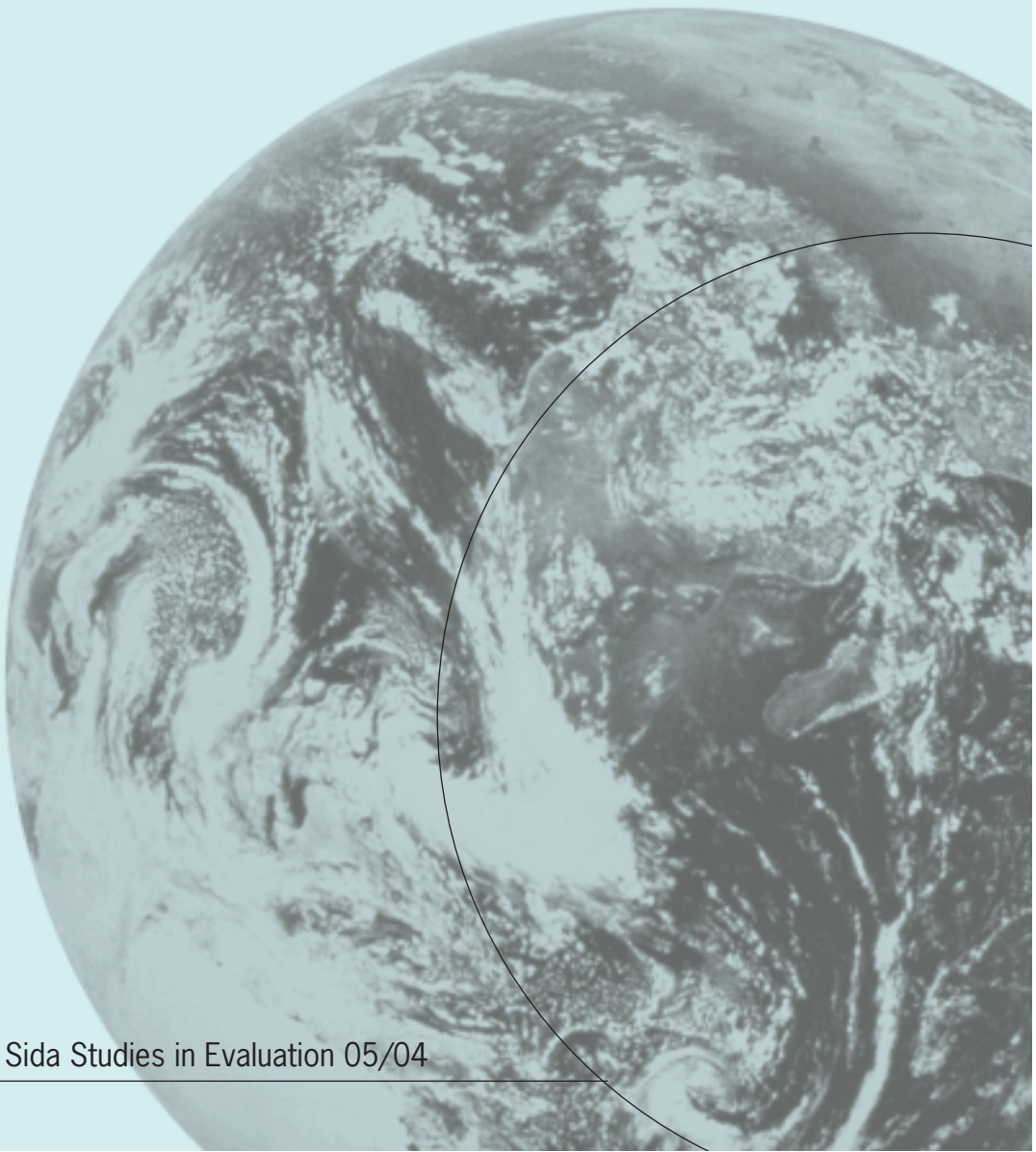


Development of Institutions is Created from the Inside

Lessons Learned from Consultants' Experiences of
Supporting Formal and Informal Rules

Lage Bergström



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Foreword

Institutions – formal and informal rules within which humans and organisations interact and perform – are a key to sustainable development. Supporting the development of institutions is a strategic issue – not least in view of the Paris Declaration and the current trends towards programme support and capacity development at systems level. Institutional development is also a complex matter. It is embedded in a country's history and culture and involves the linkages between formal and informal rules of behaviour. However, experience-based knowledge about how to successfully support processes of institutional change is still limited.

In 2004, Sida's Department for Evaluation and Internal Audit (UTV) launched an evaluation theme on support for the development of formal and informal rules. The primary purpose is to draw lessons from Sida's support to institutional development in partner countries and to enhance the understanding of institutions and institutional development. As a first step, an orientation and overview phase was conducted in close co-operation with Sida's operative departments and embassies to set the stage for evaluation. This phase was completed in 2005 and a series of reports were produced. This report is one of them.

Many aid consultants possess comprehensive, long and varied experience from working closely with partners in the field. UTV therefore invited a number of them to learn from their experience and initiate reflection and dialogue at two seminars. This report summarises the lessons learned from the consultants' experiences and the outcome of the conversations.

Eva Lithman

Director

Department for Evaluation and Internal Audit

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Summary

What have we learned from the experience of supporting the development of institutions – formal and informal rules – within the framework of Swedish development cooperation? What has worked well and what has not worked? From what aspects, for whom, under what circumstances – and why? These questions were posed to a group of experienced consultants at two seminars in the summer of 2005. The aim was to try to identify lessons learned that could be of use to actors within development cooperation.

It was striking that there were so many common features in the lessons learned that were given prominence by the consultants – despite the fact that the experience had been gained in widely different sectors and countries. Two essential and fundamental conditions for successful institutional development projects were emphasised: (a) that there is real determination to achieve change on the part of the partner in cooperation, and (b) that cooperation is based on the understanding that institutional change is dependent on the local context. The courses of action taken and the institutional solutions to problems must be based on local conditions and locally accepted systems.

The first point is of fundamental importance and is usually referred to as “local ownership”. At the seminars it was emphasised that ownership – the will and determination to achieve change – does not need to have been concretised in specific descriptions of what the result should be. What is important in this context is that the partner in cooperation is eager to change the existing situation and has the belief that change is possible.

The importance of ownership was emphasised in different ways during the seminars. The concept was also critically considered in the examples and in the various discussions. How is it possible to respect local ownership while pursuing the goals of Swedish development cooperation? How can donors contribute when the partner in cooperation does not have a clear picture of the type of change it considers desirable? How genuine is local ownership if it is felt necessary to adapt locally to external pressure from the international community? And so on.

One essential insight is that institutional development is created from within. Rules are charged with values – and values form part of the core of both people and organisations. It is from the inside of this core that the driving force for change originates. This driving force has to be mobilised in order to achieve successful cooperation for institutional development. Thus the choice of partner in cooperation is important, as well as efforts to understand the

partner's basic positions, ways of thinking, and the local institutional context. The driving forces can also be influenced, for example by dialogue and external pressure. Consequently, relations may be more important than goals and the dialogue is of decisive importance for sustainable development of rules/institutions.

In other words, values stand out as being a key concept when reviewing the experience of the consultants. It is important, in all contributions for institutional change, to specify the types of changes to values that are sought and to ascertain whether these are in line with the values that are to be promoted by Swedish development cooperation. In turn this makes it essential that people working within programmes of development cooperation are aware of their own values as well as those of the organisations they represent.

Process is another key concept in the experience of the consultants. All the consultants participating in the seminars stated that institutional change is a dynamic process – it takes place gradually and the various stages in the process are difficult to foresee. Time and space are needed in different phases to search for new solutions. These solutions are then developed in social interplay between individuals, groups and organisations in which their different interests and experience are compared. One step taken on the road to institutional change creates a new situation, which changes the picture of the problem and thus requires a new solution, and so on.

Therefore, a process-oriented procedure is essential for successful contributions for institutional development. It is rarely possible to specify in advance the results that the process of change will lead to – even if the overall goals can be clearly defined. One conclusion is thus that contributions for institutional change must be initially formulated in broad terms where their frameworks and assumptions are concerned. The concrete activities can be adapted/specified at a later stage – in interaction with the partner in cooperation, as learning takes place and in relation to the courses of action that are being taken in the hierarchies concerned.

There was broad agreement on this at the seminars and it is also in line with Sida's policy for capacity development. However, it was stated at the same time that Sida's internal rules are not in harmony with this view of the importance of process orientation. Examples of this are, for example, the application of the rules for procurement, the emphasis on LFA (Logical Framework Approach) as a general planning model, and the duration of agreement periods, which are far too short. Instead institutional development requires other methods and a change in attitude towards the decision-making process in a situation of uncertainty. This means that greater pains must be taken on following up what is actually being done with the funds entrusted to the parties concerned – rather than on trying to describe in advance exactly what one believes will be achieved and focusing the follow-up on that.

A third key concept in the presentations made by the consultants is complexity. Every process of institutional change is dependent on the set-up or change of other institutions/rules, either parallel institutions or higher/lower institutions. Economic, political and socio-cultural rules – both formal and informal – interact with each other and are linked together in complex systems. Therefore, institutional change itself is usually complex, in which individual changes require, and lead to, supplementary changes in order to be meaningful. The complexity is reinforced by the fact that changes to rules often take place within entire systems of organisations in which many parties with different interests are involved.

Today we know that institutional change is complex, but we know less about ways in which the relationships and interactions between different rules, actors and other factors can be described and analysed in different phases of the planning of contributions. This problem appears to be one of the most central problems faced by Sida and other donors where promoting processes of institutional development is concerned: on the one hand the problem refers to the complexity and the needs of expertise this complexity requires, and on the other hand it refers to the difficult, even impossible, task of accommodating and processing all this knowledge. In this respect methods development is an urgent task. One field in which it is particularly important to develop more knowledge and better analytical methods is in the relationships between formal and informal rules.

When we recognise that institutional change is a dynamic process – in which local ownership is of central importance and understanding of the complex institutional relationships is one of the steps forwards – the focus is placed on the capacity of actors within development cooperation to conduct the dialogue. Expertise is required in respect of the sector concerned and in respect of methods for institutional and organisational development – as well as for a constructive dialogue. It was established at the seminars that the organisations have obvious shortcomings in these respects at the present time. This is a serious situation, particularly as requirements are growing all the time since aid increasingly focuses on programme-based approaches of different types, for example in the form of sector programme support.

A further conclusion drawn at the seminars is that there seems to be a pent up need for reflection – persons feel a need to reflect on their experience in interaction with others – with a focus on examining “why we do what we do”. There is considerable value in exchanging experience over organisational borders. However, the seminars also showed that there is a need to develop a common language that is understood by everyone working in the field of institutional development, so that different interpretations of concepts do not have a negative effect on the possibilities of making comparisons and drawing conclusions.

1 Institutional Development in Practice

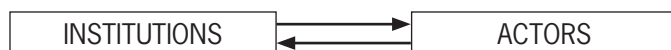
Institutions are Rules

Institutions are defined in the context of this report as formal and informal rules for social interaction. They prescribe the behaviour of actors in recurrent situations of interaction with other actors. Institutions are to be distinguished from *organisations*, which are actors. Institutions can be regarded as the ‘rules of the game’ whereas organisations and individuals may be regarded as the ‘players of the game’.

Formal rules are codified in written form, for example laws, regulations, statutes etc. *Informal rules* are often implicit but may still be respected and adhered to, for example working routines, social codes of conduct, customs etc. There are different types of rules for different kinds of activities, for instance economic, political, administrative, judicial and socio-cultural rules. Rules are not effective unless they are accepted, observed and maintained by the people and organisations concerned – hence what matters is that rules are actually applied in practice.

Institutions/rules are to be found at all levels of society: they can be international or national, refer to a sector or an organisation – and they can be found at group level. They are usually structured hierarchically: rules at higher levels regulate rules at lower levels. Institutions are also related to each other in such a way that one rule takes over where other rules cease to apply. In other words institutions/rules complement one another – and this applies to both formal and informal rules.

The relationship between rules and actors is dual. First and foremost, institutions – the rules of the game – establish the framework within which actors (organisations and individuals) interact with one another. Institutions thereby contribute to shaping incentive and reward systems for the behaviour of individuals and organisations, and thereby determine many of the outcomes in society. On the other hand, the rules of the game are not determined once and for all but are changed by the actors all the time – they are created, adapted and developed by individuals and organisations.



How can we Provide Support for Institutional Development?

When we speak about *institutional development* in development cooperation – using the above definition of institutions – we mean institutional change that aims to promote equitable and sustainable development which has the objective of reducing poverty. All types of institutional change are not necessarily positive in this sense of the term – institutional change can be negative as well.

When we, as a cooperation partner, wish to support institutional development, we need to understand the implications of processes of institutional change and ways in which they can be supported. Mere changes on paper are not sufficient, for example new legislation: the new rules must also be applied, observed and maintained by the people/organisations concerned.

The evaluation theme that Sida/UTV has started has the aim of studying experience gained from Swedish support for institutional development in the partner countries. What can development cooperation, and the actors involved, do to promote the institutions/rules of the game that need to be developed to enable the partner countries to combat poverty in the best possible way? What role can development cooperation play in these processes of institutional change? – and in which phases and in what ways can contributions enter the picture?

The evaluation theme was initiated in 2004 with an orientation and overview phase. This had the objectives of summarising experience already gained from working with institutional development and of identifying needs of knowledge and questions to be posed in future evaluation work. Within the framework of this orientation and overview phase, UTV approached a number of consultants to learn from their experience in the form of seminars. This report describes this work.

Seminars on Experience Gained by Consultants

Nine consultants with experience in different spheres were engaged and requested to summarise the most important experience they had acquired when working with programmes of support for institutional development. The main question put to the consultants was: *What has worked successfully and what has not worked? From which aspects, for whom, under what circumstances – and why?*

The consultants were asked to provide examples from their work on institutional development, not as blueprints but for use as a basis for identifying lessons learned of a more general character. The box below contains a summary of the issues that the consultants were asked to shed light on in descriptions of their experience.

1. Try to identify those aspects of the development process that were of decisive importance for, or which contributed to, positive changes to the rules and regulations (formal/informal). Can conclusions be drawn in respect of choices of methods and approaches that can be used by other contributions in support of institutional development?
2. Analyse your experience of the roles and mandates of the actors. Discuss this in terms of ownership/partnership, actors/stakeholders involved, agents of change, and so on. Describe the power structures (formal/informal) and the roles adopted by the actors in the process? Is it possible to say anything about roles taken by actors that have functioned well?
3. When and in what way have the contributions entered the process of change – and what factors has the support tried to exert an influence on? Is it possible to say anything about the phase (phases) in which the contributions have been able to contribute in a positive way to initiate or promote an ongoing institutional change: how and why?

In order to collect the lessons learned, reflections, hypotheses and conclusions of the consultants in respect of these questions, two seminars were held: in June and September 2005. Other participants in the seminars were from Sida and the Ministry for Foreign Affairs.

- The June seminar was a one-day seminar. All the consultants invited gave a short presentation of the experience they had gained as a basis for further reflection and discussion. The programme and list of participants can be found in Appendix 1.
- The September seminar (half-day) was a follow-up seminar. The programme and list of participants can be found in Appendix 2. The point of departure of the seminar was documentation from the June seminar, with a focus on lessons learned from the consultants' presentations of their experience. The discussions at the seminar focused on conclusions for Sida. There were three questions for discussion and analysis in groups and in plenary session.

- a) How valid are the lessons learned from the consultant's presentations of their experience? Are they sufficient? What aspects do we need to learn more about?
- b) Do we really know enough about institutional development itself? What do we know – and what do we need to understand better?
- c) Is Sida working in accordance with the lessons learned? If not – why not? What are the obstacles and what can we do to overcome these obstacles? What needs to be changed/developed to enable the lessons learned to be applied in full?

There was a wide range of knowledge and experience and the two seminars in June and September have provided an exciting exchange of experience and ideas on institutional development. At the seminars light was shed on all the questions posed (see above).

This report summarises the consultants' presentations of their experience and the discussions that were held.

The Nine Consultants and Examples of their Experience

The following criteria were used to select the consultants:

- Extensive personal experience of development cooperation work, including participation in processes of institutional change over a long period of time – at least ten years.
- The group of consultants should cover a wide range of sectors and countries.
- Interest in participating in, as well as the possibility to attend, the June seminar.

Administratively the selection of consultants involved the collection of suggestions from different departments. The proposed consultants were contacted by the leaders of the seminar to ascertain their interest and whether it was possible for them to make preparations and participate in the June seminar.

At the June seminar the consultants invited gave a short presentation of their experience. This was used as a basis for further reflection and discussions together with other participants at the seminar. The box below contains a presentation of the consultants and a summary of the examples of programmes of support for institutional development that they used for the presentation of their general conclusions.

Nils Bruzelius: Reform of Namibia's transport and communications system

Nils Bruzelius works independently as a consultant. In the 1990s he participated in the restructuring of the Ministry of Works, Transport and Communication (MWTC) in Namibia. A number of institutional changes were made to the division of responsibilities between the state and the market, based on the idea that the Ministry should identify its own core activities and focus its resources on these activities. Other duties were arranged through negotiation and commercialisation. Among other things, these changes had the effect that the number of employees in the ministry was reduced from 10,500 in 1990 to 2,000 ten years later. During the same period a new transport policy was produced. This resulted in new arrangements for implementing and financing road maintenance, deregulation of the haulage industry, and so on. Ten new laws came into force and new rules and ordinances started to be applied.

Göran Andersson:**Reforms in the public administration – examples from Vietnam and Tanzania**

Göran Andersson has many years' experience of public administration development from his work as a consultant at SIPU International. He chose to put his experience in concrete form with the aid of examples from Tanzania and Vietnam:

- The reorganisation of the system for production and distribution of textbooks for schools in Tanzania, at the beginning of the 1990s. Previously a textbook monopoly had been built up in the Ministry of Education – a system which collapsed when the economic crisis of the 1980s hit Tanzania. It was necessary to change to a system that was more self-regulatory and demand-driven.
- Manning of government agencies in Vietnam. The rules for manning were based on a quota system – provinces were allocated personnel in relation to their population. In 1997, within the framework of a major public administration reform, the Vietnamese wanted assistance to draw up new rules to determine manning levels in a more “scientific” manner. One alternative to a quota system is to dimension the organisation on the basis of the output to be achieved and the volume of work required to do it. Vietnam's government personnel policy is currently being changed in this direction.

Lill Lundgren:**Development of an environmental agency in Laos**

Lill Lundgren works for a firm of consultants, Ramböll Natura, which is mainly engaged in projects relating to natural resources and the environment. She chose to describe the programme of support for the Science, Technology and Environment Agency (STEA) in Laos.

STEA is an agency which has the responsibility for coordinating environmental work in Laos and for developing an institutional system for the application, observance and future revision of the national environmental legislation of 1999. The Swedish programme of support focuses on strengthening the capacity of the agency to do this, and to strengthen awareness of the environment in society – in the entire government administration, including its political leadership, as well as in the general public – since this has been considered essential for environmental concerns to be applied in practice.

Ronald Penton:**From segregation to integration
– development of social work in the former Soviet Union**

Ronald Penton is a member of a group at Department of Social Work at the University of Stockholm that has worked since 1992 in the former Soviet Union with the development of different types of open activities as alternatives to special residential homes. At the seminar he made special reference to experience gained from the support provided for socially vulnerable children and young people. The projects have involved cooperation with different government agencies and have focused on changing the views of the agencies on social work: from a one-sided focus on large-scale solutions (for example separating children with special needs and place them in children's homes) to developing methods based on the needs of individuals in the support given to children and their families.

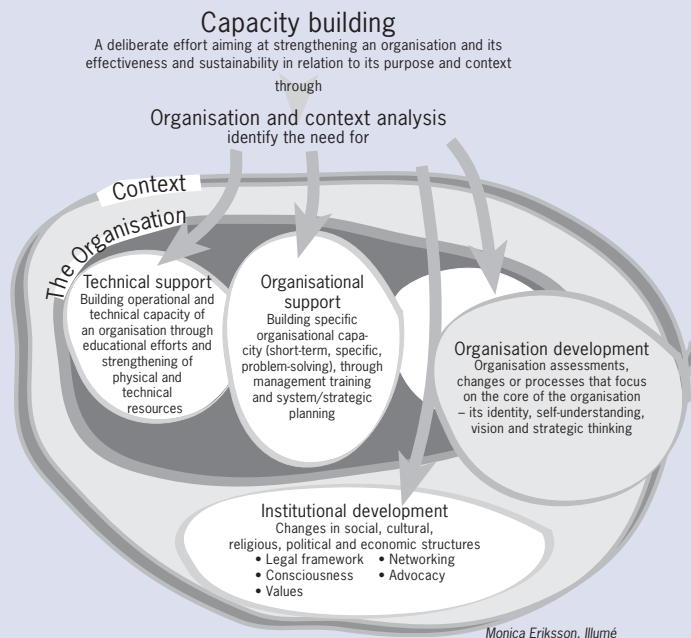
**Karl-Erik Lundgren:
Rules and norms – a curse or an opportunity?**

Karl-Erik Lundgren works for the Swedish Mission Council (SMR). In his presentation he summarised SMR's internal work on developing methods and approaches in the field of organisational and institutional development. The model below¹ shows SMR's ideas on the ways in which the concepts relate to each other.

“Institutional development” is used to describe the work that focuses on the context in which the NGOs operate. It refers to exerting an influence on norms, values and patterns of behaviour in social, political and economic structures in society. Where SMR's member organisations are concerned, institutional development can be a case, for example, of using advocacy to change one of the norms/values that governs the possibilities available for an organisation to operate.

It can also refer to working for political reforms, for example in the field of human rights – at local, national or international level.

On the basis of experience gained from the internal discussions when the model was produced, Karl-Erik emphasised, as a main conclusion, that awareness of the views on development and the basic values of the organisation one works for is essential for success with institutional development.



¹ The model is taken from the book “Organisation Development and Capacity Building”, Swedish Mission Council, 2002

Alfhild Petrén:**Convention on the Rights of the Child as an instrument for exerting an influence on conditions for children**

Alfhild Petrén works for Save the Children Sweden. In her presentation she summarised the ways in which the follow-up work on the UN Convention on the Rights of the Child has provided a way of exerting pressure on governments in different countries and thus of contributing to institutional change. The UN's Child Rights Committee requests – and comments on – reports from governments. It also receives alternative reports from NGOs. The follow-up system has the effect that rules/regulations and divisions of responsibility in respect of children are more clearly described/identified – and this enhances the possibilities to demand that responsibilities are discharged. The system of having alternative reports has developed networks of child organisations in civil society. This has provided greater power to exert pressure on governments to implement changes.

Rolf Ring:**Training as an instrument for strengthening human rights in the legal system**

Rolf Ring² works at the Raoul Wallenberg Institute (RWI) which is active in several developing countries trying to strengthen human rights in the legal system. RWI works systematically with training programmes in human rights as a method to achieve institutional change. The training programmes can, for example, provide a way of gaining access to closed organisations such as police forces and prisons. Further training can then contribute to the formation of a critical mass of agents for change, who can pursue the human rights perspective in connection with ongoing processes of change. This is what has happened, for example, in the process of change in the South African police, whose rules (formal and informal) have been changed to correspond to the new South African constitution.

Ari Kokko:**Economic reforms in Vietnam**

Ari Kokko works at the Stockholm School of Economics. Since 1989 the Stockholm School of Economics has participated in various research projects in Vietnam, for example in the form of organising different “think-tanks” in cooperation with Vietnamese economists. The cooperation projects seek to promote economic reforms by exerting an influence, as well as developing ideas, concepts and awareness, in respect of economic theories and models.

Ari Kokko has participated in most of these projects. In his presentation he chose to summarise his personal conclusions from the experience he has gained in this work.

² Rolf Ring was unfortunately obliged to drop out of the June seminar due to sickness. However, Rolf was back for the September seminar and some of his experience has been worked into the report.

Fredrik Zetterquist:
Land rights and land survey issues in Russia

Since 1994, Fredrik Zetterquist has worked for a firm of consultants, Swedesurvey, with issues relating to land in the former Soviet Union. In his presentation he focused on Russia where land has been regarded as a common resource for a long time (prior to 1917), mainly intended for collective use. The only economic value recognised in the Soviet era was the productivity of the land. However, through the constitution of 1993, the right to private ownership of land was secured and since then a number of laws have been passed in respect of land rights. Swedesurvey has participated in this process in a ten-year long programme of cooperation with the Russian land survey authority. In 2002 the programme entered into a new phase and Swedesurvey's assignment was extended.

In the current phase of the project the focus lies on reworking the rules that concern interaction between the land survey authority and other agencies that have roles and responsibilities for the registration of land, providing credits with properties as security (banks), physical planning (local authorities), and so on. Swedesurvey's assignment also has the objective that each organisation's rules and processes will be interweaved and made to interact with those of the other organisations. To establish legitimacy for a holistic perspective of this type, the active engagement of the ministries responsible is also required. Correspondingly, the citizens (landowners) must be involved in the work with change in order to measure its quality.

2 Lessons Learned³

Introductory Reflections

In connection with the presentations at the June seminar, the participants were encouraged to analyse the experience given prominence by the consultants, to make comparisons with their own experience, and to arrive at ideas and conclusions of general relevance for development cooperation. It was interesting to note how rapidly, and with what depth, the discussion groups penetrated the different fields of experience presented – even if it was unusual for the groups to work with the concept of institutions in the meaning of rules. This gives cause for some introductory reflections.

- (1) In development cooperation there seems to be a pent-up need to reflect on one's own experience in a process of interaction with others. Several of the participants formulated this in roughly the following way: *It feels like a privilege to be able to spend an entire day reflecting on underlying concepts in the administration of development cooperation. Normally 110 per cent of the day is taken up with concrete administrative tasks, preparing formal decisions, making them, and ensuring that action is taken. It is far too seldom the case that we can sit down and examine the reasons why we are doing what we are doing.*
- (2) When we speak about institutions as informal and formal rules – and specify the rules that apply in different contributions – the fact is revealed that development cooperation is a question of promoting certain specific values. This creates uncertainty in respect of the actions that should be taken which, in turn, increases the need of making oneself aware of one's own values – as well as those of the organisation one works for – in relation to partners in the partner countries.
- (3) Institutions – in the sense of rules – are sustained by people and organisations. In other words, contributions for institutional development can never be implemented without organisations and individuals being involved. An illustration of this was given by *Lill Lundgren*, a consultant working for *Ramböll Natura*. In preparation for her presentation at the seminar, the firm's consultants had analysed their own ongoing projects in relation to Sida's policy for capacity development⁴, see table next page.

The focus of most project lies at the organisation or individual level. However, at the same time there is an institutional component in almost all projects in which *Ramböll Natura* participate.

³ The content in this section is primarily based on presentations and discussions at the seminar in June.

⁴ Sida's Policy for Capacity Development (2001), see special model on page 21.

Classification of Natura's Projects in terms of Capacity Development Levels

	Africa		Asia				LA	EU	Global						
	DDP-Tanzania	ASP-Zambia	RDEE-Mongolia	LSU/AFRP-Laos	SEM-Laos	SUFORD-Laos	SEM-LA-Vietnam	SF-Bolivia	UP-SRP-Ukraine	IUCN	Climate Convention	EIA/SEA courses	EES courses	IWRM-course	IWRM-course
Institutional framework															
Systems of organisations															
Organisation															
Unit within organisation															
Individual level															

Focus
 Partly
 Less than partly but more than little

- (4) The definition of institutions as rules was accepted by the participants as a point of departure for the seminars. On the other hand it was a difficult concept for many participants and the discussions were not kept strictly to institutional changes in that sense of the term. Moreover, other perspectives and experience – which according to Sida’s general definition of capacity development should rather be referred to as organisation development – were taken up. Likewise there were often digressions and parallels to general development cooperation policy issues. In this report discussions of this type have been restricted since the ambition has been to focus on *institutional development, in the sense of changes to rules that are actually applied, aiming at poverty reduction.*
- (5) In the light of the lack of familiarity of the part of both consultants and Sida staff to work with the institution concept in the sense of rules, there is reason to make clearer definitions of the terminology in Sida’s policy documents in which institutional development is taken up. The more consistently the concepts are used in the organisation, the easier it will be to learn systematically from one’s own experience and that of others. In connection with the production (1999–2001) of Sida’s Policy for Capacity Development, work was started on clarifying central concepts for institutional and organisational development. These two seminars have shown that there is reason to take further steps in this respect.

Consensus in Basic Issues

There are many common features in the lessons learned that were presented by the consultants at the June seminar – despite the fact that the experience in question had been gained in separate sectors and countries. When *Ronald Penton* of the Department of Social Work at Stockholm University started his presentation, which was the fourth in the seminar, he stated that: *...one thing that has struck me is that I am going to repeat many of the points that have been made already. This surprises me since I believed that social work would be a little unusual in this context.* And he continued: *Social work is by definition highly bound by its context. It is*

true that all countries face more or less the same types of problems, for example that children fare badly. But the solutions to the problems must be based on local conditions and on existing local systems. I can suddenly see now that this possibly applies to all other types of development work as well!

Six critical points for successful projects in respect of institutions/rules

(according to Ronald Penton)

- (1) That there is real determination to achieve change and there are fundamental external conditions for the work with change. A vision of change is of decisive importance, but on the other hand it is not necessary to have specific images of how one wants it to be or of the way to achieve it.
- (2) That the work is based on the understanding that institutional change is context-bound. The road to be taken and the solutions to problems must be based on local conditions and existing local systems.
- (3) Process and presence – that there is enough time to develop and maintain long-term processes. And that there is scope to alternate between developing new knowledge and action strategies, as well as opportunities for practical application.
- (4) That the assignments are formulated broadly and are adapted/made concrete in interaction with the partner in cooperation. All social change requires meeting “the client” where he or she happens to be.
- (5) That there are persons with a strong active interest of their own who are driving forces behind local processes.
- (6) Create pressure from below through a cadre of actively engaged and aware persons. Pressure of this type is necessary for making change permanent and formalised in changes to formal rules.

Ronald’s first point – that the partner in cooperation must have real determination to achieve change – is a central standpoint and is usually referred to in the development cooperation debate by the concept of “local ownership”. Ronald makes an important point when he says that the determination to achieve change does not necessarily have to be specified in clear images of what the result shall be – what is important is that there is eagerness to change the prevailing situation and there is a belief that change is possible.

The importance of ownership was emphasised in different ways during the seminar. At the same time the problems associated with the concept were illustrated by the examples and taken up in the different discussions: How is it possible to respect local ownership while the goals of Swedish development cooperation must be pursued? When the partner in cooperation does not have a clear picture of the type of change it considers to be desirable, how can the actors involved contribute? How genuine is local ownership if there is external pressure from the international community that the local organisation adapts to? How can the financiers of development cooperation determine whether there is genuine determination or not? And so on.

Ronald's second point – that institutional change is dependent on the local context and prevailing conditions – is a central lesson that was also confirmed in the experience presented by the other consultants.

Ronald's other points also came up again in the presentations made by the other consultants. However, they were not always given the same status. For example, point 6 does not provide a comprehensive picture of the interaction between formal and informal rules.

During the seminar a consensus could therefore be noted among the participants on the overall view of the importance of local ownership and institutional change as a local process that must be based on national/local conditions. At the same time it was apparent that the issues are so complex that, within the framework of this overall consensus, there were many components where experience differed and where there were different perceptions.

In what Phase of an Institutional Process is it Possible for Donors to Contribute?

A distinction is usually made between two types of institutional changes. Firstly, formal rules are decided through deliberate and planned measures – often through formal inquiries and collective decisions taken within the framework of the political system. In contrast to this, informal rules are changed gradually and organically over time and through human interaction.

In every social system the rules that are actually applied (= institutions) have been developed in interaction between the formal and informal rules. It can sometimes be the case that changes to informal rules create pressure on the decision-makers with the result that they adapt the formal rules (cf. Ronald Penton's sixth point above). However, it can also be the case that laws are introduced that do not have the support of those who must apply/observe them and then it is urgent to employ resources to exert an influence on the informal rules with the aspiration of creating harmony between the formal and informal rules.

In the light of this complex picture, one of the questions put to the consultants was: *In what phase or phases has it been possible for the donors' programmes to make a positive contribution?*

The consultants' replies can be summarised in approximately the following way:

- One fundamental realisation is that development is taking place continuously at our partners in cooperation. Development cooperation can play a role in all phases – what is difficult and important is to try and understand what is happening “just now” and to make an assessment of the type of contribution that can provide support.

- It is often necessary to have a joint preparatory period that focuses on seeking appropriate strategies for change and creating awareness to ensure that wise strategic choices are made for future development work.
- Then, in order to start a planned process of change which focuses on changing the rules, a “window of opportunity” is required, see below.

“Window of Opportunity”

The extensive reform of the transport sector in Namibia that was initiated in connection with the country’s independence was made possible thanks to a “window of opportunity”, according to *Nils Bruzelius* in his presentation. It was the Namibians that took the initiative and requested support as early as in 1988 – in connection with the ongoing negotiations on independence. The underlying driving force was their anxiety that South Africa would continue to control Namibia through the transport and communications systems. However, an initial study established that South Africa was not a problem. This was later confirmed by the legalisation of the ANC in 1990 and the fall of the apartheid regime in 1994.

In other words, when it was possible to forget the anxiety in respect of South Africa, there was a receptiveness to look at the transport sector with new eyes, which created an opportunity to recognise the local institutional problem to which attention had been drawn in an initial study: considerable concentration of powers in the hands of the state through domination by state actors and regulated markets resulted in a lack of competition. This analysis of the problem was accepted by the Namibians, which provided a decisive mandate to start the restructuring process.

Nils recounted that the process of change had functioned well and that much was achieved during a ten-year period, particularly where the formal rules were concerned. Ten new laws were passed and a number of new rules and ordinances were also produced, which had started to be applied.

However, experience gained also shows that the changes that were achieved would have needed further support in order to be consolidated. When Swedish support was phased out in 2000 the process of change came to a standstill – and in some respects even took a few steps backwards. The box next page summarises some possible explanations of this situation.

The process of change came to a standstill after the end of the project – why?

Nils Bruzelius pointed out three aspects, each of which partly explains why the successful restructuring process of the 1990s now appears to have come to a standstill.

- The Swedish support was provided over a ten-year period. This is a long period but, where extensive institutional changes are concerned, it is perhaps nonetheless still too short.
- Sida has an important role in the dialogue with the partner country since certain issues cannot be pursued by the consultant participating in the project. Nils was of the opinion that Sida/Swedish embassy had been important during the first few years of the project in supporting the Ministry of Transport in discussions with the government. However, he maintained that unfortunately Sida had not been as active towards the end of the project period. To prevent the reform work from coming to a standstill, it would have been important to continue to show an active interest in these issues from the Swedish side – in order to give leading local agents of change the moral support they needed to keep the reform process alive.
- Perhaps it was also the case that work with change in Namibia gave far too much priority to the formal rules and, relatively speaking, too little energy was spent on exerting an influence on the informal rules which were also of importance for the reform work. Nils emphasised that, in many respects, Namibia can be described as a dual society: on the one hand it is a modern society, similar to ours and emphasises delegation with responsibility. On the other hand it is a traditional society which is authoritarian and which is held together by well-established informal networks.

One possible interpretation is therefore that there were/are rules and ways of thinking in the informal networks that came into conflict with the new laws and ordinances that were produced – and that forces in these networks were activated to oppose the new rules that had been introduced.

The third of these possible explanations raises a difficult question. No deliberate attempts were ever made to exert an influence on the informal rules that were well-established in “traditional society”. How would it have been possible to plan components of this type into the work with change? On the other hand, if it was not possible to see any practical possibilities of working with the informal rules, should the levels of ambition for the proposed changes to the formal rules have been lowered? Today Nils asks himself whether there was perhaps too much “blindness” to the importance of the informal rules during the process of change.

Or is the conclusion that informal rules are adapted organically, without any special measures being needed, if persistent moral support is given for a sufficiently long period of time to the leading local agents of change?

Periods of Searching for New Ways are often Necessary

The situation that arose in connection firstly with Namibia's independence and then with the fall of the apartheid regime in South Africa provided a "window of opportunity" for a deliberate and planned process of change in the transport sector in Namibia. But events are rarely like this. The partner in cooperation knows perhaps that change is necessary but does not know what changes to make, or the result they will lead to. In such cases there is no "window of opportunity". Nonetheless, there can be good cause for donors to participate in the process of trying to find the right strategy for change.

Göran Andersson's "roundabout movement..." in Vietnam (see box below) is an example of this.

A roundabout movement was necessary... (Recounted by Göran Andersson)

When I arrived in Vietnam at the beginning of 1997 there was a component in the project document on "manning". The question referred to ways of determining how many employees there should be in ministries, provinces etc.

The manning method in use was based on a quota system which is common in the communist system. The provinces were allocated employees in relation to their population. In practice this was followed by a negotiation process in which some provinces benefited while others did not.

The rules were described as being unscientific and arbitrary. It was also the case that administrative budgets were arrived at by multiplying the number of employees by a standard cost. The manning method thus created a strong incentive to increase the number of employees since each employee, even if he did no productive work at all, nonetheless contributed to the provinces receiving more funds for current expenditure.

What then did they want help with? The answer was that they wanted to produce a new "scientific" system to determine manning levels. They had an idea of including a number of other factors such as the effects of geography, quality of infrastructure and so on.

On the other hand, they had not included in the equation factors such as volume of work, output, performance, levels of service. When I introduced aspects of this type the discussion became highly confused and we finished our meetings without making much progress.

It was impossible for me to agree with them, but I succeeded, without breaking off communications, in initiating a number of field studies in some provinces. This was a type of "roundabout movement" which in turn led to our developing a training course on manning that had the point of departure, self-apparent to us, that the organisation should be dimensioned on the output to be achieved and the volume of work which this requires.

The work on the quota system came to a standstill but we, i.e. the project with a good Vietnamese project leader, continued to communicate our approach through courses and contacts with the provinces.

Time was on our side and after a few years the government decided, after receiving a directive from the Party, on a downsizing of the state administration. At the same time issues relating to decentralisation started to be taken up and then it became definitely clear that there was no future for the quota system. Interest in our approach grew and it became possible to make concrete manning studies in some provinces. The situation today is that one province has proceeded with our approach and that it is regarded as a model for the future.

At the same time, other development trends in Vietnam are moving in the same direction. A start has been made on introducing framework budgets for administrative activities – fairly tightly controlled but nonetheless. This means that a start has been made on linking together activities, funds and personnel in something that can be regarded as an embryo of operational planning.

In this case it can possibly be said that the ministry staff had the desire to make improvements, but without this implying any changes for themselves other than fewer conflicts with, and fewer complaints from, ministries and provinces with incorrect manning levels. They did not want to change their power position and it was difficult for them to see the benefits they would enjoy by abandoning the quota system for something new.

Naturally it was risky not to support the cul-de-sac that the ministry's experts were about to enter. Our strategy could have failed if circumstances had not arisen which had the result that our approach gained ground.

If we analyse this example from the Vietnamese perspective, it represents searching for a new way of working. The ministry's staff knew as early as in 1997 that they had to change, but not how. In their search for solutions they were initially not prepared to reconsider the quota philosophy which gave them their power position, and was also an approach that did not merely refer to manning issues but was also a central point of departure in several other areas in the state administration.

Göran's roundabout movement made it possible to include more people at different levels who were affected by the system that was in need of change. They became involved in a process of knowledge development, with a focus on learning more about possible alternatives to the existing system. Thus, pressure was created from below to permit a reconsideration of the obstructive quota philosophy.

Nevertheless, the powers that be would probably not have accepted this if not a demand for reconsideration of the quota philosophy had also started to emerge in other fields. This is probably highly typical of institutional change. Different systems of formal and informal rules are linked together with each other and with underlying values. It is only possible to make changes in one area when other institutional changes also start to take place.

The conclusion is that institutional development often includes long periods of knowledge development and a search for new solutions – processes that are difficult or almost impossible to include as components in project documents which require specific goals expressed in terms of results. One conse-

quence of this is that the goals of development cooperation contributions should be formulated in broad terms so that they can be adapted to actual conditions at a later stage. (Cf. Ronald Penton's 4th critical point in the box on page 15.)

In the section above we have described the example as "Göran's roundabout movement". It is worth pointing out that Göran was a member of a team with Vietnamese project management. The risky decision – in a number of respects – to pursue the project in this roundabout movement was taken by the partner in cooperation.

Can/Should Development Cooperation Actors take their Own Initiatives?

What types of initiatives can be taken by an actor in the field of development cooperation – for example Sida or a firm of consultants – to create the requisite conditions to start or speed up a process of institutional change in a partner country? Göran Andersson gave an interesting example from Tanzania from the end of the 1980s, see box below.

"The production chain was like a hosepipe full of holes"

(Recounted by Göran Andersson.)

Sida had supported primary schooling in Tanzania ever since the beginning of the 1970s. One component in this programme referred to school textbooks. The economic crisis, which affected Tanzania most seriously in the 1980s, resulted in the collapse of more or less all systems.

Among other things, the crisis had the effect that the purchase and printing of textbooks no longer functioned. The system used was a monopoly administered by the Ministry of Education. The ministry specified the books that should be available and who should write them. The publishing work was done by the ministry in cooperation with the government printers, which printed the books and delivered them to the ministry's store where the books were distributed by ministry vehicles.

This chain was like a hosepipe full of holes. When one hole was repaired it began to leak somewhere else. For some years Sida was busy helping to ensure that something came into the pipe and then to fix the leaks. Sida helped to import paper, glue – everything in fact that was needed.

Despite this, few books were produced and even fewer reached the students. If the books reached the schools, the headmaster could lock them in a store instead of distributing them, afraid that they might be lost and he would then be held responsible if the school inspectors made an inspection.

At the end of the 1980s this central planning philosophy started to be questioned. Structural adjustment programmes and new liberalism also reached Tanzania and it was realised that it was not possible to continue in the same ways as before.

In this situation Sida commissioned a study to survey and analyse the problems. We who made the study indicated the necessity of finding a system that was self-regulatory and demand-driven. This focus implied limiting the ministry's role in the process, developing publishing activities, and transferring funds from the ministry to the districts so that the districts themselves could buy the books.

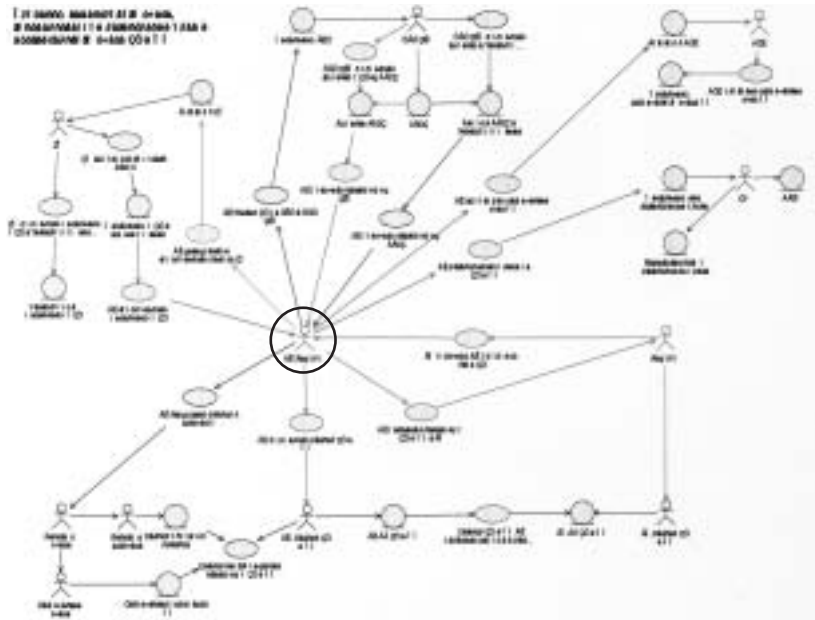
When the consulting study was presented, it provided an opportunity to obtain an overview of the shortcomings in the system and contributed to a common perception of the problems on the part of the stakeholders involved. Neither was the market-oriented system that we proposed rejected on ideological grounds since the central planning philosophy had already started to be questioned in Tanzania. However, understanding of how a new system could work in the future was poor. But since the consulting study outlined an alternative in a concrete way, it provided an opportunity to develop understanding of the concept – which at a later stage led to a reorganisation of the system in the proposed direction.

When the monopolised production chain had become “a hosepipe full of holes”, it was hardly possible for the ministry itself to find the road to change. It was stuck in a corrupt system that it had created itself with Sida's support. Management and officers in different positions all obtained personal advantages by maintaining the existing system. It was unrealistic to consider that that system could ever be changed from the “inside”. In a situation of this type an external initiative is probably necessary. It could possibly be taken by a superior political level or agency – as well as by a development cooperation actor.

Independent consultants can give prominence to shortcomings and outline alternative systems without this implying a personal risk to them. When an alternative has been made visible it can be discussed and tested in a further dialogue. In the example above the consulting study was thus the start of an overall process of change from an administrative monopoly to a system with elements of competition and a market philosophy – a process of change that has been successful and which is still ongoing.

Fredrik Zetterqvist gave a similar example in his presentation of Swedesurvey's work with land rights and land survey issues. Swedesurvey has been involved in Russia since 1993. In the first few years it mainly worked with training/raising awareness in attitudes towards issues relating to land and ownership rights.

Historically, land issues in Russia have been based on a perspective of state control. This was formally changed in the constitution of 1993 which guaranteed the principle of private ownership of land. A number of new laws on land rights have also been passed. Therefore today there is a stable set of formal rules which, to a great extent, enjoy the confidence of the people. On the other hand the application of the rules by the authorities is not so positive.



The figure in the circle represents a person who has purchased a plot of land and wants to register the change in ownership. He has to contact a number of authorities (the oval rings), which all have their own particular requirements for information in order to do their work.

There are a number of authorities – at federal, regional and local level – which have the formal responsibility/duty to administer registration of land etc. They have overlapping and unclear areas of responsibility and there are no rules for interaction and exchange of information between them. Fredrik showed a picture (above) that illustrates the consequences of this for a person who, for example, wish to register a change in ownership after purchasing a plot of land. A number of authorities must be contacted and it can take several years of assiduous work, muddling through the multitude of necessary procedures. One consequence of this is that a number of private firms have been formed – so-called one-stop-shops – which offer to do all the ground-work in the contacts with the authorities. This is attractive for those who can afford to pay, but has the effect that corruption, which has spread to an increasing extent, has been institutionalised. In other words the private firm charges a fee for its services and part of this fee is used to pay the officials working at the authorities.

It would not have been possible to challenge this situation within the framework of the programme of cooperation with the Russian land survey which Swedesurvey has been involved in since 1993. Ways of dealing with it were one of the main questions when Swedesurvey discussed a continuation of its work in Russia in 2001. It contacted a UN secretariat (Committee on Human Settlement in the Economic Commission for Europe) and requested assistance in the form of an independent study of the Russian property sector

with the aim of presenting the report to the highest political authority in the country, i.e. President Putin. The report had an enormous impact and exerted an influence on the administrative reform that President Putin presented at the beginning of 2004. The UN report also provided the arguments needed to create a project organisation for Swedesurvey's further work in Russia, which focused on establishing rules for contacts between the authorities concerned and other stakeholders – with the aim of dismantling obstacles and making the system of one-stop-shops obsolete.

The point of these examples is that development cooperation stakeholders can take initiatives that can break deadlocks and thereby create the requisite conditions that local agents of change may need to pursue the process further. In the first place it is possibly a question of bringing up to the surface situations that local stakeholders are aware of but cannot openly express. It can also be maintained that this is a responsibility that donors have assumed when – as in the two cases cited above – they have already established partnership in a sector in a partner country.

Ari Kokko took up corresponding ideas when he described his personal experience from 14 years' participation in research programmes into economic reforms in Vietnam:

- *We coming from the outside can play an important role by putting pressure on the existing system. In discussions we can take up matters – power relationships, group standards etc – which for various reasons our partners in cooperation cannot take up. And we can thereby initiate and legitimise a critical discussion on alternative systems and ideas.*

Therefore, if we state that donors may be entitled – and sometimes have a responsibility – to take initiatives to start/speed up processes of institutional change, new questions arise, for example: under what circumstances can this be done in a successful way? The common factor in the examples mentioned hitherto is that independent consultants can be given the role of drawing attention to “uncomfortable facts”, which can then contribute to creating a common perception of the problems by all stakeholders involved. A complementary example is given in the next section.

International Meeting Places

Another type of initiative intended to eventually open a “window of opportunity” is to create international meeting places where participants from different countries are given the opportunity to learn about each other's ideas and experience – and to be strengthened in their belief that change is possible and important. In recent years, several of Sida's International Training Programmes (ITP) have been transformed into meeting places of this type. Formerly, the training programmes mainly focused on providing know-how in fields in which Swedish solutions had proved to be successful. Today, the

training programmes are being increasingly designed in such a way that participants from different countries can compare their experience and help each other to see strategies for change on the basis of the conditions in their home countries.

For many years the Raoul Wallenberg Institute (RWI) has worked with International Training Programmes on human rights. RWI also performs assignments in a number of developing countries which have the aim of strengthening human rights in the legal system. *Rolf Ring* reported that *the training programmes have been one of RWI's strategies for "obtaining access" to closed institutions such as the police, prison service and public prosecutors. If we are successful in interesting several officials from the same country/organisation, this can contribute to creating a critical mass of potential agents for change. It is often the case that former course participants have become important resource persons in our projects for raising awareness and change in, for example, the prison service or police force in a certain country.*

One example of this is RWI's participation in assisting the South African police in their work with change during the 1990s. During the apartheid era, the South African police was an important component in the regime's repressive machinery. Almost all police resources were used to maintain law and order for 15% of the population, i.e. the white population. After the ANC assumed power, a change in views on the ways in which the police should perform their duties was necessary. At the same time it was necessary to build up the confidence of the large majority of South Africans that had previously been oppressed by the police. This required extensive work on changing the police rules in order to make them correspond to the new South African constitution – based on human rights and democratic values.

Rolf stated that RWI's course participants were given important roles in this work – at both central and provincial level. This applied both to the work on formal rules and to informal internal discussions between policemen, with the aim of developing a "corporate policy" in the police organisation. One common conception among policemen – in South Africa and in other countries – is that human rights are only rights for "criminals". Therefore, the focus of the discussions at RWI's courses is on ways in which a "professional" policeman works and that this, in actual fact, means that the police show respect for human rights when doing the job. Therefore, with this as its point of departure, RWI's course participants have been able to act as driving forces to exert an influence on both formal and informal rules in the South African police force – with the result that today human rights are being increasingly respected. Of course, the training programmes have merely contributed to this – but they have been able to be of significance in the South African case since there have also been other factors working in the same direction: very strong political pressure (both local and international); a new legal foundation in the form of the new South African constitution; and a number of newly recruited police officers who do not have the disadvantage of having worked in accordance with police standards of the apartheid era.

Rules/Norms are Charged with Values

The discussions on the “window of opportunity” also provided an opening for the important issue of power and values. Some of the participants at the seminars provided a word of warning, roughly as follows:

- *Behind the “window of opportunity” concept there is a conception that our Western definition of the problem is the correct one and that our ideas on how the problem should be tackled are the right ideas. On the basis of an “analysis” of this type we try to find the right conditions for introducing appropriate measures. In other words we give ourselves the preferential right of interpretation on the basis of the position of power we have as the financier. Then we make efforts to raise the awareness of our partners in cooperation – in other words to persuade them to adopt and understand our way of seeing the problem. However, in this process we should also ask ourselves questions of the following type: “How do our partners think? How do they regard this? Is their picture of the problem relevant from the perspective of their reality?”*

A meeker stance of this type was emphasised strongly by *Karl-Erik Lundgren* in his presentation, which was based on the Swedish Mission Council’s analysis and approach in these issues. Karl-Erik emphasised, among other things, that one conception of the world meets another when we provide support for institutional development in a partner country. One central component of development cooperation is the meeting itself. A decisive factor for positive exchanges is that the partners understand each other’s conceptions of the world. Sweden is not the “norm” that everyone else should aspire to achieve.

It is important, said Karl-Erik, to understand that rules and norms are never neutral – instead they are charged with values: *Laws/directives/ordinances are produced and coloured by the values held by those who formulate them, as well as by the prevailing values in society. This implies mutual influence which makes it necessary for us to aspire to speak openly on values. We must also dare to include the spiritual dimension in our dialogue. Sida’s position, i.e. that religion is a private matter that has nothing to do with the development of society, is thus an obstacle to development!*

In order for an organisation to participate constructively in programmes of development cooperation it is necessary, in the opinion of the Swedish Mission Council, that the organisation makes itself aware of the theory of change it uses and of the values the theory is based on. This is necessary in order to perform everyday working duties better and also to be able to speak to partners in cooperation about the processes of change it is participating in.

In the light of this Karl-Erik posed the following questions to Sida: *What theory of change governs Sida’s actions? How does Sida describe its basic values?*

Some 15 Sida employees attended the June seminar. Their answers to Karl-Erik’s question show that the position of Sida, as an organisation, is not clear. The UN conventions on human rights were mentioned as the fundamental

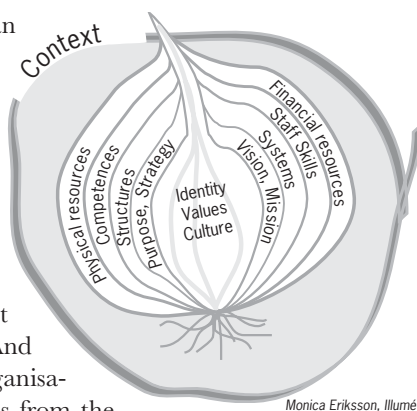
values on which Sida's work is based. The policy for capacity development was mentioned as the directive that best describes Sida's perspective on processes of change and ways in which they can be supported. But is this sufficient?

It was emphasised at the seminar that all organisations working with change need to make themselves aware of their basic values and ensure that these values are shared by their employees. The values should be present in the employees' ways of working and be reflected in the ways they relate to the people they meet. If people/organisations are specific with their own values it is easier to respect those of others.

“Relations are more Important than Goals!”

During the seminar different metaphors were used in the different presentations, for clarification purposes and for making the argumentation more incisive. The onion is a common metaphor and Karl-Erik Lundgren used it when he described his personal views on organisations as well as the views of the Swedish Mission Council (see illustration).

If an organisation is symbolised as an onion, the outer layers consist of physical resources, the expertise of the staff, systems, structures, and so on. Furthest in, at the core, there is the organisation's identity, values and culture. The point of this is, in the opinion of the Swedish Mission Council, that all layers are important and necessary but it is at the core that the organisation's vitality is stored. And it is from inside this core that the organisation develops. Growing power comes from the inside!



The driving force/energy for change comes from the inside. This force can be influenced in the interactions with the organisation's environment. This applies to both people and organisations and it is particularly important for changes of norms and values. Therefore, the dialogue is essential for sustainable institutional development. There must be scope for dialogue – both upwards and downwards in the hierarchies concerned – so that relationships are created/consolidated and the inner driving forces of people can be mobilised. Karl-Erik therefore formulated the conclusion that “relationships are more important than goals”!

The importance of relationships was emphasised frequently in the discussions during the seminar. Terms such as *credibility, trust, confidence, continuity* and

nearness are of central importance when describing the most significant factors in the donor contributions that have proved to work well.

Trying to Understand

In general, *listening* is usually emphasised as a central approach for success for development cooperation workers. The same thought recurred frequently in the discussions at the seminars. *Understanding* is a decisive factor to enable a contribution to promote institutional change successfully in a partner country.

What has to be understood? Well, understanding of the “institutional context” is necessary in every case, i.e. the complex relationships between rules at different levels and between formal and informal rules. In addition it is also necessary to understand the ways in which the partner in cooperation thinks: what he actually means when he says something.

This is important, not only for managing contributions that aim directly at institutional change. It is namely the case that – regardless of the development goal a certain contribution may have – the institutional framework sets the parameters for what is possible or not.

In his presentation Göran Andersson stated that: *the situation that initiates a development programme is seldom formulated as problems with the rules. Instead it is a “real” problem which affects people in one way or another – such as diseases, lack of schoolbooks, budget funds that do not reach users or which are used for other ends than intended purposes, absence from the workplace, soil erosion which prevents people from making a living, and so on. However, when one starts to unravel these problems it is often the case that institutional issues enter the picture.”*

Shortcomings in institutional arrangements often constitute obstacles that have the result that other – more direct – development efforts are ineffective. Remember the example of textbooks in Tanzania! In the dialogue with the partner countries on new development contributions it is thus of great importance to get behind the immediate descriptions of the problems in order to make an analysis of the underlying institutional conditions. How can this be done? A summary of the ideas presented in the discussions includes the following points:

- The necessary understanding can never be acquired by reading reports and books – even if this can be important. What is of decisive importance is a presence in the country (physical and mental) and participation in a continuous dialogue over a long period of time.
- As guests in a partner country we can never claim that we understand the country better than our counterparts in the country. However, in our efforts to understand we can contribute experience gained in other countries and thereby offer alternative perspectives.

- In order to conduct the necessary dialogue it is essential to establish personal relations which makes it necessary to go "beyond the call of duty", i.e. to work outside office hours as well.

Choice of Partner in Cooperation is of Central Importance

In view of the significance of the dialogue and relationships, which was stressed in the discussions at the seminars, the selection of partner in cooperation is of vital importance. Ari Kokko formulated it in the following way in his presentation of his experience of research programmes on economic reforms in Vietnam:

- *One can never relate to something as abstract as a state or a social system. In the concrete work it is not possible to "support a state in its institutional development". Ownership must be borne by people who are prepared to assume responsibility, and our relationship with them must be based on mutual trust.*
- *It is extremely important to have the right partner in cooperation – who can act as the local driving force, who can set up goals, who can act, who dares take risks, who can make his voice heard in the local context. Wanting to make a career or adapting to the conditions laid down by the donor is not sufficient. If a person is seriously going to be the driving force in a process of institutional change, a genuine interest in the issue is essential.*

Is this issue so important that a project should not be implemented if it is not possible to find a partner in cooperation that meets the requirements? In the opinion of Ari, it is. The Stockholm School of Economics feels that the issue is so important that it now insists on making its own selections of its partners in cooperation for the various projects that may arise. Not all the consultants at the seminar were prepared to go so far. Instead, some were of the opinion that, while the standpoint of the Stockholm School of Economics can possibly be pursued by a successful organisation in the research field, it can hardly be upheld as a general principle in contributions for institutional development. It is rather the case that several of the examples that were presented at the June seminar show that the search for a successful approach can be an important preparatory step for a successful process of institutional change – at the same time as close cooperation can be developed with one or several partners.

For Sida/Sweden as a financier of development cooperation this is a complicated issue that is related to the substance one wishes to give to local ownership. Can Sida actively indicate that it wants to work with certain partners, namely those it perceives as "agents of change" and to dissociate itself from those it regards as "opponents of change"? And how is it possible to select a partner in cooperation when the institutional change Sida wants to support concerns several organisations? The latter question is taken up in the next section.

The Stakeholders Concerned must be Engaged

One difficulty when working with institutional development is that in most cases the rules refer to a system of organisations. In situations of this type difficulties can arise if ownership of the project is given to one of the organisations included in the system. At the same time it is essential that there is a specific project owner in the partner country. In the example presented by *Fredrik Zetterquist* (see page 22) one shortcoming in the first project phase was that Swedesurvey's assignment was limited to the Russian land survey. In the second phase from 2002 a joint contract was signed with the land survey as well as with the registration authority and the tax authority. Thereby it was hoped that it would be possible to work with issues relating to the rules for interaction between these three large agencies, as well as other smaller units that have responsibilities in this connection.

Another example of how it is possible to handle the stakeholder issue was given by Lill Lundgren when she presented the work done by Ramböll Natura to support the development of an environmental agency, the Science, Technology and Environment Agency (STEA), in Laos. STEA was established in 1999 as a unit in the Prime Minister's Office. Swedish support has not only been provided for strengthening the agency but also for introducing environmental thinking in the state administration as a whole and, in addition, for raising awareness of the environment among the general public in Laos. New legislation was already in place – now it was a case of producing rules for the application of the legislation and of exerting an influence on agencies, companies and the general public to understand, respect and observe the new rules.

These are of course matters on which many other stakeholders also have opinions. The stakeholders that were most closely concerned were a number of ministries, the party's mass organisations, as well as the monks who are of great importance in Laos (see illustration).

2001



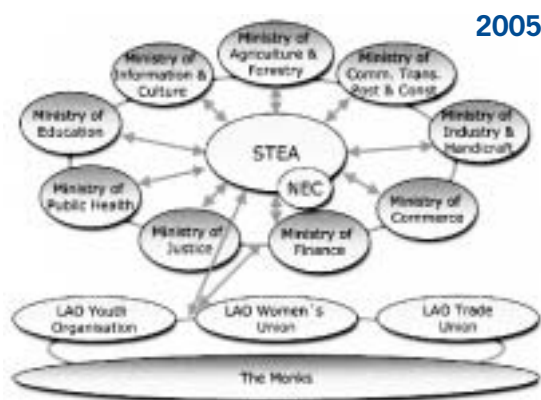
STEA was met with considerable mistrust by several of the other stakeholders – perhaps first and foremost by the Ministry of Agriculture, which considered itself to be more knowledgeable and better equipped to pursue these issues.

What strategies were selected to make these stakeholders active and share responsibili-

ties in the project? One way was to form working groups on different themes, with representatives of the stakeholders that were relevant for each particular theme. A working group of this type was established, for example, on the theme of education and information, which functioned excellently – the working group took on the task and found effective forms for working together, which probably made it possible to dismantle some of the barriers between the organisations. This group has been of importance for changing the informal rules for interaction between the stakeholders.

However, progress was not as smooth when the project tried to form a project group on the theme of environmental impact assessments, EIAs. The idea was that the group should take on the role of improving the quality of the application of EIAs and, above all, of ensuring that the EIAs that were made also exerted an influence on decision-making processes. However, it took a long time to establish the group and Lill was of the opinion that the reason for this was related to power structures – serious application of environmental impact assessments could have a considerable impact on investments in society and there were influential persons acting behind the scenes to ensure that the group was not given any authority.

For the EIA issue and similar issues a supplementary approach was required in order to create awareness and an active interest. The method chosen was “high level conferences” and an attempt was made to identify and engage key persons with high status. This approach was successful and



led to the establishment of the National Environment Committee (NEC), with the deputy prime minister as chairman. The minister of Agriculture is deputy chairman and several other line ministers are members. The illustration shows the stakeholder situation today with a stronger and more highly integrated STEA, supported by the NEC.

In the subsequent discussions at the seminar, it was pointed out that this issue – finding methods that engage all stakeholders in a positive manner – is becoming increasingly important. It is namely the case that programmes of development cooperation are increasingly focusing on fields that cover several sectors. This is typical for environmental issues and is also the case, for example, in matters relating to children and young people, road safety, AIDS prevention and many other topical fields.

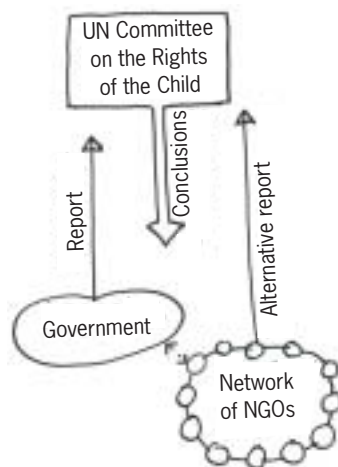
External Pressure can also be Effective

Growing power comes from the inside – this is a thesis that applies to both people and organisations. The determination of people or organisations to implement change is of decisive importance. Everyone at the seminar was in agreement on this point. At the same time we were also – paradoxically – in agreement that external factors are also important. Lill Lundgren was of the opinion, for example, that external pressure on Laos – for example through its participation in ASEAN, the discussions at the WTO, the arguments of the various donors – has been important for the process of positive change in STEA and its relations with other ministries (see section above). Particularly important in this context are the international and regional environmental conventions which Laos has signed and which it is now trying to observe.

External pressure on Laos in environmental issues can be seen as an example of the exercise of international power. Strong actors, both nations and organisations, lay down conditions – more or less explicitly – for further cooperation and further economic support. This form of international pressure for institutional change in our partner countries has increased in recent years, or perhaps the pressure has rather been increasingly harmonised through coordination between donors and through conditions laid down by different international bodies. From the perspective of Swedish development cooperation, this has sometimes offered support for our aspirations, for example where awareness of the environment in Laos is concerned. However, some warnings were also expressed at the seminar. How, for example, are our contributions for combating HIV/AIDS affected by the fact that the use of condoms is opposed by the Catholic Church? How are our contributions for sexual and reproductive health affected by the USA's efforts to proscribe counselling services on contraceptives and sexual instruction for teenagers? External international pressure is sometimes in line with the values of Swedish development cooperation and sometimes it is against our values.

In her presentation *Alfhild Petrén* gave an example of a different form of external pressure in which local organisations can use internationally accepted rules as a lever to pursue institutional change, nationally and locally.

The point of departure of Alfhild's example was the rules that were established in connection with the UN Convention on the Rights of the Child. This was adopted in 1989 and has been ratified by all countries except the USA and Somalia. By ratifying the Convention the countries ap-



proved the mechanism which the UN had created to examine how governments respect and apply the Convention. A Child Rights Committee has been established to which governments must report. The first report is to be made two years after ratification and then a report is to be submitted every fifth year. The Child Rights Committee examines each report and then gives its conclusions and recommendations to each government. It is expected that subsequent reports, after five years, will describe what the government has done as a result of the Committee's recommendations.

Up to this point the procedure can be perceived as something fairly formalistic and superficial. However, what is interesting is that the Child Rights Committee also receives alternative reports from non-governmental organisations in each country. The process of preparing alternative reports of this type has resulted in the development of networks of organisations engaged in child issues. The process has also reinforced many of the organisations in their advocacy role since they have been forced to draw conclusions from their practical work and to direct these conclusions as demands to the political level. The work on alternative reports has also contributed to strengthening civil society in the countries.

Since the conclusions/recommendations of the Child Rights Committee are made public, they offer support to the NGO networks, which can use them in their advocacy work. This has increased pressure on governments and it has also, in some cases, improved cooperation between the state and the NGOs.

The follow-up system itself – with government reports, alternative reports and the Child Rights Committee's examination and recommendations – also leads to exposure/illumination of the institutional situation in respect of child rights – in other words the rules and division of responsibilities in the state administration. These are issues which are otherwise often obscure to the people who take an active interest in ensuring that children have a better life. However, as the rules and responsibilities are clarified, the possibility of demanding accountability and/or change is enhanced.

3 Analysis and Conclusions⁵

Experience of Certain Forms of Institutional Change

Are there any general conclusions on institutional change that can be drawn from the consultants' experience presented at the June seminar? There are, but first let us establish some parameters.

- The consultants who participated in the seminar mainly had *experience of different forms of project support*. Experience of different types of programme-based approaches (general budget support or sector programme support) was not taken up. On the other hand, programme approaches in development cooperation were often taken up in the discussions in light of the fact that they now account for an increasing proportion of Swedish support. In this context a programme approach is (a) a broad coherent approach to reform work (for example within the framework of the country's poverty reduction strategy), or (b) the process of cooperation in planning and implementation. This can be cooperation within the state apparatus, between the public sector and civil society – as well as cooperation with and between donors. With support being increasingly channelled in various forms of programme support the effect is that the frameworks/rules for cooperation are extended in comparison those for projects. This means that the possibilities to assist in institutional changes in our partner countries will change. See also the box below.

Programme support provides new possibilities, but also raises new questions

- Programme support often has the goal of improving conditions in a sector. This means that the institutional conditions must be analysed and assessed as part of the preparations. It assumes that Sida programme officers (and possibly in-house consultants) have the expertise and analytical instruments required for these types of assessments. How can capacity of this type be developed?
- One advantage of budget support and sector programme support is said to be that they eliminate “the proliferation of numerous uncoordinated projects”. This is true if one looks at the financing of operating costs. But if budget support is to promote institutional development, the ministry responsible must formulate and pursue activities in one form or another, probably as projects. How can the partner countries develop the capacity needed for this? And how can it be ensured that good use is made of lessons learnt from the years of project support?

⁵ The content of the section is primarily based on the discussions that were held at the follow-up seminar in September 2005 (but also the group discussions at the June seminar).

- Programme support usually means that Sida contributes to a budget together with other donors, which means that Sida refrains from using the possibilities available to it to exert an influence on the cooperating partner/government. What does this imply for the questions that need to be analysed in the preparatory phase and during implementation? How can institutional issues be handled in this context?
- The experience presented at the seminar was based on *work with change in which Swedish consultants had participated*. (In the consultant concept we include here not only firms of consultants but also government agencies and NGOs.) Swedish development cooperation can of course contribute to institutional change in other ways, for example by financing activities that are implemented in their entirety by local organisations in the partner country. Experience of this work with change was not taken up at the seminar.
- The framework for the June seminar was institutions in the sense of formal and informal rules. This definition does not distinguish between rules at different levels in society. Instead all types of rules are regarded as institutions, even, for example, rules in a certain organisation or in a clearly defined group of people. One consequence of this is that changes to the rules in the organisation/group can be regarded as an institutional change.⁶ However, at the seminar there was a clear focus on experience gained of *institutional changes with consequences for a certain sector in society or for a system of organisations* – economic reforms, a new transport policy, raising environmental awareness of the general public, ”quota thinking” in government personnel policies, application of the Child Convention etc.

Three Key Words

Three key words stand out as being of central importance in a review of the experience presented by the consultants – *values*, *process* and *complexity*. At the September seminar these three key words were taken up as a basis for discussions and analysis. The point of departure was the experience of the consultants that were presented at the June seminar and which were summarised in section two in this report.

The discussions at the September seminar focused on conclusions for Sida in respect of, among other things, the following questions: How valid are the lessons learned that were presented? Is Sida working in accordance with the lessons learned? What are the obstacles? What do we need to understand better? (See also box on page 7).

⁶ The example could be when a local authority in a partner country develops certain bylaws, for instance for the management of wetlands or particularly valuable forests within its own geographical boundaries.

Values

It is no news to anyone that development cooperation is a matter of promoting certain, specific values. Earlier, Swedish development cooperation had five goals. Now it is governed by Sweden's new Policy for Global Development. However, these values are seldom put into words in the daily work. Assessment memoranda, project documents and action plans are dominated instead by seemingly technical considerations and formulations that are neutral in their values.

When questions relating to values arise, some uncertainty among Sida staff and other actors in development cooperation is revealed. One example that was emphasised in the seminar discussions is the position with regard to local ownership. For many people this is a conflict between, on the one hand, respecting local ownership and, on the other hand, of asserting the Swedish values that are to permeate Swedish development cooperation. How is it possible to address this conflict in contributions for institutional development?

The response from the seminars can be summarised in the following way:

- The decisive factor for ensuring that changes are implemented and remain permanent is that there is an intrinsic driving force among the people/organisations involved in the partner country. In other words, local ownership of institutional changes is of central importance.
- Development cooperation's stakeholders are entitled to take initiatives to raise awareness and develop know-how among people/organisations in the partner country, but this must be done in an open dialogue and with respect for the decision-making processes in the partner country.
- As an international stakeholder Sweden has the responsibility to pursue its values and policies in different issues – human rights, gender equality, sustainable development etc. In doing this we contribute to creating external pressure which, in positive cases, will have an impact on contributions for institutional change.
- Sida also has the professional responsibility as a development cooperation stakeholder for creating appropriate conditions to enable approved contributions to be implemented successfully. One important aspect of this is to ensure that the agents of change that receive support via a contribution share the values that the cooperation is based on – zero tolerance of corruption, consideration of the environment, democratic leadership etc.
- The professional responsibility of development cooperation stakeholders includes shedding light on the shortcomings/contradictions in the rules in order to speed up the partner country's ongoing processes of internal change.

However, issues relating to values are not merely a question of the position with regard to local ownership. At the June seminar it was stated that “institutions/rules are charged with values”. Therefore, it is important in all contributions for institutional change to specify the types of changes to values that are aimed at and to ascertain whether this is in line with the values that are to be promoted by Swedish development cooperation. These are issues that should be included in the dialogue with the partner in cooperation – before, during and after a contribution. At the June seminar Karl-Erik Lundgren presented the experience of the Swedish Mission Council, which demonstrated how important it is that one is aware of both one’s own values and those of the organisation one works for, in order to be able to participate constructively in a dialogue of this type.

At the September seminar it was reported that the same idea had been adopted by the working group at Sida that had worked on defining Sida’s “core expertise”. The working group had emphasised fundamental values as a central dimension in the skills of Sida’s staff. The point of departure when defining these fundamental values should be the Policy for Global Development and other overarching directives. Training programmes of one type or another will be arranged to discuss the fundamental values as well as ways in which both management and staff can implement these values in their everyday work.

Participants who had taken part in similar learning processes in their organisations emphasised that they had been regarded as an essential step for working successfully with institutional change. They also emphasised that training programmes in respect of fundamental values must be taken seriously if they are to succeed. The programmes must not be cosmetic, for example a consultant is engaged to lead discussions for a few hours on what people think. There must be determination and preparedness to take the discussions further. The question of fundamental values is a management matter and – it was claimed – must be linked to a systematic review of the entire system of norms and rules in the organisation.

Another central issue in respect of values of relevance to institutional change is *the view of development*. In the examples presented at the June seminar there was clear consensus on the fundamental view of institutional development as a dynamic process. More on this in the next section.

Summary in respect of values:

- “Rules are charged with values!” Therefore it is important in all contributions for institutional change to specify the types of changes to values that are aimed at and to ascertain whether this is in line with the values that are to be promoted by Swedish development cooperation.

- Local ownership is of decisive importance in contributions for institutional change. We need have no doubts today that this is correct in principle. On the other hand, the practical ways in which we should develop successful forms of cooperation with our partners – based on the fundamental concept of local ownership and in a context characterised by the participation of many different donors – are not apparent. Instead many members of staff feel that there is a conflict between the requirement for local ownership and the requirement stipulated by the Swedish parliament and government that Swedish development cooperation should promote certain values.
- Awareness of the basic values of the organisation one works for is essential for successful development cooperation programmes for institutional change. There was consensus on this point among the participants at the seminars. On the other hand, where the measures that should be taken by Sida in this respect are concerned – and how comprehensive they must be – the seminars gave no clear-cut answers.

Process

Consistent Experience

One word was reiterated in all the consultants' presentations: *process*. The consultants all stated that institutional change is a dynamic process which takes place gradually and in which the different steps do not follow each other "logically". Time and space is needed for searching for new solutions in different phases. The solutions are developed in a process of social interaction between individuals, groups and organisations in which different interests and types of experience are confronted with each other. One step on the road to change creates a new situation which changes the perception of the problem and thus requires a new solution, and so on. The solutions required cannot be obtained externally but must be based on local conditions and on systems that have been built up locally.

One special problem concerns resistance to change. Resistance is to be found in those people who have something to lose if the rules of the game are changed – power, income, status etc. It is often the case that those who benefit from the existing system are also in such a strong position that they can prevent effective change from taking place, for example by opposing proposals for changes to the rules or ensuring that new rules are not implemented and applied in practice.

External pressure can be important merely to reduce the resistance of those in positions of power and thereby contribute to speeding up institutional changes. However, if the changes are to be permanent, solutions and choices must be developed internally.

These different factors have the effect that it is seldom possible to specify in advance the results that the process of change will lead to – even if the overall goals can be clear. One lesson learned is therefore that contributions for

institutional change must initially be formulated in broad terms in respect of their framework and conditions. The concrete activities can then be adapted/specified at a later stage – in interaction with the partner in cooperation, as learning takes place and in relation to the courses of action that are being taken in the hierarchies concerned.

A “window of opportunity” is essential for planned contributions for change. Determining the type of contribution that will be meaningful is dependent on the appearance of the “window”. Making an assessment of this “window” is one of the difficult considerations that donors have to make.

Another lesson learned is that institutional change takes time. It can be a rapid and simple process – through external pressure and formal decisions – to achieve changes in new formal laws and ordinances. However, for these new rules to be institutionalised and accepted by those who are affected by them, it is usually the case that all stakeholders have to be involved in the process of change over a long period of time. Therefore, for those who are the driving forces behind the process of change, perseverance is required – and the donors also need to show perseverance in their support.

There was broad consensus on this at the seminar. Is this view of the importance of process orientation also valid for other forms of institutional change than those taken up at the June seminar? We established that this was in fact the case. It is valid not only for institutional change but also for most of all other forms of capacity development. *Ingemar Gustafsson* (Sida/POM) referred to DAC’s “Learning Network on Capacity Development” which analysed and summarised available experience last year. It states that there is a *new consensus on capacity development as a necessarily endogenous process of unleashing, strengthening, creating and maintaining capacity over time*⁷. This is a standpoint that is in line with the experience presented by the consultants.

The same assessment forms the foundation of the standpoints adopted in Sida’s *Manual for Capacity Development* (2005). The concept of “capacity development” is used in the manual as a generic term for *the process that has the aim of enhancing the skills of individuals and organisations and of changing standards and regulations in the institutional frameworks*. The manual emphasises that *capacity development must grow from the inside. Growth of this type can benefit considerably from receiving stimulation externally, but it cannot be developed by outsiders*. Instead it is emphasised that *there are no ready-made solutions to problems, every development contribution must be based on existing capacity and have the aim of strengthening the specific existing conditions. Capacity development involves a gradual change that rarely follows a straight, clearly staked-out route*.

⁷ “Rising to the Challenge of Capacity Development: Learning Lessons and Moving forward”, DAC Network on Governance, 2005.

Incongruities in Sida's Internal Rules

The basic concepts of process orientation are predominant in Sida's central policy documents. However, in the discussions at the seminars it was maintained that Sida's internal rules are not consistent in this respect. For example, it is stipulated that formal decisions must specify expected results before the process is allowed to start. Consultants participating in preparatory phases of a process of change – when confidence and trust are being developed in the dialogue – are prevented by the procurement rules from participating in subsequent phases of the work with change. And so on. These are relevant stipulations for some types of contributions but not for contributions that have the aim of institutional change.

In the discussion this was recognised as being a serious dilemma (see for example the box below). Those participants at the seminars with considerable experience of development cooperation stated that “management in detail” has become increasingly evident during the last decade – partly as a consequence of a general change in the Swedish government administration – to introduce “management by results” of activities. At Sida this can be seen, for example, in the fact that LFA (Logical Framework Approach) is emphasised as a general planning model. However, several of the examples described at the June seminar could not have been handled with the LFA concept, for instance the example of the state personnel policy in Vietnam (page 19).

How can we make decisions when we are uncertain?

- Today we act as if we can predict what will happen when we write project documents and assessment memoranda. However, reality is mostly different. But one positive side of Sida is that the organisation is so flexible that we can actually adapt to the prevailing situation when the project is being implemented. Here there is a great difference between Sida and, for example, the World Bank which has a much more inflexible follow-up system. At the WB the “plan” is everything.
- It would of course be more honest to produce project documents that state that we can only partly predict what will happen. But the question is, what degree of uncertainty can a bureaucracy like Sida accept?
- The risk with Sida's present system is that adaptation to reality is done “on the quiet”. This is something we do when following up ongoing project activities, but this means that experience is not deliberately systematised today. This limits our prospects of learning from each other. Consequently, newly employed programme officers can have difficulties in understanding how Sida works in this respect.
- Ultimately this is a question of our relationship with order and chaos. We create a make-believe order when we need it, for example in connection with decisions on funds. It helps us to handle the complexity of reality which can otherwise be experienced as being far too chaotic.

(Summary of a group discussion)

One reflection made at the seminar was that Sida's role as a public authority is different from that of most other government agencies. Sida can rather be regarded as a "risk capital financier" – at least where contributions for institutional change are concerned. Sida's assignment here is to invest Swedish taxpayers' money in activities of which the outcome is uncertain. This makes it necessary, for example, for the financier to show confidence in those who have been entrusted with the funds. If this is recognised, it is possible to have a different type of discussion on the ways in which rules for formal decisions and follow-up of results should be applied.

It is worth pointing out that no one was of the opinion that controls and follow-up are wrong. The important question is rather how should control requirements be formulated without them becoming an obstacle to development and learning?

Methods Development is Needed

One conclusion drawn in the discussions was that greater pains should be taken to follow up what is actually being done with the funds entrusted to the parties, rather than to try and describe in advance exactly what one believes will be achieved – and then focus the follow up on that. This implies a different emphasis in the view of control/follow-up and requires methods development to produce indicators and different working methods.

Ronald Penton described this in the following way, in the light of his work at the Department of Social Work at the University of Stockholm: *We are working in Eastern Europe by contributing to developing the authorities' approaches to social work. The core of this work concerns attitudes and values. In order to follow up what takes place in the various sub-projects, we must be better at describing the process. In practice we do this today mostly by stipulating the various activities that are to be implemented – for example x training programmes with y participants. But we should be better at describing what we do in institutional terms. If, for example, it is a case of the support given by society for disabled children, perhaps our seminars contribute to the role of parents being seen in a different light and their contributions being given a greater value – which in turn is of importance when comparisons are being made between children's homes and other forms of care. But how is it possible to describe the small steps in the process of change? How can an analysis be made of the future contributions that are most urgent in the light of what has been achieved in the initial stages (and which have possibly already cost a large amount of Swedish taxpayers' money)? Is it possible, for example, to develop indicators for this type of process of change? There is a great deal of methods development work that still remains to be done in these issues.*

Why does the process concept not permeate Sida's working methods for institutional change? What exactly are the obstacles? In the discussions at the seminars several participants pointed out that there is a gap today between policies and everyday routines. If this is the case, it is important to create opportunities for discussions in the organisation in order to review this situa-

tion. One approach is to use the rules/norms that govern daily work as the starting point and then examine them in a wider perspective: What view of development is this rule based on? How does this correspond with Sida's policy?

Two examples of this type were given prominence:

- *Short agreement periods.* Today it is the rule rather than the exception that the period of agreements for assignments is short. This has the result that project work becomes piecemeal and continuity is lost. This is particularly unfortunate when the contribution is for institutional change. It is true that agreements are often extended – and that Sida has a reputation for being a persevering financier – but why doesn't Sida show that it means business by formulating formal agreements in line with its overall view of development?
- The standard for what is considered to be *efficient*. Today, whatever is done quickly and does not cost much money is regarded as efficient. But this does not always correspond with reality. Therefore, the *efficiency concept* must be extended to make it correspond to what we know about the workings of processes of institutional change. If the result is to be good and lasting it must be given time to evolve.

Summary in respect of processes:

- The lessons learned on the importance of process orientation that were presented at the seminars are generally valid for institutional change.
- Sida's internal rules for the administration of contributions for institutional development are not in harmony with this view of the importance of process orientation.
- A change in attitude towards decision-making in a situation of uncertainty is essential. This means that greater pains should be taken to follow up what has actually been done with the funds entrusted to the parties concerned, rather than trying to describe in advance exactly what one believes will be achieved, and the follow-up should be focused on this. Methods development is required for this.

Complexity

Every process of institutional change is dependent on the situation in other institutions, either lateral institutions or higher/lower institutions in a hierarchy of rules. Economic, political and socio-cultural rules – both formal and informal – interact and are linked together in complex systems.

These mutual connections can be strong but are often difficult to analyse, for example when there are incongruities. Another difficulty is associated with the fact that processes of change are “imbedded” in the specific historical and institutional context of a country. This means, for example, that formal laws and ordinances must often correspond to a country's informal, socio-cultural rules in order to be legitimate and effective.

Compare this with the dilemma for Swedish organisations working with programmes of development cooperation to develop methods for process-oriented ways of working (which was discussed in the section above). The EU's procurement rules, the Government's requirements for follow-up of results, Sida's Policy for Capacity Development ... – there are shortcomings here in unity in the rules, but the picture is complex and anyone trying to make an assessment of the types of changes necessary is facing a difficult task. The complexity is the same in our partner countries.

We know that these are Complex Relationships, but ...

The group that focused on these issues at the seminar stated that we are aware today that institutional change is complex, in which many factors interact:

- often there are many different systems of rules, for example economic, political and social, which are linked hierarchically and laterally,
- formal and informal rules interact,
- many actors are involved and exert an influence on the process in different ways; some promote the process while others work against it,
- many organisations are affected and institutional change often takes place in organisational systems with several levels,
- often pressure is required from several quarters, from below, from inside the organisation/public administration/government, and from the outside and above (for example internationally),
- values, ideas and conceptions are involved.

However, the group stated in its report that: *we don't know how the complexity manifests itself, that is to say we don't know how all these factors, levels, actors, rules etc are linked to each other or how they interact in the complex process. Neither do we know what factors are necessary for institutional change, nor those which are sufficient for institutional change – therefore we do not know the factors that are the most important.* See also box below where the group's conclusions are expanded.

How much knowledge can we accommodate?

We need to better understand the complexity and process of institutional development, particularly in the specific situations/countries we are active in. In other words we need to know more about the institutional conditions, formal and informal; the different actors and their roles; values and ideas etc, how they are linked together and interact; on ongoing processes etc.

It also emerged in the group discussions that we need to ensure that we can receive continuous flows of information – for example from local level to central level – to keep ourselves updated on ongoing changes. This also means that that we must specify the type of information and knowledge we need from these flows.

However, this raises questions:

- How much can we really learn about this? How much knowledge is it possible for us to accommodate and use? Is it possible to process all the information needed for an overview of the complexity and to try to predict the process?
- And how much knowledge is it necessary and reasonable for us to have before we, as donors, can start supporting processes of institutional change in a partner country?

(Summary of a group discussion)

As we stated above we will never be able to know everything in advance, but how much – and what – do we need to know to reach a decision to start a contribution? In other words: what information is critical for assessing the type of “window of opportunity” that exists in a certain situation? Where this issue is concerned, it is important to develop practical analytical methods for Sida’s work in the future.

However, as the group stated, this issue is merely a part of a greater problem: on the one hand the complexity and the need of knowledge this necessitates, and on the other hand the difficult, even impossible, of accommodating and processing all this knowledge. This appears to be one of the most central problems for Sida and other donors where promoting processes of institutional development in our partner countries is concerned.

This raises a number of further issues which need to be defined in order to clarify how Sida should relate to and deal with this problem.

- It would appear that, in practice, informal rules are of great significance for the outcome of donors’ contributions. Contributions often focus on, for example, legislation and written ordinances. However, if the informal rules cannot be changed at the same pace as the formal rules, the application of the new rules can be delayed or come to a standstill. Despite this understanding it is seldom the case that the informal rules are analysed and there is a great deal of uncertainty in respect of how they should be taken into consideration in the planning of contributions. There is a real need here to seek fundamental knowledge and to develop analytical methods for Sida’s work. Compare the discussion on reform work in Namibia’s transport sector (page 18).
- Experience gained from ongoing projects is that they often extend outwards since each individual activity is dependent on its institutional context. The changes that are made lead to demands for changes outside the framework that was originally defined for the project. When, for example, we look at the examples presented at the June seminar, it was mostly the case that the contribution had been tied to a certain organisation which had become the “project owner”. With this organisation as the base, efforts were made to exert an influence on the institutional conditions. This way of working can present problems since it is important to

get different stakeholders to participate in the process. In several cases it proved to be the case that, at a later stage in the process, it was necessary to redefine the parameters for the contribution in order to pursue work with change effectively. Recall, for example, experience gained from Swedesurvey's work in Russia (pages 22–23).

- Creating methods that enable different stakeholders to participate actively in the process, both in the choices that have to be made as well as in the different phases, makes it necessary for the complex relationships to be known and for power structures and divisions of responsibility to be accepted by the parties concerned. Therefore, the actual work of surveying the complex institutional conditions is, in itself, one step on the road to change. This was, for example, an important conclusion from the follow-up work on the Convention of the Rights of the Child. Since networks of organisations in civil society are created, and rules and responsibilities are more clearly defined, there are greater prospects of improving conditions for children by making demands that responsibilities are discharged and/or changes are made (see pages 32–33).

Capacity to Conduct a Dialogue of Increasing Importance

If we recognise that institutional change is a dynamic process – in which local ownership is of central importance, and understanding of the complex institutional relationships is a part of the step forwards – the focus is put on the capacity of the parties involved to conduct a dialogue. Expertise is needed, both in respect of each subject area (economic reforms etc) and in respect of methods for institutional and methods development.

Sida's role in the dialogue differs from – and complements – the role that can be played by consultants. This role is important since it is often the quality of Sida's dialogue with the partner countries that determines the conditions for the contributions that the consultants then work with.

How then is Sida's capacity to conduct the dialogue regarded? Ari Kokko answered the question this way at the June seminar:

- *If we look at Sida as an organisation, this is its largest deficiency. It is necessary to have a dialogue on ongoing social development in the partner country and on ways in which this interacts with the institutional changes which Swedish support is dependent on. The dialogue must be conducted continuously and often informally. It is my perception that today Sida has the capacity to participate in the dialogue on special occasions – when the embassy is reinforced with external resources – but not continuously at the level required. This is a serious shortcoming since this role as a partner in the dialogue is becoming increasingly important in light of the changes we can see in the issues that development cooperation needs to address today.*

Development cooperation today is increasingly a matter of providing contributions within the framework of the partner country's programme for pov-

erty reduction; of providing support to an entire sector in cooperation with other donors; of providing multi-sector contributions intended, for example, to limit the effects of HIV/AIDS etc. Increasingly, contributions have the aim of achieving institutional change.

As Ari maintains, this places growing demands on Sida's staff, partly to make strategic assessments based on a holistic analysis of conditions in a certain institutional system, and partly to present Swedish standpoints in a continuous dialogue. If, for example, support to the legal system is part of Sida's cooperation with a certain country, this support can be channelled in different ways and in cooperation with different partners. The contributions that are discussed/approved must be justified in the light of the complex institutional relationships – and one must be prepared to review parameters/conditions for individual contributions in the light of new knowledge as it is acquired.

How can we show that we mean business this time?

- The Paris Declaration emphasises local ownership. It is really a comprehensive standpoint, which assumes that Sida and other donors change our relations with our partners in cooperation fairly radically. At Sida there has been a discussion for a long time on this matter but there is no doubt that we still have a long way to go to realise the undertakings made in Paris. At the World Bank, for example, a process has been started which has the effect that the Bank will change its internal remuneration system in such a way that members of staff will be stimulated to prepare contributions so that they have specific local ownership.
- Our use of language – including our body language – reflects our values. The language that we have used for the last twenty years reflects the values that have been predominant, namely that the financiers have determined how development cooperation funds should be used.
- Now we shall behave in an essentially different way, which makes it necessary for us to reconsider a number of points. But it is not just us who must change. It is our relationship with our partners in cooperation that is to be different – so that ownership is transferred from us to them. Therefore we must change our behaviour so that it is clear to our partners in cooperation that we mean business. What does this require of us?

(Summary of a group discussion)

In the discussions at the seminars, it was maintained that demands for improved capacity to conduct the dialogue not only applies to Sida; it also applies to consultants and other organisations working with development cooperation. Karl-Erik Lundgren, for example, was of the opinion that *the dialogue, at its best, can contain an approach in which the Swedish party understands/recognises that I (my organisation, my culture, my expertise) do not possess the “whole solution” to the challenge/problem we are facing. And the partner in cooperation is in the same situation. It does not have the “whole solution” either (despite its proximity to the local situation, knowledge about the culture, language skills and so on). A genuine dialogue creates something new*

which neither of the partners could have created alone. The dialogue makes a third dimension possible: “joint thinking”.

Summary in respect of complexity:

- We know today that institutional change is complex: that it is a question of a hierarchy of rules at different levels; that they are associated with each other in an elusive pattern, that many different actors/stakeholders are affected, that external and internal pressure interact, and so on. We know less about the ways in which these relationships can best be described and analysed in different phases of the planning of contributions. This problem appears to be one of the most central problems for Sida and other donors where promoting processes of institutional development is concerned: on the one hand the complexity and the needs of knowledge it requires, on the other hand that the difficulty, or even impossibility, of accommodating and processing all this knowledge. In this connection methods development is an urgent task.
- One field where it is additionally important to develop more knowledge and better analytical methods is the relationship between formal and informal rules.
- The lessons we have learned refer in the first place to experience gained in contributions in which a certain organisation has been the “project owner”. This is a strategy that has inbuilt limitations since it can be difficult to involve all stakeholders concerned in an active manner. On the other hand there is less experience of contributions that refer to institutional change within the entire system of organisations affected.
- The dialogue is the most important method for dealing with the complex relationships in processes of institutional change. Today Sida – as most other donors – has deficiencies in its capacity to conduct the dialogue and demands are growing all the time. Programmes to enhance Sida’s dialogue capacity are therefore urgent.

Appendix 1

Programme for Seminar 9 June 2005

Formal & Informal Rules/Institutions
– How can we Contribute to Developing them?

Thursday 9 June 2005, Ingenjörshuset in Stockholm

08:00–08:30 Coffee

08:30–09:00 Introduction

09:00–10:30 *Presentations 1: Experience from the public administration— reforms in different sectors and in different institutional contexts*

- Nils Bruzelius:
Reform of Namibia's transport and communication systems
- Göran Andersson:
Examples from Vietnam and Tanzania – manning of government authorities and production and distribution of textbooks
- Lill Lundgren:
Developing the environmental administration in Laos
- Reflections and discussions – entire group

10:30–11:00 Coffee

11:00–12:30 *Presentations 2: Experience from social work and human rights*

- Ronald Penton:
From segregation to integration – development of social work in Lithuania and other countries in the former Soviet Union
- Alfhild Petrán:
The Convention on the Rights of the Child – with its formal framework for follow-up and reports – as an instrument to exert an influence on conditions for children in society; Examples from Save the Children's work
- Rolf Ring:
Education, human rights and institutional development.
- Reflections and discussions – entire group

12:30–13:30 Lunch

13:30–15:00 *Presentations 3: Exerting an influence on social attitudes and values*

- Karl-Erik Lundgren: Rules and standards – curse or opportunity? Experience gained from various contributions to develop strong organisations in civil society in Africa
- Ari Kokko: “Think tanks” to contribute to enhancing conditions for economic reforms in Vietnam
- Fredrik Zetterquist: Land rights and land survey issues in Russia and other former Soviet Union republics
- Reflections and discussions – entire group

15:00–15:30 Coffee

15:30–16:30 *Group discussions:*

Reflections on and conclusions drawn from the experience presented – what central issues/themes do we want to emphasise prior to the evaluations that will be made?

16:30–17:00 Conclusion

List of Participants

Consultants:

Göran Andersson, SIPU International (Paris)
Nils Bruzelius, Consultant (Nils Bruzelius AB, Lund)
Ari Kokko, Stockholm School of Economics (Stockholm)
Karl-Erik Lundgren, Swedish Mission Council (Stockholm)
Lill Lundgren, Ramböll/Natura (Stockholm)
Ronald Penton, Department of Social Work, University of Stockholm (Stockholm)
Alfhild Petrén, Save the Children Sweden (Stockholm)
Rolf Ring, Raoul Wallenberg Institute (Lund)
Fredrik Zetterquist, Swedesurvey (Moscow)

Participants from Sida and the Ministry for Foreign Affairs:

Paulos Berglöf, DESO/Desa
Thomas Kjellson, DESO/Desa
Hallgerd Dyrssen, DESO/Desa
Ola Carlsson, EUROPA/EECA
Johan Hellstrand, EUROPA/EECA
Mirja Peterson, EUROPA/EECA
Johnny Andersson, INEC/IF
Ervor Edman, INEC/IF
Ingvar Spanne, INEC/IF
Gösta Werner, INEC/IF
Alexandra Wachtmeister, NATUR/Miljö
Lisbeth Bostrand, NATUR/LUV
Eva Lithman, UTV
Mats Hårsmar, UD/EGDI

Seminar Leaders:

Gun Eriksson Skoog, Sida/UTV
Lage Bergström, Consultant

Appendix 2

Programme for Follow-up Seminar 22 September 2005

Formal & Informal Rules/Institutions
– How can we Contribute to Developing them?

What does this Mean for Sida?

Thursday 22 September 2005, 8:30–12:30, Sida Head Office, Stockholm

08:15 Coffee – Sida’s restaurant

Recapitulation of first seminar (9 June):

What has been successful and unsuccessful, under what circumstances and why?

08:30 Introduction

Presentation of lessons learned from the experience of consultants –
summary of the first seminar based on Lage Bergström’s draft report

Reflections and discussions – in groups and in plenary session

*Identification of consequences for Sida: What questions do the lessons learned
raise for Sida and what do they mean for Sida’s work?*

09:45 Introduction to group discussions – division into groups, selection of
overall themes/issues

Coffee and sandwich – in Sida’s restaurant

Group discussions

Reflections and discussions of the consequences of the lessons learned:

- 1) How valid are the lessons? Are they sufficient? What aspects do
we need to learn more about?
- 2) Do we really know enough about institutional change itself?
What do we know – and what do we need to understand better?
- 3) Does Sida work in accordance with the lessons learned? If not,
why not? What are the obstacles – and what can we do to over-
come these obstacles? What is required of Sida – what needs to be
changed/developed to enable the lessons learned to be applied?

Reports from the groups and general discussion

Conclusion

List of Participants

Participating Consultants:

Göran Andersson, SIPU International (Paris)
Karl-Erik Lundgren, Swedish Mission Council (Stockholm)
Ronald Penton, Department of Social Work, University of Stockholm (Stockholm)
Alfhild Petrén, Save the Children Sweden (Stockholm)
Helle Qwist-Hoffmann, Ramböll/Natura (Stockholm)
Rolf Ring, Raoul Wallenberg Institute (Lund)
Agneta Rolfer, Consultant (former member of staff at Sida)
Ingvar Spanne, Consultant (former member of staff at Sida)
Fredrik Zetterquist, Swedesurvey (Moscow)

Participants from Sida and the Ministry for Foreign Affairs:

Hallgerd Dyrssen, DESO/Desa
Bo Hammarström, DESO/Desa
Thomas Kjellson, DESO/Desa
Marja Ruohomäki, DESO/Desa
Molly Lien, INEC/AL
Johnny Andersson, INEC/IF
Hans Wettergren, INEC/Marknad
Lisbet Bostrand, NATUR/LUV
Alexandra Wachtmeister, NATUR/Miljö
Ingemar Gustafsson, POM
Ann Stödberg, POM
Tomas Brundin, SEKA/EO
Mats Hårsmar, UD/EGDI

Seminar Leaders:

Gun Eriksson Skoog, UTV
Lage Bergström, Consultant

Sida Studies in Evaluation

- 96/1 *Evaluation and Participation – some lessons.*
Anders Rudqvist, Prudence Woodford-Berger
Department for Evaluation and Internal Audit
- 96/2 *Granskning av resultatanalyserna i Sidas landstrategiarbete.*
Göran Schill
Department for Evaluation and Internal Audit
- 96/3 *Developmental Relief? An Issues Paper and an Annotated Bibliography on Linking Relief and Development.*
Claes Lindahl
Department for Evaluation and Internal Audit
- 96/4 *The Environment and Sida's Evaluations.*
Tom Alberts, Jessica Andersson
Department for Evaluation and Internal Audit
- 97/1 *Using the Evaluation Tool. A survey of conventional wisdom and common practice at Sida.*
Jerker Carlsson, Kim Forss, Karin Metell, Lisa Segnestam, Tove Strömberg
Department for Evaluation and Internal Audit
- 97/2 *Poverty Reduction and Gender Equality. An Assessment of Sida's Country Reports and Evaluations in 1995–96.*
Eva Tobisson, Stefan de Vylder
Secretariat for Policy and Corporate Development.
- 98/1 *The Management of Disaster Relief Evaluations. Lessons from a Sida evaluation of the complex emergency in Cambodia.*
Claes Lindahl
Department for Evaluation and Internal Audit
- 98/2 *Uppföljande studie av Sidas resultatanalyser.*
Göran Schill
Department for Evaluation and Internal Audit
- 98/3 *Evaluating Gender Equality – Policy and Practice. An assessment of Sida's evaluations in 1997–1998.*
Lennart Peck
Department for Evaluation and Internal Audit
- 99/1 *Are Evaluations Useful? Cases from Swedish Development Cooperation.*
Jerker Carlsson, Maria Eriksson-Baaz, Ann Marie Fallenius, Eva Lövgren
Department for Evaluation and Internal Audit
- 99/2 *Managing and Conducting Evaluations. Design study for a Sida evaluation manual.*
Lennart Peck, Stefan Engström
Department for Evaluation and Internal Audit
- 99/3 *Understanding Regional Research Networks in Africa.*
Fredrik Söderbaum
Department for Evaluation and Internal Audit

- 99/4 *Managing the NGO Partnership. An assessment of stakeholder responses to an evaluation of development assistance through Swedish NGOs.*
Claes Lindahl, Elin Björkman, Petra Stark, Sundeep Waslekar, Kjell Öström
Department for Evaluation and Internal Audit
- 00/1 *Gender Equality and Women's Empowerment. A DAC review of agency experiences 1993–1998.*
Prudence Woodford-Berger
Department for Evaluation and Internal Audit
- 00/2 *Sida Documents in a Poverty Perspective. A review of how poverty is addressed in Sida's country strategy papers, assessment memoranda and evaluations.*
Lennart Peck, Charlotta Widmark
Department for Policy and Socio-Economic Analysis
- 00/3 *The Evaluability of Democracy and Human Rights Projects. A logframe-related assessment.*
Derek Poate, Roger Riddell
Department for Evaluation and Internal Audit
- 00/4 *Poverty Reduction, Sustainability and Learning. An evaluability assessment of seven area development projects.*
Anders Rudqvist, Ian Christoplos, Anna Liljelund
Department for Evaluation and Internal Audit
- 00/5 *Ownership in Focus? Discussion paper for a Planned Evaluation.*
Stefan Molund
Department for Evaluation and Internal Audit
- 01/01 *The Management of Results Information at Sida. Proposals for agency routines and priorities in the information age.*
Göran Schill
Department for Evaluation and Internal Audit
- 01/02 *HIV/AIDS-Related Support through Sida – A Base Study. Preparation for an evaluation of the implementation of the strategy "Investing for Future Generations – Sweden's response to HIV/AIDS".*
Lennart Peck, Karin Dahlström, Mikael Hammar skjöld, Lise Munck
Department for Evaluation and Internal Audit
- 02/01 *Aid, Incentives, and Sustainability. An Institutional Analysis of Development Cooperation. Main Report.*
Elinor Ostrom, Clark Gibson, Sujai Shivakumar, Krister Andersson
Department for Evaluation and Internal Audit
- 02/01:1 *Aid, Incentives, and Sustainability. An Institutional Analysis of Development Cooperation. Summary Report.*
Elinor Ostrom, Clark Gibson, Sujai Shivakumar, Krister Andersson
Department for Evaluation and Internal Audit
- 03/01 *Reflection on Experiences of Evaluating Gender Equality.*
Ted Freeman, Britha Mikkelsen
Department for Evaluation and Internal Audit

- 03/02 *Environmental Considerations in Sida's Evaluations Revised: A follow-up and analysis six years.*
Tom Alberts, Jessica Andersson, with assistance from:
Inger Årnsfast, Susana Dougnac
Department for Evaluation and Internal Audit
- 03/03 *Donorship, Ownership and Partnership: Issues arising from four Sida studies of donor-recipient relations.*
Gus Edgren
Department for Evaluation and Internal Audit
- 03/04 *Institutional Perspectives on the Road and Forestry Sectors in Laos: Institutional Development and Sida Support in the 1990s.*
Pernilla Sjöquist Rafiqui
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- 03/05 *Support for Private Sector Development: Summary and Synthesis of Three Sida Evaluations*
Anders Danielson
Department for Evaluation and Internal Audit
- 04/01 *Stronger Evaluation Partnerships. The Way to Keep Practice Relevant*
Gus Edgren
Department for Evaluation and Internal Audit
- 04/02 *Sida's Performance Analyses – Quality and Use*
Jane Backström, Carolina Malmerius, Rolf Sandahl
Department for Policy and Methodology
- 05/01 *Sida och tsunamin 2004*
En rapport om Sidas krisberedskap
Fredrik Bynander, Lindy M. Newlove, Britta Ramberg
Department for Evaluation and Internal Audit
- 05/02 *Sida and the Tsunami of 2004*
– a Study of Organizational Crisis Response
Fredrik Bynander, Lindy M. Newlove, Britta Ramberg
Department for Evaluation and Internal Audit
- 05/03 *Institutionsutveckling skapas inifrån*
Lärdomar från konsulterers erfarenheter av stöd till formella och informella regler
Lage Bergström
Sekretariatet för utvärderingar och intern revision

Development of Institutions is Created from the Inside

Institutions are formal and informal behavioural rules. They structure human interaction in social, political and economic life. Rules influence the way actors behave and societies perform and are a key to sustainable development. However, changing formal and informal rules is difficult. The process of change is complex and embedded in a country's history and culture. What do we know about how to successfully support processes of institutional development in partner countries?

This study presents the experiences of some Swedish consultants involved in different initiatives geared to promoting institutional change. It suggests six critical points for successful support: 1) real local determination to achieve change – a vision to change; 2) institutional solutions based on existing local conditions and systems; 3) enough time to develop and maintain long-term processes; 4) broadly formulated assignments, made concrete together with local partners; 5) real enthusiasts – local persons with a strong active interest of their own driving the process; and 6) pressure created from below through a cadre of actively engaged persons.

Development of institutions is created from the inside. Rules are charged with values – and values form part of the core of individuals as well as organisations. It is from the inside of this core that the driving force for change comes – and this force can be mobilised. This is particularly important for change in rules, because changing rules requires changing values. Hence, the choice of co-operation partner is important – as well as to understand how the partner thinks. Relationships may even be more important than goals and dialogue is crucial for sustainable development of rules.



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