

**Bergen Seminar on Development 1999**

**Making South-North organisational  
cooperation an effective instrument  
for institution building**

Edited by Arve Ofstad

**R 1999: 6**

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# Summary

The Bergen Seminar on Development 1999 focused on aid-funded institutional partnerships and twinning, and the extent that these are effective mechanisms for promoting organisational change and institution building. Institutional cooperation, also called twinning, has been promoted as an alternative to conventional technical assistance, and implies that similar organisations and institutions in the South and North enter into a medium to long term collaborative arrangement.

At this seminar some 50 participants, including aid officials, practitioners in public institutions and NGOs, researchers and resource persons from the South and the North, gathered to review experience from evaluations and case studies, and to make a set of recommendations for improved policies and practices. It was agreed that the success of institutional cooperation depends fundamentally on the capacity for equal participation and real ownership by both sides. Since twinning is a form of tied aid, alternative mechanisms including regional and global networking must always be considered. Organisational and broader institutional change also depends on an enabling political and legal environment, which may have to be created.

This publication contains the full report from the Seminar. A separate off-print of the summary and conclusions is also available as a CMI Conference Report.

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**Making South-North organisational  
cooperation an effective instrument  
for institution building**

Full Report

Edited by Arve Ofstad

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## **Indexing terms**

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Twinning

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## Preface

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The second Bergen Seminar on Development was organised by the Chr. Michelsen Institute in collaboration with the Norwegian Ministry of Foreign Affairs, through its Policy Planning and Evaluation Staff, and the Centre for Partnership in Development (Diakonhjemmets Internasjonale Senter – DiS). It took place over two full days 1-3 March 1999, in the beautiful settings of the Solstrand Fjord Hotel close to Bergen.

The 1999 Seminar was focused on institutional partnerships and twinning, and to what extent these are effective mechanisms for promoting institutional development. The overall objectives of the Bergen Seminars are to improve international development policies based on reviews of Norwegian and international experiences; develop recommendations to increase the quality of aid; and foster communication and learning between academicians and aid practitioners.

Some 50 participants included aid officials from 8 OECD countries, the IMF and the World Bank; practitioners from public institutions and NGOs; and researchers, evaluation consultants and resource persons from the South as well as the North. All participants had been selected on the basis of their direct involvement and experience in organisational cooperation and institution building, and members of the OECD/DAC Informal Network on Institutional and Capacity Development had been specially invited.

The Seminar was addressed by the Political Advisor to Norway's Minister of International Development and Human Rights, Mr. Olav Kjørven, who made reference to the efforts made in Norway to promote institutional twinning, but also challenged the seminar to discuss these experiences. He reminded the participants of the overall objective to find effective mechanisms for reducing poverty, and asked whether institutional cooperation was sustainable, or whether it produced new forms of dependency. Two keynote speakers, Professor Rehman Sobhan of the Centre for Policy Dialogue (Bangladesh) and Kim Forss of Andante AB (Sweden) set the stage for two intensive days of work, which included presentation of case experiences, working group sessions, plenary debates, a lecture by Professor Peter Blunt (Australia), and a final panel debate.

The organisers wish to thank all participants who contributed as resource persons in numerous ways during the Seminar. In particular we wish to thank Per Blystad, Carlos Zacarias, Christoph Müller, Tanna Mengistu, Dean Yaremchuk and Eufasio Mascarinas who presented three illustrative case stories; Inge Tvedten, Cathryn Thorup, Erik Berg, Indumathi Rao, Mahesh Chandra, Aina Bergström, and Ole Petter Opsand who all acted as moderators; and Heather Baser, Apollinaire Ndurokwigira, Ingrid Ofstad and Moh'd Haflah Piei who participated as panelists.

The Chr. Michelsen Institute (CMI) was responsible for the overall programme and all practical organisation. The seminar committee was made up of Arve Ofstad (CMI), Stein-Erik Kruse (DiS) and Erik Berg (Ministry of Foreign Affairs). Henrik Lunden (CMI) was engaged as the seminar coordinator. The organisers sought assistance from



a number of colleagues, and wish to thank in particular Heather Baser (Cida), Elisabeth Thioléron (OECD), Ole Petter Opsand (NORAD), Rolf Ree (Norwegian MFA), Steinar Askvik (University of Bergen), Inge Tvedten and Alf Morten Jerve (both CMI) for constructive advice during preparations.

The Centre for Partnership in Development (DiS) was an important collaborator. Stein-Erik Kruse of DiS co-chaired the Seminar with Arve Ofstad.

The final thanks should go to the Norwegian Ministry of Foreign Affairs who sponsored the Seminar, and in particular to their Head of Division (Evaluation) Erik Berg who actively supported and promoted this Seminar and took a personal interest in its success. Additional support was provided by Special Advisor Helge Kjekshus and Advisor Tor-Erik Gjerde, also of the Policy Planning and Evaluation Staff of the Ministry of Foreign Affairs.

The summary of seminar proceedings and recommendations is partly based on inputs from Steinar Askvik, Stein-Erik Kruse and Henrik Lunden, who assisted in taking notes. The author is nevertheless solely responsible for the final version.

We hope that the outcome of this Seminar and in particular the lessons learned and recommendations will be considered useful – and used – by all practitioners and aid officials in the South as well as in the North.

Bergen, November 1999

# **Making South-North organisational cooperation an effective instrument for institution building**

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SUMMARY AND RECOMMENDATIONS. PREPARED BY ARVE OFSTAD

The Bergen Seminar on Development 1999 was focused on institutional partnerships and twinning, and to what extent these are effective mechanisms for promoting institutional development. This form of collaboration, whereby similar organisations and institutions in the South and in the North enter into a medium to long term cooperative arrangement, has been increasingly promoted by several aid agencies during the 1990s as a supplement, and possibly an alternative, to the more traditional technical assistance projects.

The purpose of the seminar was to review evaluations and experiences from this form of collaboration, and promote lessons learned and recommendations. One important aspect of most cases of institutional twinning as practised under bilateral aid programmes, is that the choice of partner is limited to institutions in the donor country and therefore may be regarded as a form of tied aid.

## **The preconditions for institutional partnership and twinning – clarifying the concepts**

In his keynote address Rehman Sobhan set the stage for the seminar by focusing on the *ownership issue*. Professor Sobhan presented an analysis of the role of institution building and partnership in the larger context of governance and aid-induced political reforms. His main thrust was that “the crisis in the developing countries is perpetuated by the increasing loss of ownership over their policy agendas during a decade of donor driven policy reform and under pressures from the process of globalisation. This loss of ownership has led to the de-accumulation of domestic institutional capacity and eventually the de-legitimisation of the state, which has further aggravated the crisis of governance in many developing countries”.

According to Sobhan, “any attempt to improve the effectiveness of aid lies in a complete rethinking of not just the policy agendas associated with aid, but in the need to restore ownership to the aid recipients over the design of domestic policy. (...) The building of institutional partnerships between the developing and the developed countries will thus need to take account of the state of the prevailing aid relationship between that developing country and its aid donors”.

Following his analysis of how the established wisdom as expressed in the recent World Bank research report on “Assessing Aid” does not seem to fit the Asian experience, he returned to the overall significance that policy reforms had to be generated from within the countries themselves. Unfortunately, much of the aid programmes and policies have undermined this capacity of the domestic institutions, and many of the

new NGOs in the South are even more aid dependent and have undermined existing civil society.

The concept of institutional partnership therefore depends on the capacity for equal participation by both sides. A real problem faced by many countries primarily in sub-Saharan Africa is the degeneration of available institutional capacities. Donors willing to invest in such partnerships should thus focus on promoting local ownership over policy, as a precondition for building sustainable institutions. "The operative issue must be to leave it to the domestic institution to articulate this need out of their own self-awareness of their professional limitations and willingness to use expatriate institutions to build their professional base". Rehman finally pointed to the opportunities for making better use of skills and experiences of neighbouring and other Third World countries.

The presentation by Kim Forss aimed at clarifying some of the concepts – that are often used and sometimes confused. He maintained that *institutional cooperation* is one variable that may influence *organisational change*. Organisations cooperate because they wish to change in one way or another. *Institutional development*, however, is a broader concept. It is an end in itself, because institutional development means development. Joint ventures, twinning and other forms of institutional cooperation are therefore potential tools through which organisations cooperate, for the purpose of achieving organisational change, and consequently institutional development.

Forss also warned that organisational change is a hard phenomenon to grasp: Organisational change is non-linear, it normally occurs as qualitative leaps, and it often occurs as a consequence of cluster effects of many factors playing together. Organisational change is therefore hard to plan, and difficult to promote by planned institutional cooperation. A deeper understanding of organisational change is necessary in order to lower expectations, understand the challenges, and find workable solutions.

One important precondition for institutional cooperation is that each organisation is aware of the motivations and expectations of the other partner. In broad terms, there are two main types of organisations: the reflective, analytical organisation; and the action-oriented organisation. While private firms and most NGOs are much more like action organisations, aid agencies tend to be more reflective. Meanwhile, in order to change, organisations also have to learn. Learning within an organisation requires a healthy balance between stability, order and structure on the one side, and willingness to look for flexibility, change processes and bottom-up initiatives on the other. In most cases there is a need for more of the latter; more chaos and less order, in order to promote learning and organisational change. But it is a practical managerial challenge to develop a complexity that allows organisations to reap the benefits of both order and chaos. And it is a challenge for funding agencies to encourage more complex structures to emerge, according to Forss.

The importance of the right context with well-chosen and briefed partners who are motivated for mutual learning, was also underlined in the presentation by Peter Blunt. Based on case studies of institutional twinning arrangements from Laos, Sweden and

Namibia, as well as other empirical and theoretical material, he argued that such cooperation has to be predicated on clearly defined notions of sustainability and *institution building*. The term institution building usually embraces programmes of constructive change in single organisations (or clusters of organisations) and is designed to improve their performance and capacity to develop new capacities independently: that is, their ability to learn from, and adapt to, their environments. The term may also be used to refer to the strengthening of the broader mechanisms, or institutions, which regulate societies and economies, but the two meanings of institutions should not be confused.

A *twinning arrangement* would then involve a partnership between organisations with similar remits, i.e. similarities of corporate identity and institutional mandates, with the purpose of promoting organisational change and institution building in the South. Such arrangements are often motivated by problems with regular technical assistance, and a desire to influence whole organisations, not just individuals within an organisation, and are further justified by a number of perceived strengths and benefits to both organisations. However, learning organisations are rare anywhere, even where the ideological and resource circumstances are ideal, and many of the ideal assumptions about perceived strengths and mutual benefits are not achieved in reality.

Successful organisational cooperation will therefore require careful preparation and selection of potential partners, as well as thorough assessment of the macro and micro environments within which cooperation is to take place. It is equally important, according to Blunt, that there is a shared understanding of organisation and institution building, and the expected nature and duration of the relationship between the two organisations. But most of all, shared responsibility for learning and for achieving the agreed outcome is a pre-requisite. In this respect, Blunt confirmed the importance of a shared ownership, which was so forcefully introduced by Professor Sobhan.

### **Three case studies: Main results, constraints and difficulties**

In order to highlight lessons learned, results obtained and constraints experienced by the practitioners themselves, three case experiences were presented by those directly involved in the respective cases:

#### *a) Institutional twinning moving beyond technical assistance*

The institutional twinning arrangement between the National Directorate of Coal and Hydrocarbons (DNCH) in Mozambique and the Norwegian Petroleum Directorate (NPD) had been actively implemented only since 1997, but the Norwegian aid agency NORAD had previously funded technical assistance to DNCH, partly through NPD. The twinning agreement confirmed a more long-term and stable relationship, while increasing the level and expanding the types of assistance. However, the cooperation had retained most of the characteristics of a technical assistance project.

Establishing an institutional relationship, rather than receiving technical assistance organised through an aid agency, was nevertheless seen as positive. Direct cooperation with a competent sister agency was found to be a more effective mechanism for transfer of knowledge and experience. In particular, DNCH could also benefit from

on-the-job training inside NPD, and the institutional relationship gave more easy access to high quality consultants inside as well as outside NPD.

The main negative factor was seen as a risk that dependence on the twinned partner might slow down capacity building inside DNCH. There was also a concern that DNCH was sometimes seen in Mozambique as being unduly influenced or even controlled by a foreign organisation.

Concerning the overall agreement, both DNCH and NPD recommended that the roles of all parties should be defined more clearly, and that this was the responsibility of NORAD as a funding agency and promoter of the institutional arrangement. They were also concerned that the three-year duration of the agreement was much too short for this type of agreement to develop a good working relationship, especially since it included support in legal and regulatory matters.

### *b) Supporting an organisational change process*

The institutional twinning experience of the Ethiopian Red Cross Society (ERCS), supported through the International Federation of Red Cross and Red Crescent Societies (IFRC) was quite different. It was presented as a case where a felt need within the ERCS for organisational change was supported through a number of twinning partnerships. In post-famine Ethiopia of the mid-1980s, the ERCS acknowledged the shortcomings of just providing life-saving support to famine victims and decided on a change process giving emphasis to promoting increased food security and strengthened local communities. This would require a comprehensive decentralisation within the ERCS. In order to promote and support this change process, some 20 twinning partnerships were established between local branches of the ERCS and branches of sister National Societies in the North.

The ERCS regards these local branch twinning partnerships as very successful in promoting strong direct people-to-people contacts which enhance cross-cultural learning and international understanding. More importantly, "the institutional and community capacity building experience gained from the twinning partnership, is one of the factors that has infused the [clamour] for change and development within the ERCS focusing on decentralisation, self-reliance, and grassroots level development", according to their own assessment. In short, it is claimed that with full ownership within the ERCS, the twinning arrangements infused and encouraged a fundamental change process within the organisation.

The main risks as seen by the ERCS, are that the youth involved in exchange visits with sister red cross societies in the North, sometimes refuse to return at the end of their stay. Secondly, it has been difficult to ensure a fair distribution of benefits from the twinning arrangements among all branches of the organisation. And thirdly, exit strategies for the support programmes were not clearly spelled out at the point of entry.

But in the view of the ERCS, the main value of the twinning partnerships is the process of cross-cultural learning and international understanding, as a conduit for increasing knowledge and insight. This should be seen as "a dynamic and eternal relationship with no terminal point in time and space".

### *c) Institution building and community relationships*

The third case presented the municipal partnership programme between the city of Portage la Prairie in Canada, and the rural island municipality of Tubigon in the

Philippines. This could be seen as a combination of a friendship programme for the municipalities, and a programme of support for capacity building in Tubigon. This municipal partnership programme is organised and promoted through the Federation of Canadian Municipalities (FCM), and funded by the Canadian aid agency Cida. The two partners agreed that both aspects of the programme were very successful.

The success was based on the implementation of two programmes for capacity building – for developing strategic planning for the municipality and in computerising the municipal waterworks system – and even more important the involvement of the communities at large in establishing lasting contacts and friendship programmes between the two partners. According to their own assessment, there had been no real problems encountered, except for difficult communication due to poor telephone lines. In Tubigon, however, the number of qualified staff who can work effectively in a foreign environment is quite limited.

The collaborative programme between Portage la Prairie and Tubigon had the benefit of being developed within a well-defined programme under the FCM, with relatively clear roles and expectations. Cooperation was facilitated by the realisation, thanks to the twinning arrangement, that the two municipal administrations and city councils were dealing with similar problems, in different settings. Sufficient time was invested in the initial phases, to get to know each other and establish a working relationship. But most of the success depended on the very positive personal relationships established between the principal representatives of the two municipalities and those responsible for the programme.

The three case studies illustrate and highlight findings in the major evaluation of “Development through institutions” commissioned by the Norwegian Ministry of Foreign Affairs and published in 1998.<sup>1</sup> In particular, the sub-study on twinning arrangements for institutional cooperation between public institutions in Norway and the South, found that the institutions involved were generally positive towards the institutional development projects in which they were directly involved, despite conceptual confusion and unclear distribution of roles and responsibilities.

In Norway, institutional cooperation (twinning) is one of several aid strategies to promote institution building. The idea is to provide the recipient in the South with a broad range of competence and services through a sister institution with a comparable institutional mandate. However, while these arrangements are relatively successful in providing transfers of relevant skills and training, the effects on organisational change are less evident. As summarised in the evaluation report, most of the Norwegian institutions possess considerable professional competence, but they are not equally strong in pursuing Norwegian development goals and the broader objectives of institutional development. Likewise, the capacities of the southern institutions to absorb and use the human and technical resources accessible through twinning agreements varied. And some of them were sceptical towards including broader concerns such as organisational change, management and relations with external stakeholders.

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<sup>1</sup> *Development through institutions?* Sub-studies 1-4 and Synthesis Report (various authors). Oslo: Ministry of Foreign Affairs, 1998. Evaluation Reports 1-5.98.

## Lessons and recommendations

The following lessons and recommendations may be summarised on the basis of the deliberations during the seminar:

### The term “institutional twinning” has often been misused

- Institutional twinning has often been used to describe arrangements similar to classical technical assistance projects. Contracting an institutional collaboration does not signify a real partnership, unless an explicit effort is made to change and create a more balanced kind of relationship.
- Twinning may therefore not be a useful concept, because the meaning and implications are unclear. We may rather speak of institutional or organisational cooperation with a clear statement of the nature of cooperation intended. A “partnership” is even more elusive, and is being used with reference to a wide variety of relationships including donors and recipients, and all kinds of institutions who are development partners.

### A real institutional cooperation requires ownership, mutual benefits, and a minimum level of institutional capacity

- The concepts of partnership and twinning between similar institutions in the North and the South carry a notion of relative equality among the partners, at least in terms of setting the agenda, defining priorities, and controlling the funds available. This is possible where both partners share the ownership of the arrangement. However, this requires a minimum level of institutional capacity on both sides at the outset of defining the partnership agreement.
- Real ownership is developed when both institutions share perspectives on needs and priorities, and jointly participate in selecting methodology and approach. This requires an environment of mutual respect, trust, transparency and dialogue, aiming at shared visions and responsibilities. The southern partner has to be involved in selecting its northern partner, and in sharing control over utilisation of available funding. But also the northern partner needs an incentive beyond the basic funding of a contractual arrangement, to evolve a feeling of ownership. This is possible when there are potential professional benefits, positive personal relationships, or shared ideal objectives (especially for NGOs).
- Several internal factors will nurture positive partner collaboration: Both partners will have to identify and clarify their needs and expectations. Both partners need a legitimate self-interest in the relationship. All partners have to be prepared to change and adapt, since no relationship is perfect. Mutual cultural understanding is required, and this may take time to mature. Personal relationships may have to be developed over time. And there has to be a reasonable balance between concrete plans and flexibility.
- Institutional twinning on a real partnership basis is therefore only possible for more mature relationships, with a minimum level of institutional capacity on both sides. There is full agreement that more responsibility has to be carried by the southern partner, and that donors and other partners have to encourage such a transfer of

responsibilities. However, a feeling of ownership cannot be created from outside – that would be a contradiction in terms.

- It has often been found that southern partners view capacity building primarily in terms of transfers of technical skills, equipment, and opportunities for further training. The northern partners may more often see the need for organisational change as a basic requirement. Such discrepancies need to be addressed by mutual consent in order to clarify the needs, priorities, and objectives in the agreement, rather than formulated as a condition by the northern partner or donor agency.

#### **Need for a two-step strategy: Creating initial capacity through regular technical assistance**

- In many cases, southern institutions lack the capacity to cooperate on equal professional terms with their partners in the North. This may easily reduce ownership in the South by making the programme for cooperation a northern agenda. The southern partners may not even be able to define their own needs, let alone the relevant inputs and other requirements. It is important, however, that an assessment is done through dialogue and consensus building.
- Opportunities may have to be created for a southern institution to gain sufficient capacity and self-knowledge to enter into an institutional collaboration arrangement. This may require time and effort to mobilise domestic resources as a basic platform. Donors may have to hold back until the appropriate time for new initiatives. A programme to support capacity building for the southern institution will then necessarily take the form of conventional technical assistance, even if implemented through an agreement with a northern institution with a similar professional function.
- When ownership and shared visions are lacking, other incentives easily become predominant for both partners. For the southern partner, the interest in an institutional arrangement will depend on available alternatives, in order to obtain resources especially equipment, training, or other opportunities. For a northern partner the opportunities for economic or professional benefits may easily dominate the relationship.

#### **Alternatives have to be considered**

- Institutional cooperation and twinning arrangements are only some of several tools in the kit bag for support to capacity building and organisational change. All those involved, in particular the southern partner, need to make a conscious choice of whether to make use of local or regional consultants, regular technical assistance, or an institutional twinning arrangement. It is not possible today to give precise guidelines as to when one form is preferable to another, and more research may be useful to determine the appropriate circumstances.
- Networking among similar organisations in the South – as well as in the North – is fast becoming another alternative for organisations that need advice, sharing experiences and learning, and for sourcing available resources. The scope for networking has been greatly expanded through access to the Internet, and should



be considered an alternative – or complementary – to institutional collaboration on a one-to-one basis.

- The southern institutions lay heavy emphasis on opting for local, national or regional solutions where possible. Even within an organisational collaboration, resources and solutions to problems should be searched in the region.

**Organisational change depends on an enabling environment – but influencing political conditions requires different approaches**

- Organisational change in many cases requires larger reforms in the institutional environment – such as attitudes towards change, privatisation or decentralisation, specific regulatory legislation. The enabling environment for institutional change might even include political conditions, democracy, transparency, rule of law, and local government.
- Partnership and twinning arrangements seldom aim at changing these wider institutional conditions. Most programmes aim at capacity building or organisational change within a given environment. Experience has shown, however, that support to specific organisations in some cases has been conducive to initiating broader institutional changes for privatisation or similar reforms.
- The general lesson, however, is that it is not the responsibility of a partnership arrangement to initiate broader policy changes. This is rather the responsibility of national institutions and donors involved at sectoral level or in the dialogue on national development policies. But while some donors are often involved in dialogues on sectoral policies, macro policies and other aspects of the institutional environment, other (smaller) donors have less experience of how to conduct such dialogues.
- The lack of an enabling environment may impinge upon the outcome of a programme for capacity building and organisational change. One commonly cited example is where trained staff leave the organisation for better salaries and opportunities elsewhere. In other cases, the organisation will not be able to achieve its higher level of efficiency because of its dependence of external factors (and actors) that are not sufficiently conducive and supportive.
- An institutional twinning programme should be seen as part of a broader country strategy and sectoral strategies for the donors and their national counterparts. The level of political support, or acceptance, will have a strong impact on the outcome of a collaborative venture. The interests and behaviour of other stakeholders are also of great relevance.

**The role of the donor should be distinguished from that of the northern partner**

- Most participants agreed that the donor (funding) agency has a separate role from that of the northern partner. But as long as the northern institution controls the funding, it is often perceived as being part of – or very close to – the donor agency. The “NORAD model” for public institutions provides for a funding agreement between the donor agency and a southern partner, which then becomes responsible

for a contractual arrangement with a northern partner. This type of arrangement has been proven possible.

- The donor agency has a responsibility for guiding a reasonable exit strategy and for transferring the responsibilities for long-term maintenance of equipment and other items of sustainability.
- However, little or nothing was said about the role of the central government in the South. While negotiating technical and other assistance with donor agencies, the central government may influence the decisions regarding collaborative arrangements and the conditions guiding their implementation.

**The final paradox: when organisational change is non-linear**

- In the debate on organisational change, capacity building, and institutional collaboration it may ever so often be useful to be reminded that organisations have a purpose. The objective is not organisational change per se, but promotion of the larger development issues. Within the parameters of these development objectives, however, the organisations and the wider institutional contexts often have to change to become more effective, more relevant, increase their capacity, and thus promote their goals more efficiently.
- The participants largely agreed that organisational development is non-linear, and happens in leaps and bounds. It is difficult, however, to spell out the full implications of this insight: We may have to be more patient. We may have to promote organisational development and capacity building from a more multi-pronged approach. But we may still have difficulties in achieving – and measuring – gains and progress, until there is a real break-through in the change process.

# **Re-assessing aid: The role of governance, institution building and partnership: Learning from the Asian experience**

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REHMAN SOBHAN, CHAIRMAN, CENTRE FOR POLICY DIALOGUE, DHAKA

## **Introduction**

### *Scope of this paper*

Foreign aid known as official development assistance (ODA) is in a state of crisis. Its share of total capital transfers is in decline in the 1990s as private capital flows have emerged as the dominant source of capital transfers to the developing countries (DC). This has severely aggravated inequities in the access among DCs to external resource flows. These inequities in total capital flows to the DCs are being compounded by the inequities in ODA transfer to the DCs. Instead of ODA playing a compensatory role to correct imbalances in private flows, in 1998, the World Bank directed 57% of its aid disbursements to just 4 upper middle income countries whilst the Asian Development Bank (ADB) directed 43% of its loans to 2 countries, Republic of Korea (ROK) and Thailand. These multilateral funds went in as part of the rescue operation for private banks involved in the East Asian financial crisis. Under the circumstances both the logic as well as outcomes of aid are increasingly under question which is compromising the sustainability of aid budgets in virtually every donor country. Issues about the direction of aid, the policy regimes along with attendant conditionalities associated with its delivery and the impact both on economic performance as well as the state of governance in aid recipient countries is feeding this sense of disillusion with aid.

This paper is designed to review the debate on aid effectiveness in the specific context of the Asian experience with aid. The paper argues that the effectiveness of aid lies in the crisis of governance which has overtaken many DC's. This crisis in governance is not limited to the DCs but extends into the donor agencies themselves, particularly the multilateral bodies. But this paper will limit itself to the crisis in the DCs since donor governance merits independent study. The crisis in the DCs is perpetuated by the increasing loss of ownership over their policy agendas during a decade of donor driven policy reform and under pressures from the process of globalisation. This loss of ownership has led to the deaccumulation of domestic institutional capacity and eventually the delegitimation of the state which has further aggravated the crisis of governance in many DCs and in what are today termed the transitional economies (TEs) of Eastern Europe and the former USSR.

Any attempt to improve the effectiveness of aid lies in a complete rethinking of not just the policy agenda's associated with aid but in the need to restore ownership to the aid

recipients over the design of domestic policy. To restore ownership over policy needs to take account of the nature of the aid relationship as it impinges on the political economy of the DCs, the consequential development of their institutions and the specificity of their institutional links with the donor countries. The building of institutional partnerships between the DCs and the developed countries will thus need to take account of the state of the prevailing aid relationship between the particular DC and its aid donors.

## **Evolving perspectives on aid**

### *The philosophy of aid*

The issue of aid effectiveness reaches well beyond the academic domain because of the large stakes involved. Nearly a trillion dollars have been invested in aid. The yardstick for assessing aid effectiveness has varied with the era. But the most contemporary measure of aid effectiveness poses the question 'How can development assistance be most effective at reducing global poverty?' That this question is posed after half a century of development assistance remains a measure of the prevailing disquiet with the outcomes of the aid process. The use of the metric of poverty is inspired by the nature of the appeal to those who finance aid, the citizens, largely in the role of tax payers, of the advanced industrial countries (AIC). Whilst some of the governments of aid giving countries may have once been driven by the *realpolitik* of keeping the Third World safe from communism the appeal for aid largely originated in the humanitarian concerns of the average taxpayers of the developed world. Appeals to their sense of appreciation of the geopolitics of the cold war counted for less than their genuine concern to help deprived people. Arguments by the political 'right' about the follies of helping the undeserving who were poor because of their moral and political inadequacies cut no more ice than did their critiques of the welfare state in Europe. The United States, which had escaped the losses of World War II had already established its willingness to use its enormous wealth to finance the recovery of Europe and its citizens now appeared ready to share their bounty with the poor of the Third World. In my memory neither Presidents Eisenhower, Kennedy, or Johnson faced any political problems in obtaining votes in Congress for a rising aid bill.

However, in appealing to the moral sense of the citizens of the developed world an image was projected to the voters of the respective donor governments disbursing aid to feed hungry peasants in the Third World, to improve the lives of children begging at the traffic intersections of Bombay, Rio de Janeiro and Lagos in order to sustain their families living in the squalid shantytowns of these metropolitan centres. This image of the Third World poor, if somewhat overdrawn, undifferentiated and simplistic was at that time broadly accurate and did persuade people that their dollars, pounds, francs and marks would contribute to giving the poor a better life. The need for such aid was always projected as finite. Effective use of aid was designed to bridge the savings/investment gap and the balance of payments gap in the DCs and put them on the path to self-sustaining development.

### *The disillusion with aid*

Both the nature of the appeal and the promises of how such taxes would be put to work suggested that a quarter of a century later the street children would be in school, immunised against endemic disease, their parents would live in habitations serviced by safe drinking water, sanitary toilets, durable homesteads, maintained through new work opportunities which provided at least for the basic needs of the family. It was assumed that peasants would till their own land, improve farm productivity and access earning opportunities in off-farm employment to a point where rural poverty would be a concern of a former age. By the 1980's there was a legitimate expectation on the part of the taxpayers that substantial numbers of the Third World's poor would no longer be poor and consequently the claims on the taxpayers of the AIC would be much less. They were thus quite unprepared to be assailed by TV images of the *favelas* of Rio, the shantytowns of Nairobi and the *bustees* of Calcutta and Dhaka. They did not want to be exposed to images of emaciated peasants and flood devastated households. More to the point they did not appreciate the fact that these *favelas* co-existed with the luxury apartment blocs of Sao Paolo, inhabited by a class who shopped in Paris or New York and even imported their boutiques to Sao Paolo and drove air-conditioned Mercedes 600 cars. Nor did they want to hear about the fortunes accumulated abroad by Third World leaders.

The deep disillusion with three decades of development assistance thus lies both in the persistence of poverty and its juxtaposition with the affluence of the few in many Third World countries. Aid agencies who had to extract dollars from angry legislators to sustain their bilateral aid programmes and replenish the capital base of the World Bank were increasingly hard put to justify this persistence of endemic poverty in many Third World countries. The origins of policy lending and the subsequent rediscovery of governance as the critical component of successful aid programmes, it is argued, originated in the need to justify what was deemed by AIC tax payers as a massive misuse of their hard-earned money and the apparent deception practised by the aid agencies implicit in the appeals to their conscience. This demand by tax payers in the AICs for visible returns from their aid budgets was itself the byproduct of a political climate which was becoming progressively more hostile to increasing taxation and public expenditures. In this milieu cuts in the aid budget appeared as politically low cost measures since DC aid recipients do not vote in AIC elections.

### *The era of policy reforms*

This concern with the disillusion of Northern tax payers was itself conditioned by the apparent complicity of the aid agencies of the donors in contributing to this misdirection as well as misuse of aid and their collusive role in building up a class of people who prospered from aid at the expense of the majority of the DC citizens. The response of aid agencies in the AICs to this rising sense of outrage in the donor countries was thus driven both by the expectation that this disillusion with aid could be reversed as well as by their compulsions for institutional survival. Aid agencies, seeking to protect their budgets focussed on two themes in seeking to redesign aid strategies :

- (i) Getting policies right.
- (ii) Redirecting aid to the poor.

The second part was however largely subordinated to the first because it was believed by the dominant aid donors through the decade of the 1980s that the right policies would stimulate growth which in turn would alleviate poverty. In order to get policies right aid was increasingly offered on conditional terms that policy reforms, on lines suggested by the donors, would be put in place in the respective DCs. This agenda for policy reform was, in turn, heavily influenced by the ideological input emanating from the Reagan and Thatcher administrations which underwrote the so called *Washington Consensus*. In country after country, the World Bank and IMF, known collectively as the *Bretton Woods institutions* (BWI), put in place stabilisation programmes followed by a package of structural adjustment reforms (SAR) inspired by the *Washington Consensus*. Upto \$75 billion was invested in SAR programmes through the 1980's.

It was, with some distinguished exceptions in the DCs and TEs, the apparent failure of the aid driven reforms of the 1980's to either promote sustained growth or alleviate poverty which has now inspired a further change of direction in donor aid strategies. The sense of frustration amongst the taxpayers of the north had by now extended from the 'right' to the 'left' led by the NGOs, radical academics and church groups. The critics projected the 1980's as an era of failed reforms, which not only did not improve growth but made a small fraction of these Third World countries very rich whilst the poor remained poor. The 'right' continued to challenge the very assumptions of aid and remained unimpressed by the decade of reforms initiated in many developing countries under the leadership of the BWI. The strong resistance in the US Congress to the capital replenishment of the World Bank, the regional banks such as the ADB and more recently the IMF, suggests that the reformist zeal of the aid agencies has failed to impress the Jesse Helms and Newt Gingrichs of the US political establishment.

### *Putting governance first*

To cope with critics from both the 'left' and 'right' the new focus on aid strategy appears to be directed to *getting governance right* and targetting aid to the poor through what James Wolfensohn, the incumbent President of the World Bank, terms the *challenge of inclusion*. The literature of the World Bank in the 1990s indicates that the World Bank, at least, has recognised that a combination of getting policies and governance right is likely to alleviate poverty. Their most recent empirical work on *Assessing Aid* claims that 'with' *sound country management* (italics mine) 1% of GDP in assistance translates into 1% decline in poverty. Thus, it states that a \$ 10 billion increase in aid would lift 25 million people a year out of poverty - *but only if it favours countries with sound economic management* (italics mine). By contrast, the Bank paper argues that an across the board increase of \$ 10 billion would lift only 7 million out of their hand to mouth existence if economic management was weak.

This World Bank study goes on to argue that 'improvements in economic institutions and policies in the developing world are the key to a quantum leap in poverty reduction'. Such effective use of aid is also seen to complement private investment. Promoting aid effectiveness thus demands the use of aid in strengthening institutions as well as policies and bringing about an active engagement of civil society in the design and delivery of aid. These conclusions of the World Bank study are apparently derived from intensive empirical work on aid effectiveness based on reviewing a large sample of DCs and aid projects.

In this paper there is no scope for addressing the design, methodology and data used in the World Bank study. There appear to be a number of serious flaws in the assumptions as well as design of the analytical model used in the study whilst their empirical evidence merits more careful scrutiny. The original definition of *sound management* incorporates a mix of three policies: *reducing the budget surplus* as well as the *rate of inflation* and realising *increased trade openness*. These reforms are packaged with *institutional quality* which is itself defined as an admixture of *strength of the rule of law*, *quality of the public bureaucracy* and *pervasiveness of corruption*. It would be necessary to examine the metric for such abstract concepts as rule of law and bureaucratic quality before assessing the weights assigned to these four variables and three sub-variables of institutional quality. Such an exercise would permit a fuller appreciation of the empirical work correlating GDP growth with economic policy and institutional quality. It will, however, be argued that the available evidence from the Asian experience does not conclusively support the conclusions of the World Bank study on the role of governance.

Notwithstanding its technical limitations The World Bank study on *Assessing Aid* is an important document. Its currency and extent of analysis on aid effectiveness and the attempt to use empirical evidence to question the efficacy of a decade of donor driven policy reforms underwritten by conditional offers of ODA, makes it a landmark document. The study appears to reflect a willingness of the World Bank to encourage a more endogenous process of promoting policy reforms within the Third World. This rethinking in the World Bank is further reaffirmed by the series of conferences organised by the World Bank around the world addressing the issue of policy ownership as a critical ingredient in any move to promote better governance.

This rethinking of aid policy is not limited to the World Bank. Other aid donors such as the U.K., the Nordics countries, and the Netherlands are also seeking to link good governance with aid effectiveness and are arguing that policy ownership is crucial to the exercise of effective governance over development policy in the developing countries. All such agendas to promote governance reform focus on the need to prioritise the poor in the donor's allocative regimes. But such poverty alleviating agendas are now increasingly concerned with issues of empowerment of the poor and of women as integral to the process of poverty alleviation. In the remainder of this paper we will attempt to address the impact of this rethinking about aid in the donor community on improving aid effectiveness in the specific context of Asia's experience with aid. We will conclude by discussing whether more innovative initiatives involving institutional linkages between developed and developing countries can reconcile some of the prevailing tensions between policy ownership, good governance and aid effectiveness.

### *Contradictions in the World Bank's new aid strategy*

Bank programmes designed in an era when growth was prioritised over poverty have not quite worked out how poverty alleviation will be integrated into the earlier generation of SAR programmes. The belief of the 1980s that high growth will reduce poverty may be something of a truism. However, the earlier reforms neither generated growth nor alleviated poverty so that a new development model to reconcile growth with poverty alleviation is still awaited. The current practise of simply adding on poverty related projects to the old adjustment model appears to be a self-defeating

exercise. If the original development design was itself perpetuating poverty, accentuating inequalities and empowering a small elite who use their wealth to monopolise state power, a few so called poverty centred projects will not ensure a sustainable assault on poverty or the empowerment of the poor. Prioritisation of poverty in the aid agenda thus demands that the original design of the reform process has to incorporate institutional mechanisms for ensuring inclusion of the poor in the development process, giving them competitive access to the market and institutionalised claims on resources, and scope for participating in political power. Attempts to step up allocations for the poor through targetted aid programmes of micro-credit or allocations for primary health care centres is hardly likely to disturb the realities of power in most DCs and TES.

Serious contradictions also appear to arise between the prioritisation of governance in aid agendas and the BWI commitment to policy lending. The distorting impact of policy lending derives from its impact on policy ownership as well as the limited access of the poor to the benefits of such reforms. It has been recognised by all donors from the World Bank to DFID's new *White Paper*, that reforms without ownership have proved to be unsustainable. It would thus appear that the *newthink* on aid has not really resolved the tension between the flawed policy design and the Bank's new commitment to putting governance first. The World Bank has in fact not succeeded in developing a coherent model which links such reforms with their original policy design. Nor is there any indication that policy ownership in the DCs is being more actively promoted rather than talked about.

This focus by the World Bank on good governance is itself at least a decade old. But this new report on *Assessing Aid* is the first that gives governance reforms priority over policy reforms. The Bank has recognised that reforms only work in an environment where good governance prevails. The report moves on to argue that efforts to buy policy improvements through conditional loans to countries where there is no movement for reforms, have typically failed. Furthermore, redirection of aid towards poverty alleviation, primary education and health care cannot be effective without improving the quality of service delivery through strengthening local and sectoral institutions. *Assessing Aid* goes on to highlight the importance of the participatory approach to programme design and service delivery and the important role of civil society in promoting such a participatory approach to development. It has less to say on how participation of the poor is to be managed in local communities where power and resources are monopolised by an elite or how to build civil society through the patronage of aid donors.

All such arguments about the counter-productive nature of donor driven policy reforms have been part of the critique of foreign aid and external dependence for at least two decades and particularly during the hightide of adjustment reforms in the 1980s. For the academics, NGOs and some political parties who had been challenging the donor driven reform process of the 1980s, it is welcome news that the World Bank has seen the light. Empirical research is now deployed by the Bank to demonstrate that lack of policy ownership contributes to the failure of reforms. They could have learnt as much by a careful reading of writings on the subject published in the 1980s. The problem with this rethinking within the World Bank lies in their assessment of how the donors should redirect their aid strategies. It is proposed to address the Bank's



rethinking within the specific historical experience with aid and reforms in East and South Asia.

The Bank has identified sound management as a composite of: *good economic policy*, and *institutional quality*. According to the Bank study measures of *good policy* and *institutional quality* correlate positively with rates of GDP growth. The Bank study does not indicate if these measures of sound management correlate as positively with poverty trends, human development and distribution of income which are today as high on the agenda of donors as was economic growth in the 1980's. This peculiar selection of economic growth as the *dependent variable* in the model already exposes the contradictions in the *newthink* of the World Bank, as between governance and poverty. Thus without exploring the merits of this particular index developed by the World Bank, of weightage between policy and institutions, or the ways in which numbers were assigned to these particular variables, we will briefly overview the relevance of these indicators for Asia.

## **Good governance and developmental success: An Asian perspective**

### *Sound economic policies*

The available evidence from Asia indicates that by the standards set by the World Bank Asia's policy regimes remains reasonably sound. Thus, in Asia budget deficits in relation to GDP were low through the 1980's at least by DC standards. During the 1990s very few Asian countries ran deficits in excess of 10%. In East/SE Asia, apart from Cambodia and Lao PDR, few countries ran deficits in excess of 5%. Significantly, the highest budget deficits in this area were incurred by Hong Kong, Singapore and Taiwan province.

The South Asian countries had higher deficit/GNP ratios than those in East/SE Asia but, with the exception of the Maldives, this deficit never exceeded 10%. The larger deficits in South Asia were designed to accommodate inflows of aid. These budget deficits were not the result of governmental extravagance but part of a structural problem originating in the process of high aid dependency. To draw any conclusion, at least within Asia, about the relative policy merits of the debt/GDP ratio would thus appear to be misleading. Today, East Asia's highly favourable budgetary balance has not spared it from the pressure of the IMF's demand for greater budgetary austerity in order to cope with their prevailing financial crisis.

All Asian countries have, again by global standards, enjoyed low rates of inflation, mostly in single digits. Exceptions have been PRC (1993-95), Myanmar (1992-96), Vietnam (1992-95), India (1987, 1994-95), Sri Lanka (1992-95). In most such cases inflation rates were within 15% and soon came down to single digit levels. High rates of growth, as in People's Republic of China (PRC) and Viet Nam, have often contributed to inflationary pressure. Conversely, low inflation, at least in Asia, could also indicate that not much is happening in the economy. This inflationary pressure originates again in structural bottlenecks rather than monetary policy where most Asian countries have tended to be rather conservative.

Trade openness as a measure of policy merit is more problematic. No doubt the East Asians and South East Asian were strongly export oriented and this was an important factor in ensuring their global competitiveness and driving their growth. However, there is an ongoing debate on the covert protectionism practised by ROK until well into the 1980s and continues to be practised today in Japan. It is argued that a policy of domestic protection appears to have co-existed with considerable policy support for exports throughout the decades of high export growth in several East Asian countries from 1965 to 1985. Many of these export promotion measures through the 1960's and 1970's were not very consistent with the tenets of economic liberalisation and would be deemed today as unacceptable by the WTO. Even the South East Asian's protected some key part of their economy and nurtured these for entry into the export market, as for example the case of the *Proton* car in Malaysia. PRC and Viet Nam, who have been enjoying high rates of GDP and export growth over the last 15 years, for all their reforms, remain even today more protected economies than any in South Asia.

Conversely Bangladesh and Nepal's opening up of the economy has not yet yielded the benefits promised by economic reformers. These arguments could be applied even more strongly to Sub-Saharan Africa (SSA) where many countries have liberalised their import regimes at the cost of a deterioration in domestic industry and the ushering in of a process of de-industrialisation. It is thus arguable that open economic policies may be a necessary but far from sufficient condition to stimulate growth. The correlation between policy and outcomes needs to be made country specific if we are to draw any policy conclusions as has been the practise in the World Bank's report on *Assessing Aid*.

### *Measures of institutional quality*

The link between institutional quality and growth in Asia is far more problematic. Measuring the *strength of the rule of law* is as difficult as the comparative measure of corruption, introduced by *Transparency International*. It is thus difficult to assess whether, for example, the rule of law in Thailand was better established than in Bangladesh, in order to explain their consistently higher growth rates. No doubt what passes for the rule of law was more in evidence in Malaysia than in Zaire. But for this proposition to hold good it must also explain differential performance within Asia itself.

As far as corruption is concerned, there is no evidence at hand which would indicate that Indonesia was more or less corrupt than Bangladesh or even Thailand. Indeed countries such as China, ROK, Malaysia, Thailand, Indonesia and Vietnam which rank quite unfavourably in the lists of *Transparency International*, have performed exceedingly well in the last two decades. Thus some writers have talked of the rule based corruption of East Asia compared to the more anarchic corruption of South Asia which often fails to deliver services promised to the bribe givers. Evidence of such differentiated modes of corruption is at best anecdotal and sounds less plausible today after the revelations about Indonesia.

In the wake of the financial crisis in East Asia there are attempts to relate the corruption of Indonesia, Thailand and ROK to their current problems. But reports of corruption in these countries is hardly new and was very much in evidence during their

miracle period. It is thus far from clear if much can be made out of this index, at least as a measure of either economic performance or sound economic management.

As far as a comparative assessment of bureaucratic quality is concerned it is not clear what measures are used for this by the Bank. Again, it would be difficult to argue that India or Sri Lanka's bureaucracy is less competent than that of Thailand, Indonesia, China or Vietnam as to qualifications, systems of recruitment and career advancement. Bureaucratic quality thus appears to be measured by economic performance and can hardly serve as an explanatory variable for this economic performance. It could thus be argued that the East Asian bureaucracy, compared to that in *Francophone* Africa, may, on anecdotal evidence, look more meritorious but within Asia the application of these measures in assessing economic performance would need to be much more sensitively analysed to permit for any conclusions to be drawn.

The media response to the East Asian crisis indeed suggests that many of the features of weak governance once associated with South Asia and even Sub-Saharan Africa such as corruption, cronyism, political patronisation, lack of transparency, lack of rule of law, personalised regulatory practises, are alive and well in East Asia and are only today being identified as explanations for their current financial crisis. But these flaws in governance were also present in the East Asian system during its miracle phase when few donors sought to highlight these as constraints to their economic performance. It would thus appear that whilst the World Bank's position on the value of sound governance appears to be intuitively acceptable more robust evidence, within Asia at least, needs to be generated before we can use these measures as a yardstick for guiding aid policy.

The follow up arguments posed by the World Bank for reducing poverty thus also needs to rest on more robust evidence establishing the causal link between sound economic management and policy success. Unfortunately, the conceptual link between governance and economic performance remains far from clear. In these circumstances, the recommendation that aid be targetted to *low income countries with sound economic management* appears to be sensible in principle but difficult to operationalise. Obviously PRC has fared much better than India whilst Viet Nam has done better than Bangladesh in reducing poverty. But whether this owes to their policy and allocative priorities, their better economic management or stronger political commitment, remains again open to debate.

The World Bank study makes the sensible point that experiences shows that *donor financing with strong conditionality but without strong domestic leadership and political support has generally failed to produce lasting change* (italics mine). This statement could certainly be written as an epitaph on the era of conditional aid offered to South Asia (bar India) and the Philippines in the 1980's. There is no evidence that any of these countries made strong political commitments to economic reforms or sought to build a political constituency behind their economic reforms. Even in India the strong commitment demonstrated by Dr. Manmohan Singh to economic reforms, when he took over as Finance Minister in 1990, was not fully endorsed by his Cabinet colleagues in the ruling Congress Party. Thus, the pace of his particular reforms visibly decelerated in the second part of the Congress regime as general elections approached in 1996.

In other parts of East Asia reform agendas were home grown, sustained by strong leadership and political support. However, few countries in the region sought a domestic mandate for their policies and banked on the manifest benefits accruing from their policies to compensate for the lack of such a mandate. As and when the economy degenerated, the imposition of IMF-designed stabilization programmes in the wake of the crisis of 1997, triggered a political upheaval in Indonesia which led to the fall of President Suharto who had for 33 years presided over the Indonesian miracle. The ensuing instability in Indonesia, associated with their financial crisis, the modalities of its resolution, the vacuum created by the fall of a long-lasting ruler is far from over. Any attempt to draw up a balance sheet on the Suharto era will thus have to sort out the interface between its politics and policies.

### *Using aid to promote good governance*

The Bank's recommendation to direct aid to countries with a strong track record of concrete performance behind domestically initiated reform would thus again favour China and Vietnam over Bangladesh or Nepal. The Bank's recipe for dealing with countries with poor policies and no credible reform movement suggests a *patient role of disseminating ideas, transmitting experiences of other countries, training future policymakers and leaders* (italics mine). This again is a paradoxical position. Poor policies and a credible reform movements defined by the Bank's yardstick could exclude PRC and Viet Nam but include Sri Lanka whose failure may lie in weak implementation. The Bank's prescription is obviously designed for countries with a poor policy record and poor performance. This could cover Myanmar. But in South Asia, Bangladesh and Nepal have good track records for policy reform but a poorer record for improving governance.

To again assume that leaders should be educated by the experience of others would suggest that we are clear about what needs to be disseminated or what constitutes best practise or that the lessons are indeed transmittable across borders. People with the relevant expertise also need to be identified. There is no record of the World Bank inviting Chinese experts to advise Russia as to how to carry out reforms or inviting Vietnamese to Nepal or Bangladesh to indicate why they were more successful in attracting FDI or reducing poverty.

The Bank's acceptance of the NGO agenda of promoting greater participation of stakeholders in project design and supervision is well taken and there are already some case studies of best practise. However the essence of participatory development is that this must derive from the domestic compulsions and political engagement of the government and be viable within the prevailing social configurations of the project area. To have a World Bank funded irrigation project, where much effort has been mobilised to induct local beneficiaries into the design of the project, must be part of a broader institutional arrangement founded on the devolution of power, and local political mobilisation of the stakeholders. If there is no local commitment for either process or move to empower the poor in the face of resistance from local elites, a donor designed exercise around a particular project could degenerate into a form of tokenism where the prevailing local leadership builds a *Potemkin* facade to satisfy the donor's notions of participation. Such exercises may thus last as long as the aid officials and consultant's DSA budget permits them to stay in the field. The notion of donor-created islands of participation is thus not likely to be sustainable and could

degenerate into one more failed project without a more substantive involvement through specific institutional arrangements by the recipient government to involve the local people.

### *Endogenising policy reforms*

Once the Bank and other donors embrace the proposition that *reforms depend mainly on domestic political and social factors*, the donor have to come to terms with the limited influence they can exercise over domestic policy agendas in the DCs. In the wake of this renovation in the Bank's approach to policy reforms conditional lending would need to be phased out. The Bank again recognises that *conditionality is unlikely to bring lasting reform if there is no strong domestic movement for change* (italics mine). Thus, only when domestic constituencies are *committed to reform, adjustment loans and foreign aid can help consolidate policy gains* (italics mine). In such a context the donors can and indeed should do no more than suggest to the concerned governments that they need to get their act together, design reforms and commit themselves to the implementation of these reforms. Out of this reform process the need for aid can be articulated in a variety of areas from Technical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up.

Throughout Asia, with perhaps the exception of Cambodia and Lao PDR, there is no country which lacks the domestic capacity to design its own reforms. This capacity must be mature enough to recognise where skill and knowledge gaps exist so that donor resources can be solicited to fund the necessary TA. Again PRC, India and Vietnam have exercised ownership over their reforms and have articulated their own need for TA which has, as a result, been much more effectively used than was the case of TA imposed from without upon Bangladesh or Nepal. If donors are to recognise the need for policy ownership and the role of civil society in promoting this ownership there is not a great deal that they can do except to react to such local initiatives.

Donors have, for too long, attempted to lead reforms. This often follows in the wake of slow progress by a country in designing its own policy reforms. The World Bank or UNDP tends to lose patience with such tardiness and prefer to call in expatriate consultants but with a facade of local participation added on. Donors thus also need patience and self-discipline. They should not make the mistake of *promoting* ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Within Asia, paradoxically, South Asia is a region with the strongest potential for assuming ownership over its policy agendas. It has established a strong democratic tradition in every country. In India, Pakistan, Bangladesh, Nepal and Sri Lanka free elections have ended in periodic regime changes. Whilst the working of parliamentary institutions leaves much to be desired the prospect of electoral defeat, has established a measure of accountability on every regime. The press is relatively free and lends itself to extracting transparency from the government of the day. However long exposure to autocracy and a tradition of bureaucratic concealment leaves much scope for making public affairs more transparent. Both accountability and transparency need, however, to be extended to the private sector which tends to conceal a variety of misdeeds which are not exposed to the public or penalised in the

market place because of their collusive association with the state and the imperfections of the market.

### *The role of civil society*

South Asia also has a highly pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally its professional resources are comparable to any in the Third World so that its capacity to design its own reform agendas waits on the will of government's to reduce their dependence on donor advice and on the part of donors to practise what they preach over policy ownership. South Asia, outside India, has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

In the case of East/S.E. Asia, whilst professional skills, and political commitment to design and implement reforms is also in evidence, the introduction of mechanisms of accountability and transparency into their systems of governance remain more difficult. Outside of Thailand and the Philippines, the democratic tradition, backed by a system of political pluralism and an independent press, has been weak and civil society has, thus, remained underdeveloped. In PRC and Vietnam there is virtually no such thing as a civil society and every initiative originates with the state, including the patronisation of NGOs and think tanks. In Indonesia, ROK and Malaysia civil society has begun to demonstrate its strength and the capacity to lay the foundations of a more accountable system of governance. But in ROK and Indonesia the influence of the military still needs to be constrained and subordinated to democratic institutions. ROK has moved a long way in this direction by not only holding two former military heads or states accountable for their misdeeds but has even managed to sentence them to imprisonment. In contrast, in Indonesia the military, even with the fall of Suharto, is still very much in command and much stronger civil mobilisations may be needed before they subordinate themselves to democratic authority. In Malaysia and Singapore the concept of multi-party political systems, leading to political pluralism and the threat to a ruling party of having to vacate office at the polls, is still not in place so that democratic institutions are yet to take root.

The capacity of the leadership in East/SE Asia to alleviate the poverty of their citizens through appropriate policies and better economic management has earned them some protection from democratic demands for a more pluralist system. However, in both ROK as well as Thailand its citizens have demonstrated that economic prosperity is not an acceptable substitute for the realisation of their rights. Indeed, where the economic boom moves into recession, with its impact on the prosperity of the poor, autocratic regimes expose themselves to political challenge. The compulsion to maintain economic prosperity and alleviate poverty thus remains high since Indonesia has already demonstrated the high political cost of economic failure. But just as economic crises can be contagious, democratic assertion can also be communicated across borders. Thus, even those regimes in East Asia who continue to sustain the prosperity of their citizens by alleviating their poverty will need to make their political process more accountable and participatory.

The role of aid in moving the Asian region towards better governance is likely to be minimal since in most of Asia they lack the leverage to do this. This has not prevented

donors from seeking to influence not just economic policy but the promotion of transparency and even free elections in a variety of countries. In such a process, faced by recalcitrant governments, donors have sought to go over the head governments to deal with civil society. Unfortunately civil society itself is an elusive concept. Donors, in search of civil society whether in Asia or SSA have often been tempted to use their aid to fabricate a civil society by using NGOs as a surrogate for civil society. This donor approach to building civil society through NGOs creates new channels of dependence manifest in the plethora of NGOs throughout Asia whose institutional existence and the livelihood of hundreds of thousands of their employees now depends on foreign aid. In Asia, when the dependence of the state on aid to underwrite its activities has been in visible decline over the last decade, the external dependence of the NGOs has expanded exponentially. This escalation in aid dependence of most of the NGOs raises serious problems for their sustainability since, unlike the state, very few NGOs have shown any capacity for weaning themselves from aid. Furthermore most such NGOs suffer from their own problems of accountability and transparency.

The availability of aid to underwrite the salaries of large numbers of grassroots NGO workers is paradoxically reducing the scope and impact of political parties active at the grassroots level who remain committed to the cause of the dispossessed. Similarly, many civic organisations committed to uphold the rights of the poor as an act of vocation are finding it difficult to sustain themselves. Many of these forces are losing their cadres to the NGOs and the very act of civic engagement is now being undermined by aid which promises salaries, offices and even *Pajeros* to those who once embraced a life of sacrifice and austerity to demonstrate their solidarity with the poor. In these circumstances, the agenda of Robin Cook Britain's incumbent Foreign Secretary and other progressive minded donors anxious to introduce democracy, human rights and the building of civil society into aid agendas, is fraught with hazard. Such donor-backed civic activism not only undermines spontaneous acts of civic mobilisation but reduces their credibility as these are seen to be inspired from outside.

### *Donor leverage on regimes to promote democratic governance*

In Asia, in only a few countries do aid donors now command enough leverage to influence the political orientation of a government. Even in Indonesia, Suharto was not brought down by donors anxious to perpetuate democracy but by the people of Indonesia reacting to an externally imposed reform process. A weak economy such as Myanmar has for two decades managed to resist donor pressure to democratise its polity because of its low exposure to aid and even foreign capital. The one country where donor pressure did nudge a country to democracy was the Philippines, which had been made heavily dependent on aid in the last decade of the Marcos era and was an area where the United States traditionally exercised considerable leverage over the local military establishment. It should at the same time be kept in mind that US as well as World Bank aid sustained the Marcos dictatorship in power for over a decade through large infusions of aid in the expectation that Marcos would transform the Philippines into the next Korea.

It is, however, largely in South Asia that donors continue to exercise any degree of political leverage. Bangladesh, Pakistan, Sri Lanka and Nepal are sufficiently dependent on aid, even today, to expose themselves to considerable pressure from donors in the area of human rights and democratic governance. Whilst this

dependence on aid, in quantitative terms, has visibly declined in all these countries during the 1990s, the dependence on policy advice from donors remains strong. The psychology of dependence on donors has become ingrained in the psyche of political and bureaucratic decision-makers and even the military who remain firmly convinced, even today, that their donors hold their political lifeline in their hands.

In the prevailing circumstances of South Asia, during the hightide of their dependence aid, military regimes have ruled Pakistan from 1958 to 1971 and from 1977 to 1989, Bangladesh from, 1975 to 1979 and from 1982-89, and an autocratic monarch ruled Nepal for most of its recent history. The responsibility of the donors is not insignificant in perpetuating such autocratic rule over this long period in Asia and indeed in much of Africa and Latin America. So great was the dependence of many of these countries on aid during this earlier period that a collective decision by the principal donors to withhold aid to any of these countries, until free and fair elections, under international supervision, were held and a plural political system established, would have elicited instant compliance. Instead aid donors underwrote these autocracies, lavished them with economic aid and in the case of Pakistan, with military aid and thereby contributed to the destruction of democracy in these countries. In each of these countries the autocratic rulers curried favour with the donors by both serving their strategic agendas and uncritically accepting their policy advice, usually communicated through the World Bank who became the ideological mentor of these odious regimes. In this environment of tolerance for autocratic rulers, donors also tolerated conspicuous violations of human rights as well as pervasive corruption and misgovernance in the then mistaken belief that following the economic advice of the donors would yield the prosperity which would serve as a solvent for undemocratic rule. Appeals by civic organisations to the donors to exercise their influence on the donors to improve their human rights record often went unheeded.

In this contemporary era of commitment to democracy it is hoped that the donors will at least use their remaining influence in these countries to ensure that there will be no regression into autocratic rule. This could be ensured by taking a collective categorical decision that in all regimes, if not everywhere then at least in South Asia, if a freely elected regime is overthrown by a military coup, all aid will be instantly suspended. Such a threat would be highly credible in South Asia and indeed many other countries throughout the world where donors still exercise a high degree of economic leverage. However neither India, nor regimes in the East Asia region outside of the Philippines, are likely to be impressed by such a threat since donor influence in most of these countries has for sometime been limited.

The problem with moves to politicise aid flows and use it in the service of ideology, lies in the inconsistency with which such principles are applied. Such gestures only work if a donor has leverage. Efforts by the Netherlands to persuade Suharto to improve Indonesia's treatment of East Timor led to a decision by Indonesia to suspend economic links with the Netherlands. It was the Dutch who had to make peace with Indonesia on the promise that they would not delve into such political concerns. Efforts by the US to exert pressure on India against holding nuclear tests and to sign the *nuclear non-proliferation treaty* (NPT) and *nuclear test ban treaty* (NTBT) had little effect because of India's low exposure to aid. Similarly, the unwillingness of other donors to risk their business links with India and Pakistan by pressuring them on the



nuclear issue has reduced the impact of US sanctions in India. Indeed, even the US, anxious not to lose a large market for farm products in Pakistan provided a Congressional waiver for food sales to Pakistan in spite of its reluctance to sign the NTBT. In the same way US agitation over the events in Tiananmen Square in PRC and the issue of human rights came to little because of the reluctance of successive US regimes to sacrifice the large US business stake in PRC by putting pressure on China to change its political practises. If aid as an instrument for promoting democracy, is applied entirely on pragmatic considerations so that it does not disturb commercial or strategic relations it loses much of its value. No principle thus appears to underwrite such an aid policy beyond the scope for economic leverage and the absence of a strategic and economic stake in a particular country.

In the prevailing circumstances, at least within Asia, a system of donor driven political reforms is not likely to prevail in those countries who cannot be pressured. Those who can be pressured, such as Pakistan, thus feel unfairly treated and permit for the accumulation of massive popular resentment at the injustices inherent in donor policy. Such inconsistency and even hypocrisy inherent in donor practise if not pronouncements on using aid in the service of democracy, can often assume regime threatening proportions. Genuflecting to donor political pressures could expose a regime to democratic upheaval and even overthrow.

## **Conclusion: Towards policy ownership**

### *Available capacities for self-reliance in Asia*

What is the eventual scope for reforming aid policy in Asia. Hopefully, the experience of the past will encourage donors to recognise that in most countries of Asia they should be left to design their own policy agendas and articulate a need for aid. Most Asian countries can call on the services of local professional resources, have the institutional base, political capacity and an active civil society to assume ownership over their own destiny. Donors should thus resist the temptation of tantalising hesitant Asian regimes with offers of aid to embrace donor agendas whether for structural adjustment reforms or even for alleviating poverty and promoting human development. These are societies which are mature enough to decide what they want and what price they will pay for this. Donors remain at liberty to direct their aid to regimes which will target poverty and human development or even liberalise their trade regime. It should, however, not drive these countries towards such agendas whereby they have little commitment or capacity to implement them and embrace such policies largely in order to access fungible aid resources.

### *Autonomy in policy design*

At least in Asia every demand for aid or TA could thus originate within the concerned country. They could prioritise their development agendas, design policies and programmes to realise these agendas by assuming responsibility for project preparation. They should in the process be able to articulate their need for technical and programme assistance. Such programmes should be underwritten by macro and sectoral policies which should articulate the need for aid at the macro and project level and define its form as to project or programme financing. The recipients should manage all such aided projects and assume full responsibility for coordinating aid. The

era of the World Bank or UNDP led donor consortium or aid group should be formally terminated. All such mechanisms of aid coordination through meetings between government and donors should be located within and chaired by the host country. Ideally the recipient government should include the political opposition and civil society organisations in its consultative process for designing policies and as participants in the aid group meeting but this proposition would depend upon the maturity of the democratic culture in a country.

Under such a transformed dispensation donors should resist the temptation to prepare *grey cover* reports on policy reform, design projects or bring in consultants to design the TOR of a TA project. Donors should retain their right to evaluate government proposals rather than substitute their own policy intervention. Where such proposals appear credible they should support the initiatives. Where there are policy disagreements, ideally donors should give the government the chance to implement its own policy provided that it is soundly designed and enjoys domestic political support even if it varies from a donor's notion of policy correctness (PC). If the policy fails, donors may either seek a policy change closer to what donors deem to be PC or they may withdraw aid and let the country finance its own 'follies'. However even where a particular donor decides that a policy is inappropriate and thus, chooses to withhold aid, there should be some scope for a free market amongst donors, where the government can sell its policy to another donor. In an open market for ideas the principal donors should not assume hegemonic postures in setting the policy agenda where all donors are expected to coordinate their strategy towards a particular country under the umbrella of the World Bank or UNDP.

### *Partnerships*

Establishing autonomy over policy design demands strong, sustainable institutions. However weak institutions remain a severe constraint on promoting sustainable development in most DCs, even in Asia. The idea of building capacity within the DC's through twinning between DC and AIC institutions has thus gained currency to help in the start-up of DC institutions. A number of such partnerships have served to build DC institutions because of the hands-on linkage with a successful AIC institution. Such a relationship is seen as both improving governance within the DC institution and eventually establishing effective ownership over such a facility.

Within the perspective articulated above on Asia's aid experience, the concept of institutional partnership depends on the capacity for equal participation by both sides, in such an institutional relationship. The real problem faced by a large numbers of developing countries, mostly in Sub-Saharan Africa but also in South Asia and parts of Latin America, is the degeneration in available institutional capacities. The very institutions built up so painfully, often with donor assistance, deteriorate with the passage of time. A process of professional attrition sets in most such DC institutions due to loss of able people not just to the multilateral institutions but also to the private sector and to the consultancy market at home built up through donor funds.

Attempts to build new institutional partnerships sustained by a well established institution in the developed world has promise if it involves a genuine partnership. The *Pakistan Institute of Development Economics* (PIDE), the ancestor of the *Bangladesh Institute of Development Studies* (BIDS) was built though such a partnership between

Stanford and Harvard University and PIDE. BIDS itself has a history of a satisfactory partnership with the CMI in Bergen. Such partnerships were very successful at the outset and proved sustainable as long as BIDS remained a viable, dynamic, well-led institution. However, as the institution decayed so did the scope for partnership also weaken.

There are a number of other joint-ventures put in place at the time a DC institution was being built. The idea was to draw upon the accumulated expertise of the AIC institution to transfer skills and management practises to its local counterparts. Unfortunately few such institutions remained sustainable unless underwritten by an infusion of aid resources. Even the injection of resources to underwrite the partnership may do little to sustain the DC institution once the resources run out. A successful partnership demands that a DC institutions can continue to provide institutional support in the way of personnel for TA, upgrading of skills and even institutional backup at critical stages of the service cycle. However all this depends on the building and sustainability of domestic professional and institutional capacity and the willingness of policymakers to draw upon such capacities. The best such institutions found in India or ROK and indeed in rare cases in many DCs, have to demonstrate their sustainability once their partnership is terminated by proving their use value to society. Failed partnerships thus originate in the inability to endogenise policymaking through using domestic institutions to service the felt needs of both policymakers and civil society. Aid resources, to the extent that they underwrite inflows of TA whether delivered by individual professionals or institutions, do a disservice to the sustainability of DC institutions as well as to the building of credible partnerships, by making DC governments reluctant to make fuller use of domestic capacities.

My paper addresses the overall environment within which Asian and indeed most DC partnerships fail. This does not rule out individual successes built around the commitments of the DC institution to leave behind transferred technology and managerial skills located in sustainable domestic institution. It merits fuller empirical investigation to explore the hypothesis that DC's such as in East Asia or India, which have put emphasis on self-reliance in institutional building and policy design, also create a more stable basis for building sustainable partnerships with developed country institutions. This proposition holds good for partnerships both in the public and private sector. Donors willing to invest in such partnerships should thus focus on promoting local ownership over policy as a precondition for building sustainable institutions, whether through institutional partnerships or by drawing in individual TA as part of the felt needs of a particular institution. The operative issue must be to leave it to the domestic institution to articulate this need out of their own self-awareness of their professional limitations and willingness to use expatriate institutions to build up their professional base.

### *The primacy of ownership*

The argument in this paper emphasising the recapture of policy ownership in the DCs is premised on the belief, based on three decades of experience, that unless countries assume responsibility for their own destiny and commit themselves to transform the lives of their most deprived citizens, no policy reform or economic transformation is feasible and no donor can impose this on a country however weak they may be. This hypothesis remains a viable basis for aid policy in most Asian countries because they

have the capacity to take charge of their own affairs. Even though this principal has universal applicability one cannot speak with a similar degree of conviction about other regions whose capacity to assume charge of their own future needs to be ascertained after careful analysis. However, even where countries cannot assume such responsibilities the emphasis should be placed on domestic capacity building, drawing upon the skills and experiences of their neighbours and other Third World countries. In this respect effective institutional partnerships with DC institutions should increasingly be sought with successful DC institutions whose experience with institution building is likely to be more relevant to that of another DC institution.

## **Institutional development, institutional cooperation, partnerships, twinning and joint ventures – So many concepts: What are the issues?**

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KIM FORSS, ANDANTE – TOOLS FOR THINKING AB

I would like to express my gratitude for having the opportunity to address you on this important and difficult subject; a subject which I have spent much time trying to learn about and to understand. With no further comments, much remains to be done both practically and theoretically, and the present seminar is a very welcome opportunity to exchange ideas and hopefully to generate new insights.

When Douglas North and Robert Thomas, among others used the term institutional development a decade ago and more, they did so as economists returning to political science, sociology and history to help explain what causes development. They turned to institutions as one of those holistic terms like technology that explain what remains to be explained after labour, land and capital have played their part in the explanatory process. But do institutions explain development?

What is institutional development? Let me point to a few examples. When social values change, when networks are formed between civil society, research and business, when the rule of law is extended, when peace prevails and conflicts are solved through democratically elected bodies in calm argumentation, when markets flourish and investments accumulate, we see evidence of institutional development. But does this explain development? No, it is the thing itself. It does not explain development – it is development. Institutional development is an end in itself, it is the goal we pursue. And the question remains, how can processes of institutional development be set in motion, which are the causes that explain institutional development.

Among the causal factors are, no doubt; institutional cooperation, joint ventures, twinning and partnerships. They are tools through which a number of organisations are cooperating with each other. The purpose of their cooperation is institutional development.

What are then the issues, or the stakes, in institutional development? That depends very much on who you are and what you represent. Organisations and people in them seek their own advantage; access to knowledge and information, new skills and aptitudes, investment capital - or investment opportunities, knowledge about markets, opportunities to test new personnel or in other ways strengthen their position through international networks. Still, most of their objectives are different, their explicit objectives as well as the hidden ones. This has constantly surprised me. No matter which organisations I have looked into, I seldom find that more than a very small part,

say 5 to 10 %, of the objectives for cooperation are shared. It is better to realise that to have naive assumptions of commonalities of interest.

What the organisations do have in common is a wish to change. The nave around which the whole field of institutional cooperation spins is organisational change. Organisations cooperate because they wish to change, and that is their least common denominator. Hence, the issue is to understand organisational change, because one needs to understand in order to plan, take decisions, to act, and follow-up, and later with insight, and possibly wisdom, contemplate the results. But who dares say that he or she understands organisational change? Would anybody put up a hand? I would certainly not, but I would like to point at three factors that make organisational change such a hard phenomenon to grasp:

1. Change is non-linear. What does that mean? In a linear model, the extent of an effect is expected to be similar to the extent of its cause. For example, if we invest USD 1 million USD in corporate training programmes, we would expect increases in efficiency of a little bit more than USD 1 million. But in a non-linear system a tiny event - or a cause - can produce huge, unexpected effects. In a recent evaluation of technical training undertaken by Sida, we found that small amounts of training, at costs around USD 10 000 yielded benefits of some USD 25 million; that is, there were multiplier effects of around 250.

In popular science, this is often referred to as the butterfly effect - a term borrowed from the meteorological sciences. The effects of a butterfly flipping its wings causes tiny changes in air pressure which escalate through feedback processes and generate a storm on the other side of the earth. It is a popularised image, but it is real. There can be no doubt that "butterfly effects" are real in processes of organisational change.

2. Change occurs as qualitative leaps. In retrospect, important events in an organisation's life happen rapidly, and often many things happen at the same time. New owners, new capital, market opportunities, new technologies, or massive growth in new membership. Suddenly all things fall in place, and the system can be rapidly transformed. Our mental images of development seems to be formed around notions of a few percents annual growth over long periods time - a steadily upward sloping curve. Reality is more drastic than so.

10 years ago Sweden had a thriving record industry with several medium-sized companies. Then radio traffic was deregulated, programme time increased 400%. Vinyl records disappeared and the cd changed the economics of production and distribution. The new market situation triggered foreign investments, and in two years time most of the Swedish record industry had disappeared, gone bankrupt or was bought by the multinationals.

3. Change occurs as a consequence of many factors rather than particular isolated causal connections. The idea of cluster effects means, simply speaking, that all things have to be in place before the system changes. It is like the slot machine, where you can only win if the three cherries show at the same time. Similarly with policy initiatives in a global setting, very often many things have to happen at the

same time if an effect is to be produced - and then the changes can be considerable in a very short period of time. WHO is an organisation which has been through two major reform programmes in the 1990s, with no visible effects. But under new management, with new ideas emerging from inside the organisation, and against the background of major reform in the UN system, the conditions appears to be more favourable. But more is needed than new management or good ideas.

The notions of non-linearity, qualitative leaps and cluster effects may seem highly theoretical, but they are a necessary starting point. It is useful to remember Lord Keynes's advice that there is nothing more practical than good theory. A deeper understanding of organisational change is necessary in order to level expectations, understand the challenges, and to find the workable practical solutions. A basic understanding of what type of processes we are dealing with will help us avoid the most blatant mistakes. Before turning to the more practical issues of organisational design, I would like to point at a dilemma that often has confronted me when dealing with organisations; that is, some organisations appear more clever than others, but it is not the most clever organisations who carry the game.

In very broad terms it is possible to distinguish two types of organisations; that of the reflective, analytical organisation and that of the action-oriented organisation. Let us first look at the characteristics of the action organisation.

An action organisation is largely legitimised by providing action, by delivering clear-cut results (often in terms of profit, market share, or some other plain indicator of performance). Managers define goals and business ideas; they create a corporate spirit, a corporate culture. The variety of ideas and opinions which members presumably have when they join the organisation is reduced and absorbed into the common ideology. In a complex world, which can be understood in many ways, the organisation circumscribes its members' understanding. To put it bluntly, the action organisation makes people narrower and stupider that they were before they joined it. The action organisation is geared to solutions rather than problems. Only when we have a solution can we act, and shared loyalty to an organisational ideology will make it easier to find solutions. (The car was the idea Ford had in mind, not the problem of transportation; ball-bearing was the idea that launched SKF, not the problem of friction). Action is easier when a powerful organisational ideology obtains and conflict is suppressed. Thus the action organisation cultivates great confidence. The members of the organisation are convinced that their view of the world is the right one. The action organisation cultivates a spirit of enthusiasm rather than criticism. It may seem a bit stupid, but it gets things done.

The reflective/analytical organisation receives support because it propagates values and ideals the constituents endorse. The reflective analytical organisation must reflect a variety of ideas and demands and it must satisfy the expectations of diverse groups in its environment. Thus, a central feature is that it reflects inconsistent norms. It reflects inconsistent norms by talking about issues. The reflective organisation thrives on problems. It identifies problems, discusses and analyses problems, defines strategies and policies endlessly. It is good at producing manuals, and it is good at evaluating. The more difficult the problems are the better, and best of all is unsolvable problems.

Consequently important structures and processes in the reflective organisation are aimed directly at the environment. The idea is to demonstrate goals, visions, structures and methods to the outside world and to show that the organisation is attending to the demands made upon it. It speaks to business about economic development, but it speaks to NGO's in another voice and to public bodies on other subjects; subjects close to the heart and ideology of those audiences. Do we know any examples of such organisations?

Remember that the caricature above is meant to show archetypes of organisation. In real life organisations combine elements of both. The point is that some organisations are more like action organisations and some more like reflective organisations, and the recipes for success depends on how they are identified. When an action organisation engages in cooperation with a reflective organisation, both need to be very aware of each others motivations and expectations, otherwise the process could become very destructive. In our fields, NGOs and private firms are much more like action organisations, while aid agencies tend to be more reflective. This lies in their roles and neither should be surprising. But the actors need to be aware of the problems as well as the opportunities inherent in these roles.

Let us proceed to the process of the cooperation. Most of what organisations want from each other when they cooperate is knowledge and information, for example about routines, procedures, structures, division of labour, coordination, delegation of authority, how to create accountability etc. To get the knowledge, they have to learn - whether we speak of the northern partner or the southern partner. Learning is thus another of the key elements in understanding organisational change.

Organisational learning is an oxymoron, a contradiction in terms, like safe air travel or military intelligence. Organisation implies order and structure, and putting things in relation to each other, creating patterns and processes. Learning, on the other hand, implies breaking structures and challenging order, exploring the new and unknown. The two do not live easily together.

Much has been written on the subject of learning organisations, but so far little has been applied to development cooperation, in particular in respect of how the learning of partner organisations from the South can be strengthened. The practical solutions to learning means treading a careful balance. The learning organisation balances between destructive turbulence and stifling order. Keeping it on the borderline is the supreme managerial task. I would like to point at five particularly important design variables that need to be taken into account in institutional cooperation to strengthen learning.

- Continuity and change among personnel.
- Exploitation of old knowledge and exploration of new.
- Top-down leadership and bottom-up initiatives.
- Technical specialisation and crosscutting issues.
- Stable boundaries versus flexible teamwork.

The difficulty is how the balance should be struck in any particular case. In most instances of institutional cooperation that I have come across there was an imbalance towards the left hand side of each of the dichotomies mentioned above; too much



continuity, too much exploitation of old knowledge, too much top-down leadership, too much technical specialisation and too much stable (rigid) boundaries. There seems to be a need to tilt the balance in favour of flexibility, change, bottom-up initiatives, crosscutting competencies and more flexibility in organisation design.

Institutional cooperation, like other processes of organisational change, needs to strike the balance between order and chaos. Too much order creates bureaucracy and stifles learning and creativity, whereas chaotic conditions slow down efficiency and effectiveness. In between, organisations develop complex structures to manage the borderline. It is a practical managerial challenge to develop complexity that allows the organisation to reap the benefits of both order and chaos, and it is a challenge for funding agencies to encourage complex structures to emerge.

The real issue and the solution to many practical managerial dilemmas, lie in developing complex structures that allow the cooperation to thrive in the thin borderline between stifling order and an overwhelming mess. To produce more order, to reduce variety and increase control is simple. It is equally simple to embrace chaos. But the sustainability of institutions, as well as of institutional cooperation, lie in a Cantonese increase in complexity.

I would thus like to end this speech on the optimistic note that we can look forward to two full days of complexity.

## **‘Twinning’ as a method of sustainable institutional capacity building**

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PROFESSOR PETER BLUNT, NORTHERN TERRITORY UNIVERSITY,  
AUSTRALIA<sup>1</sup>

### **Aim and nature of study**

- Aim: To assess the efficacy of institutional Twinning arrangements as vehicles for sustainable capacity building , and to explore ways of enhancing the method.
- Issues:
  - learning processes, at the individual and organisational levels
  - assumptions about skill and knowledge transfer
  - effects of asymmetrical patterns of power, influence, resources, expertise, and experience between twinned organisations
  - incentives and disincentives inherent in the twinning process
  - contradictions between sustainable capacity development and improvement at the technical level
  - expectations and perceptions of donor and the partner organisations
- Nature: empirical (cases from Laos and Namibia, and experience of researchers in many other countries) and theoretical.

### **Key issues and definitions**

#### *Superordinate goals*

- poverty eradication
- sustainable development
- Example: the notion of *sustainable human development* (SHD), which focuses on people’s capacities to improve their own lives through better education and health, higher incomes, and the sustainable use of the earth’s resources.

#### *Governance*

- Main actors:
  - State
  - Civil Society
  - Private Sector

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<sup>1</sup> These are speaking notes only. An article prepared by Peter Blunt and Merrick Jones will soon be published in *Public Administration and Development*.

- Institutions
  - Legislatures
  - Parliaments
  - Judicial systems
  - Other regulatory systems
  - Electoral bodies
  - Financial
  - And so on

### *Institution building and organisation building*

- Use of terms: Terms such as 'capacity building', 'institution building', 'institutional and organisational development', and 'institutional capacity building' are often used inter-changeably
- Definition: The term institution building in practice usually embraces programmes of constructive change in single *organisations* or clusters of organisations, and is designed to improve their performance and capacity to develop new capabilities independently; that is, their ability to learn from, and adapt to, their environments. The term is also used to refer to the strengthening or re-design of the broader mechanisms, or *institutions*, which regulate societies and economies; for example, macro-economic management systems, legal and judicial systems, and electoral systems.
- Growing interest in institutions as well as organisations
- Two terms needed: institution building and organisation building
- Context
- Meaning

### *Sustainability*

- Definition: In organisations and institutions, as with biological organisms, sustainability implies survival, which depends on a willingness and capacity to learn and adapt quickly and well to changing circumstances. The idea of sustainability has been applied most widely in relation to the natural environment, where it usually means that future generations should have available a natural resource base which is at least equivalent to that enjoyed by people now. This implies that organisations and institutions should learn and adapt in ways that take particular account of the depletion of non-renewable resources.

### *The imperatives of context*

- Pragmatism versus ideology
- Ideological approaches less concerned with context
- Pragmatism encourages swot-type analyses of context

### *'Meanings' and perspective*

- "Whose definitions should count?"
- Meaning is not universal
  - Institution building

- Good governance
  - Free trade
  - Human rights
  - 'Impeachability' (!)
  - And so on
- Ideological hegemony of western ideas and meanings
  - The reality is that different interpretations exist

## The rhetoric of twinning

- Motivated partly by:
  - Problems with 'delivery' of technical assistance
  - Desire to influence organisation as well as individual
  - Poor results achieved by (then) conventional practice
  - Trends in the literature – OD etc.
- Involves:
  - Partnerships between organisations with similar remits, one in a (usually) rich country and the other in a poor country
  - "Mutual learning from the sharing of experiences" etc.
  - Creating "learning organisations" which demands:
    - ❑ extraordinarily capable leadership
    - ❑ vision and strategic awareness
    - ❑ willingness of members to *question*
    - ❑ a climate which encourages this
    - ❑ skills of *critical reflection*
    - ❑ regular and varied opportunities for questioning and reflection
    - ❑ constant desire to learn from successes and failures
    - ❑ capacity and willingness to take *action* on basis of what has been learnt
    - ❑ critical reflection on the outcomes of action
    - ❑ development of a learning culture based on the above
    - ❑ systems that reward the above
- Claimed strengths and benefits:
  - Ability to provide a broad range of relevant services
  - Similarities of corporate identity and institutional mandates in the partners
  - Relevant competence and skills in the 'incoming' partner
  - Greater prospects for collegiality arising from organisational similarities
  - Easy, effective interaction
  - Internationally known (public) agencies have easier access to developing country governments than, say, private consultancy firms
  - A forum for the exchange of professional skills and institutional praxis is created
  - Increased credibility and legitimacy in relation to reform processes
  - Support and autonomy for risk taking
  - Increased confidence, flexibility
  - Access to otherwise unavailable resources (mainly financial and technological) –  
Note: this was the view of a DC partner

- Adaptability to unpredicted factors
  - Possibility of instilling a sense of pride and will to achieve
  - Possibility of developing management capabilities
  - Possible psychological and political advantages, “in that the twinning contract gives at least the appearance of a two-way exchange”
  - Opportunities for international co-operation and the sharing of knowledge, and for “breaking down the barriers between problems and approaches in developed and developing economies”, at a time when distinctions between the two are becoming increasingly blurred.
- Learning organisations clearly carry a heavy load of responsibility

## Findings

- Little shared understanding of the meaning and significance of what is intended (see key terms above)
- “Learning organisations” are rare anywhere, even where the ideological and resource circumstances are ideal – much rarer in dcs
- Both partners appeared not to be thinking too much about issues of the above type, or to understand them
- Great variation re: “mutuality” of any learning that took place
- Heavy reliance on traditional activities:
  - Formal, off-job training courses
  - In-house training courses
  - On-job training
  - Study visits
- Little evidence of attention to demands of learning organisation – see above
- Developing country partner may – understandably – be more interested in other things, such as:
  - Access to otherwise unobtainable physical resources such as vehicles and computers
  - Unusual opportunities for individuals to further their careers via expensive education and training, and for foreign travel
  - Status which comes from donor attention over a lengthy period
  - Enhancement of organisational confidence that comes from the backing of an empathetic partner organisation, and the stimulus of working with a wider range of fellow professionals
  - These elements were apparent to a greater or lesser extent in both of the case studies.
- Rich country partner may have other interests too, such as:
  - Significant stable income generation over long periods
  - Opportunities for expanding professional competence
  - Opportunities to provide some staff members with professional challenge, overseas travel, and financial reward
  - Possibility to achieve an enhanced international profile
- Other risks and weaknesses

- Incompatible partners: for political, geographical, social, historical, status, cultural, technological, structural and managerial reasons, and so on
- Nominal core business may be the only thing they have in common
- May become “arrangements among friends”
- ‘Developed’ twin may assume a position of superiority in the relationship and expect a passive, dependent partner (the antithesis of sustainability)
- It may be difficult for the aid agency to evaluate and terminate
- Incoming partner may be operating on commercial lines, seeking to make financial gains from the partnership
- Dependency (the antithesis of sustainable development) or resentment may occur
- Possibility, indeed the probability, that individuals who receive training, or acquire scarce skills in other ways, in a project will leave the organisation when the project is terminated and they no longer enjoy the benefits it has provided
- Strength of belief in twinning may limit or discourage exploration of other ways of constructing a viable organisational co-operation project and, more broadly, of alternative approaches to development co-operation in governance
- Twinning project may operate in a contextual vacuum, producing a pocket of enhanced organisational capacity operating in unchanged surroundings

## **Renovating the twinning approach**

- Refining the notion of organisational co-operation
  - To help convey the idea that both partners have something to learn and have equal responsibility for making things happen
  - Give attention to the wider institutional domain
  - Give emphasis to equal ‘partnership’ rather than provider-client relationship
  - Organisation development to the fore
- Critical elements of organisational co-operation:
  - Its base in a partnership between two organisations
  - Its emphasis on sustainable organisational capacity building
  - Its relatively long-term nature
  - Clear guidance to incoming partner on donor’s views concerning:
    - ❑ superordinate goals
    - ❑ its understanding of organisation and institution building
    - ❑ its view of sustainable organisational outcomes
    - ❑ the nature of the desired relationship between the two organisations
    - ❑ the optimal duration of the relationship
    - ❑ the roles of the long-term team leader and advisers
    - ❑ the selection of staff for the project
    - ❑ managing and maintaining the vitality of the relationship
    - ❑ terminating the relationship.
- Considerations in identifying suitable organisational partners:
  - Macro and micro contexts of both partners, including system compatibility, pace and direction of governance reform, infrastructure, language, and so on
  - Most pressing needs of the developing country partner - that is, to what extent are they primarily technical or organisational or managerial

➤ Track record of the incoming partner, particularly the extent to which this reveals its level of understanding of the key issues and aims of development and its commitment to their realisation.

- Staff selection and the role of the long-term adviser:

Careful job analysis plus following generic qualities:

- Possession of a clear understanding of, and commitment to, the major aims of development
- Capacity to understand and analyse broader organisational and managerial issues as well as technical ones
- Good interpersonal and cross-cultural skills
- Patience, tact, energy, and tenacity
- Some ability to assess issues of strategic significance to the partners and the domain of the project

Role:

- A broad and demanding one involving more than technical advice and 'housekeeping'
  - Most critically, perhaps, the adviser should be the strategic viewfinder and sensor for the incoming partner:
    - ❑ What directions should the co-operation be taking to ensure sustainability and institution and/or organisation building?
    - ❑ What are the emerging key developments in the developing country partner and its domain?
    - ❑ What are the implications of these for co-operation activities?
    - ❑ What are the key technical as well as managerial and organisational issues?
  - He or she should also be capable of playing a similar strategic role for the developing country partner, but only when that partner wants this, and only in a way which does not build dependency or act against sustainability
  - The range of possible strategic questions is great - encompassing such issues as the mission, role and function of the developing country partner itself, its culture, its structure, its human resource management strategies, marketing, inter-organisational interactions, and corporate image
  - The ability to deal well with such issues demands long-term advisers with the capability of a good chief executive officer, as well as diplomatic skills and the ability to do all of these things in another culture - demanding indeed
  - It is essential that the role should involve these elements, as successful organisational co-operation depends so heavily on them. The adviser is very often the best person to take ownership of these critical issues for the incoming partner and to sense how far to go in relation to them from the point of view of the developing country partner.
  - The strategic management of the co-operation, and the success of the co-operation, will hinge largely on the way in which the adviser and the leadership of the developing country partner tackle these issues together
- Managing and maintaining the vitality of the relationship

- Management of the developing country partner in particular has to be aware that the establishment of an organisational co-operation project within its structure will have wider consequences than the delivery of equipment and the training of staff.
  - Pre-project dialogue between the stakeholders must concentrate on the major challenges which the project will present, not just discussion of the operational considerations which the log frame methodology encourages
  - Discussion of learning and sustainable capacity will thus become a natural element of the co-operation, reducing the tendency for priority to be directed to technical/professional upgrading and for crucial issues of management and organisation to receive attention late in the project as something of an afterthought
  - Within a clear framework of organisational change, it will be more natural to view activities within the co-operation as learning opportunities
  - Change processes constantly present new challenges that can become significant vehicles for learning and development. For example, in any co-operation project, evaluations - internal and external - present major opportunities for essential questioning and critical reflection processes. The question "what can we learn from this?" would thus become a routine element in the evaluation process.
- Optimising the length and nature of the relationship
    - Informed strategic *judgements* as the project proceeds
    - Agree the planned *phases* of the co-operation within the intended total duration, so that the co-operation is seen to have a coherent schedule of stages and a 'natural' end
    - The nature of the relationship should be viewed flexibly

## Beyond twinning

Macro and micro *environments* within which co-operation takes place are (or should be) crucial to all aspects of the form that the co-operation takes, and the manner of its enactment

A thorough assessment of the environment requires one to move beyond the immediate context of organisational co-operation - that is, beyond the conventional parameters normally associated with Twinning. It is necessary to examine the broader governance context within which organisational co-operation is situated in order to make the best use of scarce resources. It is in this sense that the merits of looking *beyond* Twinning are now examined.

### *Contextual variables*

In the categories set out below, the intention should not be to engage in detailed discussion of each of the items listed, but rather to make brief assessments which can give an indication of the state of affairs in each case and a reasonably accurate overall picture. However, once a likely target domain for co-operation has been identified, more detailed examination of that domain and its domain hierarchy will be necessary.

- Country characteristics and circumstances
  1. Natural resource base



2. Population size, density, growth rates, urban/rural distribution, and ethnic heterogeneity
  3. Human Development Index scores or similar
  4. The position of women in society
  5. The position of minorities
  6. GDP, GDP growth, and *per capita* GDP in parity purchasing terms
  7. Sectoral development
  8. State of the environment
  9. Geographic size and port access
  10. Infrastructure
  11. Special hazards or circumstances (e.g., famine, genocide, 'unexploded ordinance', etc.)
  12. Risks or threats
- Governance
    1. Broad nature of the economy (transitional etc.)
    2. Legal institutions: laws, judiciary, courts, enforcement etc.
    3. Form of political legitimacy
    4. Political system
    5. Leadership
    6. The position of women
    7. Public sector
    8. State owned enterprises
    9. Civil society
    10. Private sector
    11. Relations between the state, civil society and the private sector
    12. Extent and nature of popular participation
    13. Corruption
    14. Major domains of policy co-operation and sources and forms of such co-operation
    15. Risks or threats
  - Institutions
    1. Strength, independence, impartiality and transparency of major institutions of governance (e.g., electoral and legal systems, the judiciary, law enforcement, and so on)
    2. The position of women
    3. Impartiality
    4. Levels of remuneration
    5. Major domains of institutional co-operation and sources and forms of such co-operation
    6. Risks or threats
  - Government organisations
    1. Responsiveness, effectiveness and efficiency
    2. The position of women
    3. Impartiality
    4. Inter-organisational co-operation
    5. Leadership

6. Levels of remuneration
  7. Major domains of organisational co-operation and sources and forms of such co-operation
  8. Risks or threats
- Human resources
    1. Education and skills and gaps
    2. Gender issues
    3. Discipline and commitment
    4. Labour force flexibility
    5. Major domains of co-operation and sources and forms of such co-operation
    6. Risks or threats

The argument to this point envisages development co-operation in governance that is under-pinned by a more inclusive profile of country characteristics and circumstances. In this view, 'one-shot' designs are not ruled out so long as they are well targeted or situated. They should be regarded as one of a number of possible means or vehicles of co-operation that can be used in any development co-operation setting.

Targeting for any development co-operation technique will be most accurate and effective when it is conducted on the basis of:

- a well articulated country profile, based on criteria such as those set out immediately above; and
- a thorough appreciation of the *domains* of development co-operation within governance at which particular lines of development co-operation will be directed.

### *Domains of development co-operation*

A domain of development co-operation consists of: (1) one or more institutional elements; (2) a number of organisations; and (3) a wide range of activities, all of which formally have a common purpose or common purposes. However, the different perspectives brought to bear by interested parties will mean that perceived purposes for a particular domain will be likely to vary.

Accordingly, in the example set out below ('information'), the interests of different stake holders are likely to vary significantly, and the state and development agencies must be interested in, and capable of, making judgements about the validity of such interests.

### *Example*

<i>Domain:</i>	information
<i>Common purposes:</i>	government decision-making
	private sector decision-making
	civil society participation
	transparency
	accountability
	education
	economic performance

<i>Institutional elements:</i>	political system all policy
<i>Organisations:</i>	central statistical office ministries other state entities decentralised units the media users (civil society, private sector, etc.) providers
<i>Activities:</i>	collection and analysis presentation and dissemination interpretation and use marketing

### *Domain selection, development and evaluation*

- *Domain selection* - this will depend on an assessment of country profile characteristics. Selected domains, and their priority, will clearly be those that are considered to possess special strategic significance for the realisation of superordinate development objectives, such as poverty alleviation. Selected domains can therefore be expected to vary from one country to another.
- *Selection rationale* - the country profile assessment should result in a coherent rationale or argument concerning the selection of particular domains. Several benefits will flow from this. First, it will assist with targeting and technique selection within the domain. Second, it will strengthen the position of the development agency in relation to its own accountability and transparency. Third, it should make co-operation more comprehensible, and therefore more manageable, for development and implementing agency staff and other interested parties, not least in the poor country itself. Statistics, audit and tax are clearly of importance in nearly all governance settings, but equally clearly their *relative* importance will vary from one set of circumstances to another; and the nature of the organisations concerned will vary, as will their domain hierarchy.
- *Domain development* - this will entail co-operation aimed at strengthening one or a combination of institutional elements, organisations, and activities within a particular domain. The mix of co-operation targets within a domain, and the development co-operation techniques or vehicles employed, will depend on a careful assessment of the needs and structure of the domain within the broader context of the country profile, the activities of other agencies, emergency considerations, and so on. In the Laos case study, for example, organisational co-operation might have attempted to improve user understanding of information, and the downstream dissemination of information, as well as supply. This in turn will have ramifications for the development activities within the organisational co-operation.
- *Evaluation* - this should be conducted at two levels: first, at the level of development co-operation activities at the target sites within the domain; and

second, at the level of the overall functioning of the domain itself where possible knock-on effects from the target site can be assessed.

### *Decision-making critical path*

Something like:

- Does the country satisfy the means test criteria for co-operation?
- Does the country profile give enough relevant information for a judgement to be made about priority needs and strategic development co-operation domains within governance, or strategic entry points? If not, where can such information be obtained? If the information is not available or readily obtainable, are the country needs so urgent or extreme that co-operation should proceed as best it can with the information to hand?
- What are the major needs?
- What are the strategic development co-operation domains within governance? What is the logic connecting them to the major needs?
- Are the selected domains subject to different risks or threats? Are any of these risks or threats so great as to make progress within the domain too difficult to justify the investment of scarce resources?
- Which of the strategic domains or entry points matches the agency's strengths and capabilities best?
- What are the structures of particular domains and the most critical needs within them?
- Which development co-operation techniques or vehicles are best suited to the particular needs and circumstances of the domain?
- Does the agency have experience of using that technique in this particular domain? Is such experience deemed necessary in all cases?
- Are the expectations (of all parties) of development co-operation within selected domains reasonable given the overall country profile and the particular circumstances within the domain and at the target sites?

### **Conclusion**

Like other forms of development co-operation, in the right context and with well-chosen and briefed partners, Twinning can be the optimal method to employ.

However, in this paper, we have argued on the basis of theory, logic, case study data, and personal experience that the method has tended to be employed uncritically. By this we mean that insufficient attention has been given to ensuring that such co-operation is predicated explicitly on clearly defined notions of sustainability and institution building. We also mean that the super-ordinate goals of development are not as clearly 'on the minds' of the people involved in Twinning – or, in our experience, other - projects as they should be.

Also, the importance and nature of mutual learning between the organisations needs to be established at the beginning of projects, and meanings need to be discussed and clarified then, rather than assumed.

We also argue that many operational aspects of Twinning, such as staff selection and the management of the relationship, are not getting as much attention as they deserve.

Our thoughts about improving Twinning address the issues referred to immediately above.

Moving beyond the conventional notion of Twinning, we introduce the ideas of 'domains' of governance and 'domain hierarchies', arguing that judgements about the efficacy of agency interventions need to be situated within such a context.

Agencies are then in a better position to produce persuasive arguments about project or programme targets or sites *and* about method.

We recognise that our suggestions require more 'up-front' expenditure on co-operation projects than is typical at present - in the development of country profiles and the assessment of domains of governance and domain hierarchies.

But we clearly believe that this is desirable because it improves the prospects for attaining the super-ordinate goals of development.

# **The municipal partnership program between City of Portage la Prairie (Canada) and Municipality of Tubigon (Philippines)**

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S. DEAN YAREMCHUK AND EUFRASIO MASCARINHAS

## **Overview of the FCM Program**

The Federation of Canadian Municipalities has been recognized since 1937 as Canada's national voice of municipal governments. FCM represents the interests of all municipalities on policy and program matters within federal jurisdiction. Municipal governments constituting FCM's membership represent more than 20 million Canadians. FCM's members include Canada's largest cities, small urban and rural communities and the 17 major provincial and territorial associations.

The creation of FCM's international program in 1987, in collaboration with the Canadian International Development Agency (CIDA), enabled Canadian municipalities to exchange information and practical experience with counterparts in the South. Municipal Partnerships are an important component of the International Office.

This municipal-to-municipal, local-government-to-local-government kind of international municipal cooperation had its roots in sub-Saharan Africa, and later expanded to other continents. It is now active in countries of Africa, Latin American and Southeast Asia.

Working with its partner CIDA, FCM, as the executing agency, defined a framework for municipal participation to ensure efficiency and uniformity in the overall approach. A niche was defined for Canadian municipal participation building on the CIDA priority of human resources strengthening in the areas of municipal management and governance.

A program management team at FCM provides assistance and monitoring to help Canadian municipalities and their overseas partners in their new international cooperation activities. FCM selects municipalities, approves proposals and helps the two partners throughout their relationship.

To assist, a comprehensive set of guidelines – Municipal Partnerships Partners Guide – has been developed to provide information about each steps of the implementation of partnership activities.

In the Guide, the program is defined in the following way:

“Municipal Partnerships program is a human resources development program that links Canadian municipalities with local governments in developing countries. The program provides opportunities for municipal administrators, technicians, professionals, and political leaders to increase their capacity to deal with common municipal development issues by sharing experience, working together, and applying their knowledge in practical situations.”

Some of the key notions that define the program are:

- The notion of *partnership*: equal partners from different cultures and backgrounds work together and share experiences; the partners identify, implement and assess their activities together;
- The focus on *human resources and capacity building* as opposed to infrastructure development or equipment provision;
- The issue of *sustainability* in terms of durability of the relationship and, furthermore, sustainability of the solutions to situations and problems encountered;
- The *very practical approach* of the program: it is people with similar experiences, facing similar problems working together, applying their knowledge in situations they face daily in their professional lives.

A partnership is implemented through a series of short-term stays in the partner municipality by municipal officials, council members and community representatives. A partnership lasts on average two to five years.

The work covers a wide range of diverse activities, such as:

- Solid waste management
- Computerization
- Water/wastewater
- Land tenure organization and tax collection
- Local economic development
- Public consultation process

The cooperation is managed by the partners themselves. In each participating municipality, a local coordinator is designated to manage all partnership activities.

Funding is provided to cover direct costs of participation, including local and international transportation, accommodation, meals and interpretation, where necessary.

The municipal partners make an in-kind contribution by making it possible for their employees to take part in activities.

A significant voluntary contribution is made by communities, through fund-raising and equipment donations, the involvement of social clubs, neighbourhood associations, schools, hospitals, chambers of commerce and other organizations.

What helps a municipal partnership work?

- Enthusiasm and good will – there is a lot of that across Canada for this type of co-operation and the municipal participants who are making it a success.
- Support and participation – from Council, the municipal administration and the community.
- A clear understanding by both partners of common objectives, responsibilities and goals.
- Mutual benefit – both partners must feel that they are getting something out of the relationship.

What do Canadian municipalities get out of participation in Municipal Partnerships?

- The satisfaction of exchanging ideas with other urban professionals;
- The value of things that are learned for use in Canadian cities;
- The value of things that are learned that can be shared with other cities around the world;
- Economic activity and opportunity for Canadian municipal partners in providing motivation and a renewed dynamism in one's work;
- The value to Canadian municipal officials and employees.

What is the goal of Municipal Partnerships?

- To improve the quality of life;
- To improve access to basic human necessities;
- To improve local capacity to define and carry out sustainable programs that meet development needs.

How is it achieved?

- By community-to-community cooperation in activities that strengthen municipal management and governance practices that yield concrete, practical, measurable results.

## **Overview of the Portage la Prairie/Tubigon Protocol Agreement**

As indicated the FCM Partnership Program is a human resources development program that links Canadian municipalities with local governments in developing countries.

The goal of the partnership is to improve quality of life, access to basic human necessities, and local capacity to define and carry out sustainable programs that meet development needs.

Community-to-community cooperation in activities that strengthen municipal management and governance practices is the means to achieve this goal.

Successful municipal linkages are built on four key principles:

- Partnership
- Gender equity
- Capacity building and
- Sustainability.



In terms of participation and selection, the City of Portage la Prairie applied to FCM requesting involvement in the Partnerships Program and FCM developed the linkage with Tubigon via LOGODEF – the Local Government Development Foundation in the Philippines.

After a screening process by FCM whereby FCM staff visited Tubigon in August of 1995 both municipalities were notified that we would partner together commencing in early 1996.

The cooperation program began with the Initial Missions, which allow both partners to learn about the context for the partnership and to identify and agree on areas for cooperation.

This initial missions consisted of the Mayor of Portage la Prairie and Mr. Dean Yaremchuk visiting Tubigon and discussing potential areas of cooperation and former Mayor Mascarinas and Noel Mendana, the appointed overseas co-ordinator to the project visiting Portage la Prairie to do the same.

After these initial missions, a Protocol Agreement outlining the areas of cooperation was developed, passed by resolution by both respective municipal councils, signed, sealed and delivered on May 30, 1996.

This document was then forwarded to FCM for final review and approval. From this point, a three-year budget was established to cover the expenses of air travel, accommodation, and sustenance for the various technical exchanges that would take place to complete the areas of cooperation identified in the protocol agreement.

Our Protocol Agreement identified two major areas of cooperation:

- To review the existing water distribution system for the Municipality of Tubigon and develop the most efficient and cost effective design that will result in a longer term alternative that will best serve the residents of the municipality, and
- To develop a strategic plan that will assist in the orderly development of the community and its economic strengths.

In our situation, however, it should be pointed out that the Protocol Agreement acted as a minimum guide in terms of areas of cooperation and we have worked hard to ensure that other areas, not specifically named in the agreement but identified throughout the technical exchanges, have been initiated and completed as well.

## **Highlights of the partnership: The Tubigon perspective**

### *Results obtained:*

Computerized modeling of municipal waterworks system (water distribution):

- Installation of a specialized water distribution software and training of staff to operate the software. An experimental model for a section of the system was

created and was successfully validated. The next move is to create a computer generated system of pipe network that will improve efficiency and better water service delivery. This will aid the department in its massive rehabilitation plan for the antiquated and dilapidated pipe system of the municipality.

- Enhanced technical capability of local staff will also be beneficial in the extension of technical assistance to the rural villages in the field of water distribution.

#### *Municipal administration:*

- Strategic Planning: Municipal Vision, Mission and Corporate Values adopted. Enhanced the capability of local policy makers and managers to prioritized concerns in management and delivery of basic services.
- Strategic Plan has increased the credibility, stature and profile of the municipality.
- Gained substantial knowledge and input in the areas of *zoning, taxation, building inspection, building permits and parks and recreational facilities development.*
- The organization review that was conducted was embraced by Council with a very positive outlook and the recommendations in the report were seriously taken into consideration.

#### *Community involvement:*

Linkages of school children (as pen pals) between the two communities provide an avenue of lasting friendship for the people of Portage la Prairie and Tubigon.

The organization "Friends of Tubigon" will also provide a perpetual link even after the program is terminated and assist in projects/programs outside the realm of the partnership.

#### *Lessons learned:*

- The Partnerships Program has broadened the perspective of local officials in terms of managing effectively the workings of government. It has opened new dimensions in priorities for development, policy determination and working strategies for effective and efficient management of the municipality and the delivery of basic services.
- Strategic planning sessions will provide direction for the Council and have become a good management tool for local managers.
- The recommendations in the organizational review report will provide for a more substantive policy in personnel development and management.
- Community involvement and support was also a major factor in the course of the program.
- Working with people from a totally different culture and tradition has enhanced the capability of local staff to deal with their clients effectively and discharge their functions more "people friendly".

#### *Problems encountered:*

- Communication: Since Tubigon is a rural community, the exchange of information can be a nightmare for the foreign partner.

- Staff participating on a technical visit: adjusting to a different culture, food and climate.
- For Tubigon, the list of personnel that can work effectively on a technical visit (in a foreign environment) is short.

## **Highlights of the partnership: The Portage la Prairie perspective**

### *Results obtained*

- Completion of our two identified areas of cooperation.
- Provision of technical expertise and training in the areas of computer modeling of the water distribution system using the Watercad software package.
- Provision of computer hardware to assist Tubigon engineering staff in utilizing the water distribution computer modeling system. This funding was provided for FCM.
- Hands-on work in the development and delivery of the strategic planning process that can and is used at the elected Council and individual Department levels. Each Department is now expected to provide an annual work plan using the strategic planning model that was specifically developed for Tubigon by the Economic and Community Development Department of the City of Portage la Prairie (in written form consisting of a workbook and overheads).

The strategic plan has led to favorable spin-offs including:

- Reinforcement of the municipality's position in efforts to establish an Industrial Estate/Economic Zone in the community; and
- Beneficial in providing direction during the Economic Estate Development Workshop conducted by USAID/GOLD.

As well outside communities are impressed that Tubigon has a vision for the future and a strategic plan for development which has increased the credibility, profile, and stature of Tubigon.

- The completion of an internal organizational review that identified 13 specific areas that the municipal government could consider for implementation to improve efficiencies and effectiveness.
- The development of an organization in Portage la Prairie called "FRIENDS OF TUBIGON" that will be the vehicle to continue a long-term relationship with Tubigon after the formal conclusion of the FCM Partnership Program.

It should be noted that to date, the Friends of Tubigon have provided some donated computers for community use; have established linkages between schools in our two communities with an established pen pal program; and the provision of funds from the Portage la Prairie Rotary Club to provide cash to assist in the provision of hospital

equipment for the newly constructed hospital in Tubigon; the establishment of a linkage between Mater Dei College in Tubigon and St. Boniface College to promote post secondary education opportunities for Canadians and Filipinos.

- The initiation of developing a local building bylaw that will assist Tubigon in developing standards for future residential, commercial, and industrial developments.
- The benefit of a greater understanding of local governance by our City Council from another culture and again reinforcing the fact that we deal with many of the same issues.
- The value of learning new skills and exchanging ideas with our urban counterparts offers an excellent opportunity for us to become better managers and municipal employees in Canada.

### *Lessons learned*

That municipal government issues, concerns, and developments are similar in nature, regardless of geographical location and the more opportunities available to interact with others from abroad, the more opportunity for self-improvement that can be transferred to the local governments that we represent.

- That in order for a partnership to be successful, the individuals involved must gain a good understanding of each other as people first. Without overcoming this issue, the ability to complete your identified areas of cooperation will be that much more difficult to accomplish.
  - In the case of Tubigon and Portage la Prairie, we truly like and respect each other as individuals and this has opened the door to personal friendships which has made our jobs easier in terms of accomplishing what we set out to do.
  - When technical exchanges occur, individuals are exposed to the families of those persons involved and we encourage as much community involvement as we can fit onto our work schedules as is possible.
  - In this manner, the individuals involved in the technical exchanges get a better feel for how day to day life is in another country which enlightens us as to how similar we really are as people.
  - Out of everything we have done with the program, this is an area that we are extremely proud of and is likely the reason that we have not experienced a single problem throughout the life of the partnership to date, which is remarkable.
- You will only get out of the partnership what you put into it. Both parties have to work at the relationship and be considerate of each other's needs and well being. This is critical for success.

- That all of us have the ability and willingness to serve others as municipal government employees and it is worth noting the good feeling that one gets when you help others and learn more about our fellow persons.

*Problems encountered:*

- We are very pleased to report that there were no real problems to speak of. The only area that presented some problem was facsimile transmissions that sometimes did not get to Tubigon and vice versa due to poor weather conditions.

In order to alleviate this problem, we would recommend communication via Internet email wherever possible.

Tubigon is currently investigating this possibility and hopes to be on-line by April of 1999. The accomplishment of this task will go a long way in ensuring that we can exchange information and files electronically and frankly, be connected for a lifetime.

*Conclusion*

Our participation in the FCM Partnership Program has truly been one of the most enlightening and enriching experiences for me personally.

Not only have I had the opportunity to become involved in transferring our skills and knowledge to others involved in municipal government and learn from them as well, but also I have had the opportunity to meet and work with some quality people like:

- Mr. Mascarinas who has been a pillar of support for the program in Tubigon and truly an inspiration to all that work with him,
- Mr. Noel Mendana, my counterpart in Tubigon who is instrumental in keeping the program moving ahead administratively and himself a leader in local governance who is committed to assisting his community grow and prosper,
- Current Tubigon Mayor Paulo Lasco and Vice-Mayor Renato Villiber who have worked hard after the recent local elections in Tubigon to ensure that the new Council is informed about the benefits of the FCM Program to ensure continuance for potentially another two years,
- Former Mayor of Portage la Prairie Glenn Carlson whose vision inspired us all to become involved in this program in the first place and who is one of the biggest supporters of Canadian involvement in programs of this nature,
- FCM staff Basile Gilbert and Shirley-Ann Bowles who have been of such great assistance in assisting both our communities whenever required,
- Our City Council, Administration, and staff for their support, effort and understanding of the importance of this program.

Working with a program such as this one developed by FCM is truly a privilege and a rewarding experience for us as individuals, for the community's we work in, and in a broader perspective, contributing in a small way to greater world good.

On behalf of Mr. Mascarinas and myself, we would like to thank FCM and our Bergen hosts for the opportunity to share our partnership experiences with you and look forward to inter-acting with you throughout the balance of the program.

# **Institutional twinning experience of the Ethiopian Red Cross**

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TENNA MENGISTU, FORMER SECRETARY GENERAL, ETHIOPIAN RED CROSS

## **Background**

The massive drought famine of the mid-90s in Ethiopia had such a huge magnitude of adversity that it is still remembered as a powerful reminiscent of 'the biblical famine' in a modern setting. The drought disaster, exacerbated by increasing poverty and civil strife, caused untold human suffering as a result of which as many as one million victims lost their lives while several more millions were dispossessed of their basic means of survival and livelihoods.

On the positive side of the picture, the huge human suffering caused by the massive drought famine triggered a spiral of altruism and attracted humanitarian responses from far and wide. The level of generosity and solidarity expressed by the international community was pitched at a scale that had never been recorded in the history of the country.

The Ethiopian Red Cross (ERCS) had to rise to the occasion and bolster up its humanitarian response capacities. For the first time in its entire history, the Society had to face up to the challenge of assisting as many as one million victims providing them with food on a monthly basis which, in many cases also included clothing, medicines, and shelter – a considerable degree of achievement even by global standards within the International Red Cross and Red Crescent Movement presently consisting of about 175 member National Societies.

## **The evolution of the concept and practice of twinning**

### *In relation to the extension of Red Cross humanitarian value chain and mandate*

The concept and practice of Twinning within the ERCS grew out of the Society's desire to build up on the favourable environment of solidarity and support generated in response to the massive drought famine of the mid-1980s and the human suffering it caused on unprecedented scale. The manifestation of the drought with its devastating effects in 1984/85 was, by and large, seen to be a function of a chronic development failure characterised by a long process of environmental degradation and related problems. Much as the generous emergency response was honourable within the limits of life-saving imperatives, there was a growing realisation that it was not sufficient to create the basis for sustainable development that can build up community coping capacities against future disasters of both man-made and natural origin.

As a learning spin-off from the devastating effects of the Ethiopian drought famine of the mid-80s, the moral dilemma faced by emergency relief agencies including the Red Cross gave rise to the following question of fundamental concern:

Can disaster, related to drought and famine, be prevented as long as the vulnerable communities remain perpetually squeezed within what can be referred to as the PHD (poverty, hunger and diseases) trap?

As far as the ERCS was concerned, the end for the drought emergency phase ushered in the beginning of a whole new set of mission objectives in terms of what the Society ought to be doing beyond the emergency phase in response to the preparedness and prevention needs of the most vulnerable communities. This necessitated the evolution of Twinning as a new form of partnership to help expand the Red Cross humanitarian value chain and mandate in the direction of 'prevention is better than cure'.

### *In relation to the changing mode of operation and cross-cultural learning*

The organisational structure and management culture of the ERCS had to be substantially transformed in order to accommodate the widening mission objectives of the Society including the new areas of engagement designed to improve the coping capacities of the vulnerable people. The institutional implication of this change focused on the system-wide transformation of the conventional operating mode of the ERCS and of its twinning partners from a process of caring and sharing based on donor-recipient relationships into a higher form of partnership based on interdependence and cross-cultural learning.

The institutional change required during the immediate phase of the post-drought disaster in the 1980s was also a result of a historical coincidence. The 1980s represent the decade when the ERCS was doing all in its powers to heighten its visibility with a concerted effort to build up broad-based constituency including country-wide territorial coverage and membership strength ensuring a greater participation of the mass of the population.

## **Objectives**

The Twinning Partnership is based on the following: three basic objectives.

- The promotion of people to people direct contact to enhance cross-cultural learning and international understanding.
- The retention and redirection of the very high momentum of international solidarity generated during the drought emergency operation of the mid-1980s in favour of building up:
  - the coping capacities of the vulnerable communities in terms of drought disaster prevention and preparedness
  - the institutional capacities of the ERCS in terms of decentralised management including the branch and sub-branch network development.



## **Scope and approach**

More than 20, out of the existing 31, branches of the ERCS are currently by the Twinning Partnership. The general model follows a process of partnership established between the branches of the ERCS and the branches of sister National Societies, with participating National Societies including the Belgian, British, Danish, Finnish, German, Icelandic, Korean (South), Netherlands and Swedish Red Cross Societies.

In some cases, the form of Twinning Partnership does not follow the general model based on a branch to branch counterpart arrangement. However, although, for purposes of practical necessity, a National Society, e.g. the South Korean National Society works with the ERCS branch/es, the fundamental principle remains the same, i.e. the dynamics of decentralised organisation and management is, from the viewpoint of the ERCS, what governs the process of twinning in all respects.

The essence of the modus operandi is based on the progressive transfer of responsibility and authority, in terms of decision making and accountability, from the centre to the lowest echelons of the National Society, with the role of the headquarters limited to one of co-ordination and facilitation.

## **Assessment of results**

### *In terms of building up institutional capacities*

Based on the direct branch to branch communication, the Twinning Partnership marks a departure in the organisation and management culture of the ERCS and of its twinning partners in terms of the emphasis it places on decentralisation. This has improved the chances for better programme impact and sustainability through a process of empowerment of the beneficiaries as primary stakeholders in the whole gamut of planning and implementation of programmes and services.

The Twinning Partnership has significantly contributed to the broad-based constituency building of the ERCS. As it stands today, the Society is regarded as one of the strongest on the Continent with a network of 31 branches, 33 sub-branches, more than 1,500 local Red Cross Committees with a membership strength of about 500,000 adult and about 100,000 youth members. The two branches of the ERCS (Arsi and North Soa) twinned with the two branches of the Swedish Red Cross (Gothenburg and Kalmar) account for more than half of the total membership of the National Society.

Establishment of a minimum threshold for 'core cost self-reliance' defines part of the focus of the Twinning Partnership. Some of the income generating initiatives in this respect include a real estate development, flour mills, oil mills, bakeries, coffee plantations etc., being implemented according to a general set of criteria that emphasises the need to ensure that all income generating initiatives do not contradict the basic Red Cross values and principles. Most of the twinned branches have developed the necessary financial capacity that can enable them to finance their core costs (including salaries for core staff and administrative costs).

The increasing international understanding generated through the mechanism of the Twinning Partnership has helped to evolve a new way of looking at development not as a process where some are represented as developers and others as developpees but as a collective enterprise that requires nothing less than genuine commitment and shared vision among all concerned.

In terms of cross-cultural learning and international understanding, a number of exchange visits have been undertaken involving both volunteers and staff working in the twinned branches. This has been cherished as a successful and value-adding process for a number of reasons:

First, it has helped the ERCS to keep up volunteer interest and commitment especially among volunteers running the governance machinery of the Society at branch and sub-branch levels. This represents an important achievement in the Ethiopian context where voluntarism tends to be a rare virtue which only few can afford to embrace due to the dire socio-economic needs which render the issue of daily survival a matter of full time engagement.

Second, the power of motivation and inspiration generated by the exchange visits has also worked as a positive factor in curbing the high turnover of the employed staff of the ERCS. The problem of high turnover persists due to the less competitive benefit package provided by the Society as a result of which its capacity to retain experienced staff remains to be limited.

Third, based on interdependence and cross-cultural learning, the exchange visits have also proved to be useful in terms of positively influencing the behaviour and contribution of volunteers and staff of partner Societies and their branches. This has, among others, satisfied 'the hunger' for some sort of hand-on experience based on the conviction that 'seeing is believing'.

Societies and their branches. This has among others, satisfied 'the hunger' for some sort of hand-on experience based on the conviction that 'seeing is believing'.

Circumventing the physical and emotional distance between the partners, it has helped to dampen the threat of the so-called phenomenon of 'compassion fatigue' inherently embedded in the rather opaque and intransparent nature of the conventional forms of co-operation based on donor-recipient relationships. The deeper sense of international understanding engendered in the process has, it can even be argued, created the 'gene' for what has come to be referred to as 'global citizenship', with profound implications for the unity of humanity in principle as well as in practice.

Fourth, the exchange visits have substantially contributed to the development of a culture of 'learning by doing'. This is particularly the case when volunteers and/or employed staff are assigned to work with their twinning partners for a longer duration of time which, in most cases, represents a process of apprenticeship and mentorship. The contribution this makes to institutional capacity building cannot be overemphasised, as the value generated through learning by doing is something that can hardly be acquired through other forms of learning including academic learning.

Fifth, cross-cultural learning has also been enhanced through the series of joint reviews and evaluations of programmes and services designed and implemented under the umbrella of the Twinning Partnership. This has generated a useful process of debate and dialogue with a considerable benefit for both sides. The ERCS branches and sub-branches are, as the main operational partners, constantly challenged to improve their performance standards in all respects to live up to the expectation of their partners who emphasise the issue of 'value for money' as a key area of concern. Their partners are also confronted with the reality of having to come to terms as regards the need to temper the demand for excessive reporting and watertight accountability which may not be feasible especially where the operational environment is unwieldy and complex.

### *In terms of lifting up the coping capacities of the vulnerable communities*

Apart from the benefit generated in terms of raising awareness regarding the need to empower the beneficiaries as primary stakeholders through a decentralised process of organisation and management, the Twinning Partnership has helped to expand the range of deliverables with a focus on the idea of 'prevention is better than cure'. The purpose is to contribute to the process of reduction of poverty and vulnerability, with the selected set of activities including, inter alia,

- water and sanitation focusing on springs (to provide access to clean drinking water) and development of public latrines (> 80 percent of the population have no access to water and sanitation facilities/services)
- reforestation focusing on development of nurseries and tree planting for both environmental protection (< 3 percent of the country is under forest cover) and income generation purposes to strengthen the self-financing capacity at branch and sub-branch level
- community based health care focusing on training of traditional birth attendants, establishment of community health posts, dissemination of health education, etc. (> 50 percent of the population have no access to health services and facilities)

## **Impact**

The institutional and community capacity building experience gained from the Twinning Partnership is one of the factors that has infused the glamour for change and development within the ERCS focusing on decentralisation, self-reliance and grassroots level development. The intention is to transform the Society into a well-functioning National Society with broad-based foundation, solid capacities and credible performance in all respects. The awareness that has been generated in terms of the need to start domestic twinning between and among the ERCS branches and sub-branches is also a step in the right direction in terms of sustainability of impact.

In a wider context, the disaster preparedness and prevention policy of the government, which came into effect at the beginning of the 1990s, is partly attributable to the mitigation and disaster prevention focus of the Twinning Partnership and the contribution it makes to the rising awareness of this respect.

The national policy on disaster prevention and preparedness represents a fundamental departure as regards the every high importance it attaches to rehabilitative, promotive and preventive work with a provision for preparedness and response as and when it is

called for. The policy highlights the need to treat relief and development as inseparable elements. It also underpins the importance of using, to the extent possible, relief resources in such a way that they reduce vulnerabilities and promote local capacities with a focus on sustainable recovery and longer term development.

## **Risks**

The dimension of exchange visits that involves the youth has suffered a set-back, as youth exchange programme participants from the ERCS often refuse to return after visiting countries in Europe as part of the Twinning exchange scheme. This poses a threat against the integrity of the system and undermines the value of institutional learning.

On the other hand, as much as the youth representing the motor force in the operationalisation of the Twinning Partnership, the possibility of excluding them from the programme of exchange visits can be an option that turns out to be practically and morally inexpedient. The obvious danger of such an option is that it will profoundly affect the Twinning Partnership as a system without future gate-keepers for the knowledge that accrues through cross cultural learning.

In order to create an environment of balanced development, the National Society of the ERCS intends to ensure that all its branches are in one way or another covered through the Twinning Partnership. As this ambition could not be realised in view of the limited number of partners, the issue of rotation has been considered as the second best option.

However, experience shows that once a Twinning is started in a given branch, the growing sense of fellowship that binds the partners renders the process of exit and rotation rather difficult. In most cases, the conditions for exit are not clearly spelled out at the point of entry and there is always a wide opening for an 'unfinished agenda' to be dealt with before the issue of exit can be addressed. From the National Society's point of view, the issue, then, becomes not one of 'how to go about it' but one of 'how to come out of it'.

In a way, resistance to exit can, at one and the same time, be seen as an indicator of risk and a factor of success. It may be considered an indicator of risk as much as it tends to concentrate the benefit of the Twinning Partnership. However, it can also be viewed as a factor of success as long as it is an outcome of the growing understanding between the partners sharing the same visions and challenges.

## **The learning framework**

The experience of the Twinning Partnership within the Ethiopia Red Cross Society can be pulled together to provide a postulate by way of learning framework.

In a macro-economic context with deep rooted poverty and vulnerability, the apparent end of an emergency crisis of the type that affected Ethiopia in the mid-1980s, tends to generate a qualitative change as regards the need for more sustained collaborative efforts to combat the root causes of poverty and vulnerability. This will be likely to be the case even if the crisis is seen to be receding.

The desire to join forces through post-emergency and development-oriented collaborative efforts tend to metamorphose into a process of cross-cultural learning and international understanding which helps to re-examine the concept and practice of development not as a process where some are represented as developers and others as developpees but as a collective enterprise of all stakeholders sharing the same visions and concerns.

The increasing awareness in favour of sustained collaborative efforts to generate a process of development and better coping capacities leads to a twin-tracked strategy that encompasses both dimensions of institutional capacity building and community development.

Implemented in a form of Twinning Partnership, such an effort is likely to provide a workable model through which both aspects of institutional and community capacity development are addressed in a balanced and harmonious manner. This has helped to ensure that the process of institutional development (often representing less economic and less tangible categories) is seamlessly combined with the process of community development (representing economic and more tangible categories).

As long as the global and national macro-economic context continues to be characterised by the sharp and deep divide between the rich and the poor, micro-level efforts to develop a process of partnership, based on interdependence and cross cultural learning, are likely to face countervailing tendencies that purport to make the process look like 'a partnership of unequals'. This related to the problem of recurring defection by the ERCS youth volunteers participating in the exchange programme after a visit to some of the countries in Europe. Evidently, what acts as the dominant force here is the growing 'wave' that perpetuate the perception that 'the grass is greener on the other side of the fence'.

The challenge this poses for micro-level partnerships relates to the need to evolve a new dimension of outlook as an antidote to the so-called 'the grass ...on the other side...' mode of thinking. The obvious reason is that poverty is not only a matter of lack of material goods and services, but also a function of the state of mind. It also underscores the need to emphasise attitudinal change as a component part of cross-cultural learning with a dimension of development education that can help 'decolonise the mind' and increase self confidence.

In principle, both institutional and community capacity development components need to be treated as inseparable features of a non-dichotomous process. Strategically, however, the learning framework should also capture the need to ensure that cross cultural learning takes the centre stage as the dominant model that drives the Twinning Partnership.

This paves the way for unlearning what has been learned in terms of de-emphasising institutional capacity building and cross cultural learning as intangible factors of non-critical importance as opposed to community development components that are often considered as factors of critical importance with a package of economic benefits of a more tangible nature. It is important to note that learning organisations emphasise the

value of learning to the point of asserting its centrality that, transforming into a force of knowledge and wisdom, it can account up to 70 percent of their total asset worth – an assertion which helps to recognise the value of institutional development components as important factors of mainstream development thinking and practice.

In a practical sense, such an approach will help circumvent the problem of rotation, experienced by the ERCS within the Twinning Partnership, and ensure a balanced branch development strategy based on national priorities. The community capacity component of the Twinning Partnership may have a life cycle of phasing-in, scaling up and phasing out. However, the institutional capacity building part of it, based on cross-cultural learning and international understanding, may not follow the same cycle. Not necessarily...

Once launched and developed to a certain extent, the dimension of Twinning Partnership that focuses on the process of cross-cultural learning and international understanding, as a conduit for increasing knowledge and wisdom, needs to be seen as a dynamic and eternal relationship with no terminal point in time and span.

## **Twining of institutions: Norwegian Petroleum Directorate (NPD) and National Directorate for Coal and Hydrocarbons (DNCH), Mozambique**

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CARLOS J. ZACARIAS, PETROLEUM GEOLOGIST, DNCH AND PER BLYSTAD, SENIOR GEOLOGIST NPD

### *Development of the petroleum sector in Mozambique*

- Exploration activity started in 1950s, up to day more than 60 wells have been drilled onshore and offshore
- As a result discoveries: Pande Gas Field, Buzi, Temane
- Gas resources
  - Overall onshore and offshore potential 25 TCF in place
  - Pande: Proven reserves: 1,85 TCF recoverable gas
  - Temane: Proven potential 1,2 TCF recoverable gas
- Oil resources
  - Potential uncertain, offshore most promising
  - Currently deep-water exploration ongoing
- Licensees today BP, Arco/Sasol/Zarara, Norbay, Lonropet, Enron, Scimitar-Zarara

### *Development of the gas resources in Mozambique*

- Pande Field discovered in 1961 – no gas market existed in the region
- After end of civil war in Mozambique in 1992 and apartheid regime in RSA 1992, it was possible to utilise natural gas regionally (Pande, Mozambique and Kudu, Namibia)
- World Bank East African Gas development project allowed Pande to be developed in regional industrial project (initially iron reduction plan in Palhaborwa, RSA, now steel plant in Maputo (MISP-project)
- Pilot project small scale local gas utilisation for power generation in Vilanculos and Inhassoro areas, funded by Norad
- Potential market for gas in Mozambique
  - Industrial and domestic market in Maputo
  - Gas pipeline to Beira for iron reduction plant and the free zone
  - Gas pipeline to RSA
  - Gas to rural areas along pipeline

### *National institutions in the petroleum sector*

- Empresa Nacional Hidrocarbonetos (ENH) established 1981 as national state oil company
- ENH had dual function: *regulatory role and commercial role* until 1994

- Due to reorganisation of the sector National Directorate for Coal and Hydrocarbons (DNCH) was created in 1994 under the Ministry of Mineral Resources and Energy (MIREME)
- DNCH to act as supervisory and regulatory body and ENH to play commercial role on behalf of the state

### *DNCH key governance functions*

- Establish sovereignty
- Establish institutional system
- Establish legal and regulatory framework and revise petroleum law
- Make policies and perform sector planning
- Promote acreage
- Issue licenses, contracts, approvals and consents
- Collect taxes, royalties and levies
- Perform supervision and control of petroleum operations and activities
- Make resource assessments
- National petroleum data management
- Information

### *Assistance provided to DNCH*

- Establish legal/regulatory framework
- Policy/licensing strategy
- Promotion and negotiation of licensing
- Supervision of petroleum operations
- Resource assessment and data management
- Institutional support
  - training
  - advisory service
  - office equipment and communication

### *DNCH experience with twinning programme*

#### **Positive**

- Direct co-operation between institutions in Mozambique and Norway an efficient way to transfer know-how and experience
- Necessary to have expert permanently posted in the initial phase of project
- Benefit from training programmes and on job training assignments in NPD
- Twinning programme gives opportunity to have access to high class consultant service
- Technical and financial evaluation work of the feasibility studies of the Pande and MISP projects

#### **Negative**

- Problems with co-ordination of activities due to lack of human resources and experience
- Due to bureaucracy in Mozambican system, 1 year delay in signing of the country agreements



- Bank transfer delayed due to unclear/lack of procedures
- DNCH may sometimes be regarded as being under direction/control by a foreign organisation
- Dependence on twinning institution to design/perform programmes if internal competence will not be developed

### *Recommendation/suggestions*

- Continue the basic concept of the twinning programme
- Medium term job assignment in NPD could be performed under twinning programme to cater for:
  - Resource management
  - Safety and environment management

### *Norwegian assistance to petroleum sector in Mozambique*

- Norwegian assistance through Norad, total amount 115 mill NOK (1997-2001)
- NPD active since 1980
- Norad support to petroleum sector since 1983
  - Data acquisition, processing and interpretation
  - Training
  - Institutional support
  - Exploration
  - Equipment and consumption material
  - Supervision and monitoring of petroleum operations and negotiations
  - Gas utilisation and transport studies
- Evaluation of ENH Gas Reserve Report in 1991 and 1993
  - New depositional and seismic model, upgrading reserve estimate by 50 %
- Preliminary engineering study

### *Co-operation in petroleum sector*

- Phase 1: 1983-1995: ENH
  - Mostly technical assistance, consultant contracted by ENH
- Phase II: 1995- : DNCH
  - Enable Mozambique to manage its petroleum resources ensuring national interests
  - Institutional cooperation between NPD and DNCH was established to support DNCH to perform key government functions
  - NPD identified and contracted a consultant which is responsible for the major part of the project

### *Lessons learned – organisation of project*

- Roles
  - The roles of all parties should be clearly defined
  - Accept that a directorate is not a consultant: can exercise different roles. (Assessment-planning-implementation)
  - The directorate does not have a commercial interest in running project activities

- NPD's role in Norway may be in conflict with active participation in DNCH's tasks
- Responsibility
  - Recipient responsibility:
    - Recipient's ability to manage the financial matters are important for economic security
    - If ability is low, the recipient organisation may be given full responsibility after an interim period, like the hand-over of operatorship for licences in petroleum business
  - Technical programme:
    - NPD responsible. Norad should have adequate knowledge of petroleum sector but leave the technical part to NPD
  - Project financing and control
    - Norad responsible
  - Coordination with other donor agencies
    - Norad responsible
- Project period
  - 3 years common, THIS IS TOO SHORT!
  - Legal and regulatory matters need more than 3 years to be developed and implemented
  - Recruitment and training. Availability of staff bottleneck. Salary schemes constraint
  - Need time to develop good relationships in cooperating organisation and government
  - Norad and recipient country will normally not be able to enable continued support without discontinuity. Experienced 1-2 years delay in new programme approval when NPD and consultant shouldered the cost. Particularly regarding renewal of the country to country agreement
  - 5-years programme with mid-term review more flexible and resource-saving
- Expert on-site
  - Pro
    - Enable quicker and better support on a daily basis. Cost efficient
    - Establish good link to NPD home office
    - Knowledge about and easier access to local experts and regional consultants
  - Cons
    - Depending on person
- Expert off-site
  - Pro
    - Flexible. Can use different experts
  - Cons
    - Expensive
    - Personal contacts not easily established
    - More coordination, can make delays in programme

*Lessons learned – selection of personnel from NPD*

- Pick the right persons
  - Technical expertise, social skill and interest
- Preparation
  - Transfer of experience
  - Preparation through Norad courses
- Brief expert visits
  - Ensure enough time
- Results of evaluations and interpretations
  - Publish if possible, creates self-confidence and network
- Trainee
  - Enable young/new staff to familiarise with international projects. Cost to be covered outside the project

*Lessons learned*

- Cultural differences
  - Not encountered major problems

*Benefits for NPD*

- International project used in staff development aspect
  - Challenging both professionally and personally
  - Experience new problems, widen horizon
  - Self-experience best tool to understand the need for development assistance
  - Create professional and personal relationships: networking

## References and background material

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## Institutional Partnership and Twinning: An Effective Mechanism to Promote Institutional Development?

### FINAL PROGRAMME

The Bergen Seminar on Development 2-3 March 1999

#### Monday 1 March:

Afternoon/ evening Arrival of participants

19:00 Reception (informal)

20:00 Dinner

#### Tuesday 2 March:

09:00 Official opening:

Welcome by *Henrik J. Lisæth, Managing Director, Chr. Michelsen Institute*

*Political Advisor to Norway's Minister of International Development and Human Rights Mr. Olav Kjørven: Why does Norway promote twinning for institutional development?*

*Plenary Session:*

09:30 Presentation of participants and short introduction to the Seminar  
*Arve Ofstad, Senior Research Fellow, Chr. Michelsen Institute*

09:45 Keynote Speaker:  
*Professor Rehman Sobhan, Centre for Policy Dialogue, Bangladesh:*  
Re-assessing aid: The role of governance, institution building and partnership – Learning from the Asian experience

10:30 Coffee break

10:45 Keynote Speaker:  
*Kim Forss, Andante – tools for thinking AB, Sweden:* Institutional development, institutional co-operation, partnerships, twinning and joint ventures – So many concepts: What are the issues?

11:15

Three cases of institutional twinning: Highlighting the experiences, results obtained, problems encountered, and lessons learned from the process:

*Case 1 - State institutions:* Twinning of Norwegian Petroleum Directorate (NPD) with National Directorate for Coal and Hydrocarbons (DNCH), Mozambique:

*Per Blystad, Senior Geologist (NPD) Stavanger and Carlos J. Zacarias, Petroleum Geologist (DNCH) Maputo*

*Case 2 - Non-government organisations:* Institutional twinning experiences of the Ethiopian Red Cross Society:

*Christoph Müller, Director (Institutional and Resource Development Department) International Federation of Red Cross and Red Crescent Societies (IFRC) and Tanna Mengistu, former Secretary-General of Ethiopian Red Cross Society*

*Case 3 - Local level Government:* Twinning of municipalities in Canada (Portage la Prairie) and the Philippines (Tubigon) through the Federation of Canadian Municipalities:

*S. Dean Yaremchuk, Director, Economic and Community Development, City of Portage la Prairie, Canada and former Mayor Eufasio Mascarinas, Municipality of Tubigon, Philippines*

13:30

Lunch break

14:45-16:30

Parallel Group Sessions (mixed participation):

*The objective of the group sessions is to review and recommend good practices and good policies. The groups should highlight important lessons and identify important constraints and limitations, while focussing on positive practical experiences.*

*Group 1: Incentives and "ownership". When is "partnership" a realistic concept? What are the incentives that create ownership and self-interest among various partners? – Is this different for municipalities, NGOs and the private sector?*

*Moderator: Inge Tvedten, Senior Research Fellow, Chr. Michelsen Institute*

*Group 2: The larger context for organisational cooperation and institutional development: How can organisational cooperation (OC) promote institutional development (ID) at large, and how relevant is OC for institutional reforms and policy changes? How can ID be improved within an OC concept?*

*Moderator: Cathryn Thorup, Director, Office of Development Partners, US Agency for International Development – USAID*

*Group 3: Measurable objectives and evaluations.* Can the expected objectives of OC be clarified, and how can results be measured? – What are the success criteria, and what makes an OC sustainable?

Moderator: *Erik Berg, Head of Evaluation Section, Norwegian Ministry of Foreign Affairs*

*Group 4: Alternatives to twinning?* – When is twinning preferable to alternative modalities such as regular technical assistance, and when is it not? – Do we need different “models” for different situations? – Is twinning a form of tied aid?

Moderator: *Indumathi Rao, Regional Director, Community Based Rehabilitation Network, Bangalore, India*

- 16:30-16:45 Coffee break
- 16:45-18:00 *Plenary Session:* Chaired by *Stein Erik Kruse*, Senior Consultant, Centre for Partnership in Development/DiS  
Conclusions and recommendations from the group sessions  
Comments from participants. Discussion
- 19:00 Dinner
- 21:00 Norwegian evening

<b>Wednesday 3 March:</b>
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- 09:15 Organisational development, organisation theory and practices in North and South. What can modern theory tell the practitioners?  
Speaker: *Professor Peter Blunt, Chair in Management, Business Graduate School, Northern Territory University, Australia*
- Plenary debate: questions and comments
- 11:15 Coffee/tea available
- 11:15-12:30 Parallel Group Sessions – 4 functional groups:  
*What is the expected role of the aid officials (in the North and South), the collaborating institutions, and the research community? What do we expect from each other? Who takes the initiatives; who is responsible for progress? What can each one do to promote sustainable institutions?*
- Group A: Practitioners in twinned institutions (South)  
Moderator: *Mahesh Chandra*, Technical Director, National Informatics Centre, India



Group B: Practitioners in twinned institutions (North)  
 Moderator: *Aina Bergström*, Senior Programme Consultant,  
 Redd Barna, Norway

Group C: Aid officials / donors  
 Moderator: *Ole Petter Opsand*, Advisor  
 (Institutional Development) NORAD, Norway

Group D: Researchers and evaluators  
 Moderator: *Anneke Slob*, Policies and Operations Evaluation  
 Department, Ministry of Foreign Affairs, the Netherlands

12:30 Lunch break

13:30 *Plenary session*  
 Short presentation of group session recommendations

14:00-15:30 Panel debate on the future of twinning and partnership for  
 institutional development. Chaired by Senior Research Fellow  
*Arve Ofstad*, Chr. Michelsen Institute.

Participants:

- *Ms. Heather Baser*, Senior Advisor, Technical Cooperation/  
 Capacity Development, Canadian International Development  
 Agency
- (*Professor Elliot J. Berg*, independent consultant, Visiting  
 Professor at Université de Auvergne, former Professor at  
 University of Michigan, and former Vice-President of  
 Development Alternatives Inc.) \*
- *Mr. Apollinaire Ndorukwigira*, *Principal Programme Officer*,  
*African Capacity Building Foundation*
- *Ms. Ingrid Ofstad*, Director, Technical Department, NORAD  
 Norwegian Agency for Development Cooperation
- *Dr. Moh'd Haflah Piei*, Deputy Director, Malaysia Institute of  
 Economic Research

15:30 Departures (depending on airline connections)

\* Professor Elliot J. Berg was unable to participate due to sudden illness.

\*\* The following item had to be cancelled due to time constraints:

- Brief presentation of recent evaluations of institutional development and twinning:
- Norway: *Stein Erik Kruse*, *Senior Consultant*, *Centre for Partnership in  
 Development/DiS*
- Netherlands: *Anneke Slob*, *Policy and Operations Evaluation Department*,  
*Netherlands Ministry of Foreign Affairs*
- United Kingdom: *Pauline Hayes*, *Government and Institutions Advisor*,  
*Department for International Development*, UK

Speakers and resource persons
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**Rehman Sobhan** has been a Professor in the Dept. of Economics, Dhaka University, Member, Bangladesh Planning Commission, Director General, BIDS and Member of the Advisory Council of the President of Bangladesh in charge of the Ministry of Planning and the Economic Relations Division. He is today the Executive Chairman, Centre for Policy Dialogue. He has served as Envoy Extraordinary with special responsibility for Economic Affairs, Govt. of Bangladesh during 1971, as President, Bangladesh Economic Association, as a Member, UN Committee for Development Planning, as a Member, Governing Council of the UN University, Tokyo, as a Member of the Board of the United Nations Research Institute for Social Development, Geneva, and as a Member of the Executive Committee of the International Economic Association. He was recently elected as Chairman of the Board of Grameen Bank and was a Member of the Group of Eminent Persons, set up by the SAARC Heads of State to review the future of SAARC. He has authored a large number of books and papers in the area of public enterprise, privatisation, agrarian reform, aid dependence, South Asian cooperation, analysing structural adjustment reforms and on governance.

**Kim Forss** holds a Ph.D. degree from the Stockholm School of Economics. His research field is evaluation studies as well as organisational/institutional development, with a particular emphasis on international cooperation. He has published several research papers on international organisations, and he has participated in institutional development projects as a consultant and researcher. In recent years he has worked on the development of methodologies in meta evaluation and participatory evaluation. He has also cultivated a special interest in organisation reform and change processes in complex political organisational systems.

**Carlos Zacarias** is a Petroleum Geologist and joined the National Directorate for Coal and Hydrocarbons (DNCH) when this was established in 1994. He has been involved in many current DNCH activities including revision of the legal framework, supervision of exploration activities, and the programme for development of the petroleum sector funded by NORAD.

**Per Blystad** is a Senior Petroleum Geologist and has worked on exploration and concession rounds with the Norwegian Petroleum Directorate (NPD) since 1983. From 1990 to 1995 he was the NORAD Project Coordinator within NPD, and since 1996/97 he was posted as Project Coordinator in the Coordinating Committee for Coastal and Offshore Geo-science Programmes in East and Southeast Asia (CCOP). From 1998 he was worked primarily with prognosis and resource assessments.

**S. Dean Yaremchuk** is currently the Director of Economic and Community Development for the City of Portage la Prairie, Manitoba, Canada and has held that position for the past seven years. As the Canadian local co-ordinator for the Federation of Canadian Municipalities (FCM) Partnership Program with Tubigon, Mr. Yaremchuk has been directly involved in all components of this project since inception. With over 19 years of municipal government experience, primarily in economic development, recreation and parks, and land use planning, Mr. Yaremchuk provides a broad range of experiences and skills to the partnership programme and has been instrumental in the success of the programme to date.

**Eufrasio Mascarinas** was the Municipal Mayor in Tubigon for more than 20 years. He is currently elected to the Bohol Provincial Board as a representative for the Tubigon region, where his focus now is broader for the greater good at the provincial level. Mr. Mascarinas was instrumental in attracting the FCM Partnership program to Tubigon and has until his recent election to the Provincial Board, been involved on a day to day basis in ensuring the success of the programme.

**Peter Blunt** is Professor of Management, and holds the Foundation Chair in Business at the Northern Territory University in Darwin, Australia. He has also held tenured full professorships in university business schools in Norway and the United Kingdom, and is best known internationally for his work on problems of organisation and management in developing countries. On three occasions he held European Union Visiting Professorial Fellowships at the (then) China-Europe Management Institute in Beijing. He is the author or co-author of nine books, three edited collections of essays and more than fifty articles in refereed journals, and sits on the editorial boards of *Public Administration and Development*, *The Journal of Applied Behavioural Science*, and *The International Journal of Human Resource Management*. His most recent publications include works commissioned by UNDP entitled *Re-conceptualising Governance* (1997, with D. Rondinelli), and *Public Sector Management, Governance and Sustainable Human Development* (1995). He is an experienced international management consultant who has undertaken projects in more than 25 countries for public and private sector clients and international organisations such as AusAID, Sida, UNDP, Bata, Citibank and the East Asiatic Company. He has lived and worked in Kenya and Zambia. Late last year he completed (with Merrick Jones) a study for Sida entitled *Twinning as a Method of Capacity Building*. He is currently working on a major project for UNDP entitled, *A Forward-Looking Assessment of UNDP's Global Cooperation Framework*, which will be completed in late February this year. His senior management experience (much of it involving corporate turnaround and new business development) includes periods as Dean of University faculties, Executive Directorships of several medium-sized private sector companies in Australia, and the current Chairmanship of a newly-established equity joint-venture in Indonesia.

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