

Bergen Seminar on Development 1999

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

Edited by Arve Ofstad

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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.

Bergen Seminar on Development 1999

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

Full Report

Edited by Arve Ofstad

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Preface

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 (Diakonhjettets 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

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 1998.¹ 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.

¹ *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

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

