review of World Bank Project Experience*, Report No. 5085, May 1984, Appendix 1, para. 2.

<sup>3</sup> See DANIDA: *Institutional Development: Effectiveness, Participation, Sustainability and Accountability*, Issue Paper No. 1, prepared by COWIconult, January 1993.

sectors and at all levels of society. "A development programme is sustainable when it is able to deliver an appropriate level of benefits for an extended period of time after major financial, managerial and technical assistance from an external donor is terminated".<sup>1</sup>

*Institutional sustainability* refers specifically to the question of whether project implementing institutions in the host country have acquired the necessary financial, technical and human resources, administrative capacity and legitimacy to continue their functions after donor support has been terminated or reduced.

- 4) *Accountability*: Accountable government institutions must ensure three things:
- Participation of the public in decisions that affect them; transparency and decentralization must be guiding principles in government institutions;
  - Attention to the needs of the population; this requires responsiveness and needs-oriented criteria in decision-making; and
  - Responsibility on the use of public resources; this requires concern for efficiency and effectiveness in all decision-making by politicians and public servants.

These factors are needed as performance criteria for 'good' institutional development. Among its bilateral development cooperation objectives, the Government of Norway has recently emphasized two *institutional objectives* (see Chapter 2):

- 1) *Recipient Responsibility* for policy-making, priority-setting, planning and implementation of all development activities supported by NORAD.
- 2) *Good Governance*, which has three aspects:
  - effective, accountable and transparent public administration;
  - rule of law, guaranteed rights of individuals, and improved public security; and
  - democratisation and people's participation in economic and social development processes.

This set of concepts was used to evaluate case-studies in Zambia and Zimbabwe at two levels: Norway's country programmes and a total of six programmes supported by NORAD. In the present Report, the concepts are used to raise and discuss issues related to the role of Norwegian development assistance in the recipient countries' institutional and administrative development.

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<sup>1</sup> OECD: *Sustainability in Development Programmes: A Compendium of Evaluation Experience*, Paris, 1989.

### 1.3 OECD Principles on Institutional Aspects of Development Cooperation and Aid Management

OECD's Development Assistance Committee (DAC) has compiled a *Development Assistance Manual* presenting *DAC Principles for Effective Aid*.<sup>1</sup> These principles are key elements in the framework for Norway's development cooperation. Several principles contain important statements on *institutional* aspects. Some of the most relevant are presented in *Annex 4*. They concern in particular 'Principles for new orientations in technical co-operation' and 'Principles for programme assistance'. In general, the DAC Principles:

- Confirm the increasing importance attached to institutional issues by the DAC Member States in all aspects of 'effective aid';
- Show the mixture of technical and political objectives in the donors' approach to institutional development; and
- Point to the efforts by *bilateral* donors (like Norway) to find a role within the framework of the policy dialogue on basic institutional issues between recipient governments and the multilateral institutions (IMF and the World Bank).

Although they represent general views of the Western countries and reflect compromise and consensus, the DAC principles are in most cases relevant to NORAD. They are basically formulated *from a donors' perspective*. This allows the present Report to take both a broader and a more narrow perspective. The broader perspective concerns the effort to look more comprehensively at the needs of the *recipient governments*, whereas the narrow focus in this Report is on the opportunities available to and the demands on *Norway's* role in capacity-building.

An *example* of this difference between the DAC Principles and this Report concerns the occasional need for Norway to take a different position in *policy dialogues on good governance at sector level in its key partner countries*. This is a key theme throughout the Report. Since the late 1980s, the *sector level* has become the focus of international development cooperation, for at least the following reasons:

- 1) The macro-economic, structural adjustment programmes proved insufficient and incapable of combining adjustment with poverty alleviation; hence, the need for sector policy reform programmes;
- 2) Recipient governments emphasize sector policies and medium-term plans as an appropriate, flexible and operational planning framework to close the gap between comprehensive five-year-plans and individual programme activities;
- 3) Line ministries and departments in developing countries have benefitted considerably from capacity-building, especially through human resources development, over the past 30 years and hence demand stronger sector policies as a framework for their promotion of national development;

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<sup>1</sup> Published in Paris, 1992.

- 4) Both donors and recipients have become increasingly concerned about financial and institutional sustainability, which is best ensured through programme assistance for effective and participatory sector programmes; and
- 5) Key elements of good governance - particularly accountability - demand transparency and decentralization, which must begin at national sector level.

The DAC principles acknowledge these trends in their emphasis on the importance of policy dialogue, capacity-building and programme assistance at sector level, linked up to the macro-economic adjustment and structural policy dialogue led by the World Bank and the IMF. For example:

"Policy dialogues on essential aspects of policy reform and structural adjustment must have a strong multilateral dimension. Bilateral policy dialogues need to be consistent with the orientations of the national policy frameworks and priorities as they have been reviewed in the international aid co-ordination arrangements." (pp 68f)

"For donor advice in the policy and programming dialogue to be credible, it must be competent, reflect full understanding of the variety of economic and other constraints facing the developing country, and must be backed, or at least accepted, by all significant donors. A profusion of conflicting advice from a multiplicity of donors is counterproductive." (p 6)

"Objectives for policy-related programme assistance should mainly be set multilaterally. Additional bilateral objectives should be complementary and consistent." (p 73)

While these principles are correct, they should not be allowed to prevent an individual donor, such as Norway, from pursuing its own development cooperation objectives. There are two aspects of this:

- 1) Norway may disagree with the direction taken in the multilaterally led dialogue, e.g. on the extent of privatisation, cost recovery or the impact on social development and poverty alleviation. This reflects the obvious fact that 'good governance' can take many different forms and can be achieved in many different ways.
- 2) Norway may disagree with the interventionist nature of the policy dialogue. There is a difference between 'imposing external policy solutions' and 'facilitating an exploration of local policy options'. This reflects the fact that 'recipient responsibility' means different things in Washington and in Oslo.

Thus, the aim in this Report is to find ways for *Norway* - within the confines of the DAC principles and other international agreements - to promote capacity-building in development cooperation from a perspective of indigenous institutions of recipient countries, including their governments.



## 2. Norwegian Development Cooperation: Towards Recipient Responsibility and Good Governance

In recent years, various documents have been prepared by Norwegian authorities describing and redefining the overall objectives and strategies guiding Norway's development cooperation with its partner countries. At the time of writing, the discussions on the documents are more or less brought to an end; reviewing and renewing the concrete development assistance activities is on the agenda. The present Evaluation might be seen as a part of the follow-up on the new strategies.

In this Chapter, the contents of three basic documents is analyzed with respect to how they deal with basic institutional objectives and measures such as recipient responsibility, good governance and capacity-building.

### 2.1 The Government's White Paper on Norway's Cooperation with Developing Countries

The Norwegian Government's White Paper on Norway's cooperation with developing countries was submitted to the Storting (the Parliament) in May 1992.<sup>1</sup> One year later the Storting discussed the White Paper, based on a Report from the standing Committee on Foreign Affairs within the Parliament.

Concerning *institutional issues*, the Government's views were approved by the Storting, practically without any remarks.<sup>2</sup> Thus, the White Paper should be assessed as the basic document concerning the objectives and principles of the future policy in these areas. However, the Government has appointed an Expert Commission to analyze changes in international conditions and how the main political goals of Norwegian North-South and development policies best can be realised. The work of the Commission will be based on the goals and the principles laid down in the White Paper and by the Storting in its discussion on the White Paper. Together with other initiatives, including the present Study, this shows the emphasis which is being put on the pursuit of the strategies.

The White Paper reviews the North-South relations in the 1970s and 1980s and describes how Norway supported the demands of the developing countries for a more

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<sup>1</sup> St.meld. nr. 51 (1991-92): *Om utviklingstrekk i Nord-Sør forholdet og Norges samarbeid med utviklingslandene*, 1992. See also the English version containing *Summary and Conclusions: Report No. 51 1991-92: Trends in North-South Relations and Norway's Cooperation with Developing Countries*, Royal Norwegian Ministry of Foreign Affairs.

<sup>2</sup> See the Report from the Committee on Foreign Affairs: Innst.S.nr. 195.(1992-93) "Innstilling fra utenriks- og konstitusjonskomiteen om utviklingstrekk i Nord-Sør-forholdet og Norges samarbeid med utviklingslandene". May 27th, 1993.

equal division of labour and a fairer distribution of power and resources in the world. During this period, Norway increased its aid transfers to developing countries from NOK 263 million in 1970 to NOK 7 635 million in 1991, and more than tripled the share of Norwegian GDP allocated for development assistance. The *main goal* of Norwegian development cooperation is still:

*"...to contribute towards lasting improvements in economic, social and political conditions for the populations of developing countries. Development assistance shall be used in such a way that it leads to the greatest improvements for the poor sections of the population, the poorest of developing countries shall be given priority, and the aid must be designed in such a way that it creates the least possible dependency on continued assistance."*<sup>1</sup>

It is underlined that the economic crisis during the 1980s and other factors have weakened the management capabilities of national authorities in many of Norway's partner countries, and that donors in many cases have started to operate outside the national administrative apparatus. On the other hand, democratic forces have gained strength in many countries by the introduction of free elections and multi-party systems.

Norway's development cooperation has for long followed the principle of *recipient orientation* which implies that assistance should be oriented towards the needs of the recipient and be integrated into the plans and priorities of the recipient countries. Recipient orientation originally defined the recipient as 'the target group', but the concept has gradually changed towards referring to the recipient government or institutions.

In the White Paper, Norway moves one step further and gradually introduces the principle of *recipient responsibility* which means that recipient countries themselves must be responsible for the planning, implementation and monitoring of all development activities. Some implications of this principle are pointed out:

- 1) The concept of development has to be extended through emphasis on human resources development both regarded as an end and as the most important means of development. Support for the development of competence will therefore be an important element of Norway's development cooperation.
- 2) Creating viable organisations and institutions able to cope with development challenges and to develop a democratic system of government should be an integrated part of Norway's assistance both as a separate priority area and as an aspect of development cooperation in other areas. Institutional development must be looked upon as a necessary condition for effective assistance and sustainable development. Norway has to adapt the design of its assistance to changes in this condition.

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<sup>1</sup> "Trends in North-South Relations and Norway's Cooperation with Developing Countries", *op.cit.*, p 27.

Combined with the increased emphasis on recipient responsibility, the White Paper advocates increased dialogue and activity concerning overall political issues and national political priorities. Themes such as the importance of democracy, respect for human rights, rational use of resources and an economic policy which takes the distribution aspect into account should, according to the White Paper, be stressed in these dialogues.

Raising such issues used to be seen as an intervention in the internal affairs of developing countries. In recent years there has been a shift towards accepting such issues in the dialogue. It is also partly accepted that donors demand certain changes in the policies of recipient countries as conditions for the provision of aid. The Norwegian Government plans to modify its development cooperation policy in the same direction, as expressed in the White Paper:

*"The Government wishes to give high priority to measures that promote democracy and human rights in the developing countries, particularly positive measures. Development cooperation should support or stimulate measures to protect human rights, the rule of law and democratic institutions. Assistance should be coherent and long-term. Favourable development in a country should lead to increased allocations of resources, other conditions permitting, while unfavourable development may have the opposite effect."*<sup>1</sup>

Introducing the principle of *good governance* as a basis for its development cooperation Norway has formulated objectives that are in accordance with the current way of thinking in the international donor community (cf. Section 1.3). However, the White Paper does not discuss the contents of this basic concept related to the possibility that it may be an ideal 'western' model which would meet resistance if imposed on state-building efforts in developing countries (cf. Section 3.1.2).

Nor does the White Paper discuss the possible tensions, in theory and practice, between the two basic principles: recipient responsibility and good governance. Pursuing good governance may imply an interventionist attitude which is opposite to recipient responsibility. On the other hand: Putting the emphasis on recipient responsibility may reduce the opportunities to raise questions and demand changes concerning good governance; for example related to decentralisation, people's participation at community level, or targeting of development activities.

Although there are still dilemmas to be discussed, the White Paper and the discussions on it in the Storting have put these overall objectives on the agenda, as a first step towards their difficult implementation in concrete development cooperation.

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<sup>1</sup> "Trends in North-South Relations and Norway's Cooperation with Developing Countries", *op.cit.*, p 32.

## 2.2 Strategy Paper on Support for Democratic Development

Aimed at contributing to the international dialogue on democratic development in the context of development cooperation the Royal Norwegian Ministry of Foreign Affairs has published a Strategy Paper on support for democratic development<sup>1</sup>. The purpose was also to describe the Norwegian approach and outline key guidelines for Norwegian policy.

The document underlines that democracy must be based on certain fundamental principles and existing international standards, including that all sections of the population should have the opportunity to influence the political and economic decisions that are made in a country.<sup>2</sup> Still, the process of democratisation must be different from country to country and the specific contents of the concept of democracy depends on the socio-cultural history of the country concerned. Consequently, both the problems and the means of promoting democratic development must be different depending on the historical and national contexts.<sup>3</sup>

These two demands have implications for bilateral dialogues on issues of good governance such as human rights and democracy. The dialogue must be based on a deep knowledge of and insight into the specific country's ideologies, traditions and efforts of state-building, to avoid that democracy is imposed as a new type of conditionality defined by strong multilateral and bilateral donors who are in a position to put pressure on the recipient country.

The Strategy Paper also stresses that the development and strengthening of democratic institutions are complex and time-consuming processes. It is underlined that the main responsibility for establishing and consolidating a democratic system lies with the authorities of the country concerned. Thus, the Norwegian assistance should concentrate on democratization measures that the authorities themselves wish to implement with external help.

In many developing countries democratic development will imply a strengthening of institutions in the public sector as well as in civil society. This means capacity-building and measures taken to ensure that the basic norms of national institutions are adapted to democratic principles. It is a fact that many developing countries need support from external donors in order to develop and consolidate a democratic political system. The Strategy Paper expresses Norwegian willingness to provide such support, and outlines the following priority areas<sup>4</sup>:

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<sup>1</sup> The Royal Norwegian Ministry of Foreign Affairs: "Support for Democratic Development", 1993.

<sup>2</sup> *Ibid.*, pp 6 and 8.

<sup>3</sup> *Ibid.*, p 1.

<sup>4</sup> "Support for Democratic Development", *op.cit.*, pp 14-20.

- National and regional measures for promoting peace and stability;
- Election processes and elected assemblies;
- Legal protection and the rule of law;
- Economic planning and control;
- Decentralisation;
- Organisational diversity;
- Information, the media and the press.

Generally, Norway's support for democratic development will be channelled through financial and technical assistance, dialogues with Norway's partner countries on questions of democracy, and an active attitude to questions concerning democracy and human rights in the context of multilateral development cooperation<sup>1</sup>. The Strategy Paper and the White Paper describe the challenges and provide comparable guidelines concerning Norwegian support for democratic development and good governance. However, the Strategy Paper represents a more nuanced approach to the concept of democracy and a further step towards operationalization of the principles.

### **2.3 NORAD's Strategies for Institutional Development**

On the basis of comprehensive, internal discussions and clarification processes a strategy document was formulated by NORAD during 1990.<sup>2</sup> The aim was to discuss NORAD's role in bilateral assistance within the scope and guidelines of Norwegian aid policy. In 1992, the need was felt for further clarification of some of the basic principles and for a discussion on practical applications of the new guidelines. Part II of the strategy document<sup>3</sup> was prepared in accordance with the political guidelines laid down in the Government's White Paper. It was underlined that the strategy would be adjusted after the Storting's debate on the White Paper. As the debate has only recently taken place, no decision has so far been made on a possible review of the strategy. Since the Storting approved the contents of the White Paper almost entirely, a revision seems rather unlikely.

The principle of recipient responsibility is clearly expressed in the two strategy documents, and the necessity that all NORAD-supported development efforts contribute towards the minimisation of donor dependency is strongly underlined. As a consequence, Norwegian development contributions must in future be used to reinforce key institutions at various levels of society so that these institutions can become independent of aid to the widest extent possible.

More explicitly than in the White Paper the need is stressed for a clear definition of the respective roles of donor and recipient. Transfer of responsibility implies challenges in terms of planning and control and NORAD must be prepared to

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<sup>1</sup> *Ibid.*, p 7.

<sup>2</sup> NORAD: "Strategies for Development Cooperation. NORAD in the Nineties", 1990.

<sup>3</sup> NORAD: "Strategies for bilateral development cooperation - part II. Basic principles", 1992.

introduce new follow-up and evaluation measures. The donor's and the recipient's obligations must be clear and realistic and NORAD should be able to react if such obligations are not met. Together with the principles laid down in the White Paper and the Strategy Paper on Support for Democratisation these statements make more distinct the profile of Norwegian bilateral cooperation: Strong emphasis is put on conditions and responsibility as well as on accountability and sanctions. In the view of the Study Team, this implies a shift and a sharpening of the profile, compared to earlier strategic documents.

The NORAD Strategy Paper, Part II, outlines important measures to be applied by Norway in the support of democracy and human rights<sup>1</sup>:

- Engaging in a continuous dialogue with the authorities;
- Supporting negotiating processes by providing advice on constitutional questions etc.;
- Supporting the observation of elections;
- Assisting individuals and groups, who are suffering from persecution, through human rights organisations; and
- Addressing cases of human rights violations, but to the greatest possible extent supporting positive trends.

Concerning *institutional development*, the Strategy makes it clear that support in this particular area requires detailed knowledge of the institutions involved, but also knowledge of administration, management and leadership. The measures which should be used to promote institutional development, are described as<sup>2</sup>:

- Supporting reforms increasing the efficiency of the public administration at all levels;
- Supporting educational and research institutions to improve the supply of expertise;
- Supporting institutions which may improve the functioning of business, industry and the market;
- Emphasizing the importance of institutional conditions for all development cooperation, if necessary by making financial support conditional upon organisational changes;
- Evaluating those institutions in partner countries which are suitable for Norwegian assistance. Stronger emphasis on framework conditions;
- Identifying and strengthening Norwegian institutions which are suitable for institutional cooperation;
- Giving priority to using local expertise in programmes supported by Norway; and
- Supporting training programmes within the field of organisational development, administration and management training.

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<sup>1</sup> "Strategies for bilateral development cooperation - part II", *op.cit.*, p 16.

<sup>2</sup> *Ibid*, p 23.

The analysis in the present Report suggests that support to institutions that facilitate the articulation of needs within civil society could be added to the list. In general, NORAD's new strategy for institutional development accords well with the above-discussed basic documents.

The strategy is closer to operationalisation of the principles, but adequate actions not have been taken so far, concerning the need for capacity-building within NORAD itself. In a separate Appendix, attached to the Strategy, Part II, some follow-up actions are mentioned, including in the area of institutional development. The Study Team supports such action, as deeper involvement in institutional issues demands capacity-building not only on the recipient side, but also at all levels on the Norwegian aid administration, cf. Chapter 9.

## 2.4 The Institutional Framework for Norway's Bilateral Development Cooperation

The most common institutional framework for Norwegian bilateral development cooperation is as follows in the partner countries, at least in Africa:

- On the Norwegian side, the integration of the Embassy and the NORAD Mission in one institutional body represents an opportunity to strengthen and unite general foreign policy and concrete development assistance activities. When seeking ways and means to support measures towards good governance, this may become an advance. From the partner government's point of view, it may represent a simplification of the contact pattern and the relations in the state-to-state cooperation.
- The central relation between Norway and the partner country related to overall guidelines, policy discussions and country programme negotiations is *the link between the NORAD Mission and the core ministries*, usually Ministry of Finance and Ministry or Commission of Planning. Challenges and opportunities in this key relation are discussed in Chapter 4.
- The crucial arena for institutional cooperation, including capacity-building and the choice of institutional arrangements for programme cooperation, is found in the *relations between NORAD, line ministries, regional authorities, district authorities and community institutions*. Chapters 5, 6 and 7 examine the lessons learned from NORAD-supported development efforts in this arena.
- Norway's support to development activities outside the country programme portfolio is channelled through different institutions of civil society, such as research institutions and NGOs. These relations and institutional options are not covered by this Evaluation but are essential arenas when discussing aspects of good governance such as people's participation and organizational pluralism.

- The last part of the institutional framework is represented by *the relations between NORAD and other institutions in the donor community*. Different forms and arenas of donor coordination exist, formal and informal, headed by the recipient government, by UNDP, or by the World Bank, including the Consultative Group meetings. Relations between Norway and other donors are examined only to a small extent in the present Report.



### **3. Challenges in State Building: The Role of Development Cooperation**

#### **3.1 Similarities and Differences in State Building**

The *administrative structure of governments* in most countries influenced by the British civil service tradition is basically the same all over the world, with core and line departments and a three-tier public administration: central, regional and district authorities. Exceptions to this picture are found in countries that are federal republics, and in countries so large that a fourth tier (at sub-district or ward level) is needed as the institutional mechanism for the delivery of public services in health, agricultural extension, etc.

Even the *political structure of governments* is comparable in many developing countries, despite differences in political ideology. Presidential rule is predominant, but all countries have parliamentary bodies (with varying powers) and a Cabinet with Senior Ministers and Ministers in charge of line departments.

The country case studies of Zambia and Zimbabwe confirmed the above similarities in administrative and political structure. Many challenges to state building and national development appear also to be the same (although with considerable differences in their urgency): Poverty among peasant farmers; unemployment in urban areas; drought and environmental degradation; excessive population growth threatening sustainability; AIDS among the most productive age groups; deficits in foreign exchange earnings and in government revenue; insufficient national and local resource mobilization, resulting in aid dependency; weaknesses in planning and policy-making; uncertainty about the role of the public sector; lack of incentives and a declining morale among public employees, related to corruption and instability; brain-drain abroad and to the private sector; etc.

The international community, led by the World Bank and IMF, has responded with comparable structural adjustment measures in Zambia and Zimbabwe<sup>1</sup>, that officially are aimed at:

- Promoting market-oriented policies and a productive private sector;
- Liberalising and rationalising trade and exchange rate regimes and policies;
- Following strict fiscal, monetary and financial policies and improving fiscal management and taxation systems; and
- Improving decision-making on public investment and the operation of key public services including health and education.

Similarly, the demand for reforms aimed at 'good governance' has been raised identically and simultaneously by the donor community to the Governments of

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<sup>1</sup> See "Zambia: Economic and Financial Policy Framework 1992-1994"; and "Zimbabwe: Policy Framework Paper, 1992-1995".

Zambia and Zimbabwe. Still, the Country Case Studies of the Evaluation included quite different assessments of 'The Challenge of State Building' in Zambia and Zimbabwe, respectively. Even in these neighbouring countries, the mode of operation and the legitimacy of State institutions bear limited resemblance to a 'model' or 'pattern' of state building in Africa. The post-colonial history of the two countries follows different phases, caused not only by differences in economic resources and social structures, but also by issues such as the form of political debate, organizational culture, the administrative capacity of the civil service, participation in policy- and decision-making, charismatic leadership, and indigenous accountability demands.

The Country Case Studies also showed that NORAD's *institutional country strategy* differed considerably between Zambia and Zimbabwe. In Zambia, NORAD has not succeeded fully in integrating its assistance into national institutions: NORAD has supported ad hoc, functional institutions or has retained direct control of resource utilization and reporting. In Zimbabwe, NORAD has gone far in institutional and operational integration into national sector programmes, but has not always followed up with sufficient capacity-building assistance. This difference in institutional approach signifies how NORAD must adapt the design and contents of its country programme to the different state building challenges facing its partner countries.

### **3.2 Appreciating the Basic Challenges to the African State**

Problems of state building in *Africa* are especially significant in the context of the present Evaluation, because Norway is concentrating the bulk of its bilateral assistance to selected programme countries in sub-Saharan Africa.

Donor agencies, in particular IMF and the World Bank, determine the *agenda* in policy dialogues on state building in Africa, aimed basically at a reduction of the powers and institutions of the state. Despite obligatory references to objective, international factors, there has been a tendency for this agenda to focus on what *African Governments* should do differently. This has resulted in an a-historical approach to structural adjustment and public sector reform in Africa, as reflected in the above-presented basic 'package' of adjustment measures.

Despite their correctness, the institutional components of the 'DAC Principles on Effective Aid' (cf. Annex 4) suffer from two deficiencies: The principles place the burden of reform on the recipient governments, i.e. in principle on the weakest of the two parties in state-to-state development cooperation; and they are so operational and action-oriented in their generalized recommendations that they lack historical foundation and country-specificity.

This may result in by-passing of national sovereignty and in neglect of historical explanations and rooms-to-manoeuvre. For example, the correct acknowledgement that 'programme assistance' presents considerable advantages to both donor and

recipient leads to a principle of comprehensive donor influence on the 'politics of the national purse'.<sup>1</sup> DAC Member States have agreed as follows:

"Since programme assistance ... is a particularly fungible form of assistance, donors need to assure themselves that the recipient country's overall resource and budget allocation priorities are consistent with development aims, paying attention also to expensive prestige projects and large military expenditures. Carefully appraised and prioritised public expenditure programmes are fundamental in this respect. They also provide a link between planning for programme assistance and project assistance."<sup>2</sup>

SIDA's Public Administration Division published in 1991 an analysis of institutional development assistance<sup>3</sup>, which in its assessment of 'African States in Development' adopted an *historically based approach* to an understanding of the problems facing African States.<sup>4</sup> A few *excerpts* of this assessment (pp 38-44) are included here to indicate the type of analysis which is needed for each of the primary partner countries of a bilateral donor like NORAD.

"African governments inherited an unsuitable governing model, faced divisive pressures, were subject to enormous demands for services and consumption, and whether they wanted it or not, took over a large portion of the economy. They tried to implement a strategy for accumulation, investment and development in the context of a raw-material export economy, falling world terms of trade, world recession, and damaging climatic changes. They made mistakes, lost money, and received bad advice from outside. Many of them, however, made large transformations, and managed to build a unifying national consciousness. These successes need to be counterposed to the theory of the 'parasitic state', which proposes the state to be an imposition on society, overstaffed by idle and overpaid bureaucrats, which wastefully consumes the country's economy and contributes nothing to development."

"It must be placed as one of the principal contradictions of development assistance that international agencies have a negative effect on the functioning, stability and morale of recipient governments. On one hand, the process of cooperation ties up the most efficient officials in aid procedures. Indeed, agencies sometimes employ such officials to serve them directly, and pay them

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<sup>1</sup> This expression is borrowed from the excellent analysis by J. Moyo: *Politics of the National Purse: Public Budgeting as Public Policy in Zimbabwe*, SAPES Trust, Harare, 1992.

<sup>2</sup> OECD: *DAC Principles for Effective Aid. Development Assistance Manual*, Paris, 1992, p 71.

<sup>3</sup> SIDA: *Making Government Work. Guidelines and Framework for SIDA Support to the Development of Public Administration*, Stockholm, May 1991.

<sup>4</sup> The 'guideline' elements of the *Making Government Work* publication are, however, in the view of the Study Team, too general and almost donor-driven, i.e. comparable to the *DAC Principles for Effective Aid*.

much higher salaries, thus weakening government structures, distorting the wage market, and reducing the loyalty of citizens to their government. On the other hand, the agencies' project focus significantly distorts the balance of government action and also the country's economy."

"African states move into the 1990's, therefore, on a crisis footing, economically, politically and ideologically. The strongest political and economic forces pull towards reducing the role, influence, resources and size of government. Ideologically, the forms of existence of the state are in question, even if few credible alternatives are available. Existing trends threaten a worst-case scenario where the economic sectors are mostly run by private (and mostly foreign) interests, the social sectors are partly privatized with the public remnants propped up by foreign aid agencies, the public sector income is mostly used for paying off the national debt, and state policies are principally decided by the world market and international agencies. Government would become weak with very little power to make or implement decisions. Political direction would be thrust into the hands of a centralized and technocratic managerial elite. There would be little scope for independence, democracy, and economic growth. This would not mean, however, that conflicting national interests would cease to assert themselves. Instability and unrest would be legion under these conditions."

Their history has given African states insurmountable challenges and a limited room-to-manoevre. With such a 'worst-case scenario', the two institutional development objectives discussed here *could* be perceived negatively by African Governments:

- 'Good governance': An ideal model of governance is imposed on African political-administrative systems that are struggling to survive and to avoid the worst-case scenario.
- 'Recipient responsibility': Recipient governments must cope themselves with all their problems, including with the integration of foreign assistance into national institutions and procedures.

The National Economic Planning Commission of the Government of Zimbabwe responded as follows to the Study Team's discussion of references to good governance in the Norwegian country programming process for Zimbabwe:

"The issue (of good governance) has a political undertone that could be subjective and interpreted in terms of western 'democratic' political principles which may not be ideal for Zimbabwe. There is also the possibility of the issue gradually being used as a form of conditionality that may be as unpalatable as some World Bank conditionalities that are repugnant to the Norwegian government's ethical beliefs. Some aspects of the concept are no doubt positive to aid management but others such as '...rule of law, guaranteed human rights and

public security...' have a significant political undertone that outweighs the economic and accounting of donor assistance."<sup>1</sup>

This raises three very important demands on foreign donors:

- 1) The donors must be fully aware of the ideologies and beliefs inherent in their demands for good governance in and by developing countries. Only *transparency and openness* on the values of both sides can lead to a fruitful dialogue on improvements in the contents and structures of national governance.
- 2) The donors must acquire sufficient *insight into the history of state building* in their partner countries, in order to be able to offer useful support of further state building and national development, including through capacity-building assistance for good governance.
- 3) Neither the donors nor the recipients must expect that 'recipient responsibility' means freedom for the donors to 'waive responsibility' for the institutional aspects of programme design and implementation, including the choice of institutional options and the management of operations. Recipient responsibility must be combined with *capacity-building assistance* to ensure that the recipient institutions have capacity to live up to their responsibilities.

### 3.3 Conflicting Objectives in Capacity-building Assistance for State Building

The 'worst-case scenario' outlined for African states in the SIDA report on *Making Government Work* is useful as a reference framework for the joint challenges facing recipient and donor governments in the field of institutional development. Below, an attempt is made to point to *contradictions in the institutional aspects of state-to-state cooperation*, which capacity-building assistance must address in order to reduce the risks of the above or other worst-case scenarios.

#### 1. *Demanding both recipient responsibility and good governance*

It is contradictory to emphasize recipient responsibility, with a reference to national sovereignty, and at the same time demand adherence to a particular model of good governance. This is also a contradiction between stating good governance as an *objective* and as a *conditionality* for development cooperation.

The multilateral development finance institutions face this conflict, because recipient responsibility is built into the *loans* which they provide. These institutions have 'refined' the concepts and instruments of *conditionality* and *dialogue* to influence the macro-economic / structural policy framework, including good governance. Recipient

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<sup>1</sup> Letter (dated 8 June 1993) by the National Economic Planning Commission with comments on the Study Team's Draft Country Case Study of Zimbabwe.

governments, particularly in Africa, consistently - and increasingly - argue that there is no recipient responsibility left.

The complexities of the matter are apparent when one considers the emphasis with which the multilateral agencies demand implementation of the economic, financial and structural components of adjustment programmes, and the leniency often shown in relation to the components aimed at minimizing or off-setting the social costs of adjustment. In both Zambia and Zimbabwe, programmes aimed at the social dimensions of adjustment have not come off the ground, while the adjustment is seriously affecting the rural and urban poor. World Bank representatives regret this state of affairs - with a reference to recipient responsibility...

Norway has in general been more hesitant in departing from the principle of recipient responsibility. Norway sees this concept also as *recipient accountability*, which is close to the demands for good governance. It is essential, however, that recipient responsibility and accountability always be accompanied by *capacity-building assistance*, as argued throughout this Report. Even this does not solve the conflict: If both the need for and the approach to capacity-building are defined by the donor (based on its understanding of recipient accountability), this limits the extent of recipient responsibility.

## 2. *Recipient responsibility vs. targeting, effectiveness, decentralization, etc.*

The basic dilemma in Norway's emphasis on recipient orientation and responsibility is that it reduces NORAD's room-to-manoevre and influence on the use of Norwegian funds. Many institutional issues, such as effectiveness and decentralization, can be dealt with through capacity-building assistance. However, the key issues of *targeting* the assistance to the poorest and most vulnerable population groups and of adopting strategies of *empowerment*, especially of women, cannot always be solved through technical assistance attached to NORAD-supported programmes. These principles and objectives are often not shared by the bureaucracies of recipient countries.

Instead, Norway seeks to combine recipient responsibility with a choice of the programmes and sectors which Norway is prepared to support. By choosing target group oriented programmes in the social sectors, Norway can to some extent overcome general weaknesses in targeting. Given the easy complementarity of aid and national resources, the problem is that Norway indirectly may support policies and programmes that increase rather than reduce social, economic and political inequities. At the same time, recipient responsibility may also lead to a slow down of the utilization of allocated funds, thus increasing the donor's project pipe-line and disbursement problems.

This Report argues that overcoming the conflict between recipient responsibility and targeting only through the selection of 'progressive' programmes is insufficient. There is a need for more active and substantive Norwegian assessment of the decisions of implementing institutions on the *use* of resources within programme agreements, even if this may go against the principle of recipient responsibility.

### 3. *A starting-point in government plans and budgets that are unrealistic*

The principles of recipient responsibility and good governance assume that development assistance is fully integrated into national medium-term plans and the government's annual investment budgets. The problems of excessive demands on budgets, weaknesses in public planning and priority-setting, and structural crises (including debts and disasters) often make such plans and budgets too unrealistic to be used as the framework for aid integration.

The donors' practice of promoting their own priorities - from numerous pet projects to huge sector programmes - is a supply-driven contribution to the vicious circle of unrealistic plans and budgets. The mechanism of foreign assistance implies that much *priority-setting and decision-making* is moved both 'above' and 'below' national planning and budgeting procedures: The donors have their own priorities, determined in the capitals of industrial countries, and they instigate decentralized needs identification and priority-setting by target group communities.

In many countries, including Zambia and Zimbabwe, governments increase their focus on *sector policy-making and planning* as the most effective mechanism for realistic medium-term priority-setting that should serve as a framework also for donor assistance. If the core and line ministries of recipient governments aim at transparent and participatory sector policy-making and accept the involvement of donors at this level, a donor like NORAD must contribute actively and openly, including through capacity-building assistance.

Donor coordination, e.g. under World Bank leadership, must not lead to donor ganging-up which would deprive the recipient government of assistance in the identification and assessment of relevant *options* for sector policies, etc. Institutional diversification is needed also on the donor side.

### 4. *Promoting a pluralistic society through state-to-state cooperation*

It is difficult to use state-to-state cooperation, which is highly centralized, as a means to promote a pluralistic and decentralized society in the recipient country. There are two ways of solving this dilemma: Incorporating demands - and possibly conditionalities - on institutional diversification through programme assistance, etc.; or offering 'additional' assistance outside the framework of the state-to-state country programme. Chapter 4 discusses how Norway has opted for the latter approach.

A related institutional dilemma concerns the creation of an *enabling environment* through *organizational development within government structures*. The challenge is to strengthen government capacity in the fields of policy-making, management by incentives, and provision of facilitating services. The tradition in most developing countries has been that governments plan, control and act themselves, which is understandable in view of the relative absence of a private sector at independence, although Zimbabwe is a partial exception in this context.

5. *Assuming institutional capacity while demanding a reduction in government staff and resources or hiring government staff for donor programmes*

Demands for recipient responsibility and good governance assume that recipient government institutions have sufficient capacity effectively and democratically to prepare and implement policies, strategies, plans and programmes. Still, the size and expansion of the public sector, which has a number of valid historical reasons, is a target in all structural adjustment programmes supported by multilateral and bilateral donors in the 1980s and 1990s. The same donors push for increased staff and capacity in the government programmes supported by them individually.

This contradiction is apparent in the World Bank-sponsored Family Health Project (FHP) in Zimbabwe, which is supported by Norway. The Bank-supported Economic Structural Adjustment Programme demands a 25 % *reduction* in the civil service, while the FHP assumes *staff expansion* in important health and population services.

A similar contradiction is found in the donor assumption of institutional capacity in government, combined with the donor practice of hiring the best government employees to work on contracts for the programmes supported by the same donor.

Fundamentally, the assumption of national capacity (for recipient responsibility and good governance) is only acceptable in the present environment of structural adjustment and changed roles for the public and private sectors, if more emphasis is put on active, high-quality capacity-building assistance. There is a continuous need for technical assistance to build capacity in core government institutions to overcome the dilemma that recipient governments themselves must be in charge of the reform of the public sector in the context of adjustment.

6. *Delivering services through institutions that need time for capacity-building*

Urgency is the enemy of capacity-building. The concern about efficiency and accountability, in the context of good governance, implies a pressure to produce and show results. In the short term, there is often insufficient patience for the efforts and time needed for capacity-building. This institutional dilemma is found at the level of individual, donor-supported programmes and is discussed in Chapters 5-7.

7. *Transparency and good governance vs. donor control and accountability*

Good governance implies a need for transparency and coherence in national policy-making and priority-setting. This is not easily reconciled with the pressure on donor agencies to control the use of their (tax payers') funds and to base their individual contributions to state building and national development on a coherent programme and institutional strategy for the individual developing country.

Chapter 4 examines the conflict between a coherent country programme (of a donor) and a coherent policy and planning framework of the recipient government. Chapters 5-7 discuss institutional implications of the pressure on donors to be accountable at home also for the use of resources on individual programmes.



## **PART II: KEY ISSUES**



## 4. Norway's Country Programming

As a central mechanism in Norway's state-to-state development cooperation a comprehensive country programming process is carried out every year with each of the partner countries. Fairly large human resources are vested, at least by Norway, in these processes. In this Chapter, the country programming process is examined on the basis of evidence from the three most recent country programming processes for the bilateral cooperation between Norway and Zambia / Zimbabwe.<sup>1</sup>

### 4.1 Objectives and Structure of the Country Programming Process

#### 4.1.1 The Objectives of the Norwegian and the Recipient Governments

On the *Norwegian side* the country programming process is linked up with a *hierarchy of plans and documents*. The goals and principles laid down in the Government's White Paper to the Storting, in NORAD's Strategy etc. (cf. Chapter 2) constitute the overall framework for Norway's development cooperation with all its partner countries.

In addition to these overall documents there are country-specific objectives and strategies. Hitherto, Norway has prepared a comprehensive Country Study for each of the partner countries every fifth year. The Country Studies, undertaken by independent teams of researchers, have been used as an input to the Ministry of Foreign Affairs' preparation of a *Country Analysis and Long-term Principles* for the development cooperation relating to the individual countries.

Since 1991, the mechanism has been changed and a *Country Strategy* covering a three-year period will replace the previous Country Study, Country Analysis and Long-term Principles. Country Strategies have so far been prepared for only a few partner countries.

The purpose of the Long-term Principles or the Country Strategy is to establish *the main country-specific objectives* for the cooperation and thus for the annual country programmes. The recent country-specific objectives for Zambia and Zimbabwe show an identical pattern, which may be the same for most African countries:

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<sup>1</sup> Country programme documents were prepared on Zambia for the years 1989, 1990 and 1992, covering the following periods:

- "Zambia landprogram 1990-93". NORAD 1989
- "Landprogram Zambia 1991-94". NORAD 1990
- "Landprogram Zambia 1992-95". NORAD 1992

For Zimbabwe country programme documents were prepared for the years 1990, 1991 and 1992, covering the following periods:

- "Landprogram for Zimbabwe 1990-93". NORAD 1990
- "Landprogram for Zimbabwe 1991-94". NORAD 1991
- "Landprogram for Zimbabwe 1992-95". NORAD 1992

For both countries the Agreed Minutes from the country programme negotiations are also examined.

- Basic support to the country's efforts to *restructure the economy* in the direction pointed out by the World Bank;
- Support to the *social sectors* to enable the country to meet the basic needs of the population during the period of restructuring;
- Support for proper management of *natural resources*;
- Promotion of *organisational pluralism and people's participation* in the development of the nation, with a specific focus on the role of *women*.<sup>1</sup>

According to the general guidelines<sup>2</sup> prepared by NORAD Headquarters the country programming process should follow this strategy:

- The *Country Programme* document, prepared by the NORAD Representation, processed within NORAD-Headquarters and approved by the Ministry of Foreign Affairs, should cover the following themes:
  - a) The political, economic and social situation and predominant trends in the partner country
  - b) Development plans
  - c) Objectives, strategies and relevant programmes concerning Norway's assistance based on overall Norwegian policies and lessons learned in previous years
  - d) Topics of a political character which should be discussed with the partner country's authorities
  - e) Goals, expected outcome, implementation strategies and funding needs for each of the programmes within the country programme.

The document is written in Norwegian and is not translated into English at any stage of the country programming process. It remains a preparatory policy document on the Norwegian side and is not submitted to the partner country's Government.

- The partner country's Government should be *informed informally* as a way of advance signalling of Norwegian topics and interests. The partner country's Government should be invited to *present its priorities* and indicate any suggestions for new programmes or alterations to the existing ones. In general, the guidelines presuppose a *comprehensive, informal dialogue* before the formal negotiations commence.
- From the Norwegian side, it is expected that the negotiations should be used as an opportunity for a *dialogue on selected, overall questions of a political nature*, dealing with themes such as democratization, decentralisation, progress of economic reforms, corruption, lack of accountability etc., as well as a discussion on the Norwegian *country-programme portfolio*.

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<sup>1</sup> See The Royal Norwegian Ministry of Foreign Affairs: "Zambia - Prinsippnotat for planperioden 1991-94", 1990. And "Zimbabwe - Prinsippnotat for planperioden 1992-95", 1992.

<sup>2</sup> See NORAD: "Mal for landprogramdokumenter", 1990. See also NORAD: "Landprogramprossessen", Note to the NORAD Representations in Africa, dated 24.01.92.

Norway's design of the country programming process seems to assume a situation where the two Governments during the annual process:

- Review topical development problems in the recipient country;
- Discuss strategies and efforts made by the partner country's Government to solve the problems;
- Define the overall need for contributions by foreign assistance; and
- Hence define a niche and a role for NORAD assistance.

Norway's aspirations and the principles behind the country programming process are rather *ambitious*, especially considering Norway's rank as a small or medium-sized donor in a large and complex donor community.

On the side of the *partner country*, the aim of the process is less ambitious. The country programming process represents an opportunity to:

- Discuss political preconditions underlying the development cooperation;
- Request assistance from Norway in those sectors and fields where a positive response is likely or even certain;
- Mediate a compromise of priorities; and
- Discuss the management of the development activities.

Typically, no specific 'country programme' is prepared by the recipient Government on the cooperation with Norway. Shortly before the negotiations, various line ministries, parastatals and implementing institutions are asked to give inputs to the preparation which is coordinated by a core ministry; in Zambia the National Commission for Development Planning, and in Zimbabwe the Domestic and International Finance Branch of the Ministry of Finance.

An essential part of the preparation is the attempt to *integrate the expected Norwegian development assistance into national plans and priorities*. This is - and should be - the primary interest of any partner country government. It would be inappropriate to expect this government to prepare specific country programmes for each of the donor governments.

Informal dialogues take place between NORAD and the different branches involved on the partner country side before the formal negotiations take place. In practice, the two delegations and Governments know each other quite well: they know each other's capacity, priorities, weaknesses, advantages, plans, financial resources, political framework and objectives, etc. Thus, the country programming process is largely a *functional meeting-place*.

To sum up: Country programming on the recipient side is, in theory and in practice, less ambitious than on the Norwegian side. This *imbalance in objectives and ambitions* is significant for the success of the process. It is problematic that one side is prepared for and expects a comprehensive process dealing with overall political themes as well as concrete programme issues, and the other side looks at the process more as a consensus-oriented 'market place' for bargaining and mediating.

### 4.1.2 The Country Programming Process

A similar *imbalance* is found in the country programming process as such. The analysis of the country programming processes in Zambia and Zimbabwe showed:

- The aid management process places *great strains* on the resources of the partner country, especially on core ministries, but also on line ministries and other government institutions involved.
- Both in Zambia and Zimbabwe, the government has to deal with *15-20 different multi- and bilateral donors* (as well as several NGOs), with different calendars, procedures and priorities. It is obviously impossible for it to spend an equal amount of time and resources on the country programming process with each of the donors, as the formal ambitions of Norway's country programming seem to expect.
- There is basically a *lack of equity* between a well-prepared Norwegian delegation and an overburdened partner country delegation with limited resources and capacity.
- One cannot expect the recipient country to take part in *dialogues on overall political issues* on national development several times a year with different donors. Lack of capacity is one problem. Another is the fact that the delegation on the recipient side consists of civil servants, who are not authorised to enter into political consultations between governments. The Norwegian delegation, on the other hand, has got its mandate and instructions from the Ministry of Foreign Affairs, covering topics also of a political nature which should be discussed with the partner country.

To illustrate this imbalance in resources it may be mentioned that the National Commission for Development Planning in Zambia has a total of only 12 desk officers (and 3 senior management staff) dealing with approximately 20 donors (excluding NGOs). Norway alone has 9 senior officers (including the Res. Rep. and the Deputy Res. Rep.) at the NORAD Representation in Zambia, as well as a number of staff at NORAD Headquarters and Ministry Departments in Oslo with Zambia as a major field of responsibility.

The similar figures for Zimbabwe are 10 programme officers dealing with donor aid at the Domestic and International Finance Branch of the Ministry of Finance, and three senior NORAD officers at the NORAD Representation in Harare.

Even if the country programming process on the Norwegian side is coherent and linked up with overall plans, strategies and long-term principles, a similar coherence is unlikely to be found on the recipient side. *Integration into national plans and priorities* demands both a well-functioning planning system and substantive plans which would enable the recipient to meet the donors on an equal basis and hence provide the donors' strategies and contributions with a well-defined role within well-prepared long-, medium- and short-term plans.

This is the situation in Zambia or Zimbabwe. In both countries, the economic structural adjustment plans that partly have been imposed on the governments by the

World Bank and IMF have *taken precedence over other policy-making and planning*. Insufficient sector policies and plans in addition to a certain lack of capacity in policy analysis and formulation represent a constraint on the use of the country programming process as an instrument for integration of the Norwegian assistance into coherent national plans and priorities.

The strong influence of structural adjustment plans has strengthened elements of *centralization*. In Zambia, for example, the macro-economic team of experts ('The Harvard Group') has obtained a very strong position within the Government, even if their status is merely advisory. The team of experts is supported as a programme by NORAD among others.

Both the PSIP (Public Sector Investment Programme) in Zimbabwe and the PIP (Public Investment Programme) in Zambia tend to be a non-prioritized *list of all projects* that are proposed or accepted for finance by donors or Government. Furthermore, when these plans are limited to a *one-year period*, they are quite insufficient as a framework for priority-setting on development activities. In Zimbabwe, it is expected that the PSIP will be developed into a three-year rolling plan which should improve the conditions for state-to-state cooperation.

The *different strengths and capacities among line ministries* also constitute a problem. Having competence to determine priorities is of little use, if the capacity to develop, implement and control programmes is not there. In Zambia and Zimbabwe the situation varies from sector to sector, but this is a key obstacle to coordination of donor and recipient development efforts through indigenous institutions.

In both countries there is a shift towards emphasizing the *sector level* in national planning and priority-setting. If planning capacity at the sector level improves, with a move towards sector reform programmes and elaborated sector policies, more emphasis should be put on development cooperation at that level.

To sum up: Lack of coherence, framework and procedures on the recipient side *reduces the possibilities for recipient responsibility*, which requires capacity for policy-making, priority-setting, implementation and control, and *increases the risk of donor-driven development activities*.

In this context, it is remarkable that the country programme, prepared by Norwegian authorities, remains *a Norwegian document*, written in Norwegian, not translated into English nor submitted to the partner Government at any stage of the process. Even if there are informal contacts in advance, including signalling of positions and priorities, it would be an improvement if the negotiations could deal with shared documents and hence make country programming more of a joint exercise. Apparently, SIDA's current review of its country programming process moves in this direction. Early in the process a common planning consultation is scheduled, based on inputs from both sides.

Such procedures may increase the administrative burdens on the partner government. On the other hand, the advantages of *a more common process* should in the longer

run reduce the amount of resources spent on preparations and negotiations on both sides, and it may distribute the burdens more effectively during the whole process. It should create conditions to support mutual openness and transparency in development cooperation.

#### 4.1.3 Country Programming in the Context of Aid Coordination

In addition to the question of coherence in the country programming process on the Norwegian and the recipient sides, the process should be linked up with the plans and priorities of other donors in the context of donor or aid coordination. In Zambia and Zimbabwe the Norwegian country programming process is informally linked up and coordinated with other donors' activities.

NORAD takes part in both *formal and informal discussions* of aid coordination, with other like-minded donors (Nordic countries, the Netherlands, Canada etc.) and the entire donor community in the country. It also responds to coordination initiatives taken by the authorities of the recipient country. No formal procedures or guidelines exist<sup>1</sup>, but the outcome of the discussions is channelled into the country programming process as premises for shaping an effective niche for the assistance in accordance with Norway's comparative advantages as a donor, a division of labour with other donors, and the real development needs of the country. Still:

- 1) There is an *imbalance* between the aid coordination fora headed by donors and fora where the recipient country takes the lead. Usually, the latter are weaker, with less influence and characterized by the fact that the real decision making possibilities are on the donors' side.
- 2) Since the 1980s, the World Bank and IMF have *strengthened their influence* over bilateral donors and the overall direction of development assistance. Even if Norway has expressed concern on the negative social consequences of the structural adjustment programmes, the Norwegian Government basically supports the World Bank strategies. In this connection it is therefore just as important to study how Norway acts at Consultative Group meetings as in the annual country programming process. To some extent the country programme seems to reflect the attitudes and strategies expressed at these meetings and thus repeat and strengthen, through this bilateral channel, the unified message from Paris.

This results in a risk of *donors' 'ganging-up'*, especially in countries highly dependent of foreign aid. Even if the recipient country from a formal point of view has powers to say yes or no to different types of foreign aid and to conditions underlying the assistance, the reality is that the country usually has to accept.

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<sup>1</sup> Neither the "Mal for landprogramdokumenter", nor the "Landprogramprosessen", *op.cit.*, prescribe aid coordination activities or request such issues to be discussed in the country programme.



## 4.2 Effectiveness in Reaching Institutional Development Objectives: Good Governance and Recipient Responsibility

This Section examines the contribution of the country programming process in the pursuit of the two key institutional objectives: *good governance* and *recipient responsibility*, that were defined in Section 1.2 and discussed in Chapter 2 in relation to the overall strategic documents guiding Norway's development cooperation.

### 4.2.1 Contributions towards Good Governance

According to the country programme documents for the past three years, including the Agreed Minutes, there has been a *remarkable increase* in statements underlining and describing Norway's willingness to stress issues relating to good governance. Some examples of the issues pointed at are:

- Norway sees *transparency in state administration, accountability and devolution of powers to local authorities* as central indications of good governance;
- Reflecting Norway's interests in the development of democracy, *support to NGOs* at all levels will be increased as a contribution to pluralism in society;
- Strong concern is expressed on the fact that *people's participation* in the political process, especially in planning and decision-making at local level is rather weak; and
- There is a need for comprehensive rationalisation and improvement of structures and procedures within the *public administration* to cope with the challenges of planning and implementation of development activities.

The Country Case Studies on Zambia and Zimbabwe concluded as follows on the reactions of recipient governments, follow-up actions and impacts:

- There is growing openness to discuss issues of a *political nature*, such as the ones mentioned above, in the country programme negotiations. It is possible to raise questions of a political and rather sensitive nature in the dialogue, without reactions indicating that this is interpreted as interference in internal affairs;
- The opinions expressed by Norway in the country programme negotiations are to a large extent concurrent with those brought up in Consultative Group meetings by the full donor community. The country programme negotiations may act as a *reminder and a reinforcement* of those signals, even if Norway is a donor of small or medium-sized rank and as such has limited influence;
- Despite Norway's explicit good governance objectives and increased emphasis on such issues in the country programme negotiations, there is a *gap* between the *diplomatic talk in annual consultations and at Consultative Group meetings* on the one hand and the *management of development cooperation programmes* on the other. Norway has only to a limited extent related its development cooperation to the institutional issues that lie between political diplomacy and development programme management.
- So far the country programme mechanism has not been used to give Norway a *significant role* in capacity-building for good governance.

In Zambia, Norway supports a few independent capacity-building programmes. As mentioned above, Norway supports together with other donors a team of macro-economic advisors attached to the Ministry of Finance (The Harvard group). Support is also given to a tax administration programme and to the Auditor General's Office. In Zimbabwe, Norway has concentrated its activity on national sector programmes and has so far supported no separate capacity-building programmes at the macro, or structural, level of society.

In both countries much of the assistance to processes of democratisation is kept *outside the country programme* through special allocations for culture, NGOs, women and environmental issues.

It is fully understandable that Norway cannot address all issues of good governance at all institutional levels in a country. Still, it is necessary, also for the credibility of Norway's overall institutional objectives, to be involved in *a few institutional issues* aimed explicitly at implementation of the good governance objective. If Norway stays out of this particular field, it is left open to the battles between the World Bank / IMF and the national government.

Involvement in such activities at the macro-level is difficult and the multilateral donors usually operate on the basis of a stronger mandate. According to attitudes expressed towards the Study Team by representatives of both the Zambian and the Zimbabwean Government, it is likely that *such initiatives will be welcomed* if taken by Norway, partly in order to achieve transparency also on the side of the donor community with respect to political objectives and attitudes.

Norwegian involvement aimed at bridging the gap between diplomatic talk and management of programmes would require changes in the profile, capacity and modes of operation on the Norwegian side, especially within NORAD. These consequences are discussed more comprehensively in Chapter 9.

#### **4.2.2 Contributions towards Recipient Responsibility**

The above-discussed issues related to good governance also apply to the consideration of the principle of recipient responsibility in the country programming process. As themes, recipient orientation and recipient responsibility are *mentioned several times and with increasing frequency* in country programme documents. Some examples are:

- NORAD has to accept that increased recipient responsibility and better integration of the development activities into national institutions and procedures *often involve extension of the implementation period*.
- Priority should be given to channelling the assistance through the *existing administrative structures*, especially the local administration. Particular attention should be paid to the use of local competence, training of personnel and strengthening of institutions.

- Before approval of a new activity, *plans for the transfer of responsibility* should be prepared. One should avoid giving financial support to institutions that are not able to take charge within the time limits agreed upon.
- *Lack of capacity*, a high turnover of staff and "brain drain", together with *rigid administrative systems* represent a constraint on effective recipient responsibility and should be addressed in the development cooperation.

Ideologically, the principle of recipient responsibility is frequently advocated in the country programming process. The Country Studies on Zambia and Zimbabwe concluded that there is *no basic discrepancy* between the recipient countries and Norway. The principle of recipient responsibility and integration of the development programmes into national plans and indigenous institutions on a sustainable basis is fully recognized on both sides as an overall objective.

Some of the likely *dilemmas* concerning this principle (cf. Section 3.3) have not yet been put on the agenda. There is, for example, a potential conflict between recipient responsibility and other key development objectives for Norwegian development cooperation: reaching the poorest population groups, gender equality, environmental protection, etc. There may also be tensions between the two main institutional objectives, recipient responsibility and good governance, as the former does not always result in the latter. If the political-administrative system is not democratic, recipient responsibility may be harmful, empower the bureaucrats and the elite, weaken people's participation and create a lack of confidence etc. How to tackle both the emphasis on recipient responsibility and target group orientation and good governance has so far not been solved in a satisfactory way.

In view of the institutional constraints on recipient responsibility, such as insufficient capacity, management weaknesses, brain drain, misappropriation of resources etc., it is not possible to reach the overall objective only by transferring and 'abandoning' Norwegian responsibility. *Capacity-building should be seen as a necessary precondition* for recipient responsibility. Norway may so far have interpreted the concept of capacity-building in a too limited way, viz. as technical assistance in the form of advisers and formal training. Capacity-building for recipient responsibility should take a comprehensive approach and use different instruments, as described in Chapter 7.

Hitherto, country programme negotiations have not seen *recipient accountability* as an integral part of recipient responsibility, including both financial and political accountability as well as accountability in relation to target groups. Accountability is required particularly to secure the *sustainability* of recipient responsibility.

The country programming process as such can only have a limited impact on recipient responsibility. The process at the *programme and sector levels*, relating to the choice of implementing institutions, institutional set-up, capacity-building efforts etc., is more important and, at times, decisive. Chapters 5, 6 and 7 analyze this process in greater detail, based on the studies made by the Team of selected, NORAD-supported development programmes in Zambia and Zimbabwe.

The role of the country programme is to function as a *framework* for discussing overall guidelines and conditions, dilemmas, constraints, efforts and implementation problems at programme level to obtain recipient responsibility. The country programming process is also the place to discuss dilemmas and challenges relating to the combined objectives of good governance and recipient responsibility.

Stronger emphasis on recipient responsibility requires changes in profile, capacity and modes of operation also on the Norwegian side, cf. Chapter 9.

### **4.3 Country Programming as a Mechanism of State-to-State Cooperation**

The country programming process includes both discussions of a political nature and negotiations on Norway's country programme portfolio, since state-to-state cooperation functions at these two separate levels. Section 4.2.1 described a challenge in the need to bridge the gap between diplomacy and programme management discussions. Here, a few measures and instruments are presented that might contribute to 'closing the gap'.

#### **4.3.1 An Institutional Country Strategy**

In Norway's pursuit of the principles of good governance and recipient responsibility, there is an element of unrealistic ambitions and a lack of follow-up strategies. To make the pursuit more realistic it may be useful to integrate into the country programming process the preparation and adoption of an *institutional country strategy*. It is essential strongly to underline that such a strategy should not be an additional and new kind of planning document but a compulsory theme to be discussed within the framework of the ordinary country programming process. The objectives of such a strategy should be:

- 1) To formulate a *common approach for all NORAD activities* in the country concerning the integration of the assistance into national institutions. For example, Norwegian aid to Zimbabwe is focused on assistance to national sector programmes implemented by line departments. In other countries, an area focus would, for example, require emphasis on local government support programmes.
- 2) To identify a *niche* (relative to other donors) for *separate Norwegian capacity-building assistance*, in addition to what is included in regular programmes. This capacity-building assistance should give substance to Norway's promotion of good governance and recipient responsibility and also facilitate the above-mentioned common approach to institutional development in Norwegian programme assistance to the country. The need for defining a niche is based on the assumption that a such more deliberate role for Norway in the recipient governments would be welcomed and preferred over an ad hoc approach.

NORAD's institutional country strategy, which necessarily will differ from country to country, depending on how well developed the government's policies and existing capacity are, should:

- Be *prepared jointly* by NORAD and representatives of the government of the partner country; hence, standard approaches should be avoided. It may be convenient, but not necessary, to prepare such strategy every year;
- Point out *goals, strategies, areas and measures* for capacity-building, based on assessments of the current institutional situation in the areas covered by development cooperation between Norway and the partner country;
- Clearly define the *roles and responsibilities* of the parties and describe time-limits and expected outcomes;
- Cover capacity-building activities both as *integrated aspects* of other programmes and as *free-standing* institutional development programmes; and
- Be based on a common planning process and hence be decided upon in the *country programme negotiations*.

In this connection it is of interest to look at Denmark's planned revision of its country strategy for Zimbabwe. Based on an evaluation of the country planning of Danish development assistance to Zimbabwe<sup>1</sup> DANIDA plans to prepare a revised country strategy for Zimbabwe concentrating on a few sectors. The preparation will be made in close consultation with the Zimbabwean authorities. To the extent possible, the strategy will promote sectoral programmes with an emphasis on institutional capacity-building.

#### 4.3.2 Separate Capacity-Building Assistance

The Norwegian Government's White Paper underlines that support for the development of competence and institutions will be an important element of Norwegian development cooperation, both as *a separate priority area* and as an integrated aspect of development cooperation in other areas<sup>2</sup>. As the Country Case Studies have shown, Norway is involved in few separate capacity-building programmes in Zambia and Zimbabwe.

A central issue to discuss in the preparation of the suggested institutional country strategies for these countries would therefore be the need for separate capacity-building assistance. As mentioned above, Norwegian capacity-building assistance for good governance and recipient responsibility would in many cases be welcomed by the governments, who are interested in securing pluralism and transparency in the advice of the multi-faceted donor community. A few examples of possible areas for Norwegian capacity-building assistance are provided in Section 7.3.

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<sup>1</sup> DANIDA: "Country Planning of Danish Development Assistance. Illustrated by the Case of Zimbabwe", Evaluation No. 1993/2.

<sup>2</sup> "Trends in North-South Relations and Norway's Cooperation with Developing Countries", *op.cit.*, p 33.

#### 4.4 Implications for Norway

The country programming process lacks activities and contents which may close the gap between the overall, state-to-state political discussions and the concrete, bilateral country programme portfolio negotiations. Norway's main institutional objectives, i.e. good governance and recipient responsibility, are frequently verbalized during the process, but the lack of implementation and follow-up at this level is critical.

The Study Team's analysis of the country programming process suggests the following implications for Norway:

- 1) The design of the country programming process should be reconsidered. The Norwegian objectives and expectations are too ambitious: They presuppose that the recipient country can and will take part in a comprehensive process which places considerable strains on its resources and capacity, in view of the large number of donors to each country.

Furthermore, there are elements of 'central planning' in the rationale of Norwegian country programming, viz. the implicit assumption that a niche for Norwegian assistance can be deducted from a dialogue on overall national development, public sector investments, and the role of foreign assistance.

- 2) The country programming process should be more of a joint process in preparation, planning and implementation. As a minimum, the key documents prepared for the process should be available to all parties, and should be written in English. Since recipient governments cannot and should not engage in comprehensive country programming for all their donor partners, the joint country programme documents should be brief, coherent statements on development cooperation objectives, priority-setting principles, country-specific institutional approaches (including needs for separate capacity-building assistance), and a relevant programme portfolio.
- 3) The country programming process cannot in itself contribute much to the two institutional development objectives: good governance and recipient responsibility. However, the process should involve all relevant institutional parties (including implementing organizations) in the partner countries and hence establish a common institutional framework and approach to cooperation at programme level. In a few selected fields of relevance both to good governance and programme management, the country programming process should lead to the identification of separate capacity-building efforts to be supported by Norway.
- 4) Norway should make efforts to strengthen the aid coordination initiatives taken by the recipient government, to minimize the risk of donors' 'ganging up' in coordination activities headed by donors. Capacity-building for aid management, especially in the sectors and areas that receive the bulk of Norwegian programme assistance, is a relevant field for separate Norwegian capacity-building assistance.

- 5) In conclusion, as an integral part of the country programming process, an institutional country strategy should be prepared, with two objectives: Firstly, to formulate a *common approach for all NORAD activities* in the country concerning the integration of the assistance into national institutions. Secondly, to identify a *niche for Norwegian capacity-building assistance*, in addition to what is included in regular programmes. This capacity-building assistance should give substance to Norway's promotion of good governance and recipient responsibility and facilitate the common approach to institutional development in Norwegian programme assistance to the country.

The institutional country strategy must be flexible; its preparation must not add to the administrative burden and institutional complexity of country programming in state-to-state cooperation. Therefore, the preparation of the institutional country strategy should be integrated into the regular country programming process, rather than resulting in a separate paper. In this way, the institutional country strategy should, in fact, minimize the burden and facilitate the unavoidable tasks of integrating Norwegian assistance into national institutions.





## 5. Integration of Aid into National Institutions and Operations

### 5.1 Introduction

Integration of Norwegian assistance into national institutions and their operations is the key criterion for success in the achievement of recipient responsibility in development cooperation. In its examination of six NORAD-supported programmes in Zambia and Zimbabwe, the Team distinguished between two types of integration:

1) *Institutional integration* concerns:

- the formal responsibility for the programme;
- the permanency of the parent institution; and
- the organizational structure of the programme.

A key indicator is the position of the implementing institutions in relation to other relevant institutions (users, suppliers, regulating bodies, competing agencies, donors, etc.).

2) *Operational integration* concerns:

- the inclusion of the programme in national or local plans and budgets;
- the use of national or local administrative procedures for reporting, monitoring, financial and quality control, etc.; and
- the degree of correspondence with national and/or local priorities.

The form and extent of integration vary considerably in accordance with the nature of the aid programme. It is necessary to distinguish between at least *four types of NORAD-supported, government implemented programmes*:<sup>1</sup>

- *Sector programmes*: Programme activities reach vertically from the policy and management level in line departments (Agriculture, Health, etc.) to extension staff in the field;
- *Integrated programmes*: Programme activities are multi-sectoral, involve several institutions, and are typically organized at district or regional level;
- *Project organizations*: Programme activities are focused and implemented through organizations that are independent of indigenous institutions; and
- *Separate capacity-building interventions*: Activities take the form of technical assistance projects that may be found at all levels of the public sector.

These four types are not mutually exclusive. This is clearly seen in Table 5.1. which relates the six NORAD-supported programmes, examined in Zambia and Zimbabwe, to the four programme types. The Table shows that the evidence, on which the

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<sup>1</sup> Commodity assistance, balance of payments support etc. are not addressed in this Evaluation.

Evaluation findings are based, covers several programme types, although confined to two countries only. However, separate technical assistance projects aimed at capacity-building in government institutions were not covered by the Evaluation.

**Table 5.1: NORAD-supported Institutional Programme Types in Zambia and Zimbabwe**

	Sector programme	Integrated programme	Project organizat.	Capacity-building
ZAM 007: Water Supply Programme in Western Province	A regionally based, partly integrated sector programme, which started as a project organization			
ZAM 020: Agricultural and Rural Development in Zambia	A regional, integrated programme which since 1993 comprises seven projects that cover elements of all the four different programme types			
ZAM 021: Rehabilitation and Maintenance of Secondary Schools	A vertical sector programme		Basically a project organization	
ZIB 007: National Rural Water Supply and Sanitation Programme	A national sector programme with integrated activities in districts			Part of sector programme
ZIB 015: Family Health Project	National sector programme			Part of sector programme
ZIB 017: Dairy Development Programme	A vertical sub-sector programme		Elements of a project organizat.	

It is significant that NORAD assistance increasingly is concentrated around *sectors* or *regions*. These programme types invite - and NORAD has responded to this invitation - more emphasis on institutional issues than was the case in the traditional, narrowly defined project organizations. This Report is very much about the appropriateness and effectiveness of NORAD's institutional approaches in the context of sector assistance and integrated programmes.

Sections 5.2. and 5.3. discuss strengths and weaknesses in *institutional* and *operational integration* of Norwegian assistance. Section 5.4. examines the extent to which NORAD has been involved in *institutional screening and choice* among relevant options of institutional arrangements for programme implementation.

## 5.2 Institutional Integration

*Projects* became the preferred mechanism of international development cooperation, for a number of valid reasons. Changes in their shape and organization over the years have reflected the changing emphases in development strategies: From the establishment of independent, modern project organizations for institutional enclaves; to integrated development management, and capacity-building in national institutions. Table 5.2 relates the NORAD-supported programmes to the five post-independence institutional development forms that were discussed in Chapter 1 (cf. Table 1.1).

**Table 5.2: The Institutional Development Approach in NORAD-supported Programmes in Zambia and Zimbabwe**

	Institution-building	Institutional strengthening	Development management	Institutional diversificat.	Capacity-building
Water Supply Programme in Western Province		Institutional dev. as a project component, involving central, local, community organizations in the management of public services			
Agricultural and Rural Development in Zambia	Management of regional, multi-sector programme activities through the provincial and district administration and a number of specialized institutions that are either existing or established under the programme				
Rehabilitation and Maintenance of Schools	Establishment of an implementation unit with the purpose of strengthening operational bodies at lower level				
National Rural Water Supply and Sanitation		Institutional strengthening of six line departments; Development management through coordination committees at central and local level; Capacity-building for decentralization etc.			
Family Health Project		Mix of institutional strengthening & programme management within line department			
Dairy Development Programme	Strengthening of programme organization within specialized government institution				

Table 5.2 presents the following significant findings on the institutional integration of Norwegian assistance to Zambia and Zimbabwe.

- 1) All six NORAD-supported programmes apply more than one institutional development approach. This signifies that most of the programmes are quite complex in institutional terms. It appears that *institutional programme design follows after agreement on the material programme objectives*. The institutional design becomes almost residual and ad hoc, to solve problems of programme management as they emerge during design and implementation. This was, for example, clearly the case with the Water Supply Programme in Zambia.

- 2) Only one, or perhaps two, of six NORAD-supported programmes has significantly moved into the 'capacity-building stage' of institutional development. This confirms the *instrumental attitude* which characterizes the institutional approach of ongoing NORAD-supported programmes: Integration into national institutions is needed for effectiveness and sustainability in implementation of agreed programmes.

Zimbabwe's National Rural Water Supply and Sanitation Programme is the most interesting exception. Since the late 1980s, NORAD has supported capacity-building among civil servants in central and local governments, and now the programme is contributing to the Government's attempts at devolution of decision-making powers to district authorities. Similarly, the last phase of the Water Supply Programme in Zambia's Western Province (1992-94) incorporates technical assistance particularly aimed at capacity-building in the central water supply administration and one district councils.

- 3) At least one NORAD-supported programme in each country has features of a traditional 'institution-building' approach to the establishment of *an effective project organization within a national institution*: the Zambia Education Projects Implementation Unit (ZEPIU) attached to the Ministry of Education; and the Dairy Development Programme (DDP) in Zimbabwe's Agricultural and Rural Development Authority. The interesting potential of this programme type is that both ZEPIU and DDP are independent institutions aimed at sub-sectoral development with a national coverage target. In this respect, their objectives and scope may be better integrated into national institutions than the programmes emphasizing 'development management' of an operational nature.

Some of the projects under Agricultural and Rural Development in Zambia, for instance the Soil Productivity Research Programme and the Fish Culture Development in Northern Province, represent the development of independent institutions aimed at sub-sectoral development within a national strategy.

Formally, six NORAD-supported programmes are institutionally integrated in accordance with the above definition: National, permanent organizations are in charge of programme implementation. Exceptions are found in the Rehabilitation and Maintenance of Secondary Schools in Zambia which is integrated into a temporary institution, and two projects under Agricultural and Rural Development in Zambia.

The country case-study on Zambia concluded that the programmes lacked institutional integration in one essential aspect: The NORAD-supported programme activities are so significant in terms of finance and other resources that they tend to *dominate* the regular, non-supported activities of the parent institutions. The same applies to the huge Family Health Project in Zimbabwe, which constitutes the bulk of the Government's investment programme for health and population services.

This aspect of institutional integration is often discussed in relation to the *sustainability* of programme activities and services (cf. Chapter 6). However, it is equally significant in its influence on the parent institutions' *priority-setting* on the allocation

and use of public resources. Large donor-supported programmes that are institutionally fully integrated tend to attract 'counterpart resources' of the least the following types: government investment funds and recurrent expenditure; human resources in the form of staffing posts and the most experienced national staff members; vehicles and other equipment requiring foreign exchange; administrative support, e.g. for the bending of national rules that may still apply to non-supported programmes; and political attention at all levels of society.

Thus paradoxically, the regular activities of national institutions can suffer from *too much institutional integration* of donor-supported programmes. The challenge is to strengthen the capacity of the parent institutions to make proper priority-setting in accordance with local needs and national policies. In general, NORAD has refrained from offering such broader capacity-building assistance. In the Rural Water Supply and Sanitation Programme in Zimbabwe, however, it is an explicit objective to enable the National Action Committee (comprising all relevant government departments) to integrate, set priorities for, and manage the assistance of all donors to the sector as well as the government's own contributions.

### **5.3 Operational Integration**

The risks related to 'excessive institutional integration' apply to operational integration as well. In fact, it is in the day-to-day operations management that donor-supported programmes tend to get preferential treatment, whether this is reflected in separate administrative procedures, budgeting processes, reporting formats or not.

Another difficulty in the assessment of the integration of Norwegian assistance into the operations of national institutions is related to the *starting-point in national plans and budgets*. In most African countries, the inclusion of a donor-supported programme in the medium-term plan or even in the government's annual investment programme says relatively little about the national priority attached to this programme, because practically no donor-supported programmes are turned down.

This is illustrated by the programme of Agricultural and Rural Development in Zambia. Except for one, the seven projects presently incorporated in the programme were included in the State budget (Yellow Book) for 1993. The projects, however, appeared as capital estimates with total figures only in the Provincial Permanent Secretary's allocations under the Office of the President, and the appearance did not indicate any priority setting by the Government.

In general, NORAD has put much emphasis on ensuring that the programmes supported by it appear in the national plans and budgets. This is seen as a contribution to and a sign of recipient responsibility. This emphasis is appropriate, but it cannot stand alone: The donors must contribute to ensure that the national plans and budgets *de facto* serve as a framework for and an expression of national policy-making and priority-setting. This raises two demands on donors like NORAD:

- 1) The donors must offer *capacity-building assistance*, particularly at the level of *sectoral and sub-sectoral policy-making and planning*, which is becoming critical as the mechanism to tie national policy objectives and strategies with those of individual development programmes (cf. Section 1.3).
- 2) The donors must *minimize the distorting effects* of the operational integration of their assistance. This covers a number of different fields: Adaptation of project agreements and budget periods to those of the recipient institution; application of national administrative procedures; minimization of donor-specific reporting requirements; integration of donor supervision missions with those of other donors to the sector; etc.

NORAD seems to have concentrated on the second task, whereas it has so far not engaged itself widely in the demanding capacity-building assistance. With respect to the procedural aspects, there seemed to be a difference in the findings of the two country case-studies. In Zambia, the Study Team noted examples of NORAD-specific budgeting systems and double accounting to comply with NORAD's financial monitoring requirements. In Zimbabwe, NORAD has gone further than most donors in minimizing the distorting effects and special requirements of its assistance. The Study Team found that NORAD in some cases had been too lenient in the provision of funds without demanding audited programme accounts, etc. NORAD has acknowledged this to be a problem in Zimbabwe, and measures are being taken to correct this.

In general, the extent and form of operational integration of NORAD-supported programmes is seen mainly as a technical question of ensuring *programme efficiency* and *financial accountability*. Based on the evidence in the country case-studies, NORAD has only recently started to use operational integration as a means of *capacity-building in national institutions*. Two important examples are:

- Assistance to the establishment of *monitoring and evaluation systems* that produce decision-oriented data on programme output, effectiveness and impact; and
- Assistance to the conduct of *workshops on logical framework analysis* which is used to clarify the contribution of the NORAD-supported programmes to overall development in the sector or area in question.

There is scope for more comprehensive NORAD activities in this field.

## **5.4 Institutional Screening and Choice**

Bilateral donor agencies have shown too little awareness of the possibility of an explicit *choice* among different *options for institutional implementation arrangements*. Considerations of institutional options and the choice of institutional partners are particularly important in the preparation phase of the project cycle, especially during identification and pre-appraisal. The choice should be based on a thorough

and systematic assessment of the possible implementation arrangements which typically take at least five different forms:

- Specialized institutions of central government, such as authorities, boards or corporations;
- Line ministry offices at all levels of society, i.e. departments of health, education, agriculture, etc.;
- Local (sub-national) authorities and their regular offices, specialized institutions and extension services;
- Non-governmental organizations (NGOs): international, national and local; and
- Ad hoc, autonomous project organizations, meant to be of a temporary nature.

Obviously, all five institutional options are not available to each programme, depending on the recipient government's policies on the role of local authorities, national NGOs, etc. Quite often, but not always, the government will have pre-determined the preferred institutional set-up, which however does not preclude a room-to-manoevre for the donor representatives in these early stages of the project cycle. It is necessary for NORAD as a donor agency, in collaboration with national institutions, to:

- 1) Undertake a thorough screening of the available options for institutional implementation arrangements, for the sake of effectiveness and sustainability;
- 2) Ensure involvement of intended beneficiaries in the initial screening of institutional options, especially for the sake of participation and accountability; and
- 3) Make an explicit choice of national partner institutions in accordance with the preliminary project objectives.

Such institutional screening and choice has - also in the case of NORAD - so far not been a part of the normal procedures of programme preparation. Similarly, institutional screening has not been used as a means of identifying organizational strengths and weaknesses in the target institutions of the programme. The screening should distinguish between the following institutional requirements, related to the basic characteristics of the chosen project institution:

- An institution without resources, which must be built up;
- An institution with some resources and some capacity, which can be used directly for programme implementation;
- A situation where there is no prior institution for programme activities;
- A programme for a number of institutions, possibly in several sectors; and
- A programme consisting only of budget support to an existing institution.

There was little evidence in the country case-studies of deliberate institutional screening and choice by NORAD. There are three reasons: Firstly, many NORAD representatives consider it inappropriate - and against the principle of recipient responsibility - for NORAD to engage in such a process. Secondly, there may be no institutional alternative available, for example to NORAD support to the Ministry of

Education, if agreement has been reached that Norway should support primary education. Finally, the actual institutional choice is often made very implicitly and the reasons cannot easily be re-established at the time of evaluation a decade later.

Many NORAD comments to the Study Team's country case-studies of Zambia and Zimbabwe were particularly critical about the Team's attempt to assess the appropriateness of original institutional choices and to examine possible 'missed opportunities' in the institutional screening and choice. Conversely, the Evaluation Office of the Royal Norwegian Ministry of Foreign Assistance requested the Team to put emphasis on the implications of past institutional choices. The evidence from Zambia and Zimbabwe is that NORAD in the past paid too little attention to institutional screening and choice, and that this has had significant long-term implications for the performance of the programmes and for the institutional challenges facing NORAD today. Just two examples:

For the *Rehabilitation and Maintenance of Secondary Schools in Zambia*, NORAD chose as implementing partner an autonomous unit established for the construction of schools under a World Bank loan. NORAD supported the strengthening of this unit, but has never managed to have it established as an integrated part of the Ministry of Education. The unit is presently in a process of winding up after the completion of Norwegian assistance in mid-1993.

For *Zimbabwe's National Rural Water Supply and Sanitation Programme*, NORAD offered extensive support during the period of institutional design in the mid-1980s, including the preparation of a Master Plan. This resulted in a very complex - though surprisingly effective - multi-legged, vertical implementation structure, carried by civil servants at central, provincial and district levels. The long-term institutional implications are that the now well-mobilized district officials face difficulties in operations management, because they must attract resources and implementation units from several central departments. As an outsider with a legitimate interest in programme effectiveness, NORAD could have played a more active role in ensuring that *options* for further decentralization of programme implementation authority had been reviewed and tested already in the mid- and late 1980s, instead of - as is now the case - through pilot programmes from 1993 onwards.

## **5.5 Implications for Norway**

Through its emphasis on recipient orientation and responsibility, NORAD has achieved more than other bilateral donor agencies in the integration of its assistance into national institutions. The two country case-studies showed, however, that this was less effective in Zambia as the administratively weaker country: Ad hoc solutions have characterized the institutional approach; and the recipient institutions and their operations have been so heavily influenced by Norwegian assistance that national and local priority-setting becomes pre-determined and too biased towards Norwegian programme objectives.

The above analysis suggests the following general implications for Norway:



- 1) NORAD should continue to emphasize *institutional integration* of its assistance in accordance with the objective of recipient responsibility. However, NORAD must be more aware of the likely distorting effects on actual *priority-setting* by the recipient institutions. NORAD must address this through explicit capacity-building assistance to its key partner institutions.
- 2) NORAD should refine the *operational integration* of its assistance, aimed at reducing the administrative burden on recipient institutions. The legitimate need for NORAD to monitor the use of Norwegian resources should be met through *capacity-building for recipient accountability*, not through NORAD-specific administrative procedures on monitoring and reporting.
- 3) NORAD should no longer allow *institutional programme design* to follow *after* the agreement on overall programme objectives. Instead, NORAD should involve itself actively in *institutional screening and choice* during the early stages of programme identification and formulation. To the widest extent possible, such explicit institutional screening and choice should be undertaken as a *joint exercise* with national institutions.

This should not be considered to be inappropriate interventions in national sovereignty. On the contrary, it is a precondition for recipient responsibility for policy-making and programme implementation.

- 4) In general, Norway should promote further the understanding in its development policies and in NORAD's organizational culture that *active capacity-building assistance is compatible with the principle of recipient responsibility*. This is required particularly at the level of *sectoral and sub-sectoral policy-making and planning*. New forms of capacity-building assistance are needed to enable Norway to pursue both good governance and recipient responsibility as institutional development objectives.

Instruments of active capacity-building assistance, to live up to the above-mentioned requirements, are discussed in Chapter 7 below.



## 6. Institutional Sustainability

### 6.1 Introduction

It was not possible for the Evaluation to make a comprehensive assessment of the *impact* of past Norwegian assistance in terms of capacity-building in the programme planning and implementing institutions supported by NORAD. Instead, an assessment of *institutional sustainability* has been used as an approximation: If the NORAD-supported programmes' present institutional arrangements appeared to be sustainable, past Norwegian assistance must have been reasonably appropriate in its direct and indirect effects on capacities in recipient government institutions.

In fact, it has been argued that the prospects for institutional sustainability could be used as a success indicator for all monitoring and evaluation of donor-supported development programmes. The assumption would be that if national / local institutions receive sufficient human and financial resources to continue programme operations after termination of donor support, then it must have been a high-priority programme for the recipient.

This argument neglects the fact that recipient responsibility - and hence institutional development - is not the only objective of Norwegian development cooperation. Institutional sustainability shows 'only' that the socio-economic and political *elite* has an interest in the continuation of the programme, and, in particular, that the programme *implementing bureaucracy* has vested interests and command of the resources necessary for continuation.

Still, with these provisos in mind, the factors behind institutional sustainability are very important for the performance of Norwegian assistance in the context of institutional development. This Chapter discusses six factors which taken together determine the institutional sustainability of programmes supported by NORAD.

### 6.2 Objectives and Values of the Involved Organizations

The conflict between *recipient responsibility* and *targeting* in Norwegian bilateral development cooperation is a direct threat to the institutional sustainability of NORAD-supported programmes. State-to-state cooperation is built on an assumption of common values and objectives, not only between the two governments, but also between national and foreign staff attached to the individual programmes as well as between the staff and the intended beneficiaries.

That this assumption does not hold water in day-to-day programme operations was established in case-studies in Zambia, where the interests of the programme implementing administration were not always identical and compatible to Norwegian values. On the other hand, Norwegian assistance had acquired a size and significance, especially in *Agricultural and Rural Development in Zambia (Northern Province)*,

which implied that Norwegian programme objectives and values had been adopted by provincial and district administrations, at least during implementation.

Obviously, the country programme negotiations and individual programme agreements are meant to bridge differences in objectives and values. However, even vigorous efforts to clarify the hierarchy of objectives during programme preparation cannot guarantee adherence to these and a common purpose during implementation. Institutional sustainability may be achieved in the form of expanded institutions and continued activities, but whether *Norway's* development policy objectives are being met and the intended beneficiaries are being serviced may not be guaranteed.

The national and international *programme staff* are the 'carriers' of this potential conflict. In addition, they share interests among themselves in attracting financial, human and political resources to their particular programme. These are unavoidable challenges, which a donor agency like NORAD must address through the following means:

- 1) *Establishment of clear and simple programme objectives.* The individual programme agreement is the key instrument for this; however, continued agreement on programme objectives is so critical for overall performance and sustainability that the appropriateness of programme objectives should be reviewed more explicitly also at the level of country programme negotiations between the two governments. In fact, such reviews should be considered one of the most important tasks of annual country programme negotiations.

*Simplicity* in programme objectives is a virtue that has been somewhat neglected both during *the integration drive of the 1970s*, where all basic needs should be fulfilled through one and the same programme, and during *the policy-oriented programming of the late 1980s*, which aimed at reaching from the national policy-makers and core ministries through all levels of line ministries to extension services in the field. The benefits from a more direct and one-dimensional link between programme objectives and institutional arrangements are discussed in Section 6.4 below.

- 2) *Emphasis on recipient accountability.* Introduction of mechanisms to ensure accountability of the recipient institutions is one way for NORAD to promote programme sustainability in accordance with the original programme objectives. Here, recipient accountability should be directed 'outwards' to the target group, instead of 'upwards' in the administrative hierarchy which is the tradition in developing country bureaucracies. A few examples of relevant mechanisms of outward accountability are:

- Communication, education and information activities;
- Hearing procedures as a link between local authorities and community organizations;
- Beneficiary participation during all stages of the programme cycle;
- Performance-related budgeting and financing systems; and
- User contributions for operations and maintenance of public services.

Capacity-building for recipient accountability during programme implementation can contribute decisively towards sustainability in programme values.

### 6.3 Formal Authority of Implementing Organizations

The move from independent project organizations towards institutional and operational integration has pushed NORAD into consideration of a number of legal issues related to the formal authority of implementing organizations. Two examples may illustrate the type of problems faced.

The multi-sectoral *Agricultural and Rural Development* in Zambia experienced many problems with respect to effectiveness and sustainability because its many projects were linked to more than one Ministry and to several administrative levels. Everybody was involved, and the Provincial Planning Unit was meant to coordinate, but no single institution had authority to ensure implementation. As a result, the various projects under the programme have now been rearranged under their appropriate sector and integrated vertically into the government administration. This reflects increased Norwegian focus on recipient responsibility and institutional sustainability, which is easier to achieve through the more direct link between project objectives and organization.

The multi-institutional *National Rural Water Supply and Sanitation Programme* has presented the Government of Zimbabwe and NORAD with two important problems of formal authority. Firstly, the programme combines a multi-legged implementation structure, through 5-6 line departments, with strong central coordination within policy-making, priority-setting and planning. This model, which has failed in most other countries, has been facilitated by strong political commitment by the Government of Zimbabwe and by NORAD-financing of head offices projects. With the upcoming formal strengthening of local authorities, the model may have to be changed in the direction of integration and devolution of programme authority to the Rural District Councils. NORAD is supporting the Government's considerations in this field.

Secondly, the programme's implementation structure has suffered from the classical 'mistake' of giving different institutions authority for budgeting / planning and for operations management / financial control. This was a result of the institutional choice of *coordinated planning* but *multi-legged implementation*. The fact that it has been quite effective in Zimbabwe, due to the strength of the coordinating bodies and to extensive Norwegian assistance, shows the difficulty in providing general prescriptions on a NORAD approach to the legal issues of programme authority.

However, *simplicity* and *coherence in planning and implementation authority* are likely always to contribute to programme sustainability, because it reduces the risks of either institutional vacuum or duplication of authority at the end of donor support. This approach is different from the aim to build programme structures that more directly respond to the perceived needs of beneficiaries, which was the strategy in the integrated programmes of the 1970s and early 1980s. In the simpler institutional

structures, that are advocated in this Report, the 'burden of integration' is transferred to the beneficiaries, on the assumption that they are well aware of their needs and capable of demanding and combining the necessary services from different institutions. If there is a need for 'capacity-building for integration', it should often take place in the communities (instead of in government bureaucracies), to ease the beneficiaries' entitlement and access to services from different institutions.

## 6.4 Organizational Effectiveness

The 'conflicting objectives in capacity-building assistance for state building' determine the organizational effectiveness of Norwegian assistance also at programme level. The directly relevant conflicts and dilemmas, which were discussed in Section 3.1.3, are:

- Recipient responsibility vs. targeting, effectiveness, decentralization, etc.
- A starting-point in government plans and budgets that are unrealistic
- Promoting a pluralistic society through state-to-state cooperation
- Assuming institutional capacity while reducing government staff and resources
- Delivering services through institutions that need time for capacity-building
- Transparency and good governance vs. donor control and accountability

Examples of all these dilemmas of organizational effectiveness were found in Zambia and Zimbabwe and are documented in the two country case reports. In addition, *four dimensions of institutional programme design* seem to determine the organizational effectiveness of NORAD-supported programmes:

- 1) *The nature of institutional solutions: Ad hoc or capacity-oriented.* In general, the bureaucracies of developing countries are exposed to donor- and government-instigated institutional changes and administrative burdens that are more frequent and fundamental than what their counterparts experience in industrial countries. Very seldom is the *capacity* of the implementing institutions assessed *before* the institutional programme design.

NORAD is no exception in this case, partly because its emphasis on recipient responsibility has made NORAD more inclined to accepting the recipient government's prior institutional choice. Furthermore, in an attempt to get close to the intended beneficiaries, the biggest institutional burdens are placed on district (or provincial) administrations that are expected to incorporate, coordinate, manage and deliver the services being provided through several channels from central government and donors. This situation was found in all the NORAD-supported sector and integrated programmes evaluated by the Team in Zambia and Zimbabwe.

For example, it was only in Phase 2 of the *Family Health Project* in Zimbabwe, where the Norwegian assistance is managed by the World Bank, that programme planning was fully integrated into regular Ministry of Health departments, and it is only in 1993 - six years after the start of Phase 1 - that a

Management Procedures Manual is being distributed to assist government officials at district and provincial levels in planning, budgeting, implementation support, monitoring and reporting on this USD 170 million programme.

Another example is the *Agricultural and Rural Development in Zambia*, where the various projects under the programme only now are being reorganized under their appropriate Ministries for integrated planning.

- 2) *The institutional complexity of donor-supported programmes.* In addition to a readiness to respond to constant changes in their administrative environment, recipient government officials have to cope with institutional and financial programme structures that are almost too complex to be presented in an organization chart. Among the six NORAD-supported programmes reviewed by the Team, three programmes involve so many institutions and levels of government that it is practically impossible to determine their organizational effectiveness: *Agricultural and Rural Development in Zambia*; *Water Supply Programme in Western Province*; and *National Rural Water Supply and Sanitation Programme*.
- 3) *The quality of the donor / recipient dialogue on programme management.* The inclination for the donor to engage in 'micro-management' during review missions and annual programme meetings, out of concern for efficiency and financial accountability, is wasteful and sometimes even counter-productive from the point of view of organizational effectiveness, institutional sustainability and recipient responsibility. Detailed supervision and management is required, but it should be undertaken by national institutions that may then be given capacity-building assistance for such tasks. NORAD should endeavour to raise the management dialogue to the level of policies, programme output and impact. This requires a willingness for open dialogue on both sides and monitoring and evaluation systems aimed at structural performance indicators.

The three NORAD-supported sector programmes in Zimbabwe had reached quite different 'levels' of management dialogue. The *Rural Water Supply and Sanitation Programme* benefitted strongly from a consistent NORAD willingness to support the systematic solution of problems of national sector management. In the *Family Health Project*, neither the Government nor the World Bank (as the lead donor) seemed - in the view of the Study Team - to have raised the dialogue to the level of policies and overall programme effectiveness. On the *Dairy Development Programme*, NORAD is in the process of reviewing its technical contributions, after an initial explicit decision not to try to influence basic programme management.

Also the three programme cases studied in Zambia showed different 'levels' of management dialogue. The dialogue on the *Water Supply Programme* in Western Province resulted in broad sector support for water supply with institutional benefits also for the central Department of Water Affairs. For the *Agricultural and Rural Development in Zambia* an extensive micro-management dialogue over many years has gradually moved upwards to the policy and

strategy formulation level. With regard to the *Rehabilitation and Maintenance of Secondary Schools in Zambia*, the dialogue with the Ministry of Education was weak and finally ended in disagreement on institutional issues.

- 4) *The focus on supplies or on demand fulfilment in the delivery of services.* Most NORAD-supported development programmes comprise the delivery of services aimed at reaching the target group. Organizational effectiveness and the sustainability of programme impact depend to a large extent on the design and orientation of the service delivery systems. For them to focus on demand fulfilment, the above-described mechanisms of recipient accountability should be included in the design.

The country case studies indicated that the NORAD-supported service delivery programmes are neither better nor worse than most other donor-supported programmes with respect to the focus on top-down delivery of services.

Finally, organizational effectiveness obviously depends on the extent of 'by-passing' of national institutions, which may yield short-term efficiency gains. Such programmes cannot be institutionally sustainable, but they may be socio-economically sustainable if the project organizations have managed to *empower* the target group within the project period; in this case, there would be no need for institutional sustainability.

It lies outside the scope of the Evaluation to assess whether such empowerment has been achieved *in lieu of* institutional sustainability. The issue of by-passing is related to the institutional and operational integration of Norwegian assistance that was discussed in Chapter 5.

## **6.5 Financial Resources**

None of the NORAD-supported programmes in Zambia and Zimbabwe are financially sustainable as independent self-financing institutions. There have been *few attempts at cost recovery*, which means that all programmes depend heavily on government revenue and/or donor funds. This critical assessment must be qualified in three respects, however.

- 1) In sub-Saharan Africa of today, very few government- and donor-supported development programmes can be characterized as financially sustainable. The economic crisis and the increasing demands, partly due to high population growth, are so severe that self-financing programmes are seldom realistic.
- 2) In the context of economic adjustment, debt repayments etc., NORAD is primarily supporting programmes in the social sector that are essential for minimizing the human costs of adjustment. Cost recovery through user payments for social services should under these circumstances only be introduced, if it can improve the effectiveness of delivery systems through increased reliability and greater staff commitment.



- 3) In some programmes, the beneficiaries contribute significantly in the form of labour, land and materials, e.g. for water supply and sanitation services. This is essential for programme sustainability, although it tends to imply an increase in the number of people served rather than a reduction in the financial burden on governments. In fact, many development programmes suffer from an erroneous assumption of endless resources of 'free' labour resources (especially among women) available for beneficiary contributions. In particular, gender analysis is always needed to ensure that the burden of community participation is not carried primarily by women.

*Phasing-out* of the Norwegian assistance, through a planned reduction in NORAD's percentage financing of programme costs, has its primary values at the *political* level, viz. as a sign of Norway's seriousness in pulling out of a given programme. In view of the ad hoc budgeting practices of most recipient governments and of the 'fungibility', i.e. the supplementary and exchangeable nature, of aid and government revenue, planned percentage reductions are of questionable value to programme implementing bodies. They are a potential excuse for the donor, who can point to 'warnings' several years back, but who - after all - often cannot stick to the phasing-out plan, when it proves to be devastating to the programme in question.

A particular problem of financial sustainability was noted in the programme type that combines the *national scope of a sector programme* with *concentration of resources in selected districts*. The rationale of such concentration is that individual districts should be fully 'upgraded', in terms of physical infrastructure and management capacity, before the programme moves to new districts. The problem is twofold. Firstly, in the initial stages of the programme, the non-priority districts are deprived also of government funds that are needed as counterpart resources to the priority districts. Secondly, operational levels, including staff motivation, cannot be sustained in those districts that have been 'completed' and hence are deprived of both government and donor funds, as the programme moves on to new districts in the gradual strive for national coverage.

Concentration of donor resources in selected districts or provinces may also tempt the government to relocate resources to other geographical areas. The Northern Province in Zambia offers an example of how an area has become increasingly dependent on donor funds. The Zambian Government's investment budgets have been reduced in real terms as donor funds have increased. The relation between donor assistance and Government investments was 2 to 1 in the late 1970s when the first NORAD supported projects were implemented. This relation had increased to 100 to 1 in the late 1980s, involving 35 donor funded projects (12 supported by NORAD). The Government has over the years increasingly relocated funds to other provinces that receive less donor support than the Northern Province.

In most African countries, *privatization* and *decentralization* are seen as a means to minimize the financial burden on Treasury. NORAD should contribute to ensure that a transfer of the task of taxation, cost recovery and other resource mobilization is not the only rationale behind privatization and decentralization. Equity, democratisation and general effectiveness must be considered in such efforts.

## **6.6 Human Resources and Management Capacity**

The availability of well-trained and experienced staff members and the presence of indigenous management capacity are all-decisive for the institutional sustainability of NORAD-supported programmes. Within the confines of the present Evaluation, the Study Team was unable to make independent assessments of the quality of the human resources and the management capacity at the institutions implementing NORAD-supported programmes. Hence, only a few general lessons are offered.

### *1) National professionals, brain-drain and AIDS*

Developing countries have benefitted considerably from past investments in secondary and higher education. Gradually, well qualified national professionals are employed throughout the public sector. In Zimbabwe, this has reached district administrations that are blessed with impressive staff complements. The situation is, however, different in Zambia, where major deficiencies in the public sector in peripheral areas often are attributed to problems related to the quality of human resources and management capacity.

Brain-drain to the private sector, to NGOs and abroad is still a significant problem in most countries in Africa. The result is that although national institutions of higher education have produced an increasing number of qualified professionals, individual public sector institutions are still critically understaffed at the professional level, when compared for example with similar institutions in industrial countries.

This is especially the case in technical departments and institutions, relying on engineers, medical doctors and technicians, but it also applies to management departments. As discussed in Section 4.1.2, the National Commission for Development Planning in Zambia is staffed with only 12 desk officers to manage aid portfolio negotiations with some 20 donor agencies. Among these, NORAD alone has nine senior offices at its Representation in Lusaka, plus a number of staff members at NORAD and Ministry headquarters in Oslo who have Zambia as a major field of specialization.

Many reasons are behind people leaving their own countries to establish a better life abroad. Lack of a feeling of national belonging and of economic opportunities, political oppression and the belief that the western world represents the future are only some of the reasons. It has been estimated that one third of the educated labour force in Africa had moved to Europe before 1987.

Ironically, the donor community represents one of the instruments for this negative development. Award of long term scholarships and engagement of professionals in donor institutions and programmes often provide the necessary foundation and starting-point for professionals seeking opportunities to establish themselves in a more prosperous country.

As indicated above, the Study Team could not make detailed assessments of human resources developments. According to many sources the overall situation with regard

to the brain-drain is more severe in Zambia than in Zimbabwe, as there is a tendency for qualified Zambian professionals to take up better paid employment in Zimbabwe. Thus, higher education in Zambia is suffering from this regional migration of professionals.

The spread of AIDS seems to be affecting the educated elite proportionally more than other population groups, due to the higher mobility of the elite. The increasingly severe situation has even led some donors to raise questions about the long-term benefits of scholarship programmes and other capacity-building incentives. The focus must increasingly be on capacity-building in institutions, not 'just' in individuals.

## 2) *Donor influence on the utilization of human resources*

The improved human qualifications in the public sector are seldom matched by effective distribution of resources, without which even the best management capacity can do nothing. Relatively speaking, the importance of access to donor resources increasingly determines whether the improved management capacity is being used.

The capacity of public service institutions is also undermined by project organizations that are established for specific donor objectives, whereby the project organization may employ civil servants (directly or by secondment) or divert the attention of public service institutions from their original tasks. Special and extra incentives offered by donor funded programmes may also lead to qualified professionals moving from one programme to the other instead of strengthening the capacity of indigenous institutions.

## 3) *Lack of commitment and misappropriation of resources*

The improved human qualifications have not reduced the extent of misappropriation of resources in the public sector. On the contrary, corruption may have increased as a result of unfulfilled expectations: Real salaries are lower and incentives are fewer, at least in Africa, and a university education is no longer a guarantee for secure public employment.

Here again Zimbabwe seems better off than Zambia, where the morale and commitment to work in the public service has severely deteriorated, not only among potential job seekers, but more seriously among already employed civil servants. In Zimbabwe, there is an increasing risk that the still high work morale in sub-national government institutions may suffer from a decline in commitment at central level and a worsening of hierarchical attitudes. The organisational culture of a public sector bureaucracy is to a large extent determined top-down, and a decline at higher levels tends to reduce opportunities for capacity-building at lower levels.

NORAD faces, as discussed in Chapter 3, a real conflict between its emphasis on recipient responsibility and good governance on one hand and the increasing concern in Norway about accountability and value for money in the aid administration. Capacity-building assistance is the key 'positive' measure that can be used to minimize this conflict. But it is necessary for donor governments and countries to

accept larger risks in the use of resources by developing country institutions than what they are used to in industrial countries. If no risks are taken, i.e. if full donor control is ensured, there will be no recipient responsibility and no capacity-building for good governance.

#### 4) *Organized training*

The continued focus on organized training (including scholarships and study tours) in human resources development and management capacity-building is insufficient. It must be supplemented with other types of capacity-building (cf. Chapter 7), which also reflect the changing roles that are emerging for much of the public sector: Creating an enabling environment, targeting the most vulnerable, guaranteeing human rights, etc.

In some instances NORAD has found it difficult to support manpower development due to the local preference for long-term overseas scholarships. As a result, NORAD is increasingly stressing the need for comprehensive manpower development and training plans with broader elements of capacity-building than training. Examples are the *National Rural Water Supply and Sanitation Programme* in Zimbabwe and the *Agricultural and Rural Development in Zambia*.

Norway's overall institutional development objectives (good governance, recipient responsibility and accountability) can only be achieved through innovative forms of capacity-building assistance, as discussed in Chapter 7.

## 6.7 Implications for Norway

Through the emphasis on recipient responsibility, Norway gives high priority to the achievement of *institutional sustainability* in its programme cooperation. Programme implementing institutions should have the necessary financial, technical and human resources and administrative capacity to continue their functions after termination of NORAD support. The analysis has the following general implications for Norway:

- 1) NORAD should incorporate assessments of the *prospects for institutional sustainability* in all stages of the programme cycle. It should be an important criterion in the process of screening and choice of institutional arrangements for individual programmes. However, the objectives of recipient responsibility and institutional sustainability cannot stand alone. The vested interests of the elite and the bureaucracy must be weighed against the capacity of the institutions to reach the target group and the long-term development objectives.
- 2) NORAD should pursue the inclusion of instruments of *recipient accountability* in the institutional design of programmes. These are needed to increase the chances that programme implementing institutions remain committed to agreed programme objectives and values. Instruments aimed at 'outwards' institutional accountability to the target group include:

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- Communication activities;
  - Hearing procedures;
  - Organized beneficiary participation;
  - Performance-related financial systems; and
  - User contributions for operations and maintenance.
- 3) *Simplicity* in institutional arrangements should be emphasized, to the extent of establishing two or more programmes with separate objectives, instead of forcing too many institutions at different levels of government to cooperate. NORAD is better equipped for coordination of programmes than recipient institutions are for coordination of activities within one programme. The lowest levels of government should not be over-burdened with coordination tasks as a result of too complex institutional arrangements and unclear lines of authority.
- 4) *Coherence in planning and implementation authority* should always be pursued for the recipient institutions. Split authority, with some institutions in charge of planning and others in charge of implementation, tends to lead to institutional vacuums or duplication of responsibility.
- 5) NORAD should adopt the following *approaches to organizational effectiveness*:
- Avoiding by-passing of national institutions;
  - Seeking solutions to institutional problems where the solution reflects the existing capacity of the participating institutions;
  - Raising the quality of donor / recipient dialogue on programme management to the level of policies, programme output and impact, and hence avoiding micro-management;
  - Minimizing the implications of brain-drain by aiming at capacity-building in institutions instead of primarily in individuals; and
  - Emphasizing demand fulfilment in the delivery of services.
- 6) NORAD should support experiments with *cost recovery* and *burden-sharing* aimed at *financial sustainability*. However, financial sustainability must not be the only objective: Such experiments should aim also at *effectiveness* and *democratisation* through involvement of users and beneficiaries. This multi-purpose approach should also apply to Norway's involvement in measures aimed at privatization and decentralization, which should never be viewed only as financial adjustments.
- 7) NORAD should ensure that the human resources development efforts under NORAD-supported programmes comply with the *measures by core institutions* of the recipient government, such as the Ministry of Finance and the Public Service Commission, to retain key staff and to improve management and accountability practices in the public sector. NORAD should minimize programme-specific systems of both incentives and accountability, and accept that the risks of misappropriation of resources will remain larger in developing countries, precisely because these are still developing an indigenous capacity and culture for good governance and public sector management.



## 7. Capacity-building Assistance in the Project Cycle

### 7.1 Introduction

Capacity-building / institutional development requires much more than formal training. There is at present a general move 'upwards' or 'upstream' in international development cooperation, as reflected in the emphasis on policy dialogues, adjustment and sector reform programmes, balance of payments support, etc. In institutional terms this implies increased donor involvement in capacity-building at the level of policy preparation, strategy formulation, medium-term planning, and design of enabling management regimes that use incentives as the means of government intervention and focus on facilitating (rather than controlling) services.

Furthermore, the continued problems of brain-drain have, as discussed above, led to a need for capacity-building in institutions, where the training of individuals can only be one among many instruments. Traditional technical assistance, which relied on long-term (operational) advisers, scholarships and other forms of formal training, cannot live up to these new requirements. This presents donors like NORAD with a series of challenges in capacity-building assistance, both as independent efforts and as elements in regular project assistance.

This Chapter examines NORAD's experience and position in this move towards more diversified capacity-building assistance. Unfortunately, the programme cases evaluated in Zambia and Zimbabwe did not include NORAD-supported 'stand-alone' technical assistance projects exclusively with capacity-building objectives. The Chapter discusses the different forms of capacity-building included in the sector and integrated programmes supported by NORAD in Zambia and Zimbabwe, followed by a review of the institutional requirements during the different stages of the project cycle.

Monitoring and evaluation are discussed briefly in relation to their usefulness as institutional learning mechanisms for both donor and recipient. Finally, implications for Norway are discussed primarily with respect to the need for greater NORAD involvement in 'stand-alone' capacity-building assistance to 'close the gap' between country programming and overall policy dialogues on one hand and capacity-building as components of NORAD-support programmes on the other. The existence of this gap was discussed in Chapter 4.

### 7.2 Capacity-building as Programme Components

Norwegian assistance to the *National Rural Water Supply and Sanitation Programme (NRWSSP)* in Zimbabwe was the most innovative of the six programmes evaluated with respect to the use of a diversity of *capacity-building instruments*. It is therefore used here as an illustration of capacity-building instruments available to NORAD:

- 1) *Organized and in-service training*: Priority is given to in-service training of staff and participants at all levels, from pump minders and communities, to extension workers and higher level officials. However, implementation has generally been slow.
- 2) *Financing of workshops and seminars*: Generating commitment from all parties to NRWSSP objectives and strategies has been achieved through an impressive use of policy-oriented workshops at critical times in the development of the integrated approach. These workshops which have been financed by NORAD and other donors have lasted up to one week and have been organized approximately every two years.
- 3) *Analysis of policy and strategy options*: The NRWSSP has literally been flooded with policy-oriented studies addressing especially options for institutional arrangements (including different forms of decentralization), for cost recovery, for the organization of operations and maintenance, for community participation and mobilization, etc.

The impressive flow of policy studies and documents has had one paradoxical drawback: There has been a tendency to focus on the *achievements* of the programme, partly in order to sustain the commitment of the many participating government departments. Still, the policy-oriented studies have been instrumental in improving the quality of programme management and in generating commitment and a strong sense of national ownership of the programme.

- 4) *Establishment of new institutions*: This has been the preferred approach to capacity-building for management of the integrated programme and promotion of inter-ministerial cooperation. The institutions that have been established all deal with coordination, centrally and in the provinces and districts. At province and district levels, the sector-specific coordination mechanisms were new institutions, but were very closely attached to existing coordination structures.

They involve all relevant line departments, including Finance and Planning at national level. While the National Action Committee has been essential for policy-making and harmonisation of approaches, the District committees have been critical for local mobilisation and implementation support.

- 5) *Development of new planning and priority-setting procedures*: A bottom-up approach to planning and budget preparation is a key institutional achievement of the NRWSSP. With technical assistance from NORAD, guidelines have been prepared, which - especially in the past - through standard programme designs have set rather strict limits on the room-to-manoeuvre for local decision-making.
- 6) *Provision of flexible funds*: NORAD has used this mechanism of capacity-building in two ways. Firstly, since 1987 NORAD has financed head offices projects that have provided all the central government line departments with an incentive to participate in the programme; hence, the de facto flexibility with



which these projects have been used is partly intentional. Secondly, NORAD has in the 1992-95 project agreement gone far in offering financial sector support whose actual use is determined annually through the programme's bottom-up planning procedures.

- 7) *Provision of advisers:* NORAD has gone from heavy reliance (in the first half of the 1980s) on international consultants and expatriate advisers, to a large complement of expatriate and national advisers, and on to a situation of mainly Zimbabwean advisers. This gradual change has impressively led to good use of national consultants as the carriers of capacity-building assistance.

During 1987-91, the post of National Coordinator was held by two Norwegians, i.e. not by a Zimbabwean with a Norwegian counterpart. Placing an expatriate in the role of National Coordinator can only be justified by his *catalytical* tasks. If he had had *formal coordination* powers, it would not have been appropriate to place a Norwegian in this position, especially in view of Norway's traditional emphasis on recipient responsibility. As it is, all parties agree that the two Norwegian incumbents played decisive, non-partisan roles in the initial mobilization of Zimbabwean civil servants in all line departments and at all levels of government.

At least one significant instrument of capacity-building, that were not applied explicitly in the programme in Zimbabwe, must be added to this list:

- 8) *Staff retention measures, including salary incentives:* The need for donor agencies to support national institutions so that these can retain their staff is widely acknowledged, but it is a highly sensitive and difficult field for donor interventions. If it is done through programme-specific salary incentives, such as topping-up salaries or generous per diem for training and/or field visits, it has clearly distorting effects on national priority-setting on the use of human resources in the public sector.

The most appropriate, but also very demanding, approach is to support the introduction of staff retention measures, including performance-related salary incentives, *throughout the public sector*. This requires a common approach by the key donors to public sector institutions. It also requires direct cooperation with the *Public Service Commission*, or similar core institutions in the recipient government. Here, the problem is that some governments, including that of Zimbabwe, is hesitant in allowing direct donor cooperation with their Public Service Commission, since this is considered as a too direct involvement in sensitive national affairs.

These eight types of capacity-building assistance obviously cannot be applied to all NORAD-supported programmes. Table 7.1 examines their relevance and usefulness in relation to the four institutional programme types discussed earlier.

**Table 7.1: Relevance of Capacity-building Instruments to Different Institutional Programme Types**

	Sector programme	Integrated programme	Project organ.	Capacity-building
1. Training	X	X	X	X
2. Workshops and seminars	X	X	X	X
3. Policy studies	X	x		X
4. New institutions	X	X		x
5. Administrat. procedures	X	x	x	X
6. Flexible financing	X	X	x	x
7. Advisers / consultants	X	X	X	X
8. Staff retention incentives	X	x	x	X

X = major relevance      x = some relevance

The table shows that all eight capacity-building instruments are directly useful for Norwegian support to *sector programmes*, as was demonstrated in the case of rural water supply and sanitation in Zimbabwe. In relation to *integrated programmes*, all eight instruments may be useful. However, it is not always possible for the donor to area-based integrated programmes to become involved in 'policy studies', the establishment of 'new national administrative procedures', and introduction of nationwide 'staff retention incentives'.

The table also shows that NORAD assistance to programmes that are implemented through independent *project organizations* must rely on more narrow and traditional forms of capacity-building: 'training'; 'workshops and seminars'; 'advisers and consultants'; and some 'flexible financing', 'new administrative procedures' and 'staff retention incentives'.

Most of the capacity-building instruments that are used as components under broader programmes are also useful for *separate capacity-building projects*, i.e. technical assistance activities financed by NORAD and aimed directly at strengthening existing institutions. Such projects normally do not include financing as a capacity-building measure, and they should primarily be aimed at existing institutions.

Another dimension in the choice of capacity-building instruments concerns the objective of the intervention. It is possible to distinguish between four objectives of capacity-building efforts at programme level: *increased programme effectiveness; enhanced participation in the programme; improved sustainability of programme activities; and stronger accountability in programme implementation.*

All eight capacity-building instruments can be used to increase the overall *effectiveness* of the programme, i.e. its capacity to reach the goals and targets established for the Norwegian support. Ensuring *participation* by all concerned parties is also a feasible objective of most of the capacity-building instruments, aimed at participation both by government bodies and by the communities and the target group. If the aim is to improve programme *sustainability*, capacity-building should concentrate on human resources development (through training, workshops, staff retention, etc.) and on the establishment of stronger administrative procedures and occasionally institutions. Finally, improved *accountability* requires in particular human resources and procedural development.

### 7.3 Institutional Concerns in the Stages of the Project Cycle

All forms of development cooperation, including assistance to sector programmes, are implemented through *project agreements*. NORAD and its partners therefore go through *the project cycle* in the management of their cooperation. The country case-studies in Zambia and Zimbabwe have confirmed that NORAD faces different institutional tasks during the different stages of the project cycle. The four key institutional demands on bilateral donor agencies like NORAD are that they should:

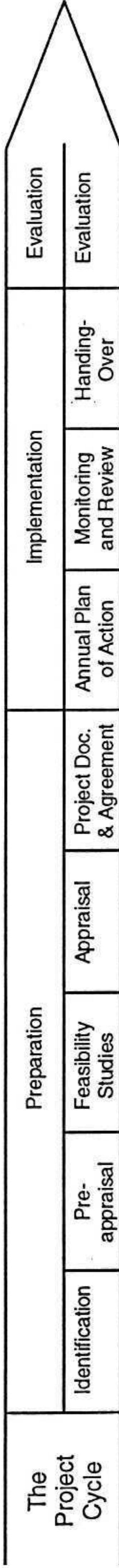
- 1) Screen the capacity of and choose among potential institutional partners, particularly during identification and early preparation of programmes;
- 2) Ensure a direct - and simple - link between programme objectives and the institutional design; this is especially relevant during the detailed formulation and adoption of programme agreements;
- 3) Make flexible use of all the above-discussed, relevant instruments of capacity-building, which of course is primarily needed during programme implementation; and
- 4) Promote institutional sustainability of the programme activities and/or benefits; this is very important during both programme preparation and implementation.

Figure 7.1 illustrates the phases in the project cycle in which these four demands on the donor are to be given particular attention.<sup>1</sup> The overlapping requirements between phases are easily seen. The demands are "ideal" in their requirements to development agencies. They are objectives to be remembered and considered in the daily work with institutional aspects of development cooperation. Furthermore, in the context of, for example, assistance to sector programmes, the parties will typically go through the stages of the project cycles more than once, depending on the length of the donor commitment to the particular sector programme.

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<sup>1</sup> The figure was prepared for DANIDA: *Institutional Development. Effectiveness, Participation, Sustainability and Accountability*, op.cit., p 11.

# Institutional Concerns in the Project Cycle



Institu. Screening and Choice	Most Important	Important	Less Important
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Proj. Objectives & Institu. Design	Important	Most Important	Less Important
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Institutional Capacity Building	Less Important	Most Important	Important
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Institutional Sustainability	Less Important	Most Important	Important
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Figure 7.1 is only partly relevant to *free-standing capacity-building projects*, i.e. the provision of technical assistance to government institutions outside the framework of broader programme agreements. The country case-studies of Zambia and Zimbabwe revealed a need for Norwegian capacity-building assistance to 'close the gap' between the policy dialogue in the context of country programming on one hand, and the dialogue on programme management in the context of individual programme agreements on the other.

The types of activities that are relevant for direct Norwegian capacity-building assistance would differ between countries, depending on the contents and focus of Norway's country programme. However, the following fields are likely to be relevant in most partner countries:

- 1) Examination of *policy options* for Ministries of Education, Health, Women's Affairs, Rural Infrastructure, etc., in the context of programmes aimed at the social dimensions of adjustment;
- 2) Strengthening of the national capacity for *aid management in social sectors*, e.g. coordination of donor programmes aimed at particular target groups;
- 3) Establishment of *permanent monitoring and evaluation systems*, to follow the effects of economic policy changes on the most vulnerable and marginalized population groups;
- 4) Analysis of policy options and capacity-building requirements for *devolution of authority* for planning, priority-setting, implementation and resource mobilization to local authorities such as district councils;
- 5) Development of '*local government support programmes*' as the institutional hub of multi-project, integrated programmes at area level; and
- 6) Experiments, possibly including pilot programmes, with *people's participation in operations and management of public services*, through cost-sharing, community ownership, etc.

All these examples are relevant to NORAD-supported programmes, and at the same time they would enable a concretization of Norway's dialogue with the recipient government on issues of good governance. Increased Norwegian involvement in such free-standing capacity-building assistance is therefore quite different from the Swedish approach, which has singled out 'public administration' as a target sector for SIDA's bilateral assistance.<sup>1</sup>

The areas for Norwegian capacity-building assistance should rather be selected so as to contribute directly to the sector and integrated programmes that receive the bulk of

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<sup>1</sup> See SIDA: *Making Government Work. Guidelines and Framework for the Development of Public Administration*, op.cit.

Norwegian assistance to the country. This suggestion must not imply even further distortion of national priority-setting as a result of a combination of Norwegian financial and technical assistance. On the contrary, the aim of concentrating Norway's separate capacity-building assistance in sectors and areas of direct relevance to the bulk of Norwegian assistance would precisely be to strengthen the *capacity* of indigenous institutions better to *manage the integration* of Norway's financial assistance.

#### **7.4 Institutional Learning Mechanisms**

The importance of active Norwegian involvement in policy-oriented studies and workshops was discussed above as a capacity-building measure. These may also be characterized as institutional learning mechanisms which otherwise include programme reviews and monitoring and evaluation systems. The findings of the country case-studies on the effectiveness of institutional learning are not easily summarized, due to the prevalence of programme-specific explanations of performance.

In general, the large NORAD-supported programmes have benefitted from a large number of *reviews and subject-specific studies*. Still, these cannot be characterized as a well-functioning *system of institutional learning*, for the following reasons:

- 1) The programmes lacked detailed and operational plans for monitoring and evaluation, which seemed to take place *ad hoc*, as a need was identified. This was very much a reflection of the specific organizational culture that characterized the designing and implementing institutions.
- 2) The organizational culture in NORAD and in its partner institutions seems to prefer *reviews with operational recommendations* over evaluations aimed at learning lessons.<sup>1</sup> In Zimbabwe's *Family Health Project*, the World Bank-led programme supervision suggested an operational and pragmatic 'evaluation' of Phase 1 (actually, a project completion report) which was meant to be undertaken by the programme implementing institutions themselves. In this case, NORAD has requested a more comprehensive evaluation, aimed also at the overall effectiveness of programme output and management.
- 3) The *capacity for decision-making* seems to be less developed than the capacity for problem identification and assessment. Many programme documents and internal NORAD papers acknowledged important institutional management problems, but lack of corrective action often produced a worsening of the problems.

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<sup>1</sup> This was very clearly seen in the extensive comments to the Study Team's draft reports on Zambia and Zimbabwe. Practically all comments requested recommendations that could be used directly in programme management, and many comments questioned the Team's evaluative assessments, especially related to past institutional choices. For example, in Zambia NORAD wanted to use the case study on the Agricultural and Rural Development in Zambia as an input into the ongoing planning process for future Norwegian assistance to Northern Province.

- 4) NORAD occasionally proposes workshops for the programme partners on *logical framework analysis (LFA)*. In two of the programmes reviewed (Agricultural and Rural Development in Zambia, and Dairy Development in Zimbabwe), these LFA workshops resulted in highly needed consensus and a much improved understanding of the hierarchy of programme objectives. However, follow-up action was slow in the form of necessary redesign of the institutional arrangements for programme implementation.

These features are related to the Norwegian emphasis on recipient responsibility. However, institutional learning is a field where *recipient accountability* should always accompany responsibility. An implementing institution's accountability both to the target group and to the donor is directly related to its performance with respect to institutional learning, since the latter reflects its capacity to monitor its achievement of programme results and to translate monitoring results into changes in programme design and implementation.

## 7.5 Implications for Norway

The Norwegian Government's report on *Trends in North-South Relations and Norway's Cooperation with Developing Countries* (cf. Chapter 2 above) notes that:

"Norway will provide increased support for measures that will enable developing countries to meet the demands inherent in the principle of recipient responsibility. ... Support for the development of competence and institutions will therefore be an important element of Norwegian development cooperation, both as a separate priority area and as an integrated aspect of development cooperation in other areas." (*Op.cit.*, p 33)

Hitherto, Norwegian capacity-building assistance has focused on *training* and has been implemented primarily by *advisers and consultants*. The Study Team's analysis has the following implications for Norway:

- 1) NORAD should fully utilize the potential of all *capacity-building instruments*:
  - Organized and in-service training;
  - Financing of workshops and seminars;
  - Analysis of policy and strategy options;
  - Support to the establishment of new institutions;
  - Development of administrative procedures for planning, priority-setting, etc.;
  - Provision of flexible (e.g. performance-related) financing;
  - Provision of advisers and consultants for catalytical tasks; and
  - Support for staff retention measures, including salary incentives.
- 2) Capacity-building assistance for recipient responsibility and good governance is most effective if it is provided in the context of Norwegian support to *sector programmes* and *integrated programmes*. The reason is that many issues of

organizational effectiveness and good governance can only be addressed 'across the board', i.e. through simultaneous application in the public sector at large. Hence, NORAD should continue the move away from independent project organizations as mechanisms of cooperation.

- 3) NORAD should address institutional issues in all stages of the project cycle. Screening and choice of institutional options is essential at the early stages of each programme agreement, but it should also be a continuous task of NORAD representatives in partner countries, in cooperation with national institutions. Similarly, capacity-building assistance should be both an integral part of programme implementation and a stand-alone technical assistance effort.
- 4) NORAD's *separate capacity-building assistance* should aim to close the gap between the dialogues on overall policies and on programme management. It should be directly relevant to the sector and integrated programmes supported by NORAD in the country and at the same time address institutional issues of importance to good governance and recipient responsibility. This concentration of capacity-building assistance in the fields that receive the bulk of Norway's financial assistance should reduce, rather than increase, the risk of the Norwegian assistance having a distorting effect on national and local priority-setting.
- 5) *Examples* of separate capacity-building assistance of relevance to Norway are:
  - Examining policy options for social sector ministries in the context of structural adjustment;
  - Strengthening national capacity for aid management in social sectors;
  - Establishing monitoring systems on social costs of adjustment;
  - Analyzing policy and capacity-building requirements for devolution to local authorities;
  - Developing local government support programmes; and
  - Experimenting with people's participation in operations and management of public services.
- 6) NORAD should apply a *systematic approach to institutional learning*, which emphasizes recipient *accountability*. Monitoring and evaluation should be less ad hoc, and the need for independent evaluation should be fully acknowledged. Furthermore, NORAD's capacity for early decision-making on the results of institutional learning should be improved.



## 8. Perspectives on Capacity-Building in Development Cooperation

Chapters 4-7 have analyzed various *institutional* issues in Norway's bilateral development cooperation. This may give an impression that institutional issues are the most significant in bilateral development cooperation, and that Norwegian development assistance plays a very significant role in recipient countries' administrative and institutional development. This is not the case.

The purpose of this Chapter is briefly to place institutional issues, especially the role which capacity-building assistance can play, in the broader context of:

- development promotion by the recipient government;
- the provision and management of aid; and
- the dialogue on development and aid between recipients and donors.

This has implications for Norway particularly with respect to the focus of NORAD's capacity-building assistance and the need for a Norwegian role in dialogues on sector policies and strategies. The discussion is based on the Country Case Studies in Zambia and Zimbabwe, supplemented by other assessments of good governance, public sector development and aid management in developing countries.

Concretely, the case-study of NORAD support to Zimbabwe's *National Rural Water Supply and Sanitation Programme* (NRWSSP) provided useful findings for the discussion in this Chapter. The Study Team believes that Norwegian assistance to the NRWSSP is an example of *long-term, multi-phased, capacity-building cooperation at (sub)-sector level*, which may become a typical set-up for future development cooperation between specialized institutions and donor agencies within the national framework established by the Government and its core ministries.

### 8.1 The Recipient Government's Perspective

#### 8.1.1 The New Tasks of Development Promotion

Zambia, Zimbabwe and most other African countries have accepted structural adjustment programmes that include a redefinition of the role of the state. The days of (attempted) central planning are over; market forces are given a relatively free hand; but a new *paradigm of governance and development promotion* is still not sufficiently developed and accepted by national governments and donor agencies.

In the present vacuum of development policies and strategies in developing countries, governments are struggling to find a new role for themselves in a new division of responsibilities between government and non-government institutions (the private sector, NGOs and other institutions of civil society) and in particular to develop *new means of promoting development by non-government institutions themselves*.

This challenge is faced by institutions at all levels of government:

- 1) *Policy-makers in the presidency, cabinet and parliamentary bodies* are faced with two overriding tasks. Firstly, they must ensure *quality, transparency and cohesion in national policies*, so that all parties to national development, including the state, civil society, and donor governments, have a clear framework of political objectives, priorities and strategies, against which these parties can define their own contributions to national development.

Secondly, policy-makers must achieve continued legitimacy of the state in relation to all the said partners in national development. This requires wide *participation in national policy-making* as well as *effective follow-up* through directions and resources for implementation of the adopted policies.

There is a strong tradition in international development cooperation that the political level, with the occasional exception of Ministers, is 'forbidden territory' for donor agencies. This is a paradox in view of the desire of an increasing number of donor countries and multilateral agencies to influence national policy-making.

Parliaments play - even in one-party states - often a significant role in determining 'governance' and 'accountability' in the public sector, including its organizational culture. For example, parliamentary budgetary committees are key players in the 'politics of the national purse' (discussed earlier), including decisions on the allocations of government revenue, on the extent of permissible experiments with cost-sharing with beneficiaries, and as a watchdog on misappropriation of resources and other inefficiencies in government.

Unless requested by the recipient government (which is unlikely in most cases) NORAD should refrain from involving itself actively at the political level. However, the reports of the proceedings of relevant parliamentary committees are usually public, and they often represent an important (hitherto largely untapped) source of information on all three aspects of governance: effectiveness and accountability in the public administration; the rule of law and human rights; and democratisation / people's participation. These issues are of increasing significance for the performance of NORAD-supported programmes.

- 2) *Core government institutions*, including ministries of finance and planning, face perhaps the greatest challenges in the transition towards promotional and enabling government interventions. They must ensure cohesion and effectiveness in policy implementation as well as a promotional (rather than an interventionist) output of all the sector institutions, line ministries and local government bodies that are in direct contact with the various partners in national development: enterprises, NGOs, communities, population groups, etc.

Thus, the changes in performance and mode of operation required of core institutions include the introduction of, for example:

- *programme performance budgeting and reporting systems*, to replace budgeting based on previous years' inputs and activities and reporting on physical achievements only;
- *dialogues on strategies and promotional instruments*, to supplement the dialogue between planning departments in core and line ministries related to sector- and area-specific plans; and
- *new methods of improving the performance of public sector institutions*, including reorganization aimed at institutional simplification and introduction of staff retention measures and incentive systems.

The need in many developing countries for technical assistance for programme performance budgeting systems has long been acknowledged. In discussions with the Study Team, representatives of the Ministries of Finance and Planning Commissions in Zambia and Zimbabwe expressed a desire to have NORAD involved in separate capacity-building assistance also to core departments.

Foreign assistance is needed as well for the development of new promotional instruments and measures to improve the general performance of the public sector. However, this need is only now being fully acknowledged. It is not appropriate for Norway to take the lead in the development of such capacity-building assistance, as long as public sector development is not a priority sector for Norwegian development cooperation.

- 3) *Line departments, sector institutions and local authorities* shall, as discussed above, be the ultimate carriers of a more promotional and less interventionist government contribution to national development. They must move away from traditional conceptions of development *planning and management*; where planning comprises a hierarchy of objectives, strategies, programmes, projects and activities to be implemented within a given time frame; and management comprises government controlled operations to achieve the plans.

The means of intervention must change from *regulation*, including prohibitions, to *incentives* for behavioural change; and the delivery of public services must *respond to needs and demands*, rather than being driven by supply targets.

These changes require capacity-building assistance which can very well be fully integrated into the regular development programmes supported by agencies such as NORAD, in the form of vertical sector programmes, regionally integrated area programmes or other forms of development programmes. Successful integration of such capacity-building assistance is only possible, however, if part of the dialogue between the recipient institution and the donor agency is lifted above the level of individual projects.

These challenges do not differ much from the challenges facing public sector institutions in *industrial* countries. The key advantage of the latter is that separate, externally financed 'projects' constitute a much smaller share of overall activities.

### 8.1.2 Other Institutions of Good Governance

The key role of policy-making institutions in the restructuring of the state and the reform of the public sector was noted above. Similarly, a considerable scope was noted for using policy-making bodies, including parliamentary committees, as a source of insight into the state of governance in developing countries.

There are in practically all developing countries a number of additional *public institutions* that are significant in moves towards good governance, and which themselves can be important carriers of capacity-building efforts. These include:

- 1) The Public Service Commission and/or the Department of Personnel and Administrative Affairs
- 2) The State Auditors, who may be independent or attached to the Ministry of Finance
- 3) The Human Rights Commission and/or the Office of Ombudsman, which may refer to a Cabinet Ministry or to Parliament
- 4) The entire legal system which is often used as a battlefield for key aspects of good governance: corruption, electoral fraud, inter-institutional authority conflicts, etc.
- 5) Universities and research institutions, including Institutes of Public Administration
- 6) Sub-national authorities, when these have independent powers based in the constitution
- 6) Many semi-public institutions of civil society, including powerful associations and unions as well as a diversity of functional NGOs.

There is no doubt that these formal institutions are growing in both number and strength in most developing countries, and that they will decisively influence the shape of governance in the years to come. For both national policy-makers and foreign donor agencies, they are a mixed blessing, however:

- On the one hand, their diversity increases the complexity of society and makes it more difficult to achieve cohesion and transparency in policy-making on good governance;
- On the other, they carry the potential to be decisive contributors to accountability in public life and watchdogs on good governance.

This two-edged sword is also seen in the hesitancy with which these institutions of national governance have been opened up for direct support from donor agencies. Recipient governments try to keep the most active, even aggressive, multilateral and bilateral donors (except possibly their former colonial masters) out of direct technical

At the same time, more benign donor agencies, such as NORAD and other like-minded donors, tend to hesitate before seeking direct cooperation with these institutions whose tasks are considered to fall squarely within the confines of national sovereignty. Sweden is an interesting exception here, as a result of the decision to make public sector development a priority target for Swedish assistance.

The result of this peculiar state of affairs is problematic. On the one hand, these diversified institutions of national governance are growing in importance and influence on the overall capacity of the public sector, while at the same time they are often in desperate need of technical and financial assistance to improve their own capacity and performance. On the other hand, the donor agencies that hesitate to offer such assistance are the ones which many recipient governments consider as their most benign partners.

This is therefore clearly a case where the concern about 'too much capacity-building assistance' is not valid. This concern about the capacity of recipient government institutions to absorb all the capacity-building assistance being discussed in the present Report was expressed in discussions on the Study Team's Draft Main Report. In relation to the above list of public institutions of national governance, the risk is rather that they cannot meet their full potential, because governments are hesitant to open the gates for assistance from large bilateral and multilateral donors.

### **8.1.3 Aid Management**

The interests of recipient governments in aid management lie primarily in achieving maximum *integration of foreign assistance into national institutions, plans, budgets and operations*. This has been discussed throughout this Report. Here, two additional recipient government aims are briefly summarized.

- 1) *Reduction of the administrative burden* on the recipient's planning and implementing institutions is a prime objective and requirement. The seriously distorting effects of 'projectitis', including the need for donor-specific missions, reports etc. during all stages of the project cycle, must be addressed. It is devastating for the limited management capacity of government institutions in developing countries, cf. the discussion in Section 3.2.
- 2) *Greater and longer-term predictability in aid flows* is another prime requirement. It is difficult for donors to demand good governance in developing countries, when they themselves deny the recipients an opportunity to participate in multi-year planning of the size and composition of foreign aid. Clearly, there are major differences among donors in this respect. Agencies like NORAD might contribute considerably to good governance in its partner countries by putting maximum pressure on bilateral and multilateral donor agencies (through DAC) to improve the 'governance' of their development cooperation.

**Figure 8.1: The Market Place and Project Approach to Aid Management**

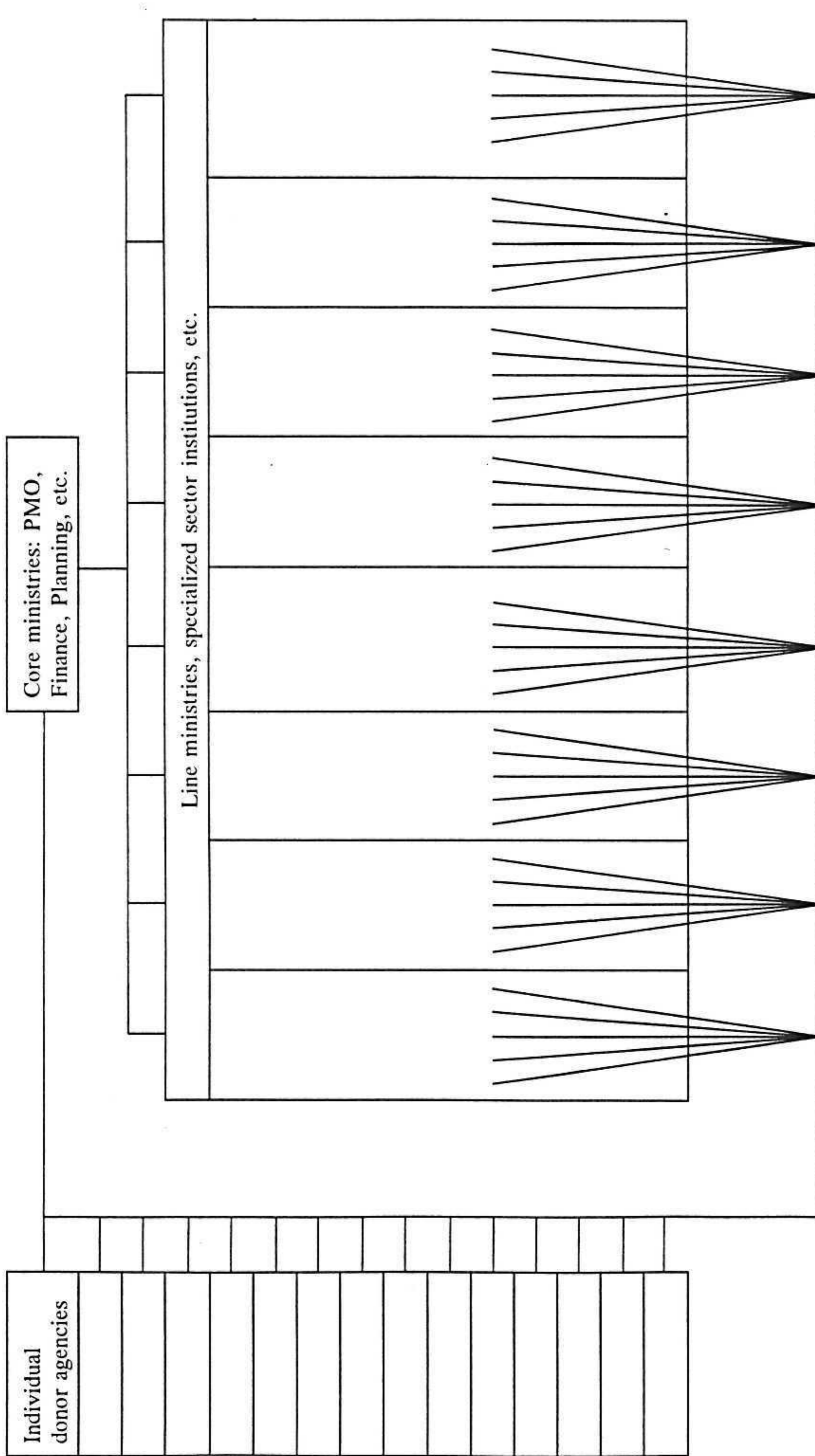


Figure 8.1 illustrates two institutional aspects of the current aid management regime in most African countries:

- 1) The *market place* nature of government-donor interaction: The recipient government's 'External Resources Division' seeks to combine the project ideas of line departments with the aid offers of various donors. The usually implicit division of responsibility among donors emerges primarily as a result of the recipient government's knowledge of the aid policies and preferences of individual donors, including their willingness to support different sectors and / or geographical areas. The aid management rationale of this government-donor cooperation assumes that the core departments operate within a well-defined *national planning framework* and that these national plans are actually being implemented. When this is not the case, the 'market place' is operating as the primary priority-setting mechanism.
- 2) The *institutional complexity* of government-donor interaction is enhanced when cooperation is tied to individual projects/programmes, each requiring numerous formulation, supervision, review and evaluation missions as well as programme-specific administrative and financial procedures and reporting systems. This project-tied aid management system contradicts the above-mentioned assumption of national planning as the starting-point of aid management.

In fact, Figure 8.1 is too 'kind' by not describing the multitude of direct, project-related links between individual line departments and donor agencies. These links are found both before and after the market place function of the core departments. *Developing new approaches to aid management* is - or should be - a key ambition of both recipient and donor governments. This is discussed in Section 8.3 below.

## 8.2 The Donor Government's Perspective

### 8.2.1 Minimizing or Optimizing Institutional Integration

When public sector development is not a priority sector in the donor government's aid policies, the starting-point for all donor concern about institutional issues has been the desire to *minimize institutional constraints on the achievement of project objectives*. This has led to the inclination of donors in the past to by-pass government institutions and instead operate through self-contained project organizations with their own sources of finance. It has also led to the five-six stages in the donors' approach to institutional development that were discussed in Section 1.1.

The emerging demand for *optimum institutional integration* has come from both donors and recipients. Its driving force has been concern about *sustainability* in its various dimensions, including socio-economic and institutional participation in and ownership of donor-supported development programmes.

The balance between minimizing and optimizing institutional integration depends on at least the following characteristics of individual donor agencies:

- 1) *Legal form:* Donor agencies, which provide loans or grants to central government that are then on-lent to national implementing institutions, are forced to emphasize institutional integration, since the national institutions legally own the programmes. This is the case for the multilateral development banks. Still, these agencies have in the past been leaders in demanding the establishment of function-specific national institutions for implementation of the tasks (infrastructure development and services delivery) financed by the project.
- 2) *Ideology:* There are clear differences among donors on the extent to which they consider it appropriate or a violation of national sovereignty actively to offer assistance for institutional reorganization and development in the heart of the political-administrative system of recipients. A number of donors even make institutional changes explicit conditionalities for their assistance.

There is a tendency that *large* multilateral agencies and bilateral donor countries are most demanding in this field. It seems to be the size of the country, rather than the size of its aid portfolio, which determines the aggressiveness of the donor with respect to institutional conditionalities and active capacity-building assistance.

However, there are clear divides even among small, like-minded donor agencies, such as the Nordic countries. At the danger of over-simplification, it seems that SIDA most actively promotes the Swedish experience and understanding of public sector development; DANIDA is the least patient and often seeks situation-specific solutions to institutional problems; whereas NORAD is slowly acknowledging that recipient responsibility must be supplemented with capacity-building for recipient effectiveness and accountability.

- 3) *Aid objectives:* Related to the question of ideology is, of course, the issue of the donor agency's formal mandate and aid objectives. The more concrete and target group-oriented mandate, which an agency enjoys, the less likely it is to seek optimum institutional integration and to take the lead in capacity-building efforts. This is clearly seen in a comparison of, for example, UNDP and UNICEF, where the institutional integration promoted by the latter is more formal than real.<sup>1</sup>
- 4) *Comparative advantages:* Differences in agencies' aid objectives and mandate and in their formal position in the donor community imply that they enjoy different comparative advantages with respect to institutional issues and capacity-building assistance. The key belief has in the past been that *UN agencies*, specializing in technical assistance, are better placed to offer capacity-building assistance to *core departments* of central government, partly because of the perceived neutrality of UN assistance. The reality of this comparative advantage is discussed in the next Section.

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<sup>1</sup> See AIDAB, CIDA, DANIDA, SDC: *Strategic Choices for UNICEF: Service Delivery, Capacity Building, Empowerment, Evaluation of UNICEF*, Synthesis Report, December 1992.



### 8.2.2 Division of Responsibility on Capacity-building

Is it likely that recipient governments will be offered so much capacity-building assistance that they lack capacity to absorb and use the assistance? Is there a risk that donor agencies will compete for access to institutions in need of capacity-building, just like they compete for other development projects?

A recent study for DANIDA on the effectiveness of *multilateral agencies* concluded<sup>1</sup> that a much *improved division of responsibility among donor agencies* is feasible in developing countries, in particular with respect to the different levels of foreign assistance to the development of individual *sectors*: health, agriculture, etc. If the findings of this study are extended to cover also *bilateral* assistance to sector development, Table 8.1 describes a possible division of responsibility among all donors on capacity-building and other development assistance.

**Table 8.1: Outline Division of Responsibility among Four Donor Categories in Assistance to the Development of Individual Sectors**

National sector dev.	Multilateral devel. banks	UNDP and UN agencies	Large bilateral donors	Like-minded bilaterals
1. National sector policy-making	Advice on macro framework, overall policies	International standards, targets and policy advice	Contribution to sector policy dialogues	Concentration on selected sector policy dialogues
2. Capacity-building and programming	Limited role due to formal distance to line ministries	Priority focus on capacity-building: Key sub-sectors	Link between technical and financial assistance	Link between technical and financial assistance
3. Infrastructure, services development	Major operational role through capital assistance	Limited role, with the exception of UNICEF	Major operational role through financial assistance	Operational role in priority sectors for poverty allev.
4. Targeted programmes, pilot projects	Limited role due to distance to field operations	Major experimental role to test new approaches	Significant role if their aid policies allow it	Major role in priority sectors for poverty alleviation

Table 8.1 suggests that the four types of donor agencies enjoy the following comparative advantages, whether these are actual or only potential:

<sup>1</sup> DANIDA: *Effectiveness of Multilateral Agencies at Country Level: Case Study of 11 Agencies in Kenya, Nepal, Sudan and Thailand*, Copenhagen, 1991.

- 1) *The multilateral development banks* have their analytical strength in the links between sector policies and the macro-economic framework and overall national development policies. They have their financial and operational strength in infrastructure development and public services delivery. Thus, while they are key partners in policy dialogues, they have limited capacity to become involved in the complexities of capacity-building in line departments and specialized sector institutions.
- 2) *UNDP and the UN's specialized agencies* should focus on capacity-building assistance in the specialized institutions of the recipient government and on establishing substantive links between such capacity-building and the international work of the UN agencies as 'centres of excellence' in their respective fields. To ensure that the capacity-building effort at sector policy level corresponds with the needs of poor and marginalized population programmes, the UN specialized agencies should also be active at the 4th level: design and implementation of a few targeted programmes and pilot projects.
- 3) *Large bilateral donors* have the resources and the means of assistance to be present at all levels. They should aim to include capacity-building components in their sector support programmes. By linking technical and financial assistance, they can help ensuring that national sector policies correspond with, reflect and influence the design and implementation of major public services delivery programmes.
- 4) *Like-minded bilateral donors* have approximately the same advantages as their large colleagues. However, since for example the Nordic countries must give priority to the 4th level of targeted programmes, they must *concentrate their contribution to sector policy dialogues and related capacity-building assistance on a few selected sectors in each partner country.*

This use of comparative advantages through concentration on different institutional levels in selected sectors should give each donor agency a chance to acquire sufficient insight into indigenous capabilities and capacity-building requirements in its selected partner institutions. Thus, the quality of individual capacity-building assistance efforts would benefit from such an approach.

### **8.3 Sector Policies as a Meeting Point for National Development and Aid Management**

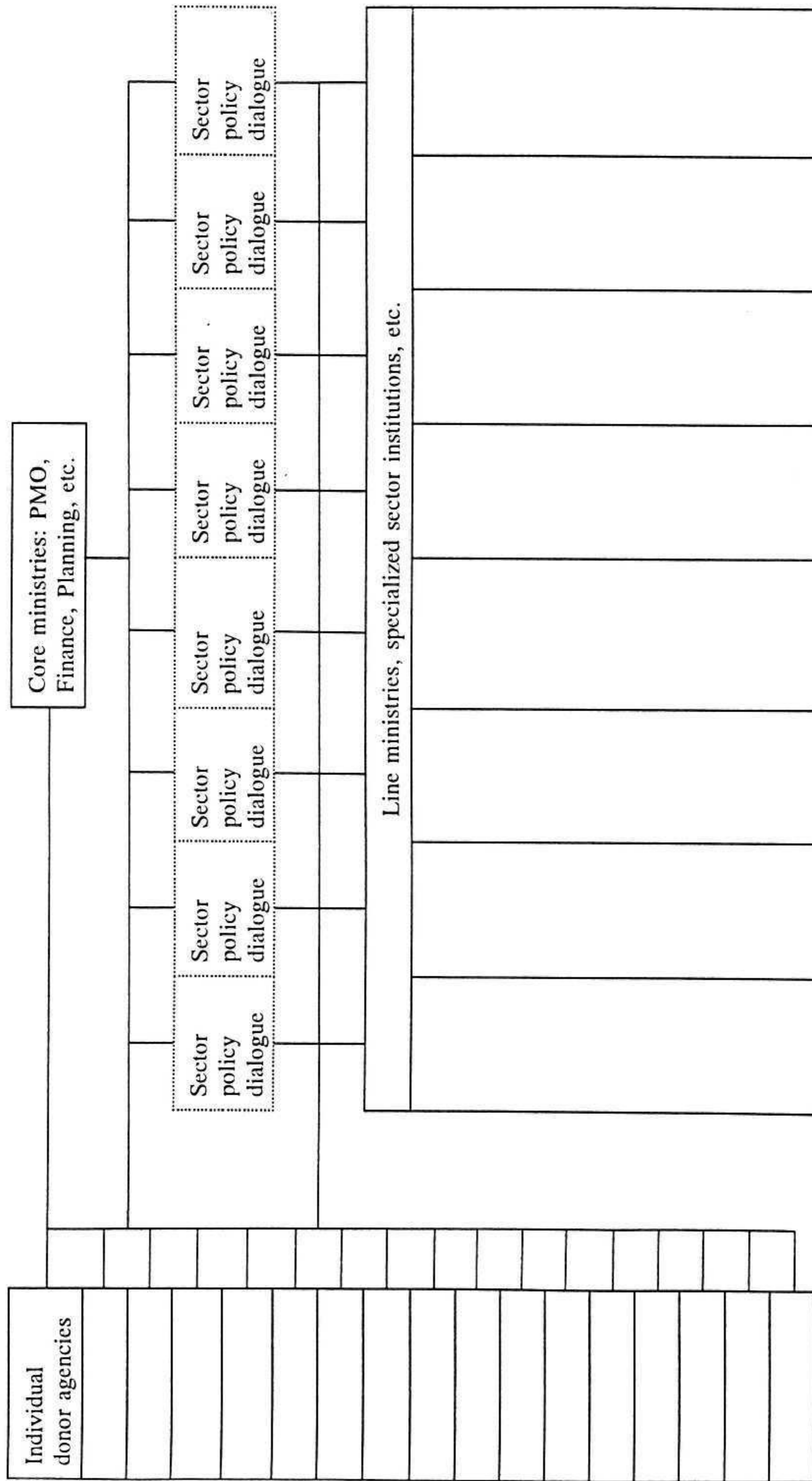
The weaknesses of the present 'market place and project' approach to aid management were summarized in Section 8.1.3. Subsequently, Section 8.2.2 noted the scope for a much improved division of responsibility among donors in policy advice and capacity-building at sector level. Figure 8.2 takes this analysis one step further by suggesting a new '*sector policy dialogue*' approach to aid management, with the following key features and strengths:

- 1) The sector policy dialogues should involve the relevant core and line departments as well as other national and international parties in sector development. Thus, this mechanism facilitates the government's *new tasks in development promotion* outlined in Section 8.1.1 above through the emphasis on policies, strategies, incentives, etc.
- 2) In the same way, sector policy dialogues provide a very useful *platform for discussions and actions on good governance* at a more concrete and relevant level than, for example, the number of parties allowed in elections. Sector policy dialogues facilitate *transparency and participation in policy-making* by all interested parties.
- 3) The negative effects of 'projectitis' should be reduced, since this aid management mechanism should force all interested donors to relate firstly to *national sector plans and medium-term investment budgets*, and secondly to *operational programming* for sub-sectors / national programmes, instead of for projects.
- 4) On the donor side, participation in policy and strategy deliberations for a few selected sectors is an ideal way of *closing the gap between country programming and programme development and management*.
- 5) The sector policy dialogue approach to aid management can help identify *common bases* for different donors' assistance to the same sector. This is the appropriate level for aid management, as opposed to the current attempts at aid and donor coordination which has minimum involvement of the responsible national institutions.

The proposed approach faces at least three significant challenges:

- 1) The recipient government's line departments etc. must have sufficient capacity to lead and participate in the sector policy dialogue on an equal footing. Since such capacity is only present in few African countries, *capacity-building assistance for policy preparation* becomes of great significance in the multitude of line departments and specialized sector institutions at national level.
- 2) The individual donor agencies must make a major effort to reduce the administrative burden on these line institutions. Development of mechanisms for programme performance monitoring, rather than project-specific reviews and financial reporting systems, becomes critical also for the donors and the state auditors in their home countries.
- 3) There is a long way from sector policy dialogues to the marginalized target group. Similar aid management mechanisms must be developed at the level of *local authorities*, e.g. in the form of local government-based area development programmes. Still, NORAD's assistance to NRWSSP in Zimbabwe proved that it is possible to combine capacity-building for sector policy-making with capacity-building for district-based service delivery to the communities.

**Figure 8.2: The Sector Policy Dialogue Approach to Aid Management**



## **9. Demands on Norwegian Capacity**

The Norwegian Government's White Paper, NORAD's strategy for the 1990s, and the strategy document on Support for Democratic Development represent a partial change in profile in Norwegian development cooperation. Increasingly, the delivery of assistance and state-to-state cooperation in general require more than professionalism and insight in the fields of water supply, education, roads construction, health care, fisheries development, etc.

The objective of integration of the assistance into the recipient countries' planning system and administration, and the institutional preconditions underlying development cooperation, concerning participation, decentralization, good governance, etc., demand a different quality of competence and professional skills in the Norwegian aid administration. The concrete tasks challenging the staff at different levels require a broad approach in terms of capacity, working methods and instruments.

These challenges were summarized as 'implications for Norway' towards the end of the previous Chapters. This Chapter summarizes the demands on Norwegian capacity emerging from a more active approach to institutional integration and the achievement of both good governance and recipient responsibility.

### **9.1 Different Types of Capacity Needed**

A stronger NORAD involvement in capacity-building activities both at the macro / structural level and in concrete development programme management, aimed at good governance and recipient responsibility, would require the following capacity:

- Experience in policy formulation, priority-setting, planning and public sector budgeting;
- Insight into the country-specific public administration, its traditions, culture, structure, procedures, relationship with civil society and general mode of operation;
- Understanding of the national development processes, with an emphasis on the economy, state-building and general development strategies;
- Qualifications in leadership development, financial management and accounting and organisation analysis and development;
- Methods and instruments of capacity-building, including procedural and human resources development;
- Experience in mobilisation of local organisational resources and empowerment of community institutions; and
- Competence in monitoring and evaluation and especially in the use of information through feed-back, dissemination and decision-making.

One objective in the stronger emphasis on some independent capacity-building assistance, advocated in the present Report, is to 'close the gap' between the overall, state-to-state policy discussions and the concrete management of bilateral cooperation

programmes. For this, the capacity needed lies less in diplomacy than in the field of organisational development. Programme support should be supplemented by process support, which implies a quite radical change in demands on Norwegian capacity.

This seems to be a general problem in the international donor community. The Development Cooperation Ministers and Heads of Aid Agencies within OECD said in a Policy Statement on Development Cooperation in the 1990s that:

"The nature and quality of technical assistance will often have to be significantly rethought and upgraded to contribute better to longer-run institutionbuilding requirements."<sup>1</sup>

The Statement underlines another characteristic element of support for institutional development which requires a certain capacity: the willingness and ability to work with a long term perspective, avoiding the common development assistance failure which has been to create separate institutions outside the ordinary state apparatus.

## **9.2 Capacity-building at Different Levels of the Norwegian Aid Administration**

Directing the Norwegian aid administration towards the implementation of the new strategies demands capacity-building at all levels of the organisation. Parallel to the implementation of the strategies for the 1990s, NORAD has got new rules defining the responsibilities and roles of the different parts of its administration.<sup>2</sup> According to the rules, considerable decentralisation will take place of responsibility and decision-making to the country-based NORAD Representation.

The role of NORAD Headquarters will be to control at an overall framework level, to monitor and evaluate and to support the Representations at country level through advice and resources such as information, training, development of administrative systems, etc. At country level, the NORAD Representation and the Norwegian Embassy have been merged into one administrative body.

The new demands on Norwegian capacity should fit into these new organisational set-ups. Briefly, the demands on capacity at the different levels are:

- 1) At *NORAD Headquarters* level, the capacity should be strengthened to formulate overall guidelines on institutional country strategies and capacity-building assistance, and to take part in the country programming process, especially the preparation of an institutional country strategy. The responsibility for capacity-building within NORAD and for managing an updated and easily accessible

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<sup>1</sup> "DAC Principles for Effective Aid", 1992, *op.cit.*, para 168.

<sup>2</sup> "Revidert instruksverk." Given by NORAD's Director General, 27 January 1992.

'corporate memory' rests with Headquarters and requires skills, instruments and other resources at that level.

- 2) At *NORAD Representation* level, the stronger emphasis on capacity-building aimed at promoting good governance and recipient responsibility requires changes in profile and mode of operation, in terms of authority, role and staff expertise. Since most Representations have limited staff, and as a considerable expansion of posts is unrealistic, the capacity-building must be realised through training of the existing staff and different kinds of support from NORAD Headquarters. Still, it must be acknowledged that the efforts to prepare an institutional country strategy and to implement it through concrete programmes in close cooperation with the partner country put extra strains on the Representations. Although some Representations are relatively well endowed with qualified professionals, further capacity-building and resources are needed.
- 3) For the *technical assistance personnel* more or less the same changing demands on capacity apply as for the staff at the NORAD Representations. The ways and means to implement the required upgrading are not easily found, partly because many technical assistance personnel are engaged on short-time contracts. The same difficulties are found for improvements in capacity and skills of researchers and other experts such as consultants, who play a significant role in development cooperation, and therefore should be able to support and implement the strategies.

### **9.3 Methods of Capacity-building within NORAD**

In the NORAD Strategy document, Part II, it is underlined that the organisation must develop and strengthen its own expertise to achieve the goals described in the Strategy.<sup>1</sup> In Annex II, attached to the Strategy, certain follow-up actions were publicized. Guidelines, action programmes and subsidiary strategies in different areas, among them institutional development, should be prepared. This does not mean, however, that no emphasis is given to issues of institutional development; only that there seems to be an imbalance between the central position of institutional objectives in the Strategy and the hitherto achieved follow-up.

Thus, no separate follow-up action has been taken on institutional development. An action programme is under preparation, expected to be finished within a short time. Relatively few staff resources are allocated to this particular field, and the integration of institutional issues into the current activities in the Regional and Technical Advisory Departments of NORAD Headquarters is uncertain.

One of the methods of capacity-building recommended in the Strategy, Part II, is the internal training courses provided by the Training Centre for Development Cooperation (*Bistandsskolen*) which is run by NORAD. The Centre covers the need for

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<sup>1</sup> "Strategies for bilateral development cooperation - part II. Basic principles", *op.cit.*, p 43.

general training in development cooperation at the Ministry of Foreign Affairs and NORAD and will gradually be expanded to offer courses to the partner countries in bilateral cooperation and to others who are engaged in development cooperation. Some of the courses are compulsory for all NORAD staff.

According to the scheme for the first term in 1993,<sup>1</sup> the Centre provides a three-days course on the understanding of institutions, with an emphasis on institutional development, its actors and processes. The goal is increased knowledge on institutional development, both as an end and as a means in development cooperation. This course is not among the compulsory ones at the Centre.

For Norway seriously to emphasize and pursue the two institutional development objectives of good governance and recipient responsibility, the internal capacity-building efforts must be increased considerably. Some of the implications could be:

- 1) To strengthen the resource base at NORAD Headquarters with respect to qualified staff, integration of the institutional issues into the administrative structures and the procedures of the departments, and development of the NORAD Information and Documentation Centre (IDOK) as the main 'corporate memory' in this particular field. Creating new administrative bodies aimed specifically at dealing with institutional issues should be avoided.
- 2) To expand the Training Centre's programme on training in institutional development, and to make it compulsory and easily available for the professional staff at NORAD Headquarters and the Representations at country level as well as for technical assistance personnel. The decentralized component of the training programme should also be made accessible to personnel from the partner country's public administration involved in development cooperation with Norway.
- 3) To undertake studies, evaluations and reviews in the field of state-building and institutional development, based on experience gained by NORAD as well as other donors and the partner countries. The dissemination and use of such knowledge should be looked at as a central source of capacity-building.
- 4) To support, in particular, programme development in relevant fields of separate capacity-building assistance. This may require financial and technical support for research cooperation and pilot capacity-building programmes involving research institutions in Norway and in key partner countries.

It must be emphasized that the aim should *not* be to upgrade 'public administration assistance' (of the SIDA model) to a priority sector for Norwegian development cooperation. The aim should always be to improve the capacity of recipient institutions in fields of relevance both to good governance and to the national management of sectors and areas that receive the bulk of Norwegian programme assistance.

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<sup>1</sup> NORAD: "Bistandsskolen. Plan for vårsemesteret 1993," Oslo, 1992.



## **ANNEXES**



## **Annex 1**

# **TERMS OF REFERENCE**

## **I INTRODUCTION**

In the preparation of strategies for future Norwegian development assistance the need is felt for a thorough discussion of experience gained and lessons learned from past and ongoing development cooperation related to collaboration procedures and practices between the recipient countries and the Norwegian authorities.

Further, from the donor side the need is also felt for better insight into ongoing and likely future changes in the role of the recipient countries' public sector and public administration, and the impact these changes may have on Norwegian development cooperation policy and programmes.

It has, therefore, been decided to carry out an evaluation on these issues.

As a first stage, this evaluation will concentrate on two main recipient countries for Norwegian development assistance in sub-Saharan Africa, i.e. Zambia and Zimbabwe.

## **II OBJECTIVES**

The main objectives of the evaluation are:

- A. To provide background material for preparation of strategies for Norwegian development cooperation aiming at:
- Further integration of development assistance programmes/projects into the recipient country's development plans and budgets
  - Strengthening of the recipient's role and responsibility with respect to planning, budgeting and implementation of all activities financed by development assistance
  - Further integration of the management of development assistance programmes / projects into the recipient country's public administration.
- B: To discuss institutional aspects in the recipient countries' public administration and the impact this may have in the implementation of the strategies mentioned above.

## **III PLAN**

### *A. General*

To cope with the complexity of the topic, the methodical solution chosen is to base the evaluation on studies of a limited but representative number of cases in Zambia and Zimbabwe.

The accumulated outcome of the case-studies shall provide the evaluation team with the required background information to prepare the main report meeting the objectives described in paragraph II and the scope outlined in IIIB.

For this evaluation it should be noted that an approach emphasizing practical value for subsequent development cooperation planning should be given priority.

### *B. The scope of the evaluation*

Based on the case studies, the evaluation will:

1. - Describe the framework and central aspects of the public administration of the two selected recipient countries, their relevant planning tools and planning procedures, and
  - Discuss current situation and probable developments during the 1990s.
2. - Discuss institutional aspects in the recipient countries' public administration, and the impact of possible institutional constraints on general arrangement and implementation of Norwegian development assistance programmes/projects, and
  - The role of Norwegian development assistance in the development of institutions in the recipient countries.
3. - Discuss possible constraints which organizational structures, decision making systems, control and auditing within the Norwegian administrative set up may cause with respect to cooperation, integration and transfer of responsibility to the recipient.
4. Analyze and discuss predominant trends and their causes and future prospects and constraints with respect to:
  - Integration of Norwegian development assistance programmes/projects into the development plans of the recipient countries,
  - Collaboration procedures and practices between the recipient countries' authorities and Norwegian authorities with respect to the planning, negotiation and implementation phases,
  - Strengthening of the recipient's role and responsibility with respect to initiative and coordination, implementation and monitoring of development assistance programmes/projects,
  - Increasing integration of the management of development assistance programmes/projects into the recipient countries' public administration.

### *C. Selection of case-studies*

The cases selected shall together represent a cross-section of question/issues on state-to-state development cooperation related to collaboration procedures and practices between recipient and donor.

The selected cases and their themes are:

*Part 1*

Processes related to the preparation of the three most recent country programmes for Zambia and Zimbabwe - collaboration and administration practices and the basis for selection of priorities for cooperation.

*Part 2*

Planning and collaboration processes and subsequent selected solutions for institutional framework, management and implementation of a total of six state-to-state funded projects/programmes in Zambia and Zimbabwe. The selected projects/programmes are listed in paragraph IV B.

*D. Organization*

The evaluation team will base its work on:

1. Desk studies of documents concerning:

- The cases selected. This review will encompass the planning, negotiation, decision-making, implementation and monitoring phases.
- Relevant background documents such as national development plans, national budgets, main features of the public administration, planning and budgeting systems, public control and auditing systems, etc.

2. Interviews:

- Norwegian development cooperation personnel (NORAD personnel, both in Norway and abroad, consultants, experts, etc)
- Representatives of the authorities in the recipient countries. These interviews will normally include central authorities, district authorities and project personnel
- Representatives of other relevant donors.

**IV CASE STUDIES**

A. Part reports will be submitted on each of the cases selected (ref IIIC, part 1 and 2), describing and analyzing:

- *The planning phase*  
Factors of importance for selection of priorities for development assistance, and for integration of development assistance programmes/projects into the recipient's development plans, etc.
- *The implementation phase (programmes/projects only).*  
Factors of importance for management and implementation of the projects / programmes, for institutional development and competence building, for transfer of responsibility from donor to recipient, etc.
- *The external framework*

The impact of the external framework on the success of the aid efforts as regards institutional development, competence building and integration of development assistance programmes into the public administration in recipient countries.

- *Factors for sustainability*  
The complexity and size of aid programmes/projects viewed in light of the recipient's economic and administrative capacity and ability.
- *Factors for better learning*  
Have evaluations, project reviews etc served both recipient and donor?

A more detailed outline of the issues/questions described above are given in ANNEX 1.

B. With reference to IIIC-part 2 the following projects/programmes are included in the case-studies:

- In Zambia:
  - a: ZAM 007, Water Development Programme, Western Province
  - b: ZAM 020, Agric. and Rural Dev. Programme, Northern Province
  - c: ZAM 021, Preventive Maintenance Secondary Schools
- In Zimbabwe:
  - d: ZIB 007, Water and Sanitation
  - e: ZIB 017, Dairy Development Programme
  - f: ZIB 015, Family Health Programme

## **V REPORTS**

Part reports will be submitted for each of the cases chosen. The part reports will form the basis for the preparation of the main report. The main report will be published in the series of Evaluation Reports of the Royal Norwegian Ministry of Foreign Affairs.

All reports will be written in English.

Oslo, 29.01.1993

Rolf Skudal  
Head of Division  
Department of Development Cooperation Programmes

## **DETAILED OUTLINE OF ISSUES DESCRIBED IN CHAPTER IV A - CASE STUDIES**

Part reports shall be prepared for each of the cases selected, describing and analyzing following aspects and problems:

### **A. The planning phase**

#### *Issues of relevance for the country programme process*

1. The cooperation between donor and recipient, and the role and influence of the recipient in prioritizing, selection and approach of development cooperation programmes.

These investigations include identifying NORAD's partners, (ministry of finance or planning, other ministries, district authorities, project personnel), and the significance of the choice of partner for the programme design. This work shall also include a study of the preparation of the country programmes, the relevant negotiations and the follow-up of the country programmes.

2. The recipient's capacity/ability to cooperate actively with the donor during the planning and decision-making phases, and the consequences this has had for cooperation and the structure of the country programmes.

The capacity/ability question shall also be viewed on the basis of the recipient country's need for contacts and cooperation with all donors, and the demands this places on the public administration in the recipient country.

3. The recipient country's overall development plans and the main constraints on the recipient country's available resources (economy, institutions, administration, technology, personnel, etc).
4. Financial resources and coordination of international development assistance. ODA's and Norwegian aid's role in the recipient country's economy. Coordination between the recipient and the donors as a group, as well as coordination between the donors and Norway's role.
5. NORAD's familiarity with organizational structures and administrative systems at the central and local levels in the recipient country.

#### *Issues of relevance for selection/planning of projects/programmes (part 2 only)*

6. Selection, order of priority and planning of the development cooperation programmes/projects, viewed in relation to the recipient country's development plans, budgets and available resources.

7. Which factors were decisive for the selection of the programmes/projects and for the further planning and implementation of the activities. Agreement or conflict of interest between general priorities in Norwegian development cooperation policy versus the priorities laid down in the recipient's development plans and budgets; consequences.
8. The part played by the recipient in the planning process. Which agencies in the recipient country were most important, and how well has cooperation between donor and recipient worked? Who took the initiative in identifying needs and the subsequent planning phase? Who/what was the decisive factor for the decision?
9. Prior studies of institutions in the recipient country (capacity and quality) as a basis for selection of programmes/projects and the means of implementation.
10. Plans and strategies to strengthen the recipient country's institutions.

#### **B. Implementation phase (part 2 only)**

##### *Factors of importance for the implementation of the programmes/projects*

1. The roles of donor and recipient in the implementation of the programmes/projects. Is there correspondence between planned and actual implementation? Has deviation from the planned and agreed strategy/organization consequences for the continuation of the activity?
2. The recipient country's administrative system and governing instruments viewed in relation both to the scope and complexity of the tasks as well as to the donor's requirements for goal achievement, efficiency and financial monitoring.
3. The priority given by the recipient to the selected programmes/projects; to be viewed both in relation to the recipient institution's total resources (economy, equipment, personnel, regulatory instruments, etc) as well as in relation to other tasks the institution is required to solve.

##### *Factors of importance for institutional development and competence building*

4. The priority given by the recipient to institutional development and competence building (e.g. allocating personnel and equipment to the programmes/projects in question); to be viewed both in relation to the recipient institution's total resources and also in relation to other tasks the institution is required to solve.
5. The priority given by the donor to constitutional development and competence building; e.g. the importance attached to training, development and utilization of human resources and to leadership and administration issues. Correspondence between objectives and actual development. Consequences of any conflict between objectives and actual development: for the programme/project itself, for the recipient or for the policy of the donor.



6. The "status" of offices managing development assistance projects compared to offices without access to foreign aid. To be viewed in light of some characteristic features of a project funded by development assistance, as: economy (ability to take action), equipment (vehicles, offices, office equipment, etc), fringe benefits (housing, stipends, travel allowances, etc).

### **C. External framework**

The impact of the external framework on the success of the aid efforts as regards institutional development, competence building and integration of development assistance programmes into the public administration of the recipient country. This may include:

1. The recipient's overall access to resources (financial, equipment, personnel, know-how).
2. Political, socio-cultural factors etc in the recipient country.
3. The donor's insight both into local administrative systems as well as into the dominant norms and values of the recipient society. The donor's access to personnel with such relevant competence.
4. The views of other major donor organizations in questions related to recipient orientation, recipient responsibility and integration.

No specific in-depth studies on these issues are foreseen. It is assumed that collection of data in connection with the rest of the evaluation (in particular the country programmes), plus interviews with representatives of other donor organizations in the country, will provide adequate background information.

### **D. Factors for sustainability (part 2 only)**

1. Assessment of the programmes/projects based on the recipient's economic and administrative ability to continue or further develop, operate and maintain the development assistance efforts after the donor-inputs have terminated.
2. The complexity of the programmes/projects evaluated on the basis of the level, competence and capacity of the recipient country as regards technology and resources (both equipment and personnel).
3. The programmes/projects viewed in relation to the recipient country's probable order of priority if it had been free to use the funds as it wished.

No specific in-depth studies on these issues are foreseen. It is assumed that collection of data in connection with the rest of the evaluation will provide adequate background information.

**E. Factors for better learning (part 2 only)**

1. Evaluations and programme/project reviews are important means of providing information to decision-making bodies, planners and those responsible for implementation.
2. This survey will therefore discuss the way evaluations and project reviews have been organized as regards:
  - The decision to conduct an evaluation/review
  - The preparation and establishment of the terms of reference
  - The selection of a separate or joint evaluation team
  - Administration, reporting, publication.

## Annex 2

# ZAMBIA: COUNTRY CASE STUDY EXECUTIVE SUMMARY

This Annex presents the Executive Summary of the *Country Case Study of Zambia* (July 1993), which was prepared by three Study Team members: Arne Dahlen, Otto Hauglin, and Gilbert N. Mudenda.

### **Institutional Aspects of the Development Cooperation between Norway and Zambia: Overall Assessment**

Norway has over a long time contributed significantly to state building in Zambia. NORAD, as a donor of medium size in this country, has played an important role in support to selected provinces/districts and social sectors. Each of the main components of Norwegian support has contributed to state building:

1. Programmes directed towards integrated regional development.
2. Substantial support to social sectors like water supply and maintenance of secondary schools.
3. Commodity import assistance and balance of payments support.
4. Different small projects outside the country programme supporting institutional pluralism and people's participation through non-governmental organisations.

This Study focuses on the country programming process and the two first categories of Norwegian support to state building in Zambia: Assistance to provinces/districts and projects within social sectors, planned and implemented through line departments and provincial/district administrations. To some extent Norway has also been involved in capacity-building assistance to the core institutions of central Government.

Norway's development cooperation policies have *recipient responsibility* and *good governance* as the two main institutional objectives. Assistance channelled through line departments and regional/local administrations could be an effective institutional approach aimed at recipient responsibility depending of the efforts aimed at integration into ordinary institutional set-ups and the emphasis on capacity-building. The three programmes reviewed in this Study could not be assessed as successful according to such criteria. The degree of integration varies considerably, the capacity-building measures were more aimed at achieving project objectives than development of indigenous public service institutions, and none of the programmes can be characterized as fully integrated institutionally or operationally in the planning, budgeting and accounting procedures of the central or provincial Governmental administration.

Norway's contribution to good governance has been limited. It has focused on quality and effectiveness in services for the disadvantaged groups, and less on strengthening policy-making, planning capacity, public decision-making and accountability in governmental policies. In recent years, the country programme dialogue between Norway and Zambia has increasingly covered all these issues, but there is still a gap between this dialogue and the institutional design of the Norwegian support to the programmes and projects.

One way of closing this gap would be for Norway to involve itself more actively in *capacity-building assistance at the macro level* in fields of relevance to all the social sector programmes supported by Norway. Such assistance could for example be: Strengthening the capacity of policy-making, planning and monitoring at line ministry and provincial level; programme integration into sub-national administrations; monitoring social costs of the structural adjustment policy; and measures aimed at strengthening people's participation in operations and maintenance of social services delivery.

### **1. The Challenge of State Building in Zambia**

Chapter 1 discusses the challenges of state building in the context of past and current trends and political changes presently taking place in Zambia. The chapter explores both the constraints and prospects for enhanced good governance and more creative and better ways of using technical assistance for national capacity-building.

In a historical perspective, three distinctive periods may be identified in the political and economic development in Zambia after independence in 1964. *The First Republic (1964 - 72)* was characterized by a multiparty political system and black nationalism, with a mixed economy of private and public sector development. The Government invested heavily in social and economic infrastructure under a number of reforms aimed at improving the economic and social status of the majority of the people.

The State's involvement in the economy was, however, gradually increased, and in the years towards the end of the period most of the large commercial companies, the mining industry and the non banking financial institutions were nationalized. Political opposition against the ruling party UNIP increased, and to prevent destructive splits in the fragile nation, the one-party State was created under the leadership of UNIP, thereby bringing to an end the First Republic.

*The Second Republic (1972 - 91)* was modelled along socialistic lines. The State assumed a leading role in the economy through the continued establishment of parastatal companies, within a central State planning system. Politically, the Second Republic was characterized by the legislature and executive arms of the State being subordinated the party UNIP and an intricate system of patronage with the Head of State, the President, making all major political and economic decisions in the country.

Due to the combined effects of the international energy crisis, decline in the copper prices, unrealistic economic policies of the Government and the increasing burden on the State budget represented by the parastatals, the economy declined. The Government was forced to seek foreign borrowing and deficit financing. This brought in the World Bank and IMF, who urged the Government to undertake economic reforms.

The reforms aggravated the decline in the living standards of the poor, thus undermining the legitimacy of the political leadership and the Government in the eyes of the general public, and opposition to the UNIP Government increased. This paved the way for the Movement for Multiparty Democracy (MMD) which campaigned for and succeeded in repealing the article in the Constitution which forbade the formation of other parties than UNIP. The following national election was won by MMD and brought the Second Republic to an end.

*The Third Republic (1991 - present)* is characterized by a multiparty political system with a market oriented liberal economic system where the private sector is seen as the engine of growth. The State's role in the economy is to be more of a facilitator for creation of an "enabling" environment for private sector development. The changes are supported by the donor community and a new structural adjustment programme is being implemented in collaboration with the World Bank and IMF.

However, the initiated process of privatization of the parastatals and necessary legislative changes has been rather slow, and the State will probably remain a key player in the economy for a long time, also because the private sector is relatively underdeveloped due to long time neglect and discrimination.

Out of a population of 8.5 mill., only 360,000 persons are employed in the formal sector and the informal sector may be regarded as the largest employer in the country where the majority of the people is engaged in a subsistence economy.

The economic reforms influenced by the World Bank and IMF also included cost recovery schemes in the Public Service sector and pruning of the Government bureaucracy. After the initial optimism, the economy continues to decline which results in a growing frustration with, and opposition to the MMD Government. The state of emergency, lifted after the MMD Government came into power, has been reinstated.

There has been a delinkage between the political and administrative systems under the MMD Government, but there is still no clear demarcation between the legislature and the executive. A number of leaders from the Second Republic reappeared in the same or new positions in the new Government, and have not changed their ways and attitudes of the past. Political patronage is still a fact of life, leaving room for old practises of corruption, nepotism and regionalism to continue.

Despite the growing frustrations with the MMD Government, it did keep some of its promises regarding decentralization and democratisation at the local level. Elections to district, township and city councils were held in 1992 under the new Local Government Act of 1991, and the local communities are now represented by elected councillors on the councils.

The public sector continues to play important roles in society, but the viability of some of the roles are increasingly being questioned. The Government has for many years been unable to balance the budget, mainly because a realistic revenue base has never been established. As a result of this and other factors, the public sector operations are also constrained by unqualified staff and lack of planning and management capacity, in

particular in the outlying areas of the country. The brain drain is increasing due to low salaries and inadequate personnel policies in the civil service. The spread of AIDS is also being increasingly felt among the educated and economic elite.

With regard to the state of "good governance" in Zambia, it was expected that this would improve in the Third Republic, and the MMD Government initiated a process towards improved human rights, transparency and accountability. Personal freedom was improved with increased openness of Government and Public Service affairs, but the imposed state of emergency in March 1993 was a set back.

Formally Zambia has the necessary institutions for recipient responsibility in relation to foreign assistance, but the capacity is severely restricted by limitations in personnel, technical and financial resources. Increasing foreign assistance has created by-pass channels and national institutions are no longer in full control of decisions.

The country and its institutions are getting increasingly dependent on donor support to the extent that almost all capital projects and large parts of recurrent expenditure presently come from foreign assistance. The donor community is represented by the multilaterals, the UN agencies, the bilaterals and the NGO's. The so called like-minded donors, previously sometimes acting contrary to the multilaterals, are now coordinating their assistance with the World Bank and IMF.

The Government is, however, making considerable efforts in improving the planning, coordination and integration of foreign assistance by strengthening the role of the National Commission for Development Planning (NCDP).

Concerning the role of foreign assistance in the State building efforts in Zambia, there is now a distinctive convergence among the various categories of donors with the World Bank/IMF in a leading role. Examples of this are the structural adjustment programme, the so called Harvard Group in the Ministry of Finance and the large number of expatriates in the Bank of Zambia.

The development agenda is becoming a contested ground as a consequence of the democratization process and the continued downward trends in economic and social development, despite increased foreign assistance. A number of actors are entering the political arena, and the outcome of the political process under way is uncertain.

With regard to capacity-building for increased recipient responsibility, the following areas for possible intervention should be considered:

- Avoid supporting activities which may erode local capacity-building;
- Strengthen local institutions attempting to create capacity for recipient responsibility;
- Strengthen independent local institutions in areas of policy research and alternative development options;
- Foster institutional capacity at Local Government level;
- Build capacity, in Zambia and Norway, which questions the past and current models of development cooperation.

## **2. Norway's Country Programme in Zambia**

Chapter 2 discusses the three most recent country programmes and analyses the country programming process under the scope of contribution to good governance and recipient responsibility. Country programming is also assessed as an instrument in state-to-state development cooperation.

The yearly country programming process between the Government of Zambia and the Government of Norway represents the most central opportunity to discuss overall guidelines directing the development cooperation and to negotiate on the profile and the contents of the Norwegian assistance programme portfolio for the coming year.

A comprehensive country programme document is prepared on the Norwegian side covering themes like: The political, economic and social situation and predominant trends in Zambia, topics of a political character, which should be discussed with Zambian authorities, and objectives, strategies, expected outcome and needs for funding for each of the programmes within the country programme. On the Zambian side the country programme negotiations are prepared by the National Commission for Development Planning, based on inputs from various core and line ministries.

The delegations, representing the two Governments, consist of participants from selected ministries on the Zambian side and from NORAD headquarters and representation in Zambia as well as from the Royal Norwegian Ministry of Foreign Affairs on the Norwegian side. The Agreed Minutes from the negotiations include the overall statements of a political character, describe the views and the agreements concerning actual programmes, and the allocation of funds to programmes.

The role of the Norwegian country programming process in the development cooperation with Zambia is characterized by the following:

The goals and the principles guiding Norway's development cooperation in general constitute the overall framework of the cooperation with Zambia. In addition there are some more country-specific objectives and strategies related to Zambia. For the period 1991-94 these are:

- To support Zambia's efforts to restructure the economy in a long-term direction
- To contribute so that Zambia during the hard period of restructuring is capable to satisfy the basic needs of the population, especially the most vulnerable groups
- To secure proper management of natural resources.

The profile and the main topics of the three most recent country programmes are characterized by programmes on rural development, water development, roads programme, secondary schools maintenance and commodity import support. On the Norwegian side fairly large resources are vested in the country programming process. On the Zambian side it is impossible to spend an equal amount of time and resources on such a process with a single country, as Zambia has to deal with 15-20 different donors.

There is an apparent imbalance between a Norwegian delegation prepared for overall political discussions as well as real negotiations on the country programme portfolio on the one hand, and a Zambian delegation primarily interested in integrating the Norwegian assistance in their own development plans, on the other hand. It seems that Norway's aspirations are to some extent too ambitious.

If the country programming process is assessed under the scope of contribution to good governance, the following can be said:

- There is a remarkable increase in statements describing Norway's effort to stress issues relating to good governance
- Openness to discuss issues of a political character is growing
- Despite Norway's emphasis on good governance, there is a gap between the diplomatic talk and the management of programmes. The activity is concentrated on programmes related to sectors and regions and much of the assistance to processes of democratisation is kept outside the country programme
- So far, the country programme only to a limited extent has been used to give Norway a stronger role in capacity-building for good governance.

If the country programming process is assessed under the scope of contribution to recipient responsibility, the following can be said:

- Recipient responsibility as a theme is mentioned with increasing frequency
- Relevant dilemmas and constraints concerning recipient responsibility are not put fully on the agenda, for example the potential conflict between recipient responsibility and target group orientation
- The process at the programme level relating to the choice of implementing institutions and capacity-building efforts etc is much more important than the country programming process in promoting recipient responsibility.

On the Norwegian side the country programme is linked up both to overall objectives in general and to the objectives for Norway's assistance to Zambia as well as to different donor coordination activities and must so far be assessed as coherent.

Even if the process on the Norwegian side seems quite coherent, other factors are needed to ensure that the process will have an effect on national policies and mobilization of national resources. Weak capacity in policy analysis and formulation and of coherent development plans on the Zambian side reduces the positive effects of country programmes and increases the risk of more donor-managed development activities.

Although a large amount of resources are vested in the country programming process, it is possible that some benefits exceed costs.

On the Zambian side the process represents an opportunity to: coordinate interests within Government; get contributions to policy-making and aid coordination; have a dialogue on political issues with donors as representatives of the international community; and get resources and skills transferred for the purpose of realizing development programmes.



On the Norwegian side the process represents: a possibility to coordinate the different interests within the Norwegian aid administration; a mechanism for reviewing the country-specific programme portfolio; an opportunity to communicate overall political objectives concerning development; and a mechanism for accountability to Norway's political system and public opinion.

The country programming process needs to be reviewed, improved and given a clear role among the other mechanisms in the state-to-state development cooperation.

### **3. ZAM 007: Water Supply Programme in Western Province**

Institutional development was hardly considered an important issue in the design and planning of the Water Supply Programme in Western Province (WASHE -water, sanitation and health education) in the 70's. The main purpose was to provide water supply for the local population and the heavy input of expatriates in the first phases was geared towards planning and implementation, and not applied for the purpose of capacity-building for indigenous Public Service institutions.

Most of the expatriates had little previous African experience and the programme suffered from a number of mistakes in the first phases. Critical studies in the mid 80's led to a recognition by both NORAD and the GRZ institution formally responsible for implementation, the Department of Water Affairs (DWA) of the Ministry of Energy and Water Development (MEWD), that the programme concept at the time would not be sustainable.

A major reorganisation took place in the period 1985 - 89, which considerably improved key institutional aspects of the WASHE. In the process presently under way in preparing a phasing out agenda for the NORAD assistance, the following features of the programme should be of concern for both the donor and the recipient:

- WASHE cannot be regarded as a fully integrated programme, neither institutionally nor operationally.
- The institutional structure of Mongu and Limulunga Township Water Supply (MTWS) was initially imposed on the Mongu District Council (DC) by NORAD. Whether appropriate, it may prove to be a fragile construction after phasing out the external assistance. In light of the recent interest shown by GRZ in replicating the institutional concept in other DC's, the prospect of institutional sustainability is improving.
- The present WASHE provincial set-up is probably not yet financially and institutionally sustainable without external assistance due to: dependency on separate procurement procedures and foreign exchange, poor financial viability of both rural and township water supplies, and the multisectoral and integrated approach contradicting the monoprofessional and vertical structures of the Public Service.
- WASHE risks losing qualified and dedicated staff to other donor funded projects when all responsibilities are transferred to Public Service structures.

- As a result of the democratisation and decentralisation process, the WASHE is caught in an emerging conflict between the centre and the periphery in the Public Service. DWA is in practice operating both township (except the larger towns and cities) and rural water supply. In principle township water supplies should be the responsibility of the DCs.
- New institutions are being established in the MEWD for development of water supply strategies, and it is important that NORAD in the assistance to the water supply sector ensure that the momentum built up under WASHE is not lost in this process.

#### **4. ZAM 020: Agricultural and Rural Development in Zambia**

In the process leading up to the first Sector Agreement in 1984 on the Programme for Agricultural and Rural Development (ARD) in Zambia, considerable institutional screening or assessment of institutional alternatives was not carried out. Individual projects were connected to institutions conceived to represent activities meeting NORAD development objectives.

The Provincial Planning Unit (PPU) was deliberately chosen in the mid 80's by NORAD for the purpose of coordinating projects under ARD, and the Provincial Permanent Secretary (PPS) was formally established as the implementing authority in the 1988 addendum to the Sector Agreement. In light of the limited formal role of PPU as merely a planning office for the PPS, the key coordinating role given to PPU by NORAD is questionable, both with regard to formal authority and institutional sustainability.

The ARD Programme cannot be regarded as a coherent agricultural and rural programme for the Northern Province (NP), and the programme is not properly integrated in the provincial administration. The degree of integration varies considerably between the 7 projects presently under the ARD, and they may be classified as follows:

- District Support Programme (DSP) and Labour-based Road Improvement and Maintenance (LRIM): No institutional integration at provincial level; integration of supported activities at district level.
- Extension and Training Support Programme (ETSP) and Support to PPU and Departments (SPUD): "Integrated" projects in the provincial administration.
- Soil Productivity Research Programme (SPRP), Adaptive Research Planning Team (ARPT) and Fish Culture Northern Province (FCNP): New/reorganised institutions built up by the project.

None of the projects are fully integrated operationally in the planning, budgeting and accounting procedures of the provincial or central GRZ administration. The budgeting system reflects the NORAD Plan II system. Double accounts (PPS Accounts Section and project accountants) are maintained to comply with the NORAD financial monitoring requirements. The planning process is organised in accordance with NORAD requirements laid out in the Agreement, with annual reviews and annual meetings organised by PPU in collaboration with NORAD.

NORAD is gradually instituting more detailed supervisory, monitoring and control measures reflecting the new development cooperation objectives of recipient responsibility and good governance. However, the planning and budgeting procedures are not in line with GRZ procedures, and the control measures may lead to that recipient institutions feel less responsible due to what is considered as undue donor influence in project operations.

The purpose of increasing capacity-building measures has been more aimed at achieving project objectives than development of indigenous Public Service institutions, and the efforts therefore created imbalances between supported and non-supported institutions.

There have been, and still are, considerable differences between primary Norwegian development objectives and the organisational design and purposes of Public Service institutions. The donor's values have been adopted with the purpose of securing continuous financial assistance, and it is no longer possible to distinguish between real political priorities in NP and the adopted donor objectives.

Norwegian development authorities have shown growing concern for how the development assistance really functions in NP, and this is reflected in the unstructured process of studies, planning attempts and inconclusive meetings over three years since the 1990 ARD programme review report was presented by an independent group of consultants. This may also be interpreted as an indication of a lack of institutional learning on both sides, in particular in NORAD.

The Village Agricultural Programme (VAP) was instrumental in the general public's growing confidence in NORAD in NP. In the present process of integration and increased recipient responsibility, the risk is evident that the established contacts may be lost between the people and the Norwegian assistance.

Of particular concern in relation to development of small scale farming, is the lack of cooperation between agricultural projects and the farmers' own organizations, the Multi Purpose Primary Societies. This calls for new initiatives in institutional development for the farmers organizations.

GRZ finance has been reduced and donor assistance increased during the 80's, leaving the NP today almost totally dependent on this assistance. Only projects with income generating concepts, being allowed to establish revolving funds will have a chance of becoming financially sustainable when donor assistance is phased out.

Public Service institutions, in particular in outlying areas, suffer from insufficient management capacity and quality of human resources in terms of education levels, dedication and working morale. Prospects of improving the situation are rather grim since the capacity-building efforts of the donor funded projects are not reflected in coherent manpower development plans and efforts of the Public Service.

Financial and political accountability is instrumental in achieving recipient responsibility and good governance incorporating increased community awareness, democratic transparency, effectiveness in interventions, proper monitoring, control and audit measures. Development is a process of change. However, to achieve better accountability in a culture

based on permanency and resistance against change, as in NP where terms like nepotism and personal favours have positive values, it must be appreciated that development interventions must be planned with incentives for changes in human attitudes and behaviour.

#### **5. ZAM 021: Rehabilitation and Maintenance of Secondary Schools in Zambia**

NORAD participated in the First and Third World Bank Education Projects from 1969, and when the constructed secondary schools needed rehabilitation due to design faults and lack of maintenance, NORAD felt committed to accept the request for assistance.

The Zambia Education Projects Implementation Unit (ZEPIU) created for the purpose of channelling donor funds to education projects was a natural choice for implementation of the Programme of rehabilitation (REHAB) and maintenance (PMS) of secondary schools. The Unit was conceived by NORAD as the executing arm of the Ministry of Education (MOE), but ZEPIU was in fact never approved by the Parliament as a Public Service institution. Pressure applied by NORAD on the Ministry for institutionalising the Unit in recent years did not yield conclusive results because GRZ never considered ZEPIU to be more than a temporary Unit.

The original decision by the donors to establish a separate implementation unit was apparently due to the lack of qualified capacity within the Education Ministry.

In February 1993, NORAD finally decided to withdraw its support to the REHAB/PMS towards the middle of the year, thereby effectively ending a nearly three decades long (from 1966) engagement in the education sector in Zambia. In respect of institutional development the irony is that the basis for the decision in reality was the perceived poor institutional quality of the GRZ educational authorities.

Available information was found insufficient for a thorough assessment of the assistance in relation to the effectiveness and impact of the institutional support. The serious questions raised by auditors and a review report regarding the accounts and audit departments and the monitoring and control procedures indicate however, that the technical assistance and training for capacity-building for these functions of ZEPIU has had little effect. The effectiveness of the PMS (training) has apparently been much higher.

A particular feature of the PMS concept is the widespread participation in the system at many schools and communities. This gives reason for some careful optimism on the future maintenance of the schools. The PMS will probably be sustained as a method for maintenance and upkeep of the schools as well as for raising the students' awareness and concern for maintenance of infrastructure, not only in the schools, but also in other sectors.

With regard to accountability, both financially and politically, the results are mixed. The disclosure of misappropriation of funds (claimed by NORAD to be in the region of NOK 4 mill.) and mismanagement practices within the ZEPIU is a very serious issue. Not only for the amount of money lost, but for the set-back in the situation of mutual confidence that to a certain degree has existed for a long time between Norway and Zambia.

A number of similar, and possibly even more severe cases of misappropriation of funds, are also presently surfacing, inter alia in the Development Bank of Zambia, and the Luangwa Valley Integrated Rural Development Programme.

The case of Norwegian assistance to ZEPIU may be used as an example of highlighting problems related to the concept of recipient responsibility and good governance, donor conditionality and available sanctions.

The Norwegian Auditor General disclosed that there apparently had been misunderstandings as to who should finance which items of the programme components, and that the donor actually stepped into the role of the recipient and took on his obligations as defined in the Agreement. Adding the misconceptions in general surrounding the role of the NORAD experts, to the mentioned problems of ZEPIU, it is not surprising that funds and materials from development assistance ended up in the wrong hands.

In light of history it may be considered a mistake to establish and later continue focusing on the central ZEPIU in the education sector support. The opportunity of strengthening the Ministry proper was lost, not to mention the provincial level of the education administration in preparation for its new role in a decentralised secondary education system. Whether this would have been more effective with regard to capacity-building remains however, an open question. The NORAD view is that the MOE was, and still is, too weak for efficient capacity-building efforts.

Regardless of the legal and moral basis for the NORAD decision; by cutting short a planned phasing out agenda, NORAD also missed an opportunity to improve its institutional learning on important issues in the new bilateral assistance strategy - conditional monitoring and control, and options for applying sanctions.



## Annex 3

# ZIMBABWE: COUNTRY CASE STUDY EXECUTIVE SUMMARY

This Annex presents the Executive Summary of the *Country Case Study of Zimbabwe* (July 1993), which was prepared by three Study Team members: Poul Engberg-Pedersen, Amanda Hammar, and Otto Hauglin.

### **Institutional Aspects of the Development Cooperation between Norway and Zimbabwe: Overall Assessment**

Norway has contributed significantly to post-independence state building in Zimbabwe. Although being a relatively small donor in this country, NORAD has played an important role in support to the hitherto neglected communal areas. Each of the three main components of Norwegian support has contributed to state building:

- 1) Sector-specific programmes have assisted in the development of national capacity in key social sectors of rural development;
- 2) Commodity import support programmes have eased the foreign exchange burden on the Government; and
- 3) Small projects outside the state-to-state country programme have contributed to institutional pluralism through non-government programmes and organizations.

This Study focuses on the country programming process and the first category of Norwegian support to state building in Zimbabwe: Assistance to national sector programmes, designed and implemented through line departments. Norway has been relatively little involved in capacity-building assistance to the core institutions of central Government. Hitherto, Norway's most significant contribution to state building has therefore been in its financial and technical assistance to sector development, particularly in rural water supply & sanitation and in health.

Norway's development cooperation policies have *recipient responsibility* and *good governance* as two institutional objectives. Assistance to national sector programmes is an unusually effective programme type aimed at recipient responsibility, because central line departments are responsible for programme implementation all the way to the intended beneficiaries. However, the combination of recipient responsibility and national sector programmes reduces NORAD's chances of influencing the actual targeting of the programmes. It requires active capacity-building assistance at central and local levels. NORAD has achieved this in rural water supply and sanitation, but less so in other sector programmes supported by it.

Norway's contribution to good governance has been limited. It has focused on quality and effectiveness in government services for the poor, and less on enhanced participation and accountability in government policies, public decision-making and service delivery. In recent years, the country programme dialogue between Norway and Zimbabwe has increasingly covered all these issues, but there is a gap between this dialogue and the design of the Norwegian support to the national sector programmes, since the latter - understandably - have followed their own agendas.

One way of closing this gap would be for Norway to involve itself more actively in *capacity-building assistance at the macro level* in fields of relevance to all the social sector programmes supported by Norway, for example: Programme integration into sub-national administrations; monitoring social costs of adjustment; and people's participation in operations and maintenance of social services delivery.

## **1. The Challenge of State Building in Zimbabwe**

### *1.1 The changing role of the public sector in state building and national development*

At independence in 1980, the new Government of Zimbabwe inherited both a country and a state that needed transforming in order to reverse the many imbalances of the colonial era. Substantial state participation was envisaged in the economy and in the social development sectors. An expansion of the public service ensued, which exposed the need for institutional restructuring and increased capacity at various levels. Five-year national development plans were seen as one of the key mechanisms for facilitating development, together with centralized mobilization of both domestic and foreign resources to fund the programmes identified in the plans.

The adoption of an economic structural adjustment programme (ESAP) in 1990 provided a critical turning point for reassessing the roles of both the public and private sectors. The shift in orientation towards the market and private enterprise has implied a reduced role for the public sector, although two key areas of state intervention remain critical: creating an enabling environment for economic growth, and ensuring an ongoing commitment to social equity and human development. The role of the private sector has become more defined and less ad hoc, with particular emphasis on its contributions to foreign currency generation, investment and employment creation, and even to social welfare provision.

### *1.2 Structure and trends in the political-administrative system*

Zimbabwe has a reputation of being one of the most advanced states in Black Africa, in terms of its economy, production capacity, commitment to democracy, and efficiency and effectiveness of its public administration. The structure of its political-administrative system and constitutional framework was set in place at the Lancaster House negotiations, and largely mirrors a British-based system of Parliament and the public service. Attempts to transform the public service at independence took place within a mixed context of socialist-oriented central planning philosophy, and a traditional culture of hierarchical decision making, which has largely reinforced authoritarian management practices and reduced the possibilities for effective transparency and accountability.



A broad assessment of the state of good governance in Zimbabwe reveals contradictory trends. On the one hand, increased institutional complexity of the state since independence has reduced chances for internal coherence in policy and planning. In addition, there have been very few meeting points between the state, the private sector and civil society to facilitate meaningful dialogue on issues of national concern. On the other hand, Government is now showing greater willingness to open up the previously tightly-closed circle of policy making and resource allocation. Zimbabwe has officially committed itself to an independent judiciary, however, a number of the previous Government's repressive ways have been retained and used at various times. There are a number of positive indicators of Zimbabwe's commitment to democracy, however, commitment by the state to participatory development has generally been geared towards mobilization of community inputs and not towards people's participation in decision-making or to their empowerment. Concerning recipient responsibility, Zimbabwe has developed a strong national identity, and expresses a clear desire to define its national priorities so as to guide donor support. However, insufficient capacity to develop policy and prepare strategic plans, and pressures to "accept what is offered", have tended to undermine control over the aid process.

### *1.3 The role of foreign assistance in state building and national development*

Foreign capital has played an important role in Zimbabwe's development, creating an imbalance between domestic and foreign capital in the economy. At the same time, drastic shortages of foreign currency and low levels of investment since independence have consistently undermined economic growth potential. Under such conditions, state-to-state assistance has been particularly important. A significant proportion of Government's development programmes is dependent on donor aid. This has resulted in too much emphasis on donor preferences, and led to an ad hoc approach to development rather than adherence to Zimbabwe's strategic development objectives and priorities. Under ESAP, certain changes of emphasis in donor support have begun to emerge, which are beyond Government's control, but which have allowed for greater dominance of the World Bank and IMF within the donor community.

The large number and variety of donors place strains on Zimbabwe's complex aid management and coordination mechanisms, which face problems of internal coordination and of capacity for policy analysis and planning. Technical assistance has been geared more towards sector programme implementation and management than to institutional strengthening, and Government's ambivalence has reduced possible interventions in policy development and planning. Greater openness by Government could result in more effective use of this external resource as an internal capacity building tool.

### *1.4 Key challenges for state building during the 1990s*

Zimbabwe has not yet developed a fully democratic form of governance, nor has it been able to avoid problems of corruption and nepotism in Government. However, a number of important political changes have taken place that open up opportunities for good governance, participatory development and recipient responsibility. Collectively, these changes have the potential to strengthen democratic policy making and resource distribution, by increasing the chances for dialogue between the key actors, and by creating a civil society

with a greater sense of entitlement to demand accountability from the institutions that service and represent them.

Shifts in economic policy and political climate in the 1990s are demanding changed roles for the key actors in state building and national development. For central government, this means a more facilitatory and less prescriptive or controlling role, with primary responsibility retained for defining major policy directions. For local authorities and the private sector, expanded roles in development are envisaged, with new measures being taken by Government to facilitate this possibility. Innovative contributions from vulnerable groups, and from academics and intellectuals, are beginning to emerge. Donor support is being directed increasingly towards economically oriented programmes, matched by a growing concern to strengthen institutional capacity to ensure recipient responsibility and good governance. NGOs may assume an even more important role in linking development assistance with its real target groups.

## **2. Norway's Country Programme in Zimbabwe**

The yearly country programming process between the Government of Zimbabwe and the Government of Norway represents the most central opportunity to discuss overall guidelines directing the development cooperation and negotiate on the profile and the contents of the Norwegian assistance programme portfolio for the coming year.

A comprehensive country programme document is prepared on the Norwegian side covering themes like: The political, economic and social situation and predominant trends in Zimbabwe; topics of a political character, which should be discussed with Zimbabwean authorities; and objectives, strategies, expected outcome and needs for funding for each of the programmes within the country programme. On the Zimbabwean side the country programme negotiations are prepared by the Ministry of Finance, based on inputs from the National Economic Planning Commission and various line ministries.

The delegations, representing the two Governments, consist of participants from selected ministries on the Zimbabwean side and from NORAD headquarters and representation in Zimbabwe as well as from the Royal Norwegian Ministry of Foreign Affairs on the Norwegian side.

The Agreed Minutes from the negotiations include the overall statements of a political character, describe the views and the agreements concerning actual programmes, and the allocation of funds to programmes.

The role of the Norwegian country programming process in the development cooperation with Zimbabwe is characterized by the following:

- 1) The goals and principles guiding Norway's development cooperation in general constitute the overall framework of the cooperation with Zimbabwe. In addition there are some more country-specific objectives and strategies related to Zimbabwe. For the period 1992-95 these are:

- to support implementation of the economic reforms

- to contribute to sustainable development
- to ensure that women benefit from the aid activities
- to contribute to organisational pluralism and people's participation in the development of the nation.

The profile and the main topics of the three most recent country programmes are characterized by programmes on Water and Sanitation, Family Health, Agricultural/-Natural Resources, Commodity Import Support and Women's programme. The programme portfolio has been more or less the same during this period with the exception of a change from Commodity Import Support to Open General Import Licence as a support for the implementation of the ESAP. The obvious strength of the Norwegian programme portfolio is the emphasis on assistance to national sector programmes. This approach creates an opportunity for seeking adequate measures for the implementation of recipient responsibility as well as good governance given the concentration on few sectors.

The total allocation of funds to the programmes within the country programme for the past three years is:

- 1990: NOK 110.7 million
- 1991: NOK 110.7 million
- 1992: NOK 90.5 million

- 2) On the Norwegian side fairly large resources are vested in the country programming process. On the Zimbabwean side it is impossible to spend an equal amount of time and resources on the country programming process with a single country as Zimbabwe has to deal with 15-20 different donors.

There is apparently an imbalance between a Norwegian delegation prepared for overall political discussions as well as negotiations on the country programme portfolio on the one hand, and a Zimbabwean delegation primarily interested in integrating the Norwegian assistance in their own development plans. It should also be remarked that the Norwegian country programme document is written in Norwegian and consequently not submitted to the Zimbabwean Government.

Generally, it seems that Norway's aspirations and the principle behind the country programming process are to some extent too ambitious, and presuppose an extensive process where the two Governments on an equal basis review all development problems in the country, define the needs for foreign assistance and finally a role for NORAD.

- 3) Ideally the country programming process should be a mechanism contributing to good governance and recipient responsibility.

With respect to contribution to good governance in Zimbabwe the following can be said:

- In the country programme documents for the past three years there is a remarkable increase in statements underlining and describing Norway's efforts to stress issues relating to good governance
  - Openness to discuss issues of a political character in the country programme negotiations is growing. This creates new opportunities for adding new dimensions to the development cooperation
  - Despite Norway's increased emphasis on good governance issues in the negotiations, there is a gap between the diplomatic talk on the one hand and the management of programmes on the other hand. Norway supports few independent capacity-building programmes and none at the macro-structural level. The cooperation is concentrated on national sector programmes and much of the assistance to processes of democratisation is kept outside the country programme
  - So far the country programme mechanism has not been used to give Norway a stronger role in capacity-building for good governance.
- 4) With respect to contribution to recipient responsibility in Zimbabwe the following can be said:
- Recipient orientation and responsibility as themes are mentioned several times in the country programme documents in recent years, with increasing frequency
  - It seems that not all relevant dilemmas and constraints are put on the agenda in the country programming process. For example there is a potential conflict between recipient responsibility and target orientation of the development activities and a risk that heavy emphasis on recipient responsibility may result in a strong support for the growing bureaucracy and the elite
  - The country programming process is not the key factor in promoting recipient responsibility. The process at programme level relating to the choice of implementing institutions and comprehensive capacity-building efforts etc. is much more important. The role of the country programme is to function as a framework where overall guidelines can be discussed and efforts at the programme level to obtain recipient responsibility assessed.
- 5) On the Norwegian side the country programming process is linked up both to the overall objectives concerning Norwegian development cooperation in general and to Norway's assistance to Zimbabwe in particular. The process is also linked on an informal basis to discussions concerning donor and aid coordination, with other like-minded donors, the entire donor community and coordination initiatives taken by Zimbabwean authorities. So far the country programming process on the Norwegian side must be assessed as coherent from a formal point of view.
- 6) Even if the country programming process on the Norwegian side seems quite coherent, more efforts are needed to ensure that the process will have an effect on national policies and mobilisation of national resources. On the Zimbabwean side insufficient development plans and lack of capacity in policy analysis and formulation represent a hindrance to the development cooperation. ESAP has taken precedence over policy-making and planning and significant weaknesses are observed both in the Five-Year Plan, the one-year Public Sector Investment Programme and sector

policies. Such weaknesses reduce the positive effects of country programmes and increase the risk of more donor-managed development activities.

- 7) A shift in emphasis which is observed, making the sector level much more the key level with a move towards more elaborated sector policies, should have as a consequence that the relations between the country programme level and the programme level will be significant in securing internal coherence within the total Norwegian assistance. This could for example imply using the country programming process to put emphasis on: capacity-building aimed at strengthening policy-making, planning and monitoring at line ministry and provincial level; institutional reform like form and extent of decentralisation; and measures aimed at strengthening people's participation in social service delivery.

If Norway to a larger extent should be involved in capacity-building at the macro level or in programmes directly aimed at realizing good governance, changes in profile and mode of operations for the NORAD representation would be required, both in terms of authority, role and staff expertise. The expertise required is not so much diplomacy, but lies in the field of organisation and management culture, processes of policy- and decision-making, capacity-building and empowerment. The same changing demands to staff qualifications apply to technical assistance personnel.

- 8) Although a large amount of resources are vested in the country programming process, some benefits which exceed the costs may be possible.

On the Zimbabwean side the process represents an opportunity to:

- coordinate and balance the interests within the Government
- get certain contributions to policy-making and aid coordination
- have a dialogue on changes in the political-administrative situation with donors as representatives of the international community
- get resources and skills transferred for the purpose of realising development programmes.

Most likely, however, the country programming process is a necessary ritual which Government has to go through to get access to foreign assistance, and a forum for mediating a compromise of priorities.

On the Norwegian side the process represents:

- a possibility to coordinate the different interests within the Norwegian aid administration
- a mechanism for reviewing the country-specific programme portfolio and make adaptations to the composition
- an opportunity to communicate overall political objectives concerning development via a formalized channel
- a mechanism for accountability to Norway's political system and public opinion.

The country programming process needs to be reviewed, improved and given a clear role among the other mechanisms in the state-to-state development cooperation.

### 3. ZIB 007: National Rural Water Supply and Sanitation Programme (NRWSSP)

Norway's support to rural water supply and sanitation in Zimbabwe has several very impressive features in the context of institutional development and capacity-building.

- 1) Norway has shown *continuous commitment* to 15 years of sector development in cooperation with all the relevant central government departments. The latest indication is that Norway is considering to assess the institutional and financial sustainability of the integrated RWSS programme in those districts whose projects are nearing completion. This is critical to minimize the risk of undermining the capabilities and the impetus that have been reached in these districts.
- 2) Norway has also shown *adaptive flexibility* in the provision of financial and technical assistance that has responded well to the changing context for rural development in Zimbabwe. This is seen in the four partly overlapping phases of Norwegian support:
  - Post-independence rehabilitation and establishment of a service delivery capacity to benefit the hitherto neglected communal areas;
  - Master Planning and establishment of inter-ministerial cooperation mechanisms in the context of central planning for social development;
  - Mobilization of civil servants at all levels for effective, integrated service delivery and establishment of a team-spirit at district level; and
  - Generation of commitment for devolution of decision-making powers to the Rural District Councils (RDCs), and provision of Norwegian assistance as basic sector support.
- 3) During these phases, Norway has interacted well with the Government, particularly the Ministry of Local Government, Rural and Urban Development (MLGRUD). NORAD has supported the changing emphases between phases, but it has encouraged Government ministries to take the lead in redefining programme strategies and institutional approaches. This is well in line with the principle of *recipient responsibility*.
- 4) During 1986-87, the *basic institutional model* of the NRWSSP was chosen: Inter-ministerial coordination, bottom-up planning, and multi-legged implementation through line departments. NORAD accepted this as the politically most feasible model, and facilitated its adoption through financing of both a diversity of head offices projects and the integrated, district-based projects.
- 5) The Norwegian support has reached an unusually high degree of *institutional and operational integration* into Zimbabwean government bodies and procedures. Although programme-specific planning and budgeting procedures have been established, these have been developed for a national programme, and they have been applied by regular government staff at central, provincial and district levels.

Norway may have gone too far in demanding institutional integration of the NORAD-financed National Coordination Unit (NCU) into the MLGRUD. The success of this unit, particularly in the early years of its existence, was due to its perceived neutrality in the inter-ministerial disputes and its catalytical role in supporting districts vis-à-vis central government line departments. These tasks are probably best handled by an independent unit.

- 6) There has been much emphasis on *capacity-building* in government institutions, especially in the integrated RWSS programmes since 1987. Still, the long-term and immediate programme objectives have aimed directly at the health and standard of living of the target group: Institutional development has been a programme strategy, not an explicit, formal objective.
- 7) Despite this traditional formulation of the programme objectives, the Norwegian support has comprised an impressive range of *capacity-building instruments*, including: Formal and in-service training; financing of workshops; analysis of policy and strategy options; establishment of new institutions particularly for coordination and implementation support; development of new planning and priority-setting procedures; provision of funds with few ties; and provision of international and national advisers.
- 8) The capacity-building instruments have been quite effective in the establishment of *effectiveness* in programme implementation. They have also succeeded in generating *participation* by all government departments, though so far not in involving sub-national political bodies in priority-setting and decision-making. The instruments have so far been less effective with respect to *sustainability* and *accountability* in programme implementation.
- 9) As a consequence, the Norwegian support and the NRWSSP as such have only partly contributed to *good governance*. There has been capacity-building in the public administration, particularly at local level, but the NRWSSP is only now moving towards real decentralization to the RDCs. Programme objectives have aimed at community participation in implementation, not in priority-setting; thus, empowerment of the target group has not been a programme objective.
- 10) Finally, NORAD has made a major effort to involve other donors to the RWSS sector in concerted support to the NRWSSP under the National Action Committee. The mechanisms for improved *aid coordination* are available in the form of clear national programme objectives, coordination structures and review instruments.

The key weaknesses in the Norwegian support to the NRWSSP are the following:

- 1) NORAD may have been too hesitant in the mid-1980s with respect to examining the possibility of further decentralization of authority for programme implementation as an institutional alternative to the centralized, multi-legged implementation structure. Also, attempts could have been made to use the RWSS sector as an entry-point in area-based empowerment programmes.

NORAD chose - quite legitimately - to give priority to high quality in service delivery (through the specialized line departments) and capacity-building at central government level. However, the 1985-87 period was characterized by Government preparation of the amalgamation of Rural and District Councils into RDCs, and it could have been possible and relevant for Norway to insist on pilot projects in support of the District Councils in rural water supply and sanitation. Instead, Zimbabwe stands today in a situation where, for example, the centralized District Development Fund (DDF) is unwilling to transfer water supply equipment to local authorities and to give these a greater say in operations control.

More active NORAD participation in the choice of institutional arrangements for key sector programmes supported by NORAD is not contradictory to the principle of recipient responsibility. Firstly, the donor agency must be accountable precisely with respect to the institutional choice and the establishment of institutional arrangements for programme implementation. Secondly, donor support to national sector programmes must comprise support to the critical process of institutional design of sector management and administration.

To some extent, recipient responsibility should imply that the donor is more active in a dialogue in the early stage of programme design than during implementation. A donor agency can play a crucial role in the process of screening and choice among institutional options, because the involved national institutions naturally will have a number of legitimate organizational interests in this respect.

- 2) NORAD has accepted the separation of authority for planning and budget preparation from authority for implementation and budget execution. This separation was inherent in the multi-legged institutional model chosen for the NRWSSP. Its key weaknesses are:
  - The district RWSS teams are mobilized during planning and budgeting, but given no power to ensure implementation; they become the victims of non-adherence to the plans by the centralized line departments.
  - Communication lines are very complex because of the different decision-making structures of the involved line departments.
  - The system for requesting release of funds from the Ministry of Finance (and hence from NORAD) is equally complex because budgets are based on a matrix of individual districts and individual line departments (as well as individual activities).
  - Progress monitoring and expenditure accounting is difficult for the NCU, which relies on data from districts that do not themselves receive information from the central line departments.
  - The model requires active interventions (in the form of facilitating pushes during day-to-day operations) by a coordinating body at central level. The NCU could live up to this as long as few districts were involved and communication lines were direct and inter-personal.
- 3) NORAD has for too long accepted the problems of financial accountability that are the result of the multi-legged implementation model. NORAD has only recently



insisted on receiving audited accounts (despite adequate stipulations in the project agreements). NORAD has not been able to secure timely transfer of funds from the Ministry of Finance to the implementing bodies, nor to secure agreement between Finance, the implementing line departments, and the NCU on actual expenditure incurred.

These are difficulties which NORAD as a single - although important - donor cannot solve. As a consequence, NORAD has, for example, accepted to transfer funds for all of the agreed budgets at the beginning of a new programme period, instead of only transferring the gap between past unspent balances and the new requirements.

These weaknesses in institutional development and financial management are not unique to the Norwegian assistance. Hence, they do not detract decisively from the general assessment of an impressive NORAD performance in the institutional aspects of Norwegian assistance to the NRWSSP.

#### **4. ZIB 015: Family Health Project (FHP)**

Norway supports the Family Health Project through an administration agreement with the World Bank. There are institutional benefits from this arrangement to both NORAD and the Government of Zimbabwe through savings in the administration of what would otherwise be a bilateral aid programme.

Norway has approached this project arrangement with a maximum of flexibility: Offering considerable, almost untied resources; accepting to finance local costs also of a recurrent nature; refraining from insisting on bilateral supervision missions; and contributing relevant health expertise as participants in the World Bank-led twice-annual supervision missions.

Norway has concentrated its professional contributions to the FHP on selected aspects of the health and population programmes. The assumption has been that through an administration agreement with the World Bank, Norway would not have to be involved in the management aspects of the project. This view and approach should be reviewed. Through co-financing and participation in donor supervision missions, Norway assumes part-responsibility for all aspects of the FHP, including for the institutional uncertainties summarized below.

The FHP has become a demanding project type with a mixture of civil works; supply of equipment; human resources development through training; capacity-building for planning, management and accounting; and strategy development within individual health and population programmes.

These components are a necessary donor response to the fact that the Government of Zimbabwe to a relatively large extent has insisted on retaining policy-making and overall sector management as its own prerogative. This situation has pulled the World Bank into a project type which is different from the Bank's comparative advantage in sector-specific projects: Policy-oriented sector programmes on one hand; and large-scale investment programmes in public infrastructure and service delivery on the other.

The FHP mixture of components requires a coherent capacity-building effort in all departments and all levels of the MOH and other implementing bodies. Such capacity-building is only feasible if the donor has a strong presence at country level and utilizes all instruments of capacity-building in a concerted manner. Here, the form of 'recipient responsibility', which is inherent in World Bank lending, is a disadvantage, because of the formal and physical distance between Bank headquarters and the day-to-day decision-making and operations management within MOH at central, provincial and district levels.

Precisely because the FHP is a government programme, whose planning and implementation are well integrated into MOH structures, and because it comprises much more than investment activities (without being a full sector policy programme), *capacity-building in national institutions* and *coherence in institutional integration* become key performance factors for the overall FHP. This has not been fully recognized in the design of the FHP and in the current donor support given to the MOH for its implementation. There are at least the following institutional challenges:

- 1) In terms of institutional authority and implementation responsibility, the FHP is well integrated into Zimbabwean institutions, especially MOH and ZNFPC. There is in FHP2 a greater project planning role for the regular programme departments in MOH as well as some deconcentration of budgeting and planning responsibility to the provincial medical directors. However, more efforts are needed to address the vertical and hence fragmented nature of public service delivery, which characterizes health and population also in Zimbabwe. In this context, the FHP has focused too much on inputs and activities and too little on output and impact.
- 2) Operationally, the FHP is well integrated into government structures with respect to planning and implementation. Increasingly, government procedures for accounting are being used. However, for the sake of efficiency in the many budget support activities under the FHP, this is being coordinated by a separate Project Management Unit (PMU). This tends to limit the capacity-building which would be possible through management systems that combine authority for planning, budgeting, implementation and accounting at each level of government hierarchies.
- 3) The quality and sustainability of public health and population services in Zimbabwe have undoubtedly been strengthened through the FHPs, particularly with respect to the physical infrastructure and the capacity of extension staff. Organizational effectiveness and institutional sustainability are threatened mainly by the continued verticality of the delivery approach through programme-specific departments and by the too limited and narrow capacity-building efforts throughout the MOH. Given the policy decision to reduce employment in government, there is still a risk that the FHP-provided resources and facilities will not be used to the maximum due to lack of staff.
- 4) Financial sustainability prospects are determined mainly by the development of the economy in Zimbabwe and the future role of the public sector. There is a fear in the eight project districts under FHP1 that project completion will deprive them of recurrent funds for operations management and hence lead to demotivation among extension staff and underutilization of the provided infrastructure. Furthermore, the

FHP concentration in selected districts of a large share of Government and donor funds for the health sector has not made sector adjustment easier for the Government. Here, the weakness of the platform for comprehensive and integrated sector policy dialogue between Government and the donors is particularly critical.

- 5) Capacity-building has so far mainly taken the form of training of MOH and ZNFPC staff. There is concern that the training has been excessive in terms of both costs and time demands on staff. It was only in 1992, i.e. after five years of FHP implementation, that a 'management procedures manual' was completed, as a foundation for future capacity-building of a more systemic nature. Reliance on 'twinning' between MOH and a public health care authority in Europe, which is a significant part of the ODA approach to management strengthening within the FHP framework, is unlikely to be able to address the basic deficiencies still characterizing the MOH, particularly in financial management.
- 6) Given the size and especially the complexity of the FHP, it is critical that the World Bank and the other partners have not used the possibility to undertake an evaluation of FHP1 as an opportunity to take a comprehensive look at the appropriateness of the institutional design of the FHP and its links to the Government's sector policies and strategies. Emphasizing the process orientation and operational objectives of the evaluation / project completion exercise; carving it out to programme specialists; and letting the involved parties manage it themselves will reinforce the fragmented approach and activity / input-focus of the FHP. An evaluation could instead be used as an opportunity to lift the Government / donor dialogue to the level of policy-making and overall sector management.
- 7) The World Bank has correctly attempted to use the regular supervision missions as a platform for constructive dialogue and professional advice on a diversity of detailed issues within the many programmes covered by the FHP. In the view of the Study Team, the approach has gone too far, however, resulting in excessive micro-management interventions. The reason seems to be the absence of a more basic health policy and sector management dialogue which could have served as the reference framework for the interaction of MOH and donor representatives.

All in all, the FHP represents a "quasi sector policy programme", which has been designed in a way that *underutilizes* the capacity:

- Of the World Bank to lead donors on policy-based sector programmes comprising strategy improvements, capacity-building and large-scale investments;
- Of the Government to engage in open dialogue on the management of a crucial sector, based on the Government's strong policies; and
- Of Norway to contribute not only with high-quality professional advice and Norwegian development objectives, but also with experience in capacity-building for improved sector management.

A more systematic dialogue, focused on higher-level health policy and sector management issues (as opposed to micro-management), would not imply a donor take-over of sector management. On the contrary, it would be a more honest and open contribution to

capacity-building for recipient responsibility in health and family planning. All parties should acknowledge that capacity-building assistance often is a *precondition* for effective and sustainable recipient responsibility.

For Norway, these findings do not question its decision to support the FHP through the World Bank. But they demand a more active Norwegian involvement also in the institutional and management aspects of an important programme, for which Norway has transferred administrative responsibility to the World Bank.

### **5. ZIB 017: Dairy Development Programme (DDP)**

Norwegian support to the Dairy Development Programme was bold and appropriate in the attempt to strengthen an institution geared directly to economic and social development in the hitherto neglected communal areas. However, NORAD's approach has not been optimal in three respects that have had important institutional implications.

Firstly, there has been some disagreement within NORAD on the proper objectives and strategies of the DDP. The official stand (both Norwegian and Zimbabwean) at the time of signing the programme agreement in 1990 was that DDP should use dairy development as an entry-point into comprehensive, multi-sector, community-based rural development. The emerging reformulation of objectives, supported by DDP's present management and NORAD, in particular by the technical department in NORAD Oslo, sees increased milk production as the primary, immediate objective and as a means towards income and employment generation among smallholders.

This has led to increased NORAD emphasis on recipient responsibility and a reduced dialogue between NORAD and DDP on how to design and implement such a complex and difficult programme. In accordance with DDP preferences, NORAD's Resident Representative insisted, at the time of signing the programme agreement, that a technical review by a NORAD mission should not contribute to the decision-making process within DDP.

Secondly, NORAD has consistently seen the DDP as a national programme, fully integrated into permanent structures in Government. In reality, however, DDP has many features that are typical of a project organization: Independent management; vertical decision-making structures from the head office to the field; fully separate planning, budgeting and accounting procedures; and almost total reliance on donor funding (directly and indirectly through Norwegian counterpart funds).

Furthermore, DDP's functions were described as those of a project organization, viz. to help mobilize communities and make them self-reliant in socio-economic development, after which DDP was meant to pull out of the project sites and move to new areas. If NORAD had fully recognized DDP as a project organization, it must have insisted on clearer performance indicators, including clear criteria for when and how to phase out the assistance to given communities. And then NORAD would have had to take a more active role in programme definition, which was critically needed at DDP.

Thirdly, NORAD limited its assistance to budget support and used a reference to recipient responsibility as an argument for not interfering in the management of the programme. Thus, DDP was not offered technical assistance for capacity-building.

During the late 1980s, DDP quite correctly had to be transferred from the Dairy Marketing Board, which could not serve as a platform for a development organization such as the DDP. Various institutional options were examined by DDP and other government institutions. Although Norway already then was funding the DDP (through counterpart funds), NORAD did not take active part in the process of institutional choice, which led to DDP's transfer to the Agricultural and Rural Development Authority, ARDA.

These three uncertainties on the role and requirements of the DDP have led to a too passive NORAD approach to capacity-building in and for DDP. While this may have corresponded fully with the wishes of the DDP management at the time, it does not relieve NORAD of the obligation to form its own opinion of the adequacy and appropriateness of the institutional arrangements. When the present programme agreement expires in 1994, NORAD and DDP should utilize the opportunity to make a detailed assessment of at least the following *four institutional options* for the future of DDP.

- 1) A permanent service delivery organization, comprising extension services on all aspects of dairy development in communal areas. This would probably require further integration of the DDP into the Ministry of Lands and Agriculture. Whether ARDA is the logical location for DDP in this case, would depend on ARDA's future role in subsidized development promotion.
- 2) A financially self-sustaining, commercial organization, for example specializing in processing and marketing of dairy products from communal and small-scale commercial farmers. In this option, DDP could surely remain in ARDA, but DDP's mandate would become less targeted to the poor and overall rural development.
- 3) A catalyst organization, along the lines of the originally conceived DDP aimed at mobilizing communities and phasing out its assistance in accordance with specific project plans. In this option, the DDP would need independent authority and sufficient resources to deliver all the services required for take off in dairy development. These resources could be channelled through DDP itself or through other organizations, such as Agritex, Veterinary Services and Agricultural Finance Corporation.
- 4) A district-based, multi-sector community mobilization programme. Here, DDP's role should either be as one among several government bodies delivering the required services, or as the project organization coordinating and promoting the entire programme. In the latter case, DDP would have to be transformed into a multi-sector organization with an expansion in its human and financial resources and a concentration in its geographic coverage.

Some of these options may be neither feasible nor desirable. However, they point to the analysis, which is needed of the link between programme objectives and strategies and institutional design. This analysis has not been fully undertaken in the past in the case of the Dairy Development Programme.



## Annex 4

# DAC Principles for Effective Aid: Excerpts on Institutional Issues

### Introduction

The discussion of institutional issues in the present Report reflects the improved international understanding of the need for capacity-building as an objective and instrument of international development cooperation. For Norway, decisions in OECD's Development Assistance Committee (DAC) constitute a part of the framework for the design of country programmes and the support given to individual projects and programmes in developing countries.

Since the DAC - on paper - has come far in the adoption of principles covering the bulk of the institutional aspects of development cooperation, excerpts are presented below from OECD: *DAC Principles for Effective Aid. Development Assistance Manual*, Paris, 1992. The excerpts confirm that institutional issues are critical to all aspects of international development cooperation. The bulk of the Report of the Evaluation seeks to concretize and supplement these Principles to make them directly relevant to *Norwegian* development cooperation objectives, cf. the discussion in Section 1.3.

### Conceptual Underpinning and Salient Features of the DAC Aid Principles

"One of the compelling lessons of experience is that aid can only be as effective as the policy, economic and administrative environment in which it operates. ... The operational lesson is that aid has to be more concerned with creating the fundamental conditions for its effectiveness." (p 5)

"For donor advice in the policy and programming dialogue to be credible, it must be competent, reflect full understanding of the variety of economic and other constraints facing the developing country, and must be backed, or at least accepted, by all significant donors." (p 6)

"There is a vital connection, now more widely appreciated, between open, democratic and accountable political systems, individual rights and the effective and equitable operation of economic systems. ... DAC Members have reaffirmed the importance of good governance, including democratisation and respect of human rights as basic conditions for broad-based sustainable economic and social development. There is now an awareness that effective strategies for sustainable development need to address development issues at all levels: projects, programmes, policies, institutions and, indeed, political systems." (p 7)

"DAC Members undertook to further encourage this process (towards democratisation) through appropriate development assistance activities and the policy dialogue, and particularly respect for human rights, representative government accountable to its citizens, and good governance within a framework of law. They recognize that there can be a wide variation of institutional arrangements and practices which manifest these democratic values, based on the specificity of each country's political, economic, social and cultural traditions." (p 7)

"There is a need for aid agencies to help developing countries strengthen their analytical and management capacity to design and implement effective policies and programmes. ... There is a need for close co-operation between recipient governments and the multilateral lead agencies but the processes of consultation and co-ordination should provide an opportunity for bilateral donors to express their views during the formative stages of policy and programme consultations between recipients and the international agencies." (p 8)

"Policy dialogue should be an intrinsic element of aid co-ordination at the local / sectoral level. Recipient governments should be at the centre of the process. ... Effective participation both in the policy dialogue and in aid programming at the local level will be facilitated by the presence of policy-oriented staff stationed in recipient countries in which individual Members have major aid interest." (p 9)

The 1991 'Principles for new orientations in technical co-operation' "set as strategic objectives of technical co-operation long-term capacity building in developing countries rather than immediate short-term performance improvement; ... stress the essential importance for effective technical co-operation of improved planning in the context of co-ordinated support for sectoral objectives and policies and, in particular, use of a programme rather than a project-by-project approach; ... emphasize the key importance for sustainable development and self-reliance of long-term institution-building, especially in the areas of policy analysis and development management." (pp 9f)

"Capacity-building for policy formulation and planning and implementation and the extension of substantial programme assistance must go hand-in-hand." (p 10)

"Policy dialogues on essential aspects of policy reform and structural adjustment must have a strong multilateral dimension. Bilateral policy dialogues need to be consistent with the orientations of national policy frameworks and priorities as they have been reviewed in the international aid coordination arrangements." (p 10)

"Developing countries' own development efforts, including progress towards good governance and democratisation, mobilisation and improved use of resources including efforts to reduce excessive military expenditures should be an important consideration in the allocation of programme assistance among developing countries." (p 11)

### **Guiding Principles for Aid Co-ordination with Developing Countries**

"DAC Members underline the need for aid agencies to help developing countries strengthen their analytical and management capacity to design and implement effective policies and programmes. DAC Members also recognise the need for greater participation



by bilateral aid agencies in assisting developing countries in their efforts to improve their policies and programmes." (p 25)

"DAC Members recognise the special merits of having several donors work together with a recipient government in the cofinancing of important projects and sector programmes. They will attempt to reduce administrative burdens by relying as much as possible for appraisal on a bilateral or multilateral lead agency." (p 26)

"DAC Members are fully aware of the need to avoid overburdening the administrative capacity of recipients. While effective action to streamline the administration of aid will not be easy, they will seek opportunities to harmonize and simplify the requirements they exact from recipient governments, especially by making greater use of studies and reports already prepared by others or worked out by an agreed lead agency. ...

DAC Members underline the essentiality of strengthening developing countries' institutional capacity to design and implement effective policies and programmes and to manage their development processes. Competent central government institutions are essential to establish an effective policy framework, but broader institutional development efforts are required at all levels of government, including sectoral and local levels. These efforts should also take into account the capabilities and potential of the private sector and the requirements it has for institutional development in order to better enable it to make its full contribution." (p 29)

### **DAC Principles for Project Appraisal**

"While project financing decisions are taken jointly by donors and recipients, responsibility for project identification, design and implementation rests with the recipient. Strengthening the capacity of recipient countries through training and institutional development for project appraisal, design and management including budgeting and auditing is an important objective for donor / recipient technical co-operation." (p 33)

"Experience shows the utility of sector programmes and strategies which establish the government's sector objectives, articulate sector level policies and priorities and identify areas for possible donor support. Greater emphasis could be given to exploring opportunities for a linked series of projects within a given sector, enabling the use of experience and gains in institution-building." (p 34)

"User charges ensuring cost-recovery are the best safeguard of the financial viability of a project and consequently of its sustained ability to provide continuing benefits to recipients. ... In some cases the recipient government may not be able to finance all or part of the local and/or recurrent costs out of its own budget. In such cases, donors may wish to consider assistance for such costs in order to ensure the project's completion or continuing operation. Timing and modalities of assistance should be firmly agreed before the launching of the project, combined with realistic phase-out arrangements for recurrent cost financing." (p 38)

The chapter on 'Project Appraisal' contains a section on 'Institutional assessment', from which a few key principles are drawn:

"The institutional assessment constitutes a basis for determining the nature and types of skill, organisational capacity and incentives which will be required of the recipient's implementing or operating agency. Gaps should be identified and a strategy for strengthening implementation capabilities should be drawn up. The assessment must be made at an early stage in order to allow consideration of options in the design of the project. ...

The institutional assessment should include an examination of the financial management capabilities of the organisation related to its budgeting, accountability, and control of funds and the degree to which its planning process takes into account this information. Particular emphasis should be placed on ensuring that a funds-control capability is in place at the time the project is initiated. ...

It is important to assess the duration of the technical assistance required by the implementing agency and other linked organisations and the extent to which local institutions / consultants could provide it. ...

Agencies should carefully consider different options to reduce the management load put on the recipient's institutions, particularly by simplifying project design and appropriate phasing of project activities." (pp 40f)

"Greater emphasis should be given to ensuring the commitment of recipients' executing agencies through their active involvement in selection, design and implementation." (p 43)

"Overburdening the administrative capacity of recipients should be avoided. ... Thoughtful consideration of the planning process can achieve both more adequate project planning and avoidance of unnecessary studies and data collection.

Information and reporting requirements in project selection, implementation, accounting and evaluation should be related as closely as possible to recipients' own administrative practices and requirements. ...

One approach to simplification has been the adoption of streamlined procedures or the extension of sector aid and other mechanisms through which particular types of project, especially small- and medium-scale projects, can be grouped. ...

Restraint may need to be exercised in the amount of documentation requested from recipients and in the elaborateness of targets and cost projections." (p 47)

### **Principles for New Orientations in Technical Co-operation**

"A particularly important objective of Technical Co-operation is institutional development based on human resources development, i.e. to contribute to the strengthening and improved functioning of the many institutions essential for sustainable development through the effective management and operation of an economy and of society more generally, from government ministries, local administrative structures, over hospitals and schools to private enterprises. Human resources development is a prerequisite for institution-building. Capacity building for improved policy analysis and development management by the core government institutions is of special importance. ...

Technical Co-operation can only be as effective as the policies and receiving structures of the recipient, and it is the very function of Technical Co-operation to strengthen them." (p 51)

"Technical Co-operation should be carefully adapted, in full co-operation with local governments, to support the democratisation process in developing countries. Efforts to promote good, open and accountable government, strengthen the judiciary and legal systems, combat corruption through strengthening institutions exercising financial accountability and enforce the rule of law will rely largely on expanded counselling and training, partly outside conventional fields of TC expertise. Human rights organisations, pillars of a democratic society, should be fostered. TC programmes and personnel should not be involved in activities inconsistent with human rights. ...

Moves towards greater decentralisation will imply a renewed role for Technical Co-operation to assist in the strengthening of local governments, municipalities and private institutions such as local development banks, professional associations and trade unions." (p 54)

Progress towards sustained, more equitable and self-reliant development depends critically on the strength and quality of a country's institutional and organizational capacity. Contributing to this objective must therefore be an essential purpose of development co-operation in general and Technical Co-operation in particular. ...

Effective institution-building requires long-term commitment by both donors and recipients. It should be planned in a sectoral context related to sector objectives and requirements. ... Technical Co-operation should build on existing institutions and capacity, public as well as private, and avoid the promotion of parallel structures established for the operation of aid-supported activities.

The choice of institutions to be strengthened through Technical Co-operation has to be determined on a sector basis according to the diverse needs and priorities of the country concerned. The whole range of institutions have to be considered: public sector agencies, financial institutions, legal and educational institutions, business, local communities and voluntary institutions. They all form part of the social fabric through which ideas, skills and new technologies, as well as individual energies, are deployed. Enhancing the policy-making and resource management capacities at central, local and sectoral levels should be given primary emphasis. The effective design and implementation of structural adjustment programmes will often depend on effective institutions." (pp 54f)

"Competent civil services and public management are essential for development. They constitute central institution-building, planning and training tasks for Technical Co-operation.

Insufficient remuneration for qualified national personnel is a key problem contributing to civil service inefficiency in developing countries. Rather than topping-up salaries, donors should encourage recipient governments to articulate a strategy to address civil service reform. ...

Civil service reform and remuneration issues have been made more difficult by the need for developing countries to drastically restrain public expenditure as part of indispensable stabilization and structural adjustment efforts. ... In supporting structural adjustment programmes donors should take these problems into account." (p 55)

"Working from national sector and sub-sector strategies and programmes, donors and recipients should specify TC objectives which can be used as a basis for effective appraisal, implementation, monitoring and evaluation of specific individual activities. Objectives should be clearly defined and articulated in terms of institutional capacities to be developed and what constitute successful project completion rather than in terms of inputs to be provided." (p 56)

"Because institutional and organisational development takes many years, it must be based on comprehensive and well defined visions of the future, with long-term objectives taking priority over short-term project goals. Donors should be prepared to stay involved until objectives are achieved." (p 57)

"TC activities aimed at strengthening private sector enterprises encompass, inter alia, institutional development and policy advice for economic policy reforms, both at the macro and sectoral levels, including deregulation of the financial sector and of foreign trade, advice for rehabilitation of public enterprises including privatisation, training of managers and accountants as well as of engineers and technicians, and vocational training." (p 58)

"Training is the key to the development of human resources and institutional development. It must be given more priority in resource allocation. ...

Donors should support the development of national training strategies and programmes under which training and education activities are closely related to sectoral needs and economic realities. ...

Technical Co-operation should, whenever possible, give priority to the development of the training capacity of developing countries and to the training of trainers rather than to direct training. Strengthening existing recipient country institutions should be given priority over the creation of new ones." (pp 59f)

"The provision of expatriate personnel (experts, consultants and volunteers) is an essential instrument of Technical Co-operation. The success of Technical Co-operation depends largely on the expert's competence and ability to transmit knowledge and experience and help create effective institutions. ...

Given the TC objective of indigenous institution-building, the use of expatriate professionals solely for project construction and operations should be exceptional. ...

Although experts on long-term assignments in advisory rather than operational roles may be needed and thus still requested by recipients, more emphasis should be given to short-term experts including more frequent follow-up visits. The advantages of this practice is that 'ownership' of a particular programme rests with local staff, with expatriates providing technical support." (p 61)

"Twinning arrangements have proved useful for institutional development and for skill transfer. Donors and recipients must consider developing such arrangements among national and municipal bodies, commercial and non-governmental organisations and institutions." (p 63)

"Technical Co-operation requires systematic monitoring and evaluation to give managers and policy-makers full information for decision-making, effective implementation and public accountability. ...

DAC members have agreed to test a practical set of questions for judging the effectiveness of Technical Co-operation including an assessment of whether the appropriate skills have been transferred in accordance with the individual needs in developing countries, the extent to which transferred skills have been disseminated and taken root, and the sustainability of TC results in institution-building based on human resources development. They are also looking for a method to calculate the cost-effectiveness of Technical Co-operation in general and institution-building projects in particular. The best measure of success in Technical Co-operation for the moment may be the extent to which effective institutional arrangements and legal frameworks can be developed and dependence on expatriate assistance eventually reduced." (p 64)

### **Principles for Programme Assistance**

"Members have agreed that they will plan and manage their aid increasingly in the context of co-ordinated support for larger sectoral programmes, objectives and policies.

Programme assistance is increasingly used by donors to promote policy reform and structural adjustment which are essential for improved development in relation to both macroeconomic requirements and those in specific economic and social sectors (policy-related programme assistance)." (p 67)

"A basic long-run objective of aid is to strengthen developing countries' administrative and eventually economic and financial self-reliance. As developing countries make progress in their basic policy environment and in strengthening their administrative capacity, it should be possible to reduce closer donor involvement in implementation and to rely increasingly on national institutions and market mechanisms to allocate the resources made available through aid.

Past experience shows that it is undesirable to provide programme assistance on a sustained basis in situations where policy and administrative environments are inadequate. While emergency assistance may sometimes be indispensable even in such situations, it should then be available only on a short-term basis and priority must be given to policy reform and institution-building efforts." (p 69)

"Capacity-building for policy and programme planning and implementation and the extension of substantial programme assistance must go hand-in-hand. This calls for intensified technical assistance and advisory work by the competent international organisations and also by bilateral donors." (p 70)

"Since programme assistance ... is a particularly fungible form of assistance, donors need to assure themselves that the recipient country's overall resource and budget allocation priorities are consistent with development aims, paying attention also to expensive prestige projects and large military expenditures. Carefully appraised and prioritised public expenditure programmes are fundamental in this respect. They also provide a link between planning for programme assistance and project assistance." (p 71)

"DAC Members have agreed to work with their developing-country partners to achieve more participatory development in particular in the following areas:

- Priority for programmes providing affordable, effective and sustainable services, such as for education, training, health and family planning, for the masses of the people, including the poor, and broad participation in selection, administration and financing of these services.
- Assisting developing countries in strengthening institutions, policies and practices leading to democratisation and good governance at central and local levels, and also reducing the scope and incentives for corruption. ...
- Associating users through appropriate organisations with the design and implementation of aid-financed programmes.
- Enabling active participation of women in the processes of development as decision-makers, producers and providers of basic care.
- Promoting respect of human rights, including effective and accessible legal systems, areas where bilateral agencies have a particular role to play." (p 73)

"When designing programme assistance donors should carefully consider management implications with the recipient government, including the governance dimension. This involves an assessment of the capacity of the implementing authorities to carry out the programme. The institutional assessment should also include an examination of the financial management capabilities of the implementing agency related to its budgeting, accountability and control of funds. When the institutional assessment identifies gaps, concrete technical assistance action should be launched to strengthen implementation capabilities.

The design, negotiation and implementation of policy-related programme assistance is especially demanding:

- Effective support of major reforms requires thorough understanding of the structure and evolution of the economy and/or sector and of the country's policies and institutions. While the final responsibility for the preparatory analytical work must be that of the developing country, multilateral and bilateral donors can help in the analysis and often expensive basic survey work.
- Time phasing must balance urgency of policy action with realism in the time required to prepare, negotiate and implement programmes. ...

'Tranching' of policy-related programme assistance, making effective disbursements conditional on implementation of the agreed policy reforms, is an effective instrument for ensuring effective programme implementation. However, flexibility is necessary because of

unanticipated developments. The credibility of conditionality suffers when frequent waivers have to be given." (p 75)

"One of the most sensitive issues in policy-related programme assistance is the appropriate response to programme deficiencies, weakening policy performance and/or non-compliance with policy agreements. Effective monitoring and continuous policy dialogue are essential to prevent programme failures and to take corrective action. Close collaboration among donors and the international agencies is important to ensure coherent responses." (p 76)

"While each developing country is responsible for its policies and programmes, at the same time a basic consensus between the developing country, the multilateral lead institutions, and donors, on what constitutes effective policies and policy reform efforts is essential for the effective and consistent use of programme assistance at both country and sectoral level." (p 76)

"Some donors are giving increasing attention to sector assistance approaches in support of specific sector objectives, programmes and policies agreed with recipients and with broad monitoring arrangements.

The appropriate combination of technical assistance, project assistance, policy related programme and sector assistance, including sector investment assistance, and general economic support, must depend on specific country situations. Developing countries which have attained strong administrative capacity and an effective basic policy environment are well equipped to use both project assistance and programme assistance, including sector investment assistance, effectively. The essential characteristic of the evolving aid relationship is not so much the balance between project and programme assistance as such, as a greater reliance on the developing country's own institutions and mechanisms for resource allocation and for detailed design and implementation." (p 77)

"Experience shows that it is undesirable to provide programme assistance on a prolonged basis in situations where the policy and administrative environment in the recipient country is inadequate to permit reasonably effective use of the resources. ... In such cases priority must be given to institution-building and policy reform efforts." (pp 78f)

"Effective programming of public expenditure and its implementation according to budgeted priorities within a developing country's overall budget is a key objective. It is closely related with the concern to foster good governance and increased self-reliance in recipient countries. To be consistent with this objective, donors should make efforts to adapt their mechanisms and practices for delivering aid, including the use of counterpart funds, to facilitate the consolidated, rational and effective management of public expenditures, including overall allocation of expenditures which reflect established development priorities emerging from the policy dialogue. Counterpart funds should therefore be integrated into the national budget of the recipient government under well-functioning budget formulation, accounting and evaluation procedures." (p 81)

"Evaluation and monitoring of programme assistance presents special difficulties. ... It is useful to distinguish in the evaluation process i) the immediate implementation or delivery objectives, ii) experience, in the case of policy-related programme assistance, with the

implementation of policy reforms, and iii) the actual achievements in terms of macroeconomic or sectoral impacts, institutional development and policy reforms." (p 83)



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