

# Changing Rules – Developing Institutions

A Synthesis of Findings

Gun Eriksson Skoog



Sida Studies in Evaluation 2007:02



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Author: Gun Eriksson Skoog.

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SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: SE-105 25 Stockholm, Sweden. Office: Valhallavägen 199, Stockholm

Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64

E-mail: [sida@sida.se](mailto:sida@sida.se).

Website: <http://www.sida.se>

# Foreword



Institutions – the formal and informal rules for social interaction – are a key to sustainable development and poverty reduction. Donors and their partners recognise this. Institutional reforms are high on the agenda and supporting institutional development (ID) is a strategic issue. This is recognized in the Paris Declaration which emphasises programme support and capacity development at systems level. However, changing rules – developing institutions – is a complex undertaking as institutions are embedded in a country's specific historical and cultural context. Thus, if ID is inherently 'local', what role is there for donors? How can they successfully support ID as a means to contribute to poverty reduction?

In 2004, Sida's Department for Evaluation and Internal Audit launched an evaluation theme on supporting ID, with the purpose of learning lessons from Sida's experience and enhancing the understanding of these issues. This report synthesises the findings, lessons and implications of a first orientation and overview phase.

The report concludes that Sida support for ID is comprehensive, deliberately provided and broad in scope, but that theories of change, strategies and methods for dealing with the characteristics of ID are not well articulated. Even less is known about the performance and long-term impact of such support. An essential lesson is that ID is a dynamic process of complex interactions and calls for deeper understanding of the complex process of institutional change – not least the relationship between formal and informal rules – the adoption of a process-oriented approach and developing common concepts and analytical frameworks.

Evaluation work is thus expected to provide information about results and lessons learned. In addition evaluations may contribute to a) learning about the local context and processes of ID, b) the development of common concepts and understanding through joint reflection among Sida staff and country partners, and c) enhancing the capacity of local partners.

The report concludes by observing that since the institutional perspective helps unfold the context – it makes the hidden explicit – it may be useful to contextual analysis at all levels beyond support specifically aimed at ID.

*Eva Lithman*

Director

Department for Evaluation and Internal Audit



# Abstract

Institutions may be seen as 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. Donors recognise this and seek to support the development of economic, political and social institutions. However, changing formal and informal rules is difficult. The process of change is complex and embedded in a country's history and culture. What role is there for donors? How can they successfully support processes of institutional development in partner countries? These issues are at the centre of a Sida evaluation theme on supporting institutional development. This report synthesises findings from a comprehensive orientation and overview phase, identifies lessons learned and discusses the implications for the evaluation theme as well as for Sida more generally.

Findings show that Sida support for institutional development is comprehensive, deliberately provided and broad in scope – and it is hence easy to get a picture of *what* Sida supports – but there is uncertainty about *how* Sida goes about providing that support, and *why* it does what it does. Even less is known about the performance of such support, which indicates a strong need for evaluation. Lessons about how to support institutional development include a call for a deeper understanding of the underlying process of institutional change, as well as for developing common concepts and analytical frameworks, strategies and methods for policy and practice of Sida support. In particular, there is a need to actively take account of the characteristics and specific difficulties of institutional development – which may require change in Sida's own internal ways of working.

One conclusion of the orientation and overview phase is that, apart from making traditional contributions in terms of knowledge about results and lessons learned, evaluation can make significant additional contributions. It can contribute to learning about the process of institutional development as such, to a common understanding and language about these issues, and to opportunities for joint reflection and learning among Sida staff and country partners. A concluding reflection is that a major contribution of an institutional perspective is that it helps us to open up the context – makes the hidden explicit. It is therefore useful to all Sida support and contextual analyses at all levels.





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# Summary

There is broad consensus that institutions – the formal and informal rules of social interaction – are crucial for development. In many countries, it is the existing ‘rules’ which prevent sustainable development and poverty reduction from taking place.

Donors and their partners recognise this. Institutional reform has been on the agenda since the late 1980s, and supporting institutional development (ID) is now a strategic issue. The current trends towards programme support and capacity development at systems level – all reflected in the Paris Declaration – highlight the importance of well-functioning institutional frameworks and a thorough understanding of how to reform these in order to bring about poverty reduction. Supporting ID thus has significant implications for donors.

Change in formal and informal rules is hard to achieve however – as witnessed by the experience of many reform attempts. The process is complex and embedded in a country’s history and culture – the specific context of social, political and economic rules of the game. If institutions are inherently ‘local’ and specific to a particular context, what is then the role of donors? How can they as ‘outsiders’ successfully support processes of ID as a means to contribute to poverty reduction?

## Synthesis Report from an Evaluation Theme

These issues are at the centre of an [evaluation theme](#) initiated by Sida’s Department for Evaluation and Internal Audit (UTV) in 2004. The primary purpose is to *learn lessons from Sida’s experience from supporting ID in partner countries*. A second purpose is to *contribute to an increased understanding of the role of institutions for development and of the processes of ID, as well as the implications for development co-operation more broadly*.

The evaluation theme adopts a process-oriented and participatory approach. As a first step, an orientation and overview ([O&O](#)) phase was conducted in close co-operation with Sida’s operative departments and field offices. The aim was to *serve both as a pre-study, setting the stage for up-coming evaluation, as well as a learning phase for all those involved in the process*. A number of activities were conducted and several reports were produced.

The present [synthesis report](#) concludes the O&O phase. It primarily addresses Sida staff, but is also directed to Sida’s partners. Its purpose is to: *a) report the findings of the O&O phase, b) identify lessons learned from this phase, and c) discuss the implications for evaluation as well as for Sida more generally*.

The report first briefly clarifies the *institutional concepts* used in this evaluation theme. It thereafter summarises the *findings of a review of Sida support for the development of formal and informal rules* in four countries – Kenya, Mozambique, Laos and Vietnam. It goes on to report *lessons learned from experience about how to support ID successfully*, based on reviews of Sida evaluations and the work of other donors and, in particular, the experience of ‘aid’ consultants. *Additional lessons that have emerged in the process* are discussed, firstly, about the nature of ID, and secondly, for Sida’s development co-operation more generally. Finally, the report draws *conclusions about what we now know, or do not know*, and discusses *major knowledge needs and other implications for Sida* – for its support for ID as well as more generally, and for evaluation in particular.

## Institutional Concepts

**Institutions** are here defined as the formal and informal *rules which govern social interaction*. They prescribe behaviour for human interaction in social, political and economic life. They are the ‘rules of the game’. Institutions are thus distinguished from *organisations*, which together with individuals are the ‘players of the game’. They act and interact according to the rules. *Formal* rules such as laws, regulations and statutes, are codified. *Informal* rules are the work routines, social codes of conduct and customs. They are implicit but still adhered to. In many partner countries it is the informal rules that are crucial.

Institutions influence actors, but are also influenced by actors. The rules of the game are not fixed, but changed over time by actors – organisations as well as individuals. Institutional change need not be beneficial. What we mean by **institutional development (ID)** is *institutional change in a direction that promotes sustainable economic, political and social development to achieve poverty reduction*. Hence, ID is a means to a higher goal – not an end in itself.

## Findings about Sida Support for Institutional Development

A review of Sida’s work in four countries paints a picture of Sida’s existing support for ID. The review is partial, but does illustrate what this support looks like and how Sida works.

As regards the **nature of Sida support for ID**, the report finds that

- In general, this support is *comprehensive, deliberately provided and broad in scope, in particular the development of formal rules* is explicitly aimed for and supported. *Support to informal rules is less explicit and less conscious – and more contentious*, as it reveals that changing rules involves changing values and culture.

As regards [Sida's way of supporting ID](#), the report notes that

- There is *uncertainty and a seeming lack of awareness within Sida as to how it actually goes about supporting ID and why it does what it does*.
- This implies that there is an *unclear overall strategy and approach* to the support, and *no clear programme theory* for how to achieve the ID aimed for. Existing elements of approach tend to be implicit, partial and narrow – focusing on individual or organisational level while institutional change is aimed for at higher systems level – but the wider context and complexities are not addressed.
- This is further reflected in a *lack of strategic considerations as to how and why Sida relates to different local actors* involved in ID – with few strategic choices of central actors or agents of change and limited consideration of power relationships.
- In particular, there are *ambiguities as to how, and why, Sida relates to the state* – a strong state-sector bias seems partly to be taken for granted as well as implicit assumptions that the state is the primary change agent.

These observations lead to [two major conclusions](#):

- 1) There is a *striking gap between Sida's comprehensive and deliberate support, on the one hand, and the uncertainty and vagueness about how Sida goes about it and why, on the other*. It is easy to identify Sida support and get a qualitative overview of what it supports, but difficult to get a picture of how Sida goes about doing that and why. The observed ways of supporting seem to reflect implicit assumptions and unclear considerations rather than strategic choices.
- 2) Sida *lacks systematic ways and methods for dealing with the characteristics of institutional development (ID)* – there is no explicit or conscious dealing with institutional complexity, dynamic processes of institutional change or ID at the systems level. *In particular the factors which render ID particularly difficult* – such as interests vested in the existing institutional set-up, fear of change and prevailing mind-sets – *are neglected*.

Two other major observations are made about [Sida's taking the institutional context into account](#):

- Central *institutional conditions* and reform characteristics are *acknowledged as important, in particular formal ones, but the understanding of the local context is not always used or acted upon*. Examples are a certain tendency to avoid 'difficult' institutional issues – in particular informal rules and their consequences, not least for the role and functioning of the state; another is not to make use of the opportunities offered by a certain institutional set-up. *Knowing, but not doing*.

- *Limitations are imposed by inter-donor relations and constraints within Sida's own organisation.* Donor co-ordination and harmonisation may, for example, force Sida to promote inferior methods. Dialogue is seen as central, but methods are poorly developed and resources limited. Staff may also get caught in contradictory tendencies within 'aid' – aid does not seem to be well adapted to the characteristics and needs of ID. *Knowledge is not enough.*

These observations lead to a [third conclusion](#):

- 3) Sida's fairly good knowledge of the local institutional context often seems not to be used because *efforts to work more consciously and strategically with support for ID are constrained by limitations imposed by 'aid' and donors themselves.* The officially denied so-called disbursement goal recurred repeatedly as a significant constraint, suggesting *there may be incentives within aid that prevent effective support for ID* from being implemented.

## Lessons for Supporting Institutional Development Successfully

Several efforts were made to explore existing knowledge about supporting ID successfully in order to identify lessons learned from past experience. Reviews of Sida evaluations and the work of other donors were made, and the experience of 'aid' consultants was collected during a learning exercise and documented.

The [major conclusions of the reviews of Sida evaluations and the work of other donors](#) are somewhat disappointing:

- *The review of Sida evaluations offered little information on lessons for support of ID.* It proved difficult to identify such support in the first place, and even more so to draw conclusions from it. While individual factors for successful support to ID were identified in a deeper analysis of five selected evaluations, it is not possible to paint an overall picture of success factors or lessons learned on the basis of this review.
- *Lessons learned on supporting ID are not easily accessible within the donor community* – at least not by the initial review conducted during the O&O phase. Evaluations and other documents that explicitly report on lessons for supporting ID were particularly difficult to identify. The review found explicit approaches to support for ID to be scarce and a conceptual confusion among donors on institutional issues.

The [collection of experience of 'aid' consultants](#) turned out to be far more valuable and leads to the following [major conclusions](#):



- *A large number of useful lessons about supporting ID were learned from experienced Swedish aid consultants.*
- There was a particularly strong consensus that there are *two essential and fundamental conditions* for successful ID projects:
  - 1) *Real determination to achieve change on the part of the local partner* – but the change does not need to be concretised in specific descriptions of what the result should be
  - 2) *Co-operation is based on the understanding that ID 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.*

#### Additional important [lessons for supporting ID](#):

- *ID is created from the inside.* Rules are charged with values – and values form part of the core of both people and organisations. The *driving force for change originates from this core and has to be mobilised* to achieve successful co-operation for ID.
- *The choice of partner is important.* So are efforts to understand his/her basic positions, ways of thinking and the local institutional context. Their driving forces can also be influenced. For sustainable development of rules, *relations may be more important than goals.*
- *Dialogue is of decisive importance – and requires presence.* Nurturing relations and contextual understanding require presence and participation in continuous dialogue over long periods of time. Aid actors must establish personal relationships beyond the call of duty. *Initiatives from outside can be useful.* Aid actors can critically discuss weaknesses, legitimise alternatives and highlight issues that local stakeholders cannot openly express – and offer new mind-sets.
- *Identify and influence values.* ID involves changing values. The parties need to understand each others' world view and thinking – and values. It is also important to be aware of one's own values, to specify the change in values that are sought and ascertain that these are in line with the values promoted by Swedish development co-operation.
- *Adopt a process-oriented approach – since ID is dynamic, gradual and difficult to foresee.* Time and space is needed to search for new solutions that need to be developed in social interplay. Formulate projects in broad terms and specify/adapt activities later through learning. Understand what is happening 'just now' and *flexibly adjust to windows of opportunity.* This requires change within Sida – in attitude, rules, methods, allowing decision making under uncertainty, more follow up rather than detailed planning in advance.
- *A central problem: too little is known about the complexity of ID.* Complexity is

recognised but little is known about relationships and interactions between different rules, actors and other factors in complex systems and processes of ID and change. There is an *urgent need for more knowledge and development of analytical methods – not least to better understand the relationship between formal and informal rules.*

- *Reflect together and develop a common language.* There is a pent-up need to reflect on experience together with others – not least over organisational borders, as in this learning exercise – and to develop a common language that is understood by everyone working with ID.

## Lessons Learned about the Nature of Institutional Development

Apart from lessons directly based on the different studies conducted, additional – partly unintended – lessons emerged during the O&O process. First of all, lessons were learned about the nature of ID.

General conclusions are:

- A major lesson is that *ID is a dynamic process of complex interactions.* There are hence two overall characteristics of ID that have become increasingly clear – referred to as *process* and *complexity* – on which a number of lessons were learned.
- These lessons have important implications for supporting ID. In general, they mean that Sida and its partners *need to be aware of the characteristics of the process of ID and the different factors involved in its complex interactions* – in particular those which make ID difficult – and *relate to and act on these in a conscious and strategic manner.*

Lessons were learned about the **characteristics of the process** of ID:

- ID evolves in steps over time in a *dynamic* process that is often *gradual* and incremental, but not necessarily smooth, and the sequence may vary.
- ID is largely *organic* – the process evolves spontaneously without conscious design – even formal reform with planned elements involves unanticipated change. It is therefore *difficult to foresee.*
- ID is *path dependent* – shaped by the existing specific institutional set-up and other contextual circumstances plus events occurring in the process. *History matters!*
- ID is *complex* – *in several respects* – influenced by several factors which act, change and interact. It often takes place within complex institutional set-ups and/or systems of organisations and may involve change of rules at different levels.

Lessons were also learned about the complexity of ID, which involves the interaction of a number of crucial factors:

- *Initiating and driving factors:* Certain factors initiate ID – for example economic crises – others account for its continuation – such as repercussion effects of partial reform that require complementary change.
- *Actors, their roles, incentives and interaction:* ID takes place through interaction of individuals and organisations – some promote others resist change, depending on incentives and power determined by the existing institutional set-up. The state is a central actor, but not the only one, and its role in society may vary and individual state actors may play different roles.
- *Values and beliefs – perceptions and ideas:* ID requires change in mind-sets – values about ‘how the world should be’ and beliefs about ‘what the world is like’.
- *Other rules – particularly informal:* Institutional interrelatedness implies that rules are linked to each other – and so is change in rules. ID is influenced by existing rules, may require complementary change, as well as give rise to additional change in other rules. In particular, the role of informal rules is important – they are hidden and implicit but often take precedence over formal rules and influence formal ID.
- *Other factors – notably knowledge:* Knowledge and competence development matters – but it is unclear how and to what extent. Effective ID involves change of behaviour and this requires learning – knowledge and competence develop in the process. ID is a learning process.

These lessons also help us identify a set of factors which contribute to rendering ID particularly difficult:

- *Vested interests* in maintaining status quo
- *Uncertainty* and fear of change
- Prevailing mind-sets: *values and beliefs*
- *Invisibility* of rules, especially informal rules
- *Inter-relatedness* between different rules
- *Embeddedness* of institutions and change
- ID requires *learning*

## Additional Lessons – for Development Co-operation in General

During the O&O phase, general lessons from the process of working with this theme – which go beyond the specificities of support for ID – also emerged.

The positive response and devoted interest of many Sida staff and other actors participating in the O&O phase contribute to a strong impression and [overall conclusion](#):

- *The institutional theme highlights and responds to a set of deeply perceived general needs within Sida's organisation and among its partners.*

These perceived needs are linked to [two sets of lessons](#):

- *There is a perceived need to understand, consider and act on certain issues raised by the institutional theme within development co-operation in general – the increasing complexity within 'aid'; the process character of social change and difficulty to plan support; that 'aid' involves influencing values and culture; and the importance of the specific local context, in particular 'the informal'.*
- *Essential lessons can be learned from the learning process itself – about learning – a perceived need to reflect together on one's own practice; the usefulness of a participatory and dialogic approach; a prevailing wish to know more about 'what works and what does not'.*

## Conclusions: Need for Knowledge, Action and Evaluation

On the basis of these findings and lessons, the synthesis report draws conclusions about what we now know – or do not know – as a result of the O&O phase and about the implications for Sida.

One purpose of the O&O phase was to serve as a learning phase, and a [first general conclusion](#) is:

- The O&O phase has certainly *offered significant and useful knowledge* about support for institutional development. Still, there remains a *need for deeper knowledge, and hence for evaluation, but also for making use of existing knowledge and for strategic action.*

So, what do we now know, and what do we not know? And what do we need to know more about? The report draws the following [conclusions about our present state of knowledge and our continued knowledge needs](#):

- *We now know far more than when we started* – previously largely implicit and therefore hidden knowledge has been made explicit, visible, and thus more widely available.
- *This knowledge is useful and certainly offers valuable inputs* – into building a more solid knowledge base; development of conceptual and analytical frameworks; as well as strategies and methods for support.

- Nonetheless, *uncertainties and knowledge gaps remain* – suggesting essential knowledge needs.
- *There is a particularly strong need to know more about 1) Sida support and 2) its performance, and a fundamental need to get a deeper understanding of 3) the nature of ID:*
  - 1) In particular, Sida's approaches and methods to support – how it goes about it and why – but also how it supports informal rules, and ID at programme level
  - 2) Urgently! How Sida support performs – its effects/results – and what the consequences of the identified shortcomings are
  - 3) Notably, the complex interactions, including the role of informal rules, values and central actors – both general knowledge about ID and specific knowledge about the local institutional context

What are the [further needs and implications for Sida](#) – for its support for ID as well as more generally? The report [concludes](#):

- First of all, *learning more about ID and Sida support requires a whole set of measures* – developing conceptual and analytical frameworks; establishing a common language and reflection on experience; developing ID competence and prioritising contextual knowledge; use and promotion of research.
- Secondly, *there is a need to take further action on Sida support for ID* – develop strategies and methods; use existing contextual knowledge and apply lessons learned; deal with characteristics and specific difficulties of ID; develop performance criteria and indicators compatible with ID; adapt Sida's own ways of working/create conditions to enable action.
- In addition, *there are other needs with implications for Sida more generally* – deal with complexity, process, values and local context; allow time and space for joint reflection on practice; develop participatory and dialogic ways of working in order to promote learning.

Another purpose of the O&O phase was to serve as a pre-study for evaluation, and a [second general conclusion](#) is:

- The O&O phase has set the stage for up-coming evaluation – by showing that *the preliminary evaluation questions remain valid* while offering a *deeper understanding and more detailed and specific knowledge about what to explore*, and suggesting that *evaluation can make significant traditional as well as non-traditional contributions*.

The two [preliminary general evaluation questions](#) are, somewhat simplified:

- 1) To what extent, how and why has Sida support contributed to effective ID in partner countries?

- 2) To what extent, how and why has the outcome of Swedish support been affected by Sida's understanding and consideration of local institutional conditions?

So what do our findings [mean for evaluation](#) – and what contribution can evaluation make? The report [concludes](#):

- *There is a strong need for evaluation which can make crucial traditional contributions* – knowledge about performance/effects of support; additional lessons learned about supporting ID; more profound and detailed descriptions of support and approaches.
- *Evaluation can also make valuable non-traditional contributions* – deeper learning about the nature of ID processes and the local institutional context; common understanding and language; opportunities for joint reflection and learning
  - *Offers particular opportunity for Sida and partners to learn together and develop common understanding – Sida may contribute to develop knowledge and competence in partner countries.*
- *Evaluation can make additional contributions, in terms of useful inputs* – further development of knowledge base; conceptual and analytical frameworks; strategy and methods.
- *There is also a need to develop evaluation methods* – analytical tools and methods for evaluation of ID support specifically; opportunities for sharing of experience, reflection and participatory evaluation processes more generally.

## Concluding Reflections on the Institutional Perspective

A [major contribution](#) of the institutional perspective is that it *helps us to open up the context*. The context is often a 'black box'. The institutional perspective lifts the lid of the box and allows us to examine what is inside. We find that the context largely consists of institutions – formal and informal rules – the behavioural incentives these give rise to and the associated ideas and values. We may break down the context into parts that can be identified, studied and consciously related to. Clearly, an institutional perspective *can be useful in all Sida support* – not only support specifically aimed at ID – *and to contextual analyses at all levels*. It makes the tacit and hidden explicit and clear.

# 1 Introduction

## 1.1 Background

Institutions – defined as the formal and informal rules within which humans and organisations interact – play a crucial role for sustainable economic and social development. There is now a broad consensus, well founded in research.<sup>1</sup> However, existing institutional set-ups in many developing and transition countries constitute obstacles to development and poverty reduction. They are either a cause of the problem or put constraints on change. Moreover, they may render development co-operation efforts ineffective. Consequently, if poverty reduction and sustainable development is to take place, institutions too must be developed.

Donors and their co-operation partners recognise this. Institutional development has been on the agenda since the late 1980s. Supporting institutional development is in fact a strategic issue for donors – and increasingly so in the light of recent trends, not least the Paris Declaration. The ongoing shift towards programme support forces donors to focus all the more on ‘big systems’ issues. This highlights the role of capacity development and well-functioning development-conducive institutional frameworks. Similarly, a rights-based and multi-dimensional approach to poverty reduction requires a thorough understanding of how institutional constraints and opportunities influence the power, choices and resources of the poor, as well as knowledge about how to reform those set-ups. Coming to grips with institutional development issues is hence a crucial part of the new directions that Sida has committed to.

Institutional development is not a goal in itself, however. It is a means to achieve poverty reduction and other development goals when the existing rules of the game do not serve that purpose well enough. This is stressed for instance in the Swedish Government Policy for Global Development, which states that contributing to increased knowledge and building sustainable institutions is at the centre of development co-operation.<sup>2</sup> Similarly, Sida’s Policy for Capacity Development establishes institutional development as a key component of capacity development.<sup>3</sup>

Developing formal and informal rules is not an easy task, however, as witnessed by the experience of many reform attempts. The process of institu-

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<sup>1</sup> Not least thanks to the works of the economic historian and Nobel Prize winner Douglass C. North and others with the so-called New Institutional Economics.

<sup>2</sup> Swedish Government (2003)

<sup>3</sup> Sida (2000)

tional development is embedded in a country's specific historical and socio-cultural context. Social, political and economic rules, formal as well as informal, and the values underpinning them are linked into complex systems. Institutional development is therefore contextual, complex and often long-term and even unpredictable. Changing the rules of the game is not only a matter of identifying which rule development to aim for, but – and perhaps more importantly – a question of 'how to get there'.

This has implications for the role of donors. What can an external agency do in a partner country to support processes of institutional development when these are inherently contextual and 'local' in character? And how may we do this successfully? Clearly, supporting institutional development has important operational implications for donors.

### An evaluation theme – its orientation & overview phase

It was these questions which prompted Sida's Department for Evaluation and Internal Audit (UTV) in 2004 to initiate an *evaluation theme on support for institutional development*. Its primary purpose is to *draw lessons from Sida's experience from supporting institutional development in partner countries*. A preliminary general evaluation question is:

- To what extent, how and why has Sida as an external agency supported effective institutional development, in order to promote sustainable development and poverty reduction in partner countries?

A second purpose is to *contribute to an increased understanding of the role of institutions for development as well as of processes of institutional development, and the implications for development co-operation more broadly*. Hence, a second question is:

- To what extent, how and why has the outcome of Swedish support been affected by Sida's understanding and consideration of local institutional factors?

The evaluation theme is to perform a learning function for Sida staff at all levels and therefore adopts a process-oriented and participatory approach. As a first step, an *orientation and overview (O&O) phase* was conducted in close co-operation with Sida's operative departments and field offices. The O&O phase was aimed at *serving both as a pre-study, setting the stage for up-coming evaluation, and as a learning phase for all those involved*. Its purpose was five-fold:

- 1) to introduce institutional concepts and perspectives to Sida staff
- 2) to paint a picture of Sida's existing support for institutional development
- 3) to summarise Sida's already documented experience from such support
- 4) to initiate reflection and dialogue around the evaluation theme
- 5) to identify knowledge needs and central evaluation issues.



During the O&O phase, which was completed in 2005, a number of activities were conducted and several reports were produced (see Appendix 2 for a detailed account). The present synthesis report concludes the O&O phase, and sets the stage for the continued evaluation and learning process.

## 1.2 The Report

The overall purpose of the synthesis report is to *i) report the major findings of the O&O phase, ii) identify lessons learned from this phase and, iii) to discuss the implications for evaluation as well as for Sida more generally.* The synthesis report thereby reports the outcomes of the efforts made during the O&O phase to perform its two overall functions – as a pre-study for evaluation as well as a learning process – and its five more specific purposes (points 1–5 above). It primarily addresses Sida staff at all levels – in particular those directly involved with support for institutional development at a policy or practical level. It is relevant for all of those concerned with achieving sustainable results and who recognize the importance of understanding the institutional context. The report is also directed to Sida's partners – all those who have participated in the process or who work with or take an interest in these issues.

To achieve its overall purpose, the synthesis report is organised as follows. First of all, to clarify what we are actually talking about this introduction ends with a presentation of the basic concepts used in the report and the entire evaluation theme.<sup>4</sup> Thereafter, two chapters report the findings of the O&O phase studies.<sup>5</sup> Chapter 2 summarises the findings of a review of Sida support for the development of formal and informal rules in four countries – Kenya, Mozambique, Laos and Vietnam. It illustrates the character of the support – what Sida supports and how it goes about doing that – and thereby contributes to painting a picture of Sida's existing support for institutional development and to identifying issues raised or emerging in the process. Chapter 3 continues by reporting what we may learn from experience about how to support institutional development successfully, based on the experi-

<sup>4</sup> This links to the first purpose of the O&O phase – to introduce institutional concepts and perspectives. However, this task has been performed throughout the O&O phase in all UTV interactions with Sida staff and other participants. Two separate reports, a 'Thematic Paper' and a 'Conceptual Paper', as well as different brief versions of those, were specifically prepared and used for that purpose. The final versions of the reports are published. Both papers are published in UTV Working Paper 2005:3 (Eriksson Skoog, 2005b). The synthesis report and the entire evaluation theme take the institutional concepts and broad institutional perspective presented in the Conceptual Paper as a point of departure.

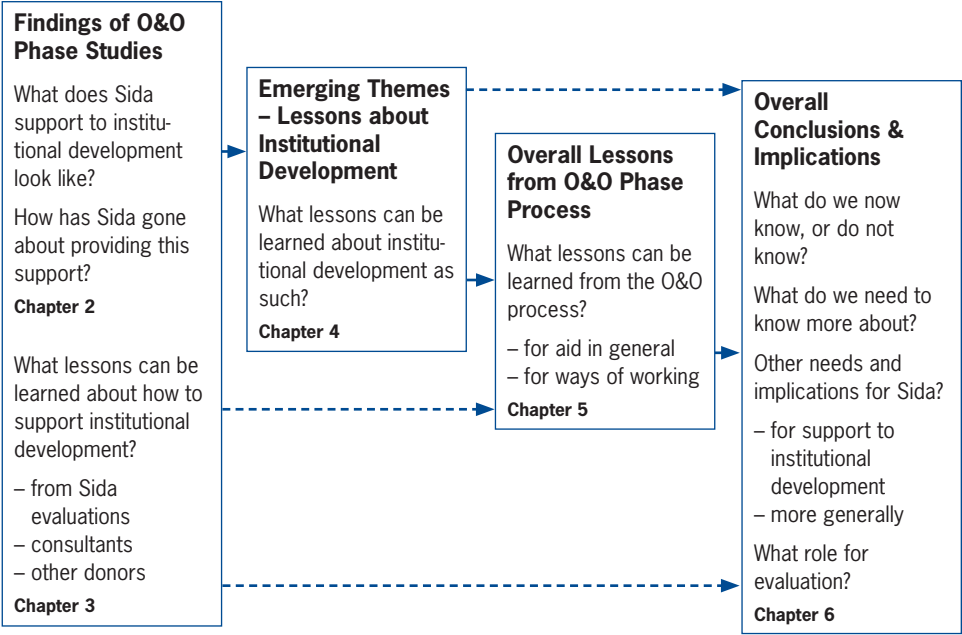
<sup>5</sup> The synthesis report is mainly based on four studies, of which two provide the major inputs. 1) The first is a review of Sida support for institutional development in four countries by Gun Eriksson Skoog, published as UTV Working Paper 2005:5 (Eriksson Skoog, 2005a). 2) The second study is a report on lessons learned from working with such support, based on the experience of 'aid' consultants, by Lage Bergström. The report is published in two versions: Sida Studies in Evaluation 05/03 (Bergström, 2005b), in Swedish, and Sida Studies in Evaluation 05/04 (Bergström, 2005a), in English. Additional but minor inputs are: 3) a review of experiences from support for institutional development as documented in Sida evaluations by Begoña Barrientos Córdova, which is an unpublished mimeo (Barrientos Córdova, 2005); 4) a partial overview of how other donors have approached support for the development of formal and informal rules by Sara Bandstein, UTV Working Paper 2005:4 (Bandstein, 2005); as well as extensive individual and group conversations with Sida staff and others – not specifically documented. The methods employed in the different studies, their specific questions, limitations etc. are discussed in each report but not accounted for here.

ence of ‘aid’ consultants and reviews of Sida evaluations and the work of other donors.<sup>6</sup>

Apart from functioning as a pre-study for evaluation the O&O phase was to serve as a learning function. During the very process, additional lessons to those reported in Chapters 2 and 3 have in fact emerged. Lessons have been learned about institutional development as such. This is in fact a second purpose of the overall evaluation theme, and the O&O phase itself has made such a contribution. During this phase, several issues have repeatedly recurred and been highlighted implicitly or explicitly. In Chapter 4, they are clustered into emerging themes – themes which largely correspond to lessons learned about institutional development itself. They have a number of implications for Sida, which are reflected upon in the chapter. Thereafter, Chapter 5 brings forward lessons learned from the very process of working with this theme during the O&O phase, together with lessons for Sida’s development co-operation more generally.

Chapter 6 briefly summarises findings and lessons reported in the previous chapters – with a focus on their implications. It concludes about what we now know, or do not know, and discusses the knowledge needs, other needs and implications for Sida – for its support for institutional development as well as more generally, and for evaluation in particular. Figure 1.1 illustrates the outline of Chapters 2–6.

Figure 1.1 Outline of Chapters 2–6



<sup>6</sup> The chapter thereby links to the third purpose of the O&O phase – to summarise Sida’s already documented experience.

## 1.3 Institutional Concepts

Within development co-operation, the meaning of institutions and institutional development varies. Throughout this evaluation theme as well as in this report, a broad and explicitly institutional approach is adopted. *Institutions* are defined as formal and informal *rules* which govern social interaction. They prescribe behaviour and thereby structure human interaction in social, political and economic life. By shaping incentives for behaviour, rules influence the way actors behave and societies perform. It is important to distinguish between institutions and *organisations*, which are actors just as individuals. Institutions can be seen as the ‘rules of the game’ whereas organisations and individuals are the ‘players’.

Another important distinction is that between *formal* rules – which are codified in written form, such as laws and regulations, statutes etc. – and *informal* rules. Informal rules such as work routines, social codes of conduct and customs, are implicit but still adhered to. There are different *types* of rules for different kinds of activity, for instance economic, political, administrative, judicial and socio-cultural rules. Rules are not *effective* unless they are adhered to, applied and enforced – hence what matters are ‘rules in use’. Rules exist at all societal *levels*, from the international, through the national, sector and organisational level to the group level. They may be structured hierarchically, where higher-level rules regulate rule setting at lower levels. Institutions are also functionally *interrelated*. They fit into a system; where one rule ceases to apply, another takes over. Hence, institutions – whether formal or informal rules – complement one another.

The *relationship* between rules and actors is *dual*. First of all, institutions – the rules of the game – establish the framework within which actors (organisations and individuals) interact with one another. Institutions thereby shape incentives for individual behaviour and for organisational performance, and determine much of the outcomes of society – they are a key to sustainable development.



However, and secondly, the rules of the game are not fixed for ever, but are changed by actors over time. Hence, institutions – the rules of the game – are in their turn created, shaped and changed by actors – organisations as well as individuals.

*Institutional development* here refers to *institutional change* in a direction that promotes sustainable economic, political and social development to achieve poverty reduction. An institutional change is not necessarily positive; there may of course be negative institutional change as well. Still, in order to promote institutional development we need to understand institutional change, more particularly *processes* of institutional change. When we talk about institutional

development and change, we refer to *effective* change. Hence, a nominal change in formal rules – a new law, for example – does not count as effective change unless that rule is also actually implemented, enforced, adhered to and thus effectively used.

One may distinguish between two major types of institutional change. Firstly, formal rules are often created as a result of *plan and conscious design*. This requires some kind of collective action and decision making, often through the political system. Secondly, and by contrast, informal rules tend to evolve *organically*, spontaneously and unintentionally over time through human interaction. Social systems come about through a combination of spontaneously evolved and intentionally designed institutions.

Institutional change, formal as well as informal, takes place through a *process* – a sequence of events in causal and chronological stages over time. A major question to be explored is how donors actually go about it and what they in fact can do to support effective institutional development and promote such processes of institutional change.

## 2 General Observations about Sida Support for Institutional Development

When the evaluation theme was initiated, the impression was that Sida had considerable and long experience from supporting institutional development in both the East and the South. This vast experience notwithstanding, an overview of the support was lacking. Before evaluations, it is important to get a general picture of the support and how Sida actually works with these issues. UTV therefore initiated a review.

Information on Sida support for institutional development is not readily available however, since ‘institution’ is not a standard category within Sida upon which data can be easily obtained. A complete overview would have been an overwhelming task. Hence a partial review of Sida support for institutional development in four selected partner countries – Kenya and Mozambique, Vietnam and Laos – was conducted. The level of ambition is thus moderate. The purpose of the four country studies is to illustrate what Sida support looks like, the ways in which Sida works with it, to identify difficulties, challenges and central issues related to such support, as well as needs to gather knowledge and other needs.

The purpose of this chapter is to summarise the major observations of the review of Sida support for the development of formal and informal rules in the four country studies – what Sida supports and how it goes about doing that – and to identify central issues raised or emerging. All difficulties, challenges, needs and issues related to support and addressed in the review are not reported here, but many are implicitly reflected in the text. Central ones are highlighted and others are captured in the themes and lessons discussed in Chapters 4 and 5.

### 2.1 Major Findings from Four Case Studies

The major findings from the case studies on Kenya, Mozambique, Vietnam and Laos can be grouped into two main categories summarised in Box 2.1. Each of them is discussed further in the text that follows.

## Box 2.1 Summary of Main Findings from Four Case Studies

### *Nature of Sida Support for Institutional Development (ID):*

- In general this support is comprehensive, deliberately provided and broad in scope, in particular the development of formal rules is explicitly aimed for and supported
- Support to informal rules is less explicit and less conscious – and more contentious, as it reveals that changing rules involves changing values and culture

### *Sida's Way of Supporting Institutional Development:*

- Uncertainty and unawareness within Sida as to how it actually goes about providing support and why it does what it does
- Unclear overall strategy and approach to support – no programme theory for how to achieve the ID aimed for
- Lack of strategic considerations as to how and why Sida relates to local actors – limited consideration of power relationships
- Ambiguities as to how, and why, Sida relates to the State – state-sector bias but limited consideration of its neo-patrimonial character
- Acknowledgment of central institutions and reform characteristics, but understanding of local context not always used or acted upon
- Limitations on support are imposed by inter-donor relations and constraints within aid – favouring a 'quick fix' – and within the own organisation

## Comprehensive, deliberate & broad support

It is fairly easy to identify Sida support for institutional development and thus get an overall qualitative picture of it. The four country studies all identify comprehensive and deliberate Sida support for institutional development – support which aims at the development of both formal and sometimes, but often less explicitly, informal rules. Such support is also emphasised in the Swedish country strategies. Institutional development appears to be the core aim of many projects and programmes – although not always explicitly described as such in documents or by Sida staff and others interviewed. Support for institutional development also appears to constitute an important part of Sida's development co-operation activities in these countries. However, as the support has not been quantitatively measured, it is not possible to account for its relative financial importance and distribution.

It is nonetheless clear that this kind of support is wide in scope. Many different types of rules are addressed: economic, political, administrative and social rules, both formal and informal rules. Different kinds of institutional development are supported, larger reform processes as well as minor changes in individual rules. It seems possible to see rules change support at all levels and in most – if not all – sectors where Sida is active.<sup>7</sup> Sida also appears to

<sup>7</sup> Most sectors where Sida is active were considered in the country studies, but in particular the social sectors were poorly covered. However, other studies and non-documented conversations during the O&O phase suggest that support for development of formal and informal rules is found and perhaps equally emphasised in these sectors too.

have provided support for institutional development for quite some time. In at least some of the countries a certain ‘increase’ was reported: in Laos, a relative shift of focus towards more support for institutional development, and in Mozambique, a shift towards more consciously provided support for such change. The box below illustrates the different kinds of institutional-development efforts supported by Sida in the four countries.

### Examples of Institutional Development Supported by Sida in Four Countries

**Mozambique:** Examples of *implicit support for change in informal behavioural rules at the level of the organisation* were found in direct relation to the operations of projects within public administration. Efforts were made to influence *work cultures, work practices and routines* – which in turn requires change in attitudes and behaviour:

- changing the role of managers – encouraging them to make decisions, to interact more with and promote their staff to take own initiatives
- instilling a professional identity, work pride and work discipline among the staff
- introducing norm systems, for instance about what constitutes good control and public organisational management
- promoting a problem-oriented approach to analysis and a system-based way of thinking

**Kenya:** *Explicit support for the development of both informal rules, formal rules and their enforcement* is illustrated by support to the paralegal organisation/NGO the Education Centre for Women in Democracy. It works to improve *women's human rights and economic status*, through for example:

- promoting reform of formal laws and regulation which discriminate against women
- lobbying for the enforcement of new legislation
- influencing discriminatory traditional laws, practices and socio-cultural beliefs that govern the personal status, legal capacity and role in the family of women
- affecting the way that women may enjoy their formal rights, for instance when statutory land rights are incompatible with customary law

**Vietnam:** In relation to the country's reform process Doi Moi, which was a shift from a centrally-planned to a market-oriented economy, there are several examples of *support for reform of rules guiding economic activity*:

- formal economic rules at an overall systems level – the national institutional framework – such as formal change and implementation of property rights, through both land administration and cadastral services related to land survey
- the institutional framework at the province level for private-sector development: development of an enabling environment for small-scale enterprises and of markets for business-development services
- development of several ‘think tanks’ or research institutes within the government, to promote market-oriented reform by influencing the thinking, perceptions, ideas and attitudes – mind-sets – among central decision makers

**Laos:** Support for institutional development is found in most sectors and at different levels – some examples of *change in formal rules*:

- within environmental and natural resources, support to the drafting of a forestry strategy (formal rule) and to the implementation of environmental laws and regulations
- support to judicial reform to promote democracy/human rights and rule of law
- development of modern public authorities within the roads and forestry sectors, with new roles in managing and monitoring the county's road networks and forest resources – first at central national level and later also at provincial level, involving systems of organisations, managerial and administrative systems, initially focusing on individuals<sup>8</sup>

<sup>8</sup> This particular example is extracted from Sjöquist Rafiqi (2003).

## Uncertainty & lack of awareness – of how Sida goes about things & why

It is far more difficult to get a clear picture of how Sida goes about providing support for institutional development. This is not primarily because Sida works in a variety of ways, but mostly because Sida staff cannot account for how or why it goes about things in this particular way. Although there are exceptions, the overall impression is that there is a remarkable uncertainty or lack of awareness. The following sub-sections present the overall observations which lend support to this impression. Although striking, this is not a surprising finding, and should not be seen as a critique. Institutional development, changing of ‘the rules of the game’, is not a concept familiar to Sida staff – at least not until now.

## Unclear strategy & approach – no programme theory

The overall question of how Sida supports change in formal and informal rules can be separated into several sub-questions. The first question concerns Sida’s strategy and approach to the support at an overall level. This most clearly illustrates the strong impression of uncertainty about how Sida goes about successfully supporting institutional development.

An important observation is that while Sida may have explicitly declared aims for what its support is to achieve in terms of institutional development, we seldom came across a clear idea about how to reach that goal – neither a specification of what is required nor any description of how to get there. In these four countries, with few exceptions, we could find no strategies for how to support the development of the rules of the game. Consequently, there was often a lack of clarity and poorly developed approaches for how to implement a strategy or provide support to reach the institutional development goals. Hence, programme theories for how to support institutional development also appear to be missing.

However, there are elements of both strategy and approach found in Sida support for institutional development. In Laos, a previous implicit approach – which focused on training to individuals within organisations on the assumption that knowledge would spread and lead to wider institutional change – was identified. However, it is not perceived to have worked very well. A strongly felt need for new and more strategic ways of supporting institutional development is expressed. In Vietnam, certain patterns and tendencies were observed, but there was no explicit strategy and it is unclear whether there was any conscious approach underlying these observations.

## Partial lower-level approaches – not addressing complexity

Certain conscious – but partial – approaches can be observed. They largely concern support for the development of rules – such as work routines, best practices, internal habits and rules of conduct – within individual organisations or limited organisational structures, notably within the frames of ca-



capacity development in public administration. They are limited in the sense that they support institutional development 'within a box', as phrased by the country studies and illustrated by the cases of Mozambique and Laos. They focus on the organisational level where efforts to change rules are made, but with the larger institutional context in which the organisations operates – and which sets the limits for what and how much change can be achieved – taken as given. These partial approaches are sometimes seen as insufficient for effective organisational capacity development, and certainly for dealing with many real institutional constraints to development, which largely are found at higher systems level. These levels are neither considered nor addressed.

Lower level approaches are partial in that they do not take the wider institutional constraint into account and thereby do not consider the relationships and interdependencies between rules at different levels. By and large, a more all-encompassing perspective and approach, taking institutional inter-relatedness and thus complexity into account, is lacking. One observation is that Sida support largely aims at broad institutional development at a high system level – change in overall political system towards democracy, in economic system towards market economy or reform of a country's entire legal institutional set-up. With a shift of focus to this level – probably already underway with recent tendencies towards more sector and budget programme support – complexities increase, become all the more obvious and will need to be dealt with. However, at present, strategies and approaches for how to deal with complex institutional development – as well as institutional development at this level – remain to be developed.

#### Strategy versus flexibility – dealing with process?

Observations were also made regarding Sida's ways of relating to other characteristics of institutional change than complexity. In Mozambique, Sida appears to have developed a step-by-step, organic or 'empirical' approach for how to start support for institutional development – again, at organisational level. It means starting small, where it 'works', focussing on technical issues or training and searching for solutions through experimentation, trial-and-error – rather than grand-scale reform from the beginning. Hence, 'do what you can first and develop the rest later'. This approach is partial. Without clearly articulated thoughts about when and how to proceed, on what grounds to make those decisions etc., no clear or long-term strategy for how to continue to support the reform process after the initial steps have been taken could be observed. Nonetheless, this partial approach can perhaps be a way to deal with the dynamic or process character of reform, and the circumstance that many reform processes are difficult to plan and foresee in advance.

Some scepticism towards the perceived implicit assumptions about the benefit of a strategy for support for institutional development was expressed in relation to Vietnam. Individuals question the need for a strategy. They argue

that Sida would risk getting stuck in preconceived ideas about how the process of change will evolve and in rigid plans for how to support the process. A strategy may get in the way of the necessary flexible adaptation to changing circumstances. The view taken and – possibly also the approach adopted to support for institutional reform in the case of Vietnam – is that a strategy is something that develops during the process, step by step, through learning by doing. Other individuals recognise and stress the need for a more strategic approach, but the general view seems to be the need to allow for flexible adaptation. These observations raise a number of issues concerning what is meant by and required from a strategy. However, the reactions in the case of Vietnam may also reflect a way by which Sida relates to and deals with the circumstance that reform processes are complex, dynamic, and difficult to foresee and plan. Whether this is a conscious and explicit adopted approach – or rather an ex post rationalisation – remains unclear, however.

### Less conscious – & more contentious – support for informal rules

Sida support for institutional development identified has a clear and strong focus on formal rules, but in all four countries there is support for change in informal rules. Still, an overall observation is that there is less conscious Sida support for the development and change of informal rules. Such support also appears to be less broad in scope, among sectors and levels etc., than support for formal reform. This is a tentative conclusion as it is difficult to get a clear picture of support for informal rules. One rare example of deliberate Sida support for reform of informal rules is contributions to anti-corruption initiatives. Corruption may be regarded as a set of informal rules of the game for social interaction in certain recurrent situations. Another exception – and an outstanding one – is found in Kenya, discussed below. Most often, however, when informal rules change is supported, it is less conscious and certainly not explicitly defined as such. While elements of strategy and approach do exist for support for change in formal rules, they seem to be virtually absent when it comes to informal rules. This may suggest that Sida staff is less aware of or perceive a lesser need to reform informal rules.

Support for change in informal rules seems to be perceived as more difficult, problematic and to create greater uncertainty among Sida staff. This may partly be because rules are abstract phenomena, and informal rules even more so. Besides, Sida staff is not used to analysing and depicting informal rules explicitly. Several people seem to be less comfortable with support for informal rules – which can partly be traced to another observation. When we talk about institutions as rules and make the rules explicit, it becomes clear that rules encode values. Sida as a donor actually promotes certain values – and thus tries to influence local values, traditions, behavioural norms and thereby culture. Informal rules in particular, seem to make values and norms surface clearly, and once they surface, Sida's role in influencing informal rules and values seems to become a contentious issue.

### An exception: From patronage to rights in Kenya

Sida support for institutional development within democracy and human rights (Demo//HR) in Kenya is an exception – at least among the support identified in the four countries – extraordinary in its uniqueness. It is the only case identified where a) Sida deliberately and explicitly supports the change of informal rules and b) Sida has a clear vision and strategy for the support as well as c) a comprehensive and coherent approach for its implementation.

Sida has identified weaknesses in Demo/HR as the major cause of problems and constraints to development in Kenya. The existing fundamental informal rules of the patron-client relationships that prevail in the country are seen as the major cause of these weaknesses in Demo/HR. Swedish development co-operation with Kenya therefore aims at promoting processes of change ‘from patronage to rights’ – thorough change in the underlying set-up of informal socio-cultural and political rules that guide relationships and interactions in Kenyan society at large. Although not explicitly expressed, this may be interpreted as an attempt to change the fundamental relationship between the state and the population at large. The strategy adopted is to break down the aim into four operational principles: participation, equality (non-discrimination), transparency and accountability, and to adopt these principles throughout the Swedish programme.

Sida also has a fairly clear approach for how to promote change in the desired direction – a clear intervention logic or theory of change. This approach involves both direct support and mainstreamed support for Demo/HR as well as dialogue at all levels. In particular – and which ties it all together into a consistent whole – it combines a bottom-up with a top-down perspective and links the two. This implies, among other things, that Sida works both with the government/state sector and with civil society, as well as supporting the interaction between them. It promotes demand forces for institutional change from below – NGOs working for change in both informal and formal rules as well as their enforcement – and the supply of institutional change from above – notably in terms of reform of formal rules, but also informal rules, together with the state. Finally, support is offered for the establishment of linkages between the state and civil society at various levels, in order to promote new relationships and rules – both formal and informal – for interaction and co-operation between them. Promotion of these linkages is done through the mainstreaming of Demo/HR issues – with a participatory approach – into all new Sida-supported activities.

### Sida's interaction with local actors

There are other questions about how Sida supports institutional development; these are of a somewhat more specific and methodological nature. Some of them concern Sida's relationship with other actors, on which a

number of observations were made. These issues are of course also in some sense strategic. A strategic approach to support for institutional development may need to include how Sida should relate to different actors – actors who may be strategic for the process of institutional development.

#### Strong state-sector bias – partly taken for granted

One overall observation is that in these four countries Sida support for institutional development has a more or less strong bias towards government organisations of different kinds and at different levels – hence towards actors within the state sector. This may not be surprising, given the bilateral agreements between the Swedish and the partner country governments. Besides, in three of these four countries, what we often mean by civil society is poorly developed. Nonetheless, a strong impression is that the focus on state sector actors is largely taken for granted – rather than the result of a deliberate and strategic choice of actors – and not even ‘problematised’ much. The state-sector bias suggests that there is an implicit assumption that the state and the government are primary change agents driving the processes of institutional development and change in these countries.

#### Few strategic choices of central actors

On the basis of the four country studies it is in fact unclear how Sida views different actors and groups – at various levels and spheres of society – and their role in ongoing or initiated processes of institutional development. It is not possible to observe any conscious identification of the major change agents in these processes, of those agents who may resist change most and thus try to prevent it from taking place, for instance in terms of effective reform implementation, or of what the implications of such an analysis are for Sida’s own relationship to those actors. The impression is that analyses of central actors, their incentives for change and therefore their roles in processes of institutional development are not there and do not serve as a basis for strategic decision as regards Sida’s choice of co-operation partners or groups to support. Hence, it is not easy to identify any conscious or strategic choice of co-operation partners in terms of change agents driving processes of institutional development, or the grounds on which Sida’s actual choices of partners/actors are made.

#### Limited consideration of power relationships

Similarly, the country studies found little conscious consideration of possible implications of Sida’s actual choice of partners, in terms of influence on existing power relationships and balances in partner countries – or choice of partners on the basis of such considerations. The impression is that there is limited reflection on whether the Swedish state-sector bias may reinforce state actors and their power in relation to other groups in society – as well as about what the implications may be for the likely success of institutional-development

efforts supported by Sida. Questions like: What forces or groups may need to be strengthened in order to increase the chances that reform efforts will be promoted, effective and sustainable – the state, or other groups, such as civil society, the business community etc.? do not seem to be addressed.

The case of Mozambique further illustrates a strong bias towards support to the executive branch of the state – the government and the state bureaucracy – while other branches, notably the parliament and the judiciary, receive little support. Given that the executive branch of the state is already relatively strong in Mozambique, Sida support may run the risk of reinforcing already existing power imbalances. It is unclear what Sida's view is of the implications for effective institutional reform, e.g. within the state sector, of this circumstance. A concluding observation is that at least in the countries studied, Sida does not seem to take power relationships into consideration or as a point of departure for its own support to different actors in attempts at supporting effective processes of institutional development.

#### Certain uncertainty about Sida's role

A number of observations of and issues concerning what the role of Sida is, can and should be in supporting institutional development in partner countries – not least in relation to the observations made above – were highlighted during the country studies and the O&O phase. Sida also seems to adopt a variety of roles in practice. In Kenya for instance, it is clear that Sida has adopted a strong activist role, as a broker and net-worker, which raised questions as to what extent Sida should see itself as an agent of change. Several discussions centred round the issue of how activist Sida can and should be in promoting reform. Hence, there would seem to be a certain uncertainty about Sida's role in supporting processes of institutional development, at least in the respects discussed here.

The greatest uncertainty observed, however, is related to Sida's role in supporting the development and change of informal rules – as indicated earlier. Sida already supports the development and change of informal institutions of various kinds and to a not insignificant extent when explicitly expressed as behavioural rules for social interaction and when concrete examples were given. However, concerns about whether this was an appropriate role for Sida to play repeatedly recurred. There was a worry about whether Sida should promote certain values and change of rules, certain local traditions, behavioural patterns and cultural traits. In particular, the promotion of (change in) values etc. is perceived to be in conflict with the promotion of local ownership.

## Donor-internal methodological issues

Other aspects of how Sida supports institutional development are of a more donor-internal character – applying within as well as between donors. Apart from local actors, Sida interacts with other donors, which together with circumstances within the Swedish aid organisation as well as the broader international aid context influences how Sida works with supporting institutional development.

### Limitations imposed by donor co-ordination and harmonisation

Increased donor co-ordination and harmonisation has implications for Sida support for institutional development. Methods and approaches to an increasing extent depend on the interactions and joint agreements with other donors. While donor co-ordination and harmonisation *per se* may be favoured, negative consequences for Sida's ways of supporting institutional development are highlighted. Drawbacks are reported to concern support for capacity development, which at least according to Sida's Policy for Capacity Development involves a broad and contextual approach. When donor harmonisation forces Sida to adapt to other donors – in particular a large dominating donor such as the World Bank – Sida in fact finds itself promoting methods for support of institutional development which it does not favour. In Mozambique, for instance, these methods are perceived as poor and outdated; they focus on individually-based training instead of a more holistic approach, adopt ready-made instead of locally-adapted solutions, and short-term quick fixes as opposed to a long-term and flexible support. Adaptation further prevents Sida from making use of its lessons learned and methods developed and from feeding experiences into projects and programmes jointly supported with other donors.

### Dialogue – central but struggling with limitations

Dialogue is becoming an important means or method for Sida in general, and in support for institutional development specifically, as noted in particular in the cases of Laos and Vietnam. However, applying dialogue in practice appears to be difficult – Sida staff struggle with limitations, which has implications for how it works with reform of rules. A strong impression is that dialogue is a poorly developed method – in virtually all respects. First of all, it seems to be afflicted with a great deal of uncertainty, for instance about what is actually meant by dialogue, about what the goal of dialogue is, and about how to go about it in practice. Secondly, dialogue seems to require little aid resources/funds, which are abundant, but far more human resources than are currently available and thus are scarce. There seems to be a considerable shortage of personnel resources. Particular competence for dialogue also seems to be partly lacking, in terms of knowledge of both the various subject matters and how to go about conducting constructive dialogue, that is dialogue skills *per se*.

These limitations would seem to impose constraints on Sida support for which dialogue is an important method – and increasingly so, with ongoing shifts towards programme support at higher policy level. It would seem to render support for institutional development difficult; for Laos for example, with more attention towards systems reform at a high political level, very difficult. More specifically, within support for Demo/HR, which ought to be particularly ‘dialogue intensive’, the means available to Sida staff may not correspond to the ends.

#### Caught in contradictory tendencies within ‘aid’

During the O&O phase in general and the country studies in particular, contradictions within aid have been highlighted. It is clear that aid workers who try to support processes of institutional development are caught between these contradictory tendencies. Several individuals expressed concern about this circumstance, which may have implications for the effectiveness of Swedish support. There are a number of aspects and expressions of different possible contradictions – we shall not attempt to sort them out, merely draw attention to them. An overall observation is that the characteristics of processes of institutional development and change and their implications for how to support these processes seem to run counter to certain existing tendencies. Hence, aid workers find themselves recognising what is needed, but being prevented from tackling those needs by constraints imposed by ‘aid’. Hence, effectively supporting institutional development becomes difficult.

One observation is a strong recognition of a need for a) thorough analysis and deep understanding of local social and political conditions, not least the informal rules that often dominate, b) adapting solutions to the specific local context, c) accepting the long-term and often gradual character of reform processes and d) allowing support to adjust flexibly. It is often suggested that this way of supporting institutional development consumes little aid funding, but large human resources. We interpret this observation as an acknowledgement of the complexity and inherently local nature of institutional development, as well as an acceptance of the implications for how to support such processes of change.

The other observed and reported contradictory tendency can be interpreted as superficial and based on simplification rather than recognition of the complexities of the real world. This is the tendency for

- a) shallow analysis of the true local conditions that have a bearing on incentives, behaviour, performance etc., focussing exclusively – or at least excessively – on formal rules and technical issues
- b) imported blue-print solutions
- c) which often are to be installed whole-sale and rapidly, and
- d) with limited room for adaptation to local context or changing conditions,

- e) but with fast disbursement of large funds and expectations of quick results.

We could call this the ‘quick fix’.

These two observed tendencies within ‘aid’ and support for institutional development create a dilemma for Sida staff. Some of them ask what incentives are created within Sida that makes its staff ignore their recognition of what they know is needed, but instead continue to behave in accordance with the second tendency – the quick fix.

### Taking the institutional & reform context into account

A final set of questions of importance for our picture of Sida support for institutional development and for identifying issues related to such support are about how Sida relates to the institutional context – local formal and informal rules and reform processes – in partner countries.

#### Acknowledgement of central institutions & reform characteristics

It was an important observation that Sida staff and other interviewees can identify institutional conditions – as well as reform characteristics, in Laos and Vietnam – which they consider as crucial development constraints or factors of central importance for development, reform or successful ‘aid’. There also seems to be a fairly strong consensus of which these specific factors are as regards each of the four countries. Major formal rules – or more often sets of rules – were identified. These were, for example, the judicial system, land rights and the single-party political system, or central reform characteristics such as lagging implementation and uncertain commitment. Informal rules were also identified as central, but to a varying and lesser extent. They were often less explicitly articulated – corruption and the patron-client system are two exceptions.

These observations would seem to suggest that Sida people have a rather good understanding of the local institutional conditions. Still, another overall impression is that although sometimes substantial, the knowledge is either too general, insufficiently specific – for instance, with respect to specific sectors – or simply not comprehensive enough. This suggests that a deeper and broader knowledge may be needed for a complete understanding the local context.

#### But knowledge not always used or acted upon

More important is perhaps the number of observations suggesting that this knowledge is not always made use of or acted upon by Sida. The reasons probably vary and remain partly unclear. Is it limited knowledge after all, or are the means lacking, or is it to do with the ‘perverse’ incentives created within the aid organisation itself? Perhaps it is a combination.



In Kenya and Mozambique, a certain tendency to avoid ‘difficult’ institutional issues is suggested. Sida as a donor does not seem to address some of the institutional factors that it identifies as central constraints to development, reform and successful ‘aid’ – not even through dialogue. Sometimes local commitment to change was seen as weak. Could dialogue have strengthened it? The most striking observation is perhaps the difference between how Sida relates to the informal rules of patron-client relationships in Kenya and Mozambique – or more specifically, the virtual disregard of these central rules in the case of Mozambique. Sida staff as well as other interviewees show they recognise these rules and their importance implicitly. They bring them – or their expressions – up in conversation indirectly, but few people name them explicitly. The impression is that these rules are not explicitly considered or addressed by Sida, for instance in relation to its analysis of and support to the state – except to a most limited extent and mainly implicitly by consultants at an organisational level.

In Vietnam and Laos, the dominant role of the Communist Party, given the single-party political system, is identified as the most central actor. In Laos, getting access to the Party actor is reported to be very difficult, and not having access is perceived to be a major constraint. But while Sida has no access to the Party in Laos, the opposite seems to be the case in Vietnam. A widespread view in relation to the Vietnamese case seems to be that Sida is not using its unique relationship with the Party and therefore does not fully make use of its opportunities to promote reform, in particular with respect to Demo/HR and related sensitive issues.

#### View, understanding & relation to the state

As pointed out above, there would seem to be a strong state-sector bias in Sida support for institutional development – at least in the four countries studies here. But how does Sida view and understand the state – perceive its characteristics role and functioning? And how does this influence Sida’s relationship with the state?

#### *Neo-patrimonial state in Kenya & Mozambique*

Just as the state-sector bias suggests that the central role of the state in promoting institutional change is taken for granted, implicit assumptions about the characteristics and functioning of the state in Kenya and Mozambique are suggested. In both countries, there would seem to be a tendency – suggested, and questioned, by Sida staff themselves – to assume that the state in these countries basically functions as in the Western World, only less well. This assumption is reflected, for instance, in the stress on supporting formal reform, technical issues and knowledge development, and in the effective neglect of central informal rules such as the patron-client relationships. Although these rules are partly considered and even addressed in Kenya, their full implications for the functioning of the state would seem to be either not recognised or not acted upon. This is certainly true for Mozambique.

This is somewhat surprising. The patron-client system is an important factor in explaining the poorly functioning state in many African countries – contributing to what is referred to as the neo-patrimonial state. This state is penetrated by and nurtures patron-client relationships by those in public positions at all levels: The informal rules that apply to relationships and interactions in the broader society apply here too. The neo-patrimonial state is seen to be characterised by a set of relationships, between actors within the state as well as between the state and the population, which at least partly differs from those of the Western state – or at least from the idealised model of the Western state. In particular, relationships and rules of accountability would seem to differ – as patrons, politicians seem to be accountable first to their network clients, and then much more weakly to the population at large is weak.

The overall impression is that Sida does not analyse and depict the true character of the state in each specific case – for instance taking informal rules of patron-client relationships into account, the functions that the state performs and the consequences of the way that it actually operates. Neither does Sida seem to consider the implications of such an analysis and understanding for identification of central problems, their causes and possible solutions, nor for Sida support for institutional development.

#### *Single-party state in Laos & Vietnam*

In Vietnam and Laos, a common denominator is the single-party political system with supremacy over the state by the Communist Party. These formal rules and power relationships are identified as central by Sida. But the role of the informal rules for the functioning of the party, the state and the relationship between them was also highlighted in both countries. A general and thus more clear and conscious recognition was observed of the difficulty of getting insights into the one-party state and the party itself – not least due to these informal rules. This is interesting as a contrast to the African case. Perhaps this greater awareness can be related to the circumstance that the very formal state is so obviously different from the Western model. This means there are no expectations that this state shall function in the same way as – for example – that of Sweden.

In the two Asian countries, sets of issues emerged concerning how Sida views, understands and relates to the state. One was how Sida works with supporting institutional development within a one-party state, and a second was how it relates to the Party. Supporting institutional change while respecting the frames of a single-party state imposes certain limitations on how to go about it, as well as on what it is possible to achieve. In particular, promoting institutional development of Demo/HR seems difficult. It is difficult even to be clear and specific about what the ultimate aim of support for political institutional change should be, and what the requirements are to achieve this aim. A certain lack of clarity was observed: should Sida support aim at change of or within the one-party systems?

A second set of difficulties is associated with Sida’s – and Sweden’s – relationship to the Party within a single-party system. As reported earlier, the political level in terms of the Party – the real decision makers – may be difficult to reach. This is the case for Laos. Given that the Party is not easily accessible it is difficult for Sida to gain insights and a better understanding of rules, actors, relationships and the functioning of the Party, the political system and the state. Another observation is that working too closely with the Party – a communist party in a non-democratic state – is politically controversial in Sweden. These difficulties – and the political differences between the countries – in turn impose specific demands on the dialogue. Sida shall combine a clear forwarding of the Swedish position with the maintenance of respect, trust and a favourable working relationship. The impression is that Sida struggles – dealing with these issues is not easy.

## 2.2 Conclusions from Findings

This section draws conclusions from the findings reported above – about what we know and do not know about Sida support for institutional development. The major conclusions are:

**Box 2.2 Summary of Major Conclusions about Sida Support for Institutional Development (ID)**

*Striking gap between Sida’s comprehensive and deliberate support to ID, and uncertainties about its ways of supporting and how it motivates that:*

- Easy to identify Sida support and get a quantitative overview, but difficult to get a picture of how Sida goes about it and why
- Observed ways of supporting seem to reflect implicit assumptions rather than strategic choices and to be determined by other than conscious considerations

*Sida lacks systematic ways for dealing with the characteristics of ID, in particular with factors that render ID difficult:*

- Existing elements of approach tend to be partial and narrow, focusing on individual or organisational levels while institutional change at higher system levels is aimed for
- No explicit, conscious or systematic way for dealing with institutional complexity, dynamic processes of institutional change or institutional development at the systems level

*Sida has a fairly good understanding of the local institutional context but this knowledge is not used, partly due to constraints imposed by ‘aid’ and Sida’s organisation:*

- The officially denied so-called ‘disbursement goal/pressure’ recurred repeatedly as one constraint
- There may be incentives within aid that prevent effective support for ID from being implemented

## Deliberately provided support – but uncertainty about internal processes

It is fairly easy to identify Sida support for institutional development and to get an overall qualitative picture of what kind of rules Sida support aims at developing or reforming. Sida support for institutional development in the four countries studied is comprehensive, deliberately provided and broad in scope. It includes support for change in formal and informal rules at different levels and in most sectors. Support for change in informal rules is less explicitly and consciously provided however, and there is greater uncertainty and contention among Sida staff.

It is more difficult to get a clear picture of how Sida actually goes about providing support for institutional development and why. There is a remarkable uncertainty or lack of consciousness about this. A *major overall conclusion* is hence that

*there is a striking gap between Sida's comprehensive and deliberate support, on the one hand, and the uncertainty or lack of awareness of how Sida actually goes about it, and why, on the other.*

This difficulty means that it is easier to draw conclusions about what Sida does not do. The observed uncertainty or lack of awareness of how Sida goes about thus suggests that there is an overall lack of strategies and methods for Sida support for institutional development. Clear programme theories about how to reach institutional-development goals, and thus of how institutional development takes place, appear to be missing. Although there are exceptions, the patterns that can be observed and elements of approach that do exist seem to reflect implicit assumptions rather than conscious strategic choices. The strong state-sector bias in Sida's interactions with local partners, for instance, seems to be taken for granted rather than consciously planned. Therefore, Sida's way of supporting institutional development ought to be determined by other considerations than by clear and conscious strategic choices – but it is unclear which.

## Lack of methods to deal with particularities of institutional development

The elements of approach that do exist tend to be partial and limited. While support for institutional development often aims at change of rules at the systems level, there is a tendency to narrowly address change at lower levels – within organisations or even at the individual level. Existing approaches tend to focus on this level, while disregarding higher levels and thus the institutional context of organisations and individuals. Other elements of approach are partial in that they concern the initiation of support for reform, but not its continuation. While this may allow for the flexibility needed for support of reform processes, the impression is that it is dealt with in an 'ad hoc' or 'laissez faire' manner rather than consciously and strategically.

The lack of strategy and approach implies that at least in these four countries Sida has no explicit, conscious or systematic way for dealing with a) institutional interrelatedness and thus the complexity of institutional development, b) the dynamic character of these processes of change, or c) support for institutional development at the systems level (where much support is directed and aimed and dynamic complexity appears to be most pronounced). A *second overall conclusion* is thus that

*Sida lacks systematic ways of dealing with the characteristics, difficulties and requirements of institutional development. In particular, methods for dealing with those factors that render institutional development particularly difficult – such as interests vested in the existing institutional set-up, prevailing mind-sets and values<sup>9</sup> – are neglected.*

The review of Sida support suggests that the role of power and incentives for change is not consciously addressed, as reflected in the choice of partners. Besides, Sida's role in influencing and changing values causes uncertainty and contention among Sida staff. Instead, Sida seems to work with and regard support for institutional development as any other support – in spite of the reported constraints in terms political institutions, vested interests and power structures that render it more difficult than for instance support for organisational or technical change.

### Knowledge not always used due to constraints within aid

This *conclusion* links to the *next major one*.

*When it comes to taking the local institutional and reform context into account, an important conclusion is that while Sida staff seem to have a fairly good understanding of local institutional conditions, this knowledge does not often seem to be acted upon. – Knowing, but not doing.*

There may be a tendency to avoid 'difficult' institutional issues – in particular informal rules and their consequences for the role and functioning of the state. Another tendency is not to fully make use of any opportunities offered by a certain institutional set-up. For instance it may be possible to influence central decision makers such as the ruling party within a one-party state.

Why there seems to be a reluctance to take action remains unclear. Certainly, knowledge is not enough – a conclusion forwarded in the country studies and a reason why institutions as behavioural rules are increasingly focussed. Reluctance to act may apply within Sida too. Indications point at a possible combination: insufficient knowledge; lack of means, in particular limited human resources; poorly developed methods; and 'perverse' incentives within the aid organisation itself. A *major conclusion* then is that

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<sup>9</sup> See Section 4.2 below for further details on factors which render institutional change difficult.

*efforts to work more consciously and strategically with support for institutional development are constrained by limitations imposed by or inherent to 'aid' and donors themselves.*

The four country studies illustrate how donor interactions, tendencies within international development co-operation – such as the ‘quick fix’ approach – and circumstances internal to the Swedish aid organisation constrain and perhaps counteract what are perceived as effective methods from being employed. Among other factors, the officially and repeatedly denied – but nonetheless real – so-called disbursement goal of Swedish aid recurred time and again as an implicit but overall rule, conditioning and constraining the work of Sida staff. Frustrations were repeatedly expressed about how it prevents staff from effectively supporting institutional development in ways perceived as useful. There may be incentives within aid that prevent effective support for institutional development from being implemented.

# 3 Lessons from Experiences on How to Successfully Support Institutional Development

Just as a picture of Sida support for institutional development is important for evaluation of that support, so is a review of existing knowledge about how to successfully support institutional development. What do we already know – what experience from support exists that we can draw upon – and what do we need to know more about? At the onset of the O&O phase of the overall evaluation theme, the impression was that existing knowledge appears to be largely tacit, whereas explicit knowledge seems to be missing. For instance, no overall evaluation of Sida's support for institutional development had been conducted.

Given the vast experience from supporting institutional development, there ought to be a lot of tacit knowledge among Sida staff, consultants and counterparts that could be made explicit and used. Hence UTV made an effort to identify lessons about how to support institutional development successfully on the basis of past experience. The purpose of this chapter is to summarise what we found about already existing knowledge, based on a review of Sida evaluations, the experience of 'aid' consultants and a brief review of work done by some other donors. In separate sessions, our findings from these three different sources are presented, but a major part of the chapter reports lessons learned by Swedish aid consultants with long experience from supporting institutional development efforts in partner countries.

## 3.1 Limited Information in Sida Evaluations

Begoña Barrientos Córdova made a review of Sida's evaluations to summarise Sida's already documented experience from support for institutional development – especially lessons learned. Here we briefly summarise the conclusions from her review.

### Box 3.1 Summary of Conclusions from Review of Sida Evaluations

*Limited information on lessons for support of institutional development (ID) in Sida evaluations:*

- Difficult to identify such support in the first place – let alone draw conclusions from it
- Individual factors for successful support to ID identified in five Sida evaluations
- But not possible paint general picture of success factors or lessons

The *overall conclusion* is that *it is very difficult to draw any conclusions about past experience and lessons learned from support for institutional development from these evaluations.* A deeper analysis may offer more information, but would be tremendously time consuming and the quality of the information doubtful. Institutions in the meaning rules of the game have not been used as an analytical category by Sida and, possibly as a consequence, not in evaluations of Sida support either. Hence *it is extremely difficult to identify such support in the first place – let alone to draw conclusions from it.*

A review of all 79 evaluations published during 2003 and 2004 in the Sida Evaluation series was made to identify those evaluations that concern support for institutional development and contain sufficient information for deeper examination.<sup>10</sup> This in itself was a difficult task. Information about what Sida support constituted support for institutional development was not readily available, but had to be searched out and interpreted as such. While few of the evaluated projects and programmes could be identified as explicitly aiming at institutional development, several implicitly seemed to support change in formal rules. Support for change in informal rules was particularly difficult to identify. It also proved difficult to find information about the outcome of support in terms of institutional development, as well as about what caused the outcome, including Sida's possible contribution. Of the 79 reviewed, only 11 evaluations were judged to clearly deal with support for institutional development, and to contain sufficiently and clear information about the outcome of support and lessons learned from that.<sup>11</sup>

Of these 11 evaluations, five which reflect support for different types of institutions, in countries of different continents and which highlight different aspects of and lessons from support were selected for in-depth analysis.<sup>12</sup> Even in these five evaluations analysed in depth, the relevant information on the

<sup>10</sup> The executive summaries, complemented with information from the concluding sections of the evaluations were examined to identify relevant evaluations.

<sup>11</sup> The quality of that information was not assessed, however. Evaluations in addition to the 11 identified may have been relevant, but identifying those would have required an ever deeper examination beyond the scope of this task.

<sup>12</sup> The five evaluations were: Sida Evaluation (SE) 03/08 Strengthening the Rule of Law in Lao PDR, 1992–2000; SE 03/11 Development Co-operation between Sweden and the Baltic States in the Field of Prison and Probation; SE 03/34 Office on the Status of Disabled Persons, OSDP South Africa, Impacts of its Activities; SE 04/07 Review of Swedish Support to Human Rights and Democracy through Partnership with CSOs in Kenya; SE 04/08 Textbooks for All PPP – The First Step on a Long Journey, Evaluation of the Pilot Project for Publishing in Tanzania. (Serbinson et al., 2003; Barclay and Sandgren, 2003; Sadek and Winai, 2003; Ngunyi et al., 2004; Graham et al., 2004)



support, its outcome and Sida's contribution was limited. However, certain observations were made. The following factors identified by the individual evaluations as contributing to the success of Sida support for institutional development are highlighted by the reviewer.

#### **Factors for Successful Support Emerging in Five Sida Evaluations**

- Strong beneficiary ownership of projects/programme with committed key persons
- Active involvement of beneficiaries throughout project/programme phase
- Appropriate analysis of context before designing support to ensure right pre-conditions exist
- Flexibility of Sida and co-operating partners to adapt to contextual changes
- Minimal bureaucracy on behalf of Sida
- Trust and recognition of common problems between parties involved
- Creation of common platform where ideas and experiences can be exchanged
- Combination of strategies and tactics that simultaneously address changes in values and organisational structures

These success factors should be interpreted with caution; we do not know to what extent they may apply to other cases than the ones studied. Some of them only occur in a single evaluation. Hence, from this review of Sida evaluations it is *not possible to paint an overall picture of success factors or lessons for supporting institutional development*. It is nonetheless noteworthy that many of them are also reflected in the lessons learned from the more comprehensive experience of supporting institutional development that consultants have, as revealed by the following section.

### **3.2 Many Important Lessons Based on the Experience of Consultants**

The lack of documented knowledge, at least in Sida's evaluations, does not imply that there is no knowledge. Consultants often have long and comprehensive – broad, deep and varied – experience of working with support for institutional development in close contact with local counterparts in Sida partner countries. In order to get access to some of their knowledge and initiate reflection and dialogue, UTV invited a selection of experienced aid consultants to identify and report the lessons they have learned from their own broad experience. 'What has worked well and why' in terms of contributing to the development of formal and informal rules? Their experiences and lessons were discussed – as well as follow-up questions about the implications for Sida – at two major seminars, where also Sida staff participated. The lessons learned and the outcomes of the conversations are presented in a report by Lage Bergström.<sup>13</sup> This sub-section quotes the summary of this

<sup>13</sup> Bergström, Lage (2005b)

report, adds some complementary information from the report and comments some of the findings. Central lessons and needs are in italics,<sup>14</sup> and summarised in the box.

### **Box 3.2 Summary of Lessons from the Consultants' Experiences**

*Two essential & fundamental conditions for successful institutional development (ID) projects:*

- Real determination to achieve change by the local partner – a belief & vision of change
- Institutional solutions based on existing local conditions & accepted systems

*Three central themes emerged:*

- Values
- Process
- Complexity

*Institutional development is created from the inside – through values & ideas*

- The driving force at the core of individuals and organisations has to be mobilised
- The choice of partner is important & understanding his/her situation
- Relations may be more important than goals & dialogue is decisive
- Identify & influence values & be aware of your own
- The parties need to understand each others' world view and thinking

*Need for dialogue & presence*

- Contextual understanding requires presence & participation in continuous dialogue over long period of time
- Aid actors must establish personal relationships beyond the call of duty
- Initiatives from outside – including aid actors – can be useful
- Can critically discuss weaknesses, legitimise alternatives & highlight issues that local stakeholders cannot openly express

*Adopt a process-oriented approach – as ID is dynamic, gradual & difficult to foresee*

- Time and space is needed to search for new solutions – developed in social interplay
- Formulate projects in broad terms and specify/adapt activities later through learning
- Understand what is happening 'just now' & flexibly adjust to windows of opportunity
- Requires change within Sida – in attitude, rules, methods, decision making under uncertainty, more follow up rather than detailed planning in advance

*Central problem: too little is known about complexity of institutional development*

- Complexity is recognised but little known about relationships and interactions between different rules, actors and other factors in complex systems and processes of ID and change
- Urgent need for more knowledge and development of analytical methods – not least to better understand relationship between formal and informal rules

*Pent-up need to reflect on experience together with others & develop a common language*

<sup>14</sup> The quoted text is the original one by Bergström, whereas the rest of the text is by the author. All emphasises in italics are those of the author too.

The summary by Bergström begins:

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.

### Critical points for successful support

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.

In addition to the two conditions highlighted here, four additional critical points for successful support for institutional development were identified. However, the consensus was strongest about the two conditions already mentioned, while the degree of agreement about the relative importance of the following four points varied. Most are elaborated below. c) *Enough time to develop and maintain long-term processes*; d) *broadly formulated assignments, made concrete together with local partners*; e) *real enthusiasts* – local persons with a strong active interest of their own driving the process; and f) *pressure created from below* through a cadre of actively engaged persons.

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.

## Institutional development is created from the inside

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.

## Identify & influence values

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.

Rules are never neutral. They reflect the values of the rule maker or of society. Supporting the development of rules thus means that one world view meets another – and it is crucial that each party understands the others. We should ask how our partners think, how they view problems and solutions from their own perspective. Still, local actors may get stuck in old systems and ways of thinking. When reforms from within the system are unlikely, *initiatives from outside – including aid actors – can be useful*. Independent consultants can, for instance, *highlight weaknesses and sketch alternatives without taking personal risk*. Aid actors can *bring to the surface issues that local stakeholders cannot openly express*. They can *initiate and legitimise a critical discussion of alternatives*, thereby offering new rules, perspectives and even values – alternative mind-sets.

## Adopt a process-oriented approach

*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.

Development and change goes on all the time, and donors can enter the process at any stage. However, it is important – and often difficult – for donors to understand ‘what is happening ”just now”’ (p. 20) and to assess how it can contribute to this particular phase. Once a period of creating awareness together and searching for solutions has been initiated, a so-called *window of opportunity* may be necessary to start the planned support or process of change. However, the way that this window of opportunity looks in the specific case will determine what kind of support is meaningful.

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.

Development of institutions thus often involves long processes in search for new solutions – solutions that are difficult or impossible to capture in project documents with clearly pre-defined goals.

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 Analysis) 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.*

## Complexity – too little is known

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*.

## Need for dialogue & presence

Understanding the local institutional context is crucial, but – as emphasised by the consultants – *this understanding can only be obtained through presence in the country and participation in a continuous dialogue over a long period of time*. Aid actors cannot claim to understand the context better than their local counterparts, but they can offer experiences from other countries and an outsider's perspective. To conduct the necessary dialogue, *aid actors must establish personal relationships through efforts that extend 'beyond the call of duty'*.

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 re-

spect 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 capacity 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.

### 3.3 Few Lessons from Initial Review of Other Donor Approaches

The initial impression at the onset of the evaluation theme was that explicit documented knowledge about supporting institutional development is missing. A review of the work of other donors gives the same result. UTV commissioned a brief overview of the work of selected donor organisations – CIDA, DANIDA, DFID, the Dutch Ministry of Foreign Affairs, NORAD, OEDC/DAC, USAID and the World Bank – as an initial albeit partial orientation into how other donors approach support for institutional development. The aim of this review, made by Sara Bandstein, was to ‘document policies and similar initiatives, methods and analytical tools which address institutional development in a direct way and evaluations and other lessons learned from support for institutional development’.<sup>15</sup> Here we briefly summarise the findings of the review.

#### **Box 3.3 Summary of Conclusions from Review of Donor Approaches**

*Not easy to access lessons on supporting institutional development (ID) within donor community:*

- Explicit approaches to support for ID seem to be scarce
- There seems to be a conceptual confusion among donors
- Evaluations and other documents that explicitly report lessons learned are particularly difficult to identify

<sup>15</sup> Bandstein (2005), p. 7

A major finding is that *explicit approaches to support for the development of institutions* – in terms of formal and informal rules of the game – *are scarce*. However, most of the donors reviewed have developed approaches to their support for capacity development where institutional aspects are included as one component. Another finding is that when institutions are explicitly described, it is mostly in general and abstract terms. In fact, *there seems to be an overall conceptual confusion*, in particular between the terms institutions and organisations. According to the author, some donors have both an explicit approach with a clear separation of the concepts, and a vital discussion of the issues.<sup>16</sup>

*Evaluations and other documents that explicitly report on lessons learned from support for institutional development prove particularly difficult to identify.* A *conclusion* is thus that *lessons learned on supporting institutional development are not easily accessible within the broader donor community*. They are of course likely to exist and a deeper and broader review might succeed better. While there may be a multitude of individual evaluations of relevance, this first glance suggests a similar lack of systematically accumulated and explicit knowledge within the donor community at large as within Sida – and perhaps for similar reasons.

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<sup>16</sup> In particular DFID, but to some extent also the World Bank – and to a lesser extent, OECD/DAC and USAID (Bandstein, 2005, p. 9).



## 4 Emerging Themes

### – Lessons Learned about Institutional Development

As implicitly and explicitly indicated in the previous two chapters and reflected in the findings of the studies accounted for and the questions they raise, a number of issues have repeatedly recurred during the O&O phase. These issues are clustered here into what we refer to as emerging themes – themes related to the nature of institutional development itself. This implies that during the O&O phase, we have learned – and made explicit – a number of lessons about institutional development. This is in fact a second purpose of the overall evaluation theme, and the O&O phase itself has actually made such a contribution. The themes highlight central aspects and characteristics of institutional development which suggests that it is important to explicitly recognise these in efforts to support processes of change in formal and informal rules.

The lessons learned about institutional development itself thus have important implications for donors like Sida. The purpose of this chapter is to present the lessons – emerging themes – and to reflect on some of the implications for support to institutional development, not least in the light of the observations about Sida support made earlier. These implications are further discussed in the final chapter.

The lessons should serve as a useful input into a future conceptual and analytical framework for institutional development, and possibly also to methods and strategy development for support. They seem to be consistent with existing research – without claiming to be complete or a total match.<sup>17</sup> Other research may further complement the picture.

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<sup>17</sup> Cf. the so-called Conceptual Paper of the evaluation theme, published in Eriksson Skoog (2005).

## 4.1 Institutional Development – A Dynamic Process of Complex Interaction

A summary of the main lessons learned about institutional development is found in Box 4.1. The points are discussed in more detail in the text that follows.

### Box 4.1 Summary of Lessons Learned about Institutional Development (ID)

#### *Overall LESSON:*

ID is a dynamic process of complex interactions

#### *Characteristics of the PROCESS of institutional change:*

##### *Dynamic & gradual*

- ID evolves in steps over time through a dynamic process that is often gradual & incremental
- It is recognised that process is dynamic, but how process evolves is largely unknown
- There is even less knowledge about process of change in informal rules

##### *Organic & difficult to foresee*

- ID is largely organic – evolves spontaneously without conscious design – even formal reform
- Therefore ID difficult to foresee and reform processes can only partly be planned in advance

##### *Path dependent – locally adapted*

- ID process is path dependent, shaped by existing context & specific institutional set-up – History matters!
- Effective ID needs to build on already existing rules and/or be compatible with complementary new rules – not least informal

##### *Complex – in several respects*

- ID is influenced by several factors which act, change & interact; often within complex networks or systems of organisations; may involve change in rules at different levels
- Complexity is recognised, but knowledge about the dynamics of interactions limited

#### *COMPLEXITY of ID involves interaction of a number of factors:*

##### *Initiating & driving factors*

- Certain factors initiate ID, e.g. economic crisis – others account for its continuation, e.g. repercussion effects
- Awareness important, but seems limited – for recognising potential process of ID & seizing windows of opportunity

##### *Actors, their roles, incentives & interaction*

- ID takes place through interaction of individuals and organizations – some promote other resist change, depending on incentives & power determined by existing institutional set-up.
- The state is a central actor, but its role in ID may vary & its individuals may play different roles
- Identifying central actors & their incentives, in particular of the state, is crucial for understanding ID.

##### *Values and beliefs – perception and ideas*

- Strong lessons that ID requires change in mind-sets – values & beliefs
- Values & ideas may influence ID, but may ID influence values & ideas too? – Unclear!

*Other rules – particularly informal*

contd.

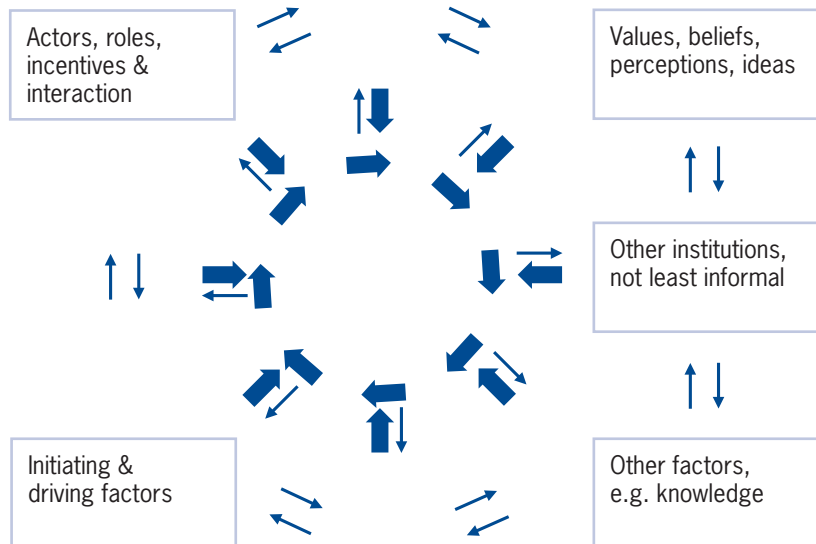
- Institutional interrelatedness: rules & change in rules influence each other in different ways.
- In particular the role of informal rules has been highlighted – hidden but often dominating

*Other factors – notably knowledge*

- Knowledge and competence development matters, but unclear how or to what extent – certainly not enough.
- ID involves change in behaviour which requires learning – knowledge develops in the process & ID can be seen as a process of learning.

An *overall lesson* from the O&O phase is that institutional development is a *dynamic process of complex interactions*. This reflects the fact that there are two overall characteristics of institutional development that have become increasingly clear – referred to as *process and complexity*. These have important implications for support for institutional development. Figure 4.1 may serve as a summary illustration of these two central characteristics and some important components of institutional change.

**Figure 4.1 Institutional Development**  
– A Dynamic Process of Complex Interactions



## The process of institutional change

### Dynamic & gradual

The arrows forming a circle in the middle of Figure 4.1 above suggest that any institutional change occurs through a *dynamic process*, hence as a sequence of events in causal and chronological stages that *evolve over time*. Although this process can be drastic – a revolution, for example – the general observation is that it tends to be *gradual and incremental*, rather than a one-off event.<sup>18</sup>

The process can be of several *stages*. Change in formal rules, for instance, may involve: identification or perception of a problem; demand for change or suggested idea of change; gathering support for and overcoming resistance to change; convincing decision makers; drafting a new law; adapting it to other existing rules; passing the law in parliament; implementation of the law by the bureaucracy, for instance by concomitant change in complementary or lower level rules, but also in terms of changing values, attitudes and behaviour by service providers; the same changes by society members if they are to apply the rules; control of rule adherence; sanctioning of non-compliance and so forth. Eventually, when most actors who are to apply the new rule have changed their behaviour, *effective* institutional development has resulted.

The *sequence* of these stages may vary. The process is rarely – if ever – as smooth as indicated above. It may get stuck and even move backwards. The process changing informal rules will be different although during the O&O phase, few lessons about the informal rule-change process emerged.<sup>19</sup>

### Reflections on Implications

To support dynamic processes of change in formal and informal rules and successfully sequence such support, understanding and knowledge about the dynamic characteristics and sequencing of the processes is important. However, there is considerable uncertainty about this. As indicated earlier, Sida staff, consultants and other aid actors seem to recognise that institutional change is a dynamic process. However, knowledge about what the dynamics of these processes actually look like – the different stages and their internal relationships or sequences – seems to be lacking. This, in turn, implies that there is limited knowledge about how to sequence support – where to start, for instance – and suggests a need to know more about how processes of institutional development and change evolve over time.

That the process is usually gradual also implies that it takes time – probably more time than donors expect, as recurrently noted during the O&O phase. This suggests that donors supporting processes of development of formal and informal rules, not least major reforms, need to recognise and allow far more time for the process to evolve, and to consider other possible implications.

<sup>18</sup> Gradual and incremental change does not imply that it is necessarily smooth and even. As pointed out to me by Peter Morgan, it may be irregular – periods of stability followed by a spasm of change and then returning to stability before the next crisis.

<sup>19</sup> There is certain knowledge about the change and development – evolution – of informal rules, as discussed in the conceptual paper produced within the O&O phase, UTV Working Paper 2005:3 (Eriksson Skoog, 2005b).

## Organic & difficult to foresee

A related and important characteristic of the processes of change (which is linked to their complexity as discussed below) is that they often seem to be *organic* – or at least to have strong organic elements. This means that the process of change in important respects evolves *spontaneously*, without conscious plan and design, rather than being a fully planned exercise.

Even in the case of formal reforms, where certain steps are planned and consciously designed, at least more comprehensive reform processes contain organic elements. Therefore, such reforms are difficult to plan and design in all their details, and thus to some extent *unforeseeable* – or at least difficult to foresee. For example, initial reform attempts such as a legal change may eventually run into constraints that could not be, or at least were not anticipated at the planning stage. These constraints can consist of other rules, which turn out to be inconsistent and thus also in need of change to ensure effective implication and application of the first. Then a change in a complementary rule may be decided, and so forth. Initial changes may have unforeseen consequences and repercussions that promote further change. A gradual and partly organic process unfolds.

The reform of formal rules would appear to evolve both spontaneously – an accident – and as a result of conscious plan and design. Informal rules are even more likely to evolve organically, but few observations of such change were reported during this O&O phase.<sup>20</sup>

### Reflections on Implications

We have seen that reform processes, not least formal ones, can only to some extent be planned. Instead, they evolve in ways and directions neither planned nor foreseen. This has important implications for donor support. To know how reform processes evolve, what the next steps will be and what the results of initial changes will be – all of this suggests a need to be prepared to flexibly adapt to the unexpected. Some further implications for donors were discussed in the section of lessons learned from consultants' experiences. These too indicate that demands on donors to change will be challenging.

## Path dependent – locally adapted

An additional characteristic of the process of institutional development was highlighted during the O&O phase, but more implicitly. The often gradual and organic character of institutional development also illustrates its *path dependence*. Path dependence means that the process of change as well as the actual rules that emerge is shaped by the specific institutional set-up and other circumstances that already exist – as well as events that occur in the process. To put it simply, *'history matters'*.

<sup>20</sup> Again, see the conceptual paper which makes reference to research (Eriksson Skoog, 2005b). Note that change in informal rules can be consciously planned. This is less common, but informal rules governing female circumcision are supported by a programme of the International NGO Tostan in Senegal for example.

It also suggests that for institutional change to become effective – for new formal rules to actually be adhered to – it must build on and be adapted to already existing institutions, to be compatible with other rules and accepted by people. This further suggests that formal rules, to gain legitimacy and be effectively applied, must in some sense be compatible with informal rules.

**Reflections on Implications**

The implications for donors are important. It is crucial that development co-operation is based on this understanding, and that institutional solutions and reforms supported are based on and adapted to these local circumstances. Sida may want to ensure that this is the case, and any evaluation to take this into account.

**The complexity of institutional change**

The dynamic and gradual character of institutional change, as well as its organic character and unpredictability, is related to the complexity of the process. (Hence, it is dynamic not only over time but also in terms of the interactions that it entails.)

In the figure above, the fat arrows pointing at the circle suggest that processes of institutional development are influenced by a number of different factors. Hence, institutional development is *complex*. It involves change of and within systems of a *multitude of factors*, many different actors as well as sets of formal and informal rules. Another illustration of complexity is the circumstance that much institutional development, not least within the public sector, takes place within and applies to *complex networks* or systems of organisations. Moreover – and as illustrated by the thin arrows in the figure pointing in various directions – institutional development is further complicated, because it involves *interaction* between the different and interlinked factors, actors and institutions in ways which are partly unknown. The hierarchical structure adds complexity, by involving complementary changes in rules at various levels (not illustrated by the figure, however).

**Reflections on Implications**

Supporting complex processes of institutional change suggests a need for a comprehensive understanding of these processes among donors and partners. Donors would seem to need strategies for how to deal with these complexities when supporting processes of change.

Aid actors recognise that institutional development is complex. But as indicated earlier, they seem to lack a thorough understanding of how the different factors relate to one another and actually interact during the process. The interaction dynamics are largely unknown. Hence, aid actors do not seem to know how to deal with this complexity – for instance how to combine support to different actors, at different levels etc. Neither do they know what support is necessary, what support is sufficient and what support is most important to effectively promote institutional reform.

Although knowledge about the process and complexity of institutional development is limited, something is known. During the O&O phase, certain components or influencing factors have been highlighted. These are indicated in the figure above and discussed below. The components or factors interact dynamically and contribute to the complexity of the process. Those highlighted here belong to different categories, but they do contribute to our understanding and have important implications for support of such processes of change.

### Initiating & driving factors

First of all, the process of institutional change is initiated by certain (causal) factors; other factors drive the process and account for its continuation.<sup>21</sup> The process may be initiated by an economic crisis for example. This is what set off Doi Moi in Vietnam. Or there could be other real or perceived performance problems. It may also be set off by inconsistencies in the institutional framework. When inconsistent rules collide, there is an incentive for change in at least one of them. Hence, repercussion effects of a partial change in any rule may trigger further institutional reform. The role of a vision – a vision of change – may serve as an important driver; consultants' experiences suggested this. The importance of local ownership – a well anchored determination to achieve change – has also been stressed. And it has been argued – and agreed – that the driving force is created from within the actors. Pressure on decision makers from below, within or outside has also been identified as an important driver of change.

### Reflections on Implications

Identifying the causal or initiating factors of change in formal and informal rules and the factors that continue to drive the process would seem to be crucial for donors. This seems to be important for both the identification of processes that are worth supporting as well as for how to support them – but perhaps also for how to become aware of when and where there may be a potential for institutional development.

During the O&O phase, other initiating and driving factors were raised, but less clearly and consistently – perhaps less consciously – than many of those discussed below. The impression is that these other factors are not sufficiently recognised or considered, which suggests that there may be a need to increase awareness and knowledge.

### *Windows of opportunity*

There is more knowledge about these things to be found within research, although not easily and readily available.<sup>22</sup> The importance of recognising and making use of windows of opportunity for institutional change was highlighted during the O&O phase, although no clear observations of what

<sup>21</sup> Cf. DfiD's concept 'drivers of change'.

<sup>22</sup> While the conceptual paper (ibid.) may provide some inputs, it needs to be complemented.

creates these were made. However, the economic historian Douglass C. North points out that windows of opportunity for reform are more likely under certain conditions:<sup>23</sup>

- a) When the dominant organizations which undergird the existing institutional framework have been weakened.
- b) When the “legitimacy” of the belief system of the existing institutional matrix has been undermined.
- c) When the existing dominant organizations perceive it to be in their interest to redirect their objectives towards productivity raising activities.

#### Actors, their roles, incentives & interaction

Institutional development is carried out and influenced by actors – individuals as well as organisations – and by their interaction. Different actors play different roles in the process – some are agents of change while others resist change. Whether actors promote or frustrate change largely depends on the incentives for change they face. Power relationships and positions, bargaining strengths etc. matter for the outcome. These as well as actors’ incentives are partly determined by the already existing institutional set-up (as well as by the distribution of resources). Any existing institutional set-up creates groups with interests vested in the existing order, as well as others who would benefit from change.

Incentives to change are also influenced by uncertainty. Actors can never be certain of the benefits. This is another factor affecting the process of institutional development, perhaps in particular by the resistance to change that it contributes to. Institutional change in particular and change in general creates uncertainty of different kinds. This is something actors tend to shy away from. However, as the process of institutional development itself unfolds over time, a more consolidated reform may reduce uncertainty about its validity and direction.

#### *The role of the state*

A central actor for institutional development – in various respects – is the state. The state is responsible for establishing the overall institutional set-up in society, and for enforcing the formal rules. However, the state is not an impartial or indifferent actor, but in itself consists of different groups and actors – formal as well as informal. Neither does it exist in a vacuum, but in relation to and interaction with the surrounding society. Actors within the state – just as other actors – are influenced by the formal and informal institutional and cultural set-up, the norms and values of society and the incentives thus created.

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<sup>23</sup> Quotation from North (1997), p.18



The character and role of the state in society may vary – and so probably also its role for institutional development – depending not least on its relationship with the surrounding society, who it represents and is accountable to and on the basis of which criteria. In the country cases studied here we see the informal neo-patrimonial state in Kenya and Mozambique, and the formal one-party state in Laos and Vietnam.

### Reflections on Implications

Identifying the central actors or groups involved in processes of institutional development and the different actual or potential roles that they may play would appear to be crucial for donors supporting such processes. Who does Sida believe are the major agents of change – and who has more to gain from maintaining status quo? These are important questions. The answers provide donors with the information on which to base strategic choices of which actors to support. Any support is bound to influence power in relation to others. Unless we consciously select to support actors in favour of reform, we may instead work against the changes we want to promote.

A central actor in much of Sida support for institutional development is the state and its bureaucracy. This is clear from the four countries studied here. This circumstance raises a whole set of questions. For example concerning the way that Sida views and relates to a) the state, its functioning, its role and relationship to citizens in general and to and different groups in society and b) more specifically, the neo-patrimonial state in countries like Kenya and Mozambique, and the one-party state in countries like Laos and Vietnam – and their roles in relation to reform processes supported. For instance, does Sida view the state as a change agent or not in processes of institutional change? And what are the implications for how Sida chooses to interact with the state – in relation to other groups and actors in society, such as the media, civil society and the business community – and for who it chooses to interact with within the state, e.g. the government, the bureaucracy, the parliament or the judiciary? Bringing clarity into these issues seems to be an important task for Sida, which also ought to become reflected in more strategic choices and relationships.

### Values & beliefs – perceptions & ideas

During the O&O phase, it has become increasingly clear that values and beliefs, perceptions and ideas – mind-sets – are an important part of institutional development. In particular, the role of values has been highlighted. As many participants have recognised, institutions carry or convey values. Consequently, and as illustrated by many examples, in order to change the rules of the game, it is also necessary to change views or values about how the world should be and beliefs or perceptions about how it actually is – at least to a certain extent. That change is needed becomes particularly obvious in relation to shifts from a centrally planned to a market economy. This is a shift between institutional systems with entirely different ways of thinking. Values and ideas influence institutional change, but institutional change also influences values and ideas. Hence, the causal relationship seems to be unclear, and thus also the sequential relationship: what needs to change first?

### Reflection on Implications

Again, there are a number of implications for donors, related to how aware we are of the role of values and beliefs for institutional development, how we relate to the existing ones and how consciously we work with promoting the change of values and beliefs – of our partners as well as of our own. The perceived conflict between promotion of certain values and honouring local ownership among Sida staff may, for instance, need to be sorted out.

### Other rules: particularly informal ones

An additional component highlighted is the influence of and on other institutions of the change in any particular rule. Institutional interrelatedness has been clearly illustrated – as well as the broad variation in this interrelatedness – and is one of the major causes of the complexity of institutional change. Existing institutions may influence the process of change in a particular rule. Examples are: by contributing to creating the problem that is perceived to need a remedy; by shaping incentives for actors to promote or resist change as well as their opportunities for and constraints on doing so; by being consistent or inconsistent with the rule undergoing change and thus either facilitating or inhibiting the process etc. Higher level rules may, for example, impose constraints on change of lower level rules within a hierarchy. In particular the role of informal rules has been emphasised. This is because they are hidden and implicit, but also because they take precedence over formal rules in many of Sida's partner countries.

However, institutional development is not only influenced by, but also in itself influences other rules. Since rules tend to be linked into complex systems, an initial rule change may set off a chain of change. This is because effective implementation and application requires consistency between rules. Several rules interact in processes of institutional development and several of them may be undergoing a process of change. Change in a higher-level rule may well lead to change in a lower-level one – and sometimes vice versa.

### Reflection on Implications

Institutional interrelatedness stresses the importance of both understanding how individual institutions are related and interact as well as taking this interrelatedness into consideration in deliberate efforts at reform. This has, for instance, implications for how support for change in different and interlinked rules are combined and sequenced.

An urgent task for Sida, to judge from the observation made during this O&O phase, would be to give increased attention to informal rules. First of all, to start looking for and identifying them, so as to become aware of their influence on the behaviour of actors and 'performance' of organisations in the societies in which we operate. Secondly, with this knowledge, to explicitly take them into account. This is a task for Sida together with its local partners.

### Other factors, such as knowledge

The factors influencing and interacting in the process of change accounted for here are probably not a complete list. There are likely to be others. One factor implicitly recognised is *knowledge* or competence – as part of the broader concept capacity. It is unclear exactly what the role of knowledge or competence is, but many Sida efforts to promote institutional development, not least in the past, have focused on the development of knowledge and competence. This suggests an implicit assumption of its central role. However, the conclusion is that knowledge of itself does not necessarily change behaviour.

Effective institutional change – that the new rules are adhered to – requires change of behaviour. This in turn requires learning (how to behave in that new way). One method is through trial-and-error. This suggests that knowledge develops in the process of change itself – and that the process of institutional development in fact can be characterised as a process of learning. During the O&O phase, it was suggested that knowledge and competence cannot develop in a vacuum, but are actually being built as you practice, through learning by doing, applying new knowledge to concrete situations. It was argued that competence development (or capacity development, in the traditional more narrow sense of the term) cannot take place without empowerment – hence a concomitant change in the rules for authority and mandate. This suggests that knowledge, competence or capacity development and institutional development may go hand in hand.<sup>24</sup>

Other important factors influencing the process of change ought to be resources of various kinds, affecting for instance the economic strength of actors and organisations as well as relative prices and the incentives for behaviour created by them.

#### Reflection on Implications

There seems to be a clear relationship between knowledge/competence development, learning and institutional development, but this relationship needs to be explored further. If knowledge/competence development and institutional development – ‘training and empowerment’ – go hand in hand, there may be important implications for how to support both institutional development and knowledge/competence development, as well as for capacity development. Perhaps competence and rules should be changed in tandem, and not sequentially as sometimes suggested and done in practice? More generally speaking, there seems to be a need to sort out how competence development, capacity development and institutional development are related.

<sup>24</sup> Admittedly, the concepts knowledge, competence and capacity were not always clearly defined and distinguished during conversations. Hence, the unclarity here too.

## 4.2 Why is Institutional Development so Difficult? – Constraints on Change

Many of the elements involved in institutional change and its characteristics discussed here also contribute to accounting for why institutional development is often ‘difficult’ to achieve – at least consciously and according to plan. (In reality, change goes on all the time, although largely spontaneously and incrementally.) Factors that contribute to making institutional change difficult are summarised in the box and briefly discussed below.

### **Box 4.2 Summary of Factors which Make Institutional Development (ID) Difficult**

- Vested interests in maintaining status quo
- Uncertainty and fear of change
- Prevailing mind-sets: values and beliefs
- Invisibility of rules, especially informal
- Inter-relatedness between different rules
- Embeddedness of institutions and change
- ID requires learning

- *Vested interests* in maintaining status quo, usually among actors in power who have incentives and opportunities to resist change from taking place or being effectively implemented;
- *Uncertainty* and fear of change and thus incentives to stick to the old and familiar rules among actors in general and not only those who risk losing from change;
- *Values and beliefs* – mind-sets – reflected in ideology and culture for instance, which shape our perceptions of the world and our values of how it should be, supported and codified by the existing institutional set-up;
- *Invisibility*: The fact that rules cannot be observed means that they are often not recognised, at least not informal ones. They are taken for granted and adhered to out of habit, and therefore difficult to identify and address;
- *Inter-relatedness* between institutions: This may render partial institutional change ineffective. Adherence may be prevented by other inconsistent rules which would require a complementary change in whole sets of rules.
- All these factors illustrate the *embeddedness* of institutions and institutional change in their specific history and context, which contributes to the rigidity of institutional change.

- Even when actors want and try to change the rules, effective rules change requires *learning* – which involves *rethinking and behavioural change* through trial-and-error – and this takes time. So the process is slow.

#### Reflection on Implications

Given that institutional development in important respects is difficult, there seems to be a need for donors to more consciously start considering how to deal with these difficulties, in particular as the focus of development co-operation now shifts towards larger systems, the overall institutional set-up in society, central functions and the role of the state. Addressing in particular the first three factors would seem to be most pressing.

## 4.3 Further Reflections on Implications of Complexity & Process

The overall characteristics of institutional development – here referred to as process and complexity – thus have important implications for support for institutional development. Apart from the implications discussed above, additional questions have been raised that Sida may want to consider.

#### Understanding Complexity

Given the complexity of processes of institutional change, it may be reasonable to ask just how much it is possible for donor actors to know. How much knowledge can we possibly contain and process? And how much knowledge of the local context do we need before we can enter with our support? Is it really possible for donors to know everything before knowing when, where and how to successfully support effective processes of institutional development? While on the one hand, there is a need to learn more about these complex processes, there may, on the other, be a need to accept that we cannot know it all. Perhaps we can find ways to cope with that uncertainty in practice.

#### Planning and Organic Processes

If the process of institutional change is largely organic, to what extent can larger reform processes be successfully planned and foreseen? And to what extent can donor support be planned in detail from start to end? Hence, to what extent and in what respects can donors – and can they not – plan to support organic processes?

conts.

When it comes to dealing with the complex and dynamic character of reform, the need for a strategy has been questioned, while the need for flexible adaptation of support to changing circumstances has been repeatedly stressed. Strategy versus flexibility raises a number of questions that Sida may want to explore further.

If we assume that there is a need for planning as well as for recognising that the process of institutional change is at least partly organic, how can strategy and flexibility be combined? Can we develop a flexible strategy for support for institutional development – or strategic flexibility? If we can, what needs to be firmly established and what needs to be open to change – hence, what can be planned and what cannot be planned? Is it possible to design a strategic process without specifying all the steps beforehand while remaining flexible and open to emerging opportunities, but not losing sight of the goal?

In fact, there may be scope for a possible third way – between a fully articulated strategy and none at all. A third type of strategy-making may be referred to as 'emergent' – the strategy may be emerging over time in the process. The trick here is to be aware of what interventions can help such strategies emerge.<sup>25</sup>

### **Sida's Theory of Change**

Planned versus organic institutional change raises another set of questions, concerning Sida's theory of change. Does Sida have a theory of change – of institutional change, in particular, but also a theory of social change and of processes of change in general? If so, what is this theory of change? Is it explicit or implicit, or are there both implicit and explicit theories?

The discussion of planned versus organic change, strategy versus flexibility, suggests that there may be at least two different theories of change – with consequences for how to support change: 'rational' planning versus organic searching. Hence, does Sida see itself and its partners as – to paraphrase William Easterley<sup>26</sup> – central planners or searchers?

<sup>25</sup> I am grateful to Peter Morgan for drawing my attention to this point.

<sup>26</sup> Easterley (2006)

## 5 General Lessons from the O&O Process

During the process of the O&O phase of this evaluation theme, a number of observations were made that go beyond the specificities of support for institutional development. Through the multitude of interactions with many people and reflections over an extended period, unexpected observations and unforeseen patterns emerged – lending themselves to further conclusions. Indeed, that was one intention of the O&O phase: it was meant as learning. This chapter brings forward some general lessons from the process of working with this theme.

UTV staff has been struck by the positive response and devoted interest of many Sida staff and other actors participating in the O&O phase. They have contributed with enthusiasm and devoted time and effort to the task. This observation contributes to a strong impression and *overall conclusion* that:

*the institutional theme highlights and responds to a set of deeply perceived general needs within the organisation and among its partners.*

These perceived needs are linked to two sets of lessons that have emerged during the O&O phase with a more general applicability. First of all, the institutional theme highlights certain issues that, while applying to institutional development and support in particular, also seem to apply to development and development co-operation more generally. Secondly, essential lessons can be drawn from the very study or learning process itself. Both sets of lessons are discussed in this chapter.

### 5.1 Lessons for Development & Development Co-operation in General

Some of the lessons learned about institutional development and support reported in the previous two chapters do not seem to be specific only to this kind of change and support. They may apply more broadly to processes of development and change and thus have consequences for how to support those. In fact, the institutional perspective adopted here and our pursuit of the institutional theme in this exercise highlights a number of issues with more general weight for development and development co-operation. There seems to be a strongly perceived need to deal with these. They are summarised in Box 5.1 and further discussed below.

### Box 5.1 Summary of Lessons for Development Co-operation in General

*Perceived need to understand, consider and act on general issues raised by the institutional theme*

- Increasing complexity within development co-operation
- Process character of social change and difficulty to plan support
- Development co-operation involves influencing values and culture
- Importance of the specific local context – in particular informal aspects

### Increased complexity

A central characteristic of institutional development is its complexity: it involves a large number of factors, actors and rules. Similar complexities confront donors in other kinds of development co-operation – and increasingly so. The current shift towards sector programme and general budget support, donor co-ordination and harmonisation and a multi-dimensional poverty perspective contributes to that. As we move upwards towards a system level, institutional, organisational and donor structures become all the more complex. Increasing complexities and a proper recognition of these poses new challenges. How to deal with these?

### Process character of change

Another characteristic of institutional development is that it involves a dynamic process of change. This would in fact seem to apply to most social change and thus all the development processes that Sida supports. It also appears that the dynamic nature of the processes supported is becoming increasingly recognised, perhaps in relation to the growing programme character of development co-operation. They have at least been strongly emphasised during this O&O phase. Gradually evolving – organic, or at least partly organic – processes are difficult not only to overview and foresee, but also to plan. We have sensed a need for Sida to develop ways to deal with these organic/dynamic processes of change.

### Central role of values

A striking and surprising observation is that when we use the concept institutions in the meaning of rules for social interaction, it becomes clear to people that institutions convey values or – as somebody expressed it – are ‘loaded with’ values. Although all rules convey values, this is particularly obvious in the case of informal rules. An institutional perspective hence seems to unveil the circumstance that support for institutional development as well as development co-operation more generally is about the promotion of certain values. To work to change values, ways of thinking and behavioural norms is to affect culture. This recognition seems to create widespread uncertainty about



whether there is a role for donors in this. What are the ethics of promoting values and change in culture? Can the ethics of promoting values be balanced or combined with local ownership? Hence a concomitant need to reflect, discuss and bring clarity into these issues.

### Local context – not least the informal

The institutional perspective is contextual by its very nature. It highlights the importance of the specific local context and circumstances – institutional as well as political, economic, social etc. And this not only for institutional development but for development in general. During the O&O phase, we have sensed a strong recognition of the importance of deeper knowledge and thorough understanding of local conditions. Hence there would seem to be a corresponding general need, among Sida staff in particular, not only to learn more about the specific contexts in which we operate, but also to take this context into account explicitly in a more conscious and strategic manner. Who are the different actors; what incentives, power structures and interactions come into play; what values and beliefs are held; what formal and informal rules apply; what is the role and functioning of the state?

Taking the institutional context into account implies many things. This process has repeatedly shown that it includes explicitly acknowledging the informal – rules, organisations, power etc. – since so much of what is actually going on in our partner countries is determined by the informal. To describe and highlight the informal is a particular challenge, as it is largely hidden, implicit and difficult to observe, especially for an outsider.

## 5.2 Lessons from the Study & Learning Process Itself

The previous section discussed lessons concerning ‘the subjects matter’ – institutional development and support specifically versus development and development co-operation in general. This section discusses lessons concerning ‘the process’ – more particularly, a set of lessons that can be learned from the very study and learning process of the O&O phase itself. Our impression is that a second major reason for the positive response from the participants of the O&O phase is the approach adopted. The approach also reflects implicit needs, partly made explicit in this exercise. Certainly, the lessons learned from this particular process may be more generally useful for Sida’s work – as well as for its partners. They are summarised in Box 5.2 and further elaborated in the sub-sections that follow.

### Box 5.2 Summary of Lessons from the Learning Process Itself

- Need to reflect together on one's own practice – to learn from this and use lessons in practice
- Usefulness of a participatory and dialogic approach – for inquiry, advocacy and learning
- Need to know more about outcomes and about what works and what does not

#### Need to reflect together on one's own practice

First of all, there seems to be a strongly perceived need for reflection among Sida staff and partners, such as consultants, about their own practice – and the need to do this together. Common reflection and conversation about one's own practice means creating time and space for asking ourselves questions and thinking about what we are actually doing and why, if it makes sense, and if we are on the right track etc. It means exploring and sharing experience, exchanging views and thoughts, questioning to making sense of what we are doing.

The need for reflection shall probably not be interpreted as simply a wish to sit down and chat. While currently insufficient time and space is considered to be devoted to reflection, the perceived need seems to be matched by a concomitant desire to transform this reflection into *learning*. This refers to both individual learning, for instance in terms of drawing new meaning out of the reflection, and to organisational learning, turning lessons learned into actual *use in practice*. This desire is reflected, for instance, in repeated questions in search of guidance for how to go about things.

#### Usefulness of a participatory & dialogic approach

In relation to this perceived need, an important lesson is that attracting and maintaining the interest and devotion of people involved in the process – as well as creating conditions for reflection and learning – is promoted by a participatory and dialogic way of working. It is important to recognise that peoples' own experience is a valuable source of knowledge; to invite participants to share their experience, views and perspectives; acknowledging their needs and problems; and providing space and opportunities for them to do that with one another. This is far from saying that the O&O process has succeeded in this regard – learning takes time. Still, we have experimented with attitudes and forms for conversation that are more participatory and interactive than other approaches and methods. Inquiry has been stressed more than advocacy. It is a strong impression that the present approach has been perceived as more meaningful and useful to the participants than more traditional ways of inquiry used in the past.

The present evaluation theme does certainly involve an element of advocacy, since an implicit purpose is to highlight institutional issues. Besides, given the

conceptual confusion within Sida as well as the aid community at large, a partial purpose has been to introduce institutional concepts and perspectives. A lesson learned is that the participatory and dialogic approach proves equally useful – perhaps particularly useful – for advocacy. Our experience thus confirms the suggestion that ‘[t]he best way to launch anything is by talking to people’.<sup>27</sup>

### Need to know more about what works

The perceived need for reflection about one’s own practice links to what we interpret as a need for learning more about the outcome of our work and whatever can be done to improve that outcome. People involved in development co-operation care about whether the support provided has the intended effects or not – or any unintended effects, for that matter – what works and what does not, if our work makes any meaningful contribution about what can be done to produce a more meaningful result.

Our impression is that actors within development co-operation are keen to learn both from their own experience and practice, but also from the experience of others. They want to learn from other donors and any other useful findings – for instance from research – about what works and may serve as guidance for how to go about things to produce good outcomes. There would thus seem to be a need for more evaluation – not purely ritual evaluation, but useful evaluation that ensures learning as well as transforming this learning into new practice.

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<sup>27</sup> Susanne Wadstein in relation to the launching of Sida’s new policy for gender equality (Sida Intranet, 10 October, 2005)



## 6 Conclusions about Knowledge Needs, Implications & Contribution of Evaluation

This report combines the findings of the entire O&O phase of the evaluation theme on supporting institutional development. It identifies lessons learned from this phase and discusses the implications for evaluation as well as for Sida more generally. While previous chapters have mainly reported the major findings and lessons learned, this chapter makes a brief summary and focuses on the implications for Sida. It draws conclusions about what we know – or do not know – on the basis of the major findings and lessons and discusses the major knowledge needs, other needs and implications, and the consequences for evaluation.

This chapter answers the following questions:

1. What do we know now, and what do we not know?
2. Hence, what do we need to know more about?
3. What are the further needs and implications for Sida – for its support for institutional development as well as more generally?
4. What does this mean for evaluation – and what contribution can evaluation make?

The previous chapters were reviewed in the light of these questions, and the findings of that review are summarised, chapter by chapter, in Appendix 1. The review serves as a basis for the conclusions drawn in this chapter. The conclusions are divided into four – corresponding to the four questions above and presented in separate sections below.

## 6.1 What do we know now – & What do we not know?

Box 6.1 summarises our conclusions about the present state of knowledge, as our outcome of the O&O phase.

### Box 6.1 Conclusions about our Present State of Knowledge

*We now know far more than when we started – about:*

- Sida support for institutional development (ID)
- Lessons learned for supporting ID
- ID as such

*This knowledge is useful and certainly offers useful inputs – into:*

- Knowledge base
- Conceptual and analytical frameworks
- Strategies and methods

*Nonetheless, uncertainties and knowledge gaps remain – in particular about:*

- How Sida goes about supporting ID – and why
- Performance/effects of support
- Process of ID

First of all, we may conclude that we now definitely now *know far more than when we started*. In particular, we have obtained a good picture of *what Sida support for institutional development looks like*; we know quite a bit about *lessons learned for how to support such change*; and a not insignificant amount *about institutional development as such*. In addition, we have learned some lessons from the study process itself and for development co-operation more generally, and we know that Sida evaluations and initial reviews of the work of other donors does not offer very much.

Much – if not most – of the knowledge identified has earlier been largely implicit and therefore hidden. The O&O phase has *made this knowledge explicit, visible and therefore more widely available*. The knowledge documented in this report and the underlying studies is *useful, and should serve as a basis for building a more solid knowledge base* about institutional issues – for Sida specifically, but also more generally. It also offers clearly valuable *inputs into the development of conceptual and analytical frameworks as well as strategies and methods* for support.

Nonetheless, *many things are still unknown* – and hence *important knowledge needs remain*. This is something we now know as an outcome of the studies and reviews as well as explicitly expressed by the participants of the process.

- 1 In particular, while we now know what kind of institutional development Sida supports and aims at, we know considerably less about *how it actually goes about providing that support and why*. What approach does it favour, what motivates that choice? Neither do we know why there is such a gap be-

tween Sida's actual support aiming at institutional development and its unclear, undefined methods and strategies for providing it.

- 2 The *lessons about supporting* institutional development ought to be *useful*, not least as they are based on experiences at systems level. *But they are partial* and we cannot be certain about how generally applicable they are.
- 3 The fact is that we know very little about the *performance of Sida support* for the development of rules and virtually *nothing about the effects* of support on any change – the actual results of Sida support.
- 4 With regard to *institutional development as such*, there are important remaining uncertainties and knowledge gaps. There seems to be considerable knowledge of its nature, but far less knowledge of its process.
- 5 We know very little of *what lessons can be learned from other donors* – and hence about their experience.

## 6.2 What do we need to know more about?

To judge from the uncertainties and knowledge gaps identified, there is definitely a need to learn more – within all areas studied. Our main conclusions are summarised in Box 6.2.

### Box 6.2 Conclusions about our Continued Knowledge Needs

We need to know more about Sida *Support* and its *Performance* – in particular:

- More profound descriptions of Sida support, especially for informal rules
- Especially: Sida's approaches and methods to support – how it goes about it and why
- Urgently: How Sida support performs, its effects/results
- Most pressing: Explore consequences of seeming shortcomings
- Complementary lessons: how to support informal rules, institutional development within programme support; vested interests and power to hinder change

Fundamental: to learn more & get deeper understanding of *Institutional Development (ID)*

- Notably: complex interactions; informal rules; role of values; and role of central actors
- Both a) general knowledge about ID and b) specific knowledge about local institutional context

### Knowledge needs about Sida support & its performance

First of all there is a need to learn more about Sida support for institutional development in several respects – and this needs suggest there is a role for evaluation, as will be discussed below.

- 1 As regards Sida support for institutional development, first of all, *deeper and more thorough descriptions* would be valuable, especially concerning support for the development of *informal rules* – which are less clearly described and where the picture most needs to be complemented. How does Sida deal with the informal rules of the game and take them into account in its support – not least the patron-client relationships in Sub-Saharan African countries?
- 2 There is a particularly strong need, however, to get to know more about *how Sida actually goes about providing that support and on what grounds* – any implicit approaches and methods in the absence of explicit ones. This includes a need to explore to what extent and how institutional context is taken into account. It is important for several reasons, not least in order to understand and assess the logic behind Sida's action and, in case of unsatisfactory performance, to revise the strategies and methods employed to make them more effective.
- 3 There is also a particularly urgent need to get to know *how Sida support for institutional development performs, notably in terms of the extent to which the effects of support on institutional development actually prompts change*. In this way Sida will learn more about what works and what does not – and why – and is a minimum requirement for ensuring that results are achieved.
- 4 Most pressing, in this regard, is perhaps the need to *explore the implications of the seeming shortcomings* of Sida support for its performance – notably a lack of a) clear and documented strategic approaches and methods, b) systematic ways to deal with the characteristics of institutional development or with c) the specific factors which render it so difficult and d) not fully taking local institutional conditions into account. These shortcomings suggest there are risks the support is not well adapted to the characteristics of institutional development in general, nor to the specific institutional and reform context in partner countries.
- 5 This, in turn, is directly linked to a need to know more about how to support the development of institutions successfully – for *further elaborated and complementary lessons* to those identified here. In particular about supporting the development of *informal rules* and with respect to development co-operation through *programme support*. One reflection that can be made in relation to the lessons learned and reported in Section 3.2 is that the role of power is not explicitly addressed – despite its central importance for the development of the rules of the game. Consequently, learning lessons about *how to deal with power relationships* in general – and, more specifically, with *vested interests in maintaining status quo* and *incentives to hinder reform* – when supporting institutional development appear to be particularly important.
- 6 It also seems important to know more about *why Sida support looks the way it does*. Why is there a seeming lack of defined and documented overall



strategies and approaches – in contrast to considerable actual support identified? Why does not knowledge about the institutional context seem to be acted upon? Are there constraints imposed by aid itself? If there are, what are Sida's own internal rules and what incentive for behaviour do they create? Which are the considerations that actually determine how Sida goes about supporting institutional development?

- 7 Finally, we must learn more about the *experience of other donors*, in particular any lessons for supporting the development of rules.

#### What this means for evaluation – useful traditional contributions

These knowledge needs, especially points 3–5, clearly show that *there is a strong need for evaluation* of support for institutional development to meet some of those needs, as will be explained below. One conclusion is hence that evaluation can make *important contributions* to our knowledge in several ways – linked to what are major *traditional roles* for evaluation.

- 1 First of all, the needs identified suggest that there is an important role for evaluation in contributing to *knowledge about the performance of the support, not least in terms of its effects* (outcome and impact) on actual institutional development in partner countries, but also in terms of the relevance of the support and the sustainability of its effects. What are the results of Sida support?
- 2 The needs also suggests (as illustrated e.g. by point 4) that *the two preliminary general evaluation questions of the evaluation theme remain highly valid*. The findings confirm that it is indeed relevant to ask evaluation questions both about a) the contribution of Sida support to the development of formal and informal rules in partner countries as well as about b) the consequences of its taking or not taking institutional factors into account.<sup>28</sup> While these are general questions, the knowledge gained during the O&O phase means that we *now have a far deeper understanding and more detailed knowledge about what more specifically to explore* and what detailed questions to ask in such evaluation. This involves exploring, for instance, to what extent Sida takes into account the different actors involved in as particular reform process that Sida wants to support, and the different incentives they face to promote or prevent report from taking place, how Sida relates to those actors directly and indirectly and what this implies for the outcome and success of its support for the reform process.
- 3 As suggested by point 1 above, evaluation of performance may first of all serve accountability purposes, reporting back to Sida's principals – the government and Swedish tax payers – as well as to the beneficiaries and counterparts in partner countries, about the results of Sida support.

<sup>28</sup> See the background section in Chapter 1. Somewhat simplified, the questions are: 1) To what extent, how and why has Sida support contributed to effective institutional development in partner countries? 2) To what extent, how and why has the performance of Swedish support been affected by Sida's understanding, consideration and addressing of institutional factors?

However, in this context a second contribution is perhaps more important, given the comprehensive remaining knowledge needs. It is to contribute increased learning about how well the support works and why – hence to *further develop, deepen and complement the lessons learned* about how to support institutional development successfully. These may serve as guidance for further support.

- 4 Evaluation can also play an important role in offering useful and more thorough descriptions and thus knowledge about the support and how Sida – and its partners – work with it. In particular, *more profound and detailed descriptions* can, and often will, be provided in relation to evaluation of specific projects and programmes. They may in themselves make a valuable contribution by *making explicit and increasing awareness about Sida's own way of thinking and working* with support for institutional development among its staff – as well as its partners. The challenging task of exploring the deeper reasons behind Sida's actual way of supporting development of rules as well as potential constraints within aid and Sida itself could certainly also be part of an evaluation exercise – but is perhaps more appropriate for a separate study.
- 5 As regard the need to *learn more from other donors*, new evaluations designed for the specific purpose are likely to prove more useful than reviews of existing studies and evaluations, as suggested by our attempts reported in Chapter 3. Perhaps there is even *scope for a joint evaluation* – which could offer a wider set of experiences to draw from and perhaps greater knowledge about possible variations in the lessons learned. However, important knowledge about the effects of Sida's and other donors' support for institutional development and lessons learned from that could also be provided by research. There are good opportunities to do large-scale, long-term and comparative studies.
- 6 In these different ways, evaluation can contribute to the *further building up of a knowledge base* about support for institutional development. This would serve as useful guidance for the future – providing *additional inputs into the development of strategies and methods* for Sida support, and hence to both its policy and practice.

### Knowledge needs about institutional development as such

An important fundamental knowledge need identified during this process and by the actors involved is to learn more about and obtain a deeper understanding of institutional development as such. This is a basic condition for supporting such development, for the formulation of strategic approaches and methods, and ultimately for achievement of results. The complexity of dynamic interactions within such processes of change, the informal rules of the game and their relationships with formal rules, the role of values, and the central actors, their incentives and roles for and against change were specifi-

cally stressed. A deeper understanding of institutional development means a need for the development of both a) general knowledge about such processes and b) specific knowledge about the local institutional context and reform processes. There is certainly such a need among Sida staff and consultants, as this study process has shown, but probably also among Sida’s other partners, notably local counterparts and other donors.

### 6.3 What are the further needs & implications for Sida?

Apart from knowledge needs, there are further needs and implications of the findings and lessons of this O&O phase for Sida – for its support for institutional development in particular but also more generally. Which are they? Box 6.3 summarises the main conclusions, which are further discussed below.

**Box 6.3 Conclusions about Further Needs & Implications for Sida**

*Learning more about institutional development (ID) needs **Conscious & Collected Effort***

- Conceptual clarification – conceptual and analytical frameworks
- Common language for institutional issues
- Reflect on experiences from institutional development together
- Develop competence of Sida staff and prioritise institutional contextual knowledge
- Use existing research better and promote further research on ID and support for ID

*Need to **Take** further **Action** on Sida support for ID*

- Replace uncertainty and unawareness – develop strategies and methods
- Act on existing contextual knowledge and apply lessons learned
- Deal with characteristics and specific difficulties of ID – explicitly, consciously & strategically
- Develop performance criteria and indicators compatible with ID
- Adapt Sida’s own ways of working – create conditions to enable action

***Other** needs – with implications for Sida more **Generally***

- Deal with complexity, process, values and local context – consider how
- Allow time and space for joint reflection on practice – and act on outcome
- Develop participatory and dialogic ways of working

#### Additional needs – related to learning more about institutional development

The need to learn more about institutional development as such, discussed above, has several potential consequences for Sida. Many are covered here, but there are certainly others. It is up to Sida to explore them further. A whole set of measures is needed to deepen learning about institutional devel-

opment, some of which were also highlighted as strong needs in their own right during the O&O phase. This suggests that a *conscious and collected effort may be most useful*.

- 1 First of all, there is a clear and explicitly expressed *need for conceptual clarification and hence for the development of conceptual and analytical frameworks* – concepts and categories, tools and methods for description and analysis.<sup>29</sup> The concepts also need to be compatible with already existing terminology, clarifying for instance the linkages between institutional and capacity development. This need would seem to apply not only within Sida but also for the international donor community. The varying and unclear meanings of institutional development and related terms may in fact contribute to explaining why Sida's strategies and methods appear to be so vague. Without clear and agreed concepts, our thinking may be muddled, which certainly hampers both our analytical and practical work.
- 2 There is a concomitant strong and articulated *need to develop a common language* about these issues – concepts and understanding – within Sida and, ideally, with all its different partners, not least local counterparts. Certainly, during the O&O process communication difficulties recurred due to the lack of this and, again, conscious and strategic work suffers.
- 3 In order both to learn more about institutional development and about supporting it – and eventually to improve ways of working and end results – and to promote the development of a common language, there is also an expressed *need to reflect on experiences from these issues together*. This in turn requires that Sida not only allows, but also creates opportunities, space and the means for such common exchange of experience and reflection to take place. This should contribute to a deeper understanding. But there needs to be the opportunity to actually make use of this increased understanding by transforming it into the development of practice.
- 4 Hence the need to learn more about institutional development has important consequences for the *competence development of Sida staff – and its partners*, such as Swedish consultants – and probably also for Sida's *managing policies, in particular in the field*. Given that much Sida support aims at institutional development, a thorough knowledge and understanding of such processes of change and of local institutional and reform conditions ought to be given high priority.
- 5 Finally, given the knowledge needs identified, there would seem to be a need to *make better use of existing research on the topic as well as to promote both state-of-the-art studies and further research*. This could indeed be a task for Sida itself.

<sup>29</sup> These are needed for describing, for example, formal and informal rules, cultural norms of behaviour, values and beliefs etc. and for analysing relationships and interactions between factors – notably between the 'rules of the game' and the 'players' – as well as processes of institutional change.

## What this means for evaluation – substantial non-traditional contributions

Evaluation can definitely make significant contributions also in these regards, particularly if performed in a participatory and dialogic manner for learning purposes. Hence, apart from offering knowledge about supporting institutional development, discussed above, evaluation can make several *important contributions of a more non-traditional character*.

- 1 First of all, it may contribute to *increased knowledge and deeper understanding of institutional development* as such. More precisely, to a) the specific local institutional and reform context, and b) the process of institutional development itself, its dynamics, interactions, the different actors, their roles and incentives etc. and c) the role that donors may play in that process. An evaluation focussing on the *second overall evaluation question* – a thorough examination of the local institutional context, how it has been taken into account and the implications of that for outcomes – may prove *particularly useful* for promoting such learning and understanding.
- 2 In addition, those who participate in the evaluation may learn and *develop a common understanding* of institutions, institutional development and how to support it. Hence evaluation may contribute to both a better understanding of the institutional concepts and to the application or emergence of a *common language* among the participants – ideally, Sida staff with partners. This will serve as a useful common frame of reference for future work. In these ways, evaluation may also provide *inputs into the development of a more general conceptual and analytical framework* for Sida.
- 3 In order to actually make these contributions, ensuring that learning does not stay with the individual evaluator and that common benefits do actually materialise, *it is crucial that a participatory and dialogic evaluation process be adopted*. All those who are to learn and need to develop a common language etc. need to be actively involved, and it is important to create sufficient *time and space for exchange of experiences, joint reflection and dialogue*. Such an evaluation creates an excellent *opportunity for Sida staff and its local partners to learn about these issues together while at the same time developing a common understanding and language*. While the focus here has been on Sida, much may be equally relevant to its partners. This kind of evaluation may thus also contribute to the *development of knowledge, competence and increased awareness of these issues among our partners to co-operation*.
- 4 Again, a joint evaluation with other donors would be useful not only for learning lessons from other donors, but also because it may contribute to such *common learning, understanding and language within the donor community*.
- 5 Finally, there is certainly a *need to develop analytical tools and methods for evaluation* of support to institutional development. However, these should not be developed in isolation but linked to the frameworks and tools for analysis and support – existing as well as future ones.

## Need to take further action on support for institutional development

There is another set of important consequences for Sida that can be derived from the findings of the O&O phase. We have argued here the need for more knowledge, but more knowledge is certainly not enough. And there is no excuse for not starting to act. In fact, valuable knowledge will develop during the process. There is a need to take further action.

- 1 First of all, there is a need to *replace uncertainty and unawareness* about how Sida goes about supporting institutional development and on what grounds, by developing clear and conscious programme theory and guidance for practice. There is a clear need to *develop strategies and methods* for how to support institutional development and why. This at several levels: overall strategic and country level; sector and programme as well as project level. There is a need for guidelines, frameworks and tools for analysis as well as for support. This does not necessarily mean that support for institutional development should be introduced as a new specific kind of support. But it certainly means that support for the development and change of important rules of the game needs to be considered and consciously addressed. This particularly applies to major reform programmes and capacity development – but also to other kinds of development activities.
- 2 There is a need to *act on knowledge* that Sida staff already possesses and that has been collected here: a) to make use of already *existing knowledge about the local institutional and reform context*, b) to apply the relevant *lessons already learned on how to support* institutional development successfully in practice, and c) to apply the *lessons learned about the characteristics and difficulties of institutional development* as such, by exploring their practical consequences for the ways in which Sida (and its partners) work.
- 3 In particular, there is a need to *explicitly, consciously and strategically relate to and deal with the characteristics and specific difficulties of institutional development*. A major challenge is to *strategically address the way Sida relates to different central actors*, their roles, interests, incentives, power relationships and interaction in the reform processes – in particular to consciously consider the way it views and relates to *the state* in partner countries. A most crucial task is to make *active, conscious and strategic choices of which actors to support*.
- 4 An implication – which has consequences for evaluation – is the need to *develop performance criteria and indicators that are compatible with the characteristics of institutional development*. For instance, taking its long-term, process-oriented and organic character into account and enabling the observation of intangible factors – such as changes in mind-sets, values, beliefs, learning, behaviour and behavioural patterns reflecting partial or achieved development of institutions.

- 5 Taking these kinds of actions may *require Sida to change its own internal ways of working* in a multitude of ways. Just how will need to be further explored. It is certainly crucial that *conditions be created for its staff and partners to take these actions* – for instance to enable the application of the lessons learned. Examples: to adopt a truly process-oriented approach; to allow for the long-term presence in the field necessary to development and maintain personal relationships and genuine dialogue.

### Other needs – with implications for Sida more generally

Finally, there are a number of explicitly expressed as well as derived needs that do not specifically concern support for institutional development. These have consequences for Sida more generally – at an overall policy and managerial level, but also in daily operational work.

- 1 There seems to be a more general need to *deal with the complexity of aid, adopt process-oriented approaches, clarify the role of values and consider the local context* better. Certainly, dealing with these issues in an active and conscious manner requires considerable change at managerial and policy level – if it going to have real consequences for the daily practice of development co-operation. Sida needs to *consider how* to do this.
- 2 A strongly perceived *need to reflect on one's own practice together* means Sida must *allow time and space* for that. Findings ways and incorporating new practice into Sida's work could probably be done without major difficulties, provided there is a will and one clearly knows why. The major reason – to put it simply – would be to learn lessons from past practice in order to 'manage for results'. Certainly, reflection alone is no guarantee of better results. Any lesson learned needs to be *put into action*, to be 'acted upon' as argued earlier. This would definitely seem to be a crucial condition. And while there are certainly lots of meetings and much talk, this in itself does not ensure that true reflection and learning is going on.
- 3 The perceived usefulness of the *participatory and dialogic approach* adopted during the O&O phase suggests a need to *develop such ways of working* for inquiry, advocacy and learning generally and to apply them more consciously and consistently.

### What this means for evaluation

In particular, points 2 and 3 above have immediate consequences for evaluation, which has already been touched upon above. Within development co-operation, the evaluation tradition is to conduct evaluation if not 'in splendid isolation', at least with limited involvement of the different actors concerned. This has contributed to limited usefulness and practical application of the findings of many evaluations. What we now see – from the need to reflect on practice together and the usefulness of the participatory and dialogic approach – is that evaluations which allow for that can make significant and

useful contributions. For Sida then, during the evaluation process it is important at least to create opportunities for the sharing of experiences, common reflection and dialogue. The process shall be participatory – involving stakeholders concerned from the design, through implementation to the discussion about conclusions and implications of recommendations. These considerations should apply to all evaluations – whether initiated by departments, field offices or the UTV – or in which Sida is involved.

## 6.4 What does this mean for evaluation – What contribution can evaluation make?

The O&O phase has been both a learning process and pre-study phase for evaluation. In this final chapter, the implications of the findings and lessons learned for Sida more generally as well as for evaluation in particular have been discussed. The implications for evaluation are not only many, but could also be further specified and discussed in detailed. This would need a separate report. This is not the place to deal with them all; they should be studied in relation to the decision and design of individual evaluations. Let us instead draw conclusions about the general consequences for evaluation, of the knowledge and other needs identified, and the major contributions that evaluation can make to meet some of these needs. Box 6.4 summarises the conclusions drawn from the discussion of these issues in the several sub-sections above.

### Box 6.4 Conclusions about What this Means for Evaluation

*Strong need for evaluation – which can make important TRADITIONAL contributions, such as*

- Knowledge about performance/effects of support
- Additional lessons learned – about supporting informal rules and processes of institutional development (ID), taking context into account
- More profound and detailed descriptions of support – for informal rules, methods and approaches

*Findings suggest the two preliminary overall evaluation questions remain valid*

- But we now have a deeper understanding and more detailed knowledge about what to explore

*Evaluation can also make important NON-TRADITIONAL contributions, such as*

- Deeper learning about processes of ID
- Common understanding and language about institutional issues
- Opportunities for joint reflection and learning

*Requires a participatory and dialogic evaluation process*

- Opportunity for Sida and partners to learn together and develop common understanding
- Sida may contribute to develop knowledge and competence in partner countries



Joint donor evaluation can also be useful – for

contd.

- Learning lessons from other donors
- Common understanding and language among donors

*Evaluation can make additional contributions, in terms of INPUTS into*

- Knowledge base about ID and supporting ID
- Conceptual & analytical frameworks
- Strategy & methods development

*There is a need to develop EVALUATION METHODS too*

- Specifically: Develop analytical tools and methods for evaluation of ID support
- Generally: Create opportunities for sharing of experience, reflection and dialogue & Ensure participatory evaluation processes

## 6.5 Concluding Reflections on the Institutional Perspective

As stated in the introduction to Chapter 5, one conclusion is that the evaluation theme on institutional development *highlights and responds to a set of deeply perceived needs among Sida staff and partners* – most explicitly, some of the most experienced consultants. Some further concluding reflections on an institutional perspective are briefly discussed here, and summarised in Box 6.5.

### Box 6.5 Concluding Reflections on the Institutional Perspective

- Highlights and responds to deeply perceived needs among Sida staff and partners
- Major contribution: Helps unfold the context – makes the hidden explicit
- Potentially useful to all Sida support & to contextual analyses at all levels

The evaluation theme highlights the role of institutions – the rules of the game – for development and development co-operation. The potential usefulness of an institutional perspective has also been demonstrated in this exercise and by this report. What it implies for development co-operation needs to be further developed. It is not just that institutions are a target for support and change. Perhaps a *major contribution* of an institutional perspective – for development co-operation as well as elsewhere – is that *it helps us to unfold the context*; that which was opaque, becomes clear. Stressing that the context is important is nothing new, but the context is often a black box. The institutional perspective opens up this box, because the context in fact largely consists of institutions – formal and informal rules – as well as the behavioural incentives they give rise to, the associated ideas and values, the consequences for actors' behaviour – and so forth. It allows us to break down the context into parts that can be identified, studied and consciously related to. This suggests that an institutional perspective *may be useful in all Sida support* – not only

support specifically aimed at institutional development. *And to contextual and causal analyses at all levels* – national, sector, programme, project or organisational. In fact, one reason – in addition to the ones discussed in Chapter 5 – for why this evaluation theme has met with such positive interest is likely to be found in the very topic itself. Why it seems to respond to implicit needs among Sida staff and partners is perhaps precisely its ability to break down the context and make the tacit and hidden explicit and clear.

# Appendix 1 Summary of Knowledge, Needs, Implications & Role of Evaluation in Chapters 2–5

In preparation of the concluding Chapter 6, Chapters 2–5 were reviewed in light of the questions below. The findings of the review are summarised, chapter by chapter, in the subsequent box.

- What do we know now, and what do we not know?
- Hence, what do we need to know more about?
- What other needs are there – or what other implications are there for Sida, for its support for institutional development (ID) as well as more generally?
- And what are the implications for evaluation? What contribution can evaluation make – and what is of particular interest?

## Box A1: Summary of Knowledge → Needs, Implications & Role of Evaluation

### Chapter 2 on Sida Support for ID

*We know quite a bit about what Sida support for ID looks like – but the picture is partial*

- Need for more thorough description of Sida support for ID – broader, deeper, precise and quantitative
- Clearer picture of support for development of informal rules particularly valuable
- Deeper detailed descriptions most useful for these purposes and for learning
- Evaluation can make significant contributions

*We know far less about how Sida goes about supporting ID and why*

- Particularly motivated to further explore
- Evaluation can bring clarity and deeper understanding

*This striking gap has several important implications for Sida*

- Need to find out why is there such a gap – task for specific study
- Pressing need to explore implications, particularly of observed shortcomings, for performance of support – relevance, results and sustainability – most important task for evaluation
- Need to bridge the gap – replacing uncertainty and unawareness
  - Develop and document clear and conscious theory and practice for how to support ID and why
  - Develop overall strategies and methods & clear programme theories for specific programmes and projects – with partners
  - Including ways to systematically deal with characteristics and specific difficulties of ID

conts.

## Box A1: Summary of Knowledge → Needs, Implications & Role of Evaluation

contd.

*Another suggested gap – knowing but not doing*

- Possible need for more knowledge about local institutional context – task to explore and develop
- Need explore (if and) why contextual knowledge not made use of – task for separate study
- Reasons unclear, but knowledge not enough and constraints imposed by aid itself – task to review Sida's internal rules and incentives
- Need to explore implications of not taking institutional conditions into account for support – important task for evaluation
- Likely need to act on existing knowledge

### Chapter 3 on Lessons on Supporting ID

*Reviews of Sida evaluations and work of other donors offers few lessons for supporting ID*

- Need to know more about experience of Sida and other donors and lessons learned from that
- Need for conceptual clarification and ID as analytical category
- New evaluations may be more valuable than reviewing old reports more thoroughly

*Important and useful lessons learned from consultants show: 1) we know quite a bit about how to support ID successfully, at systems level, 2) tacit knowledge is made explicit and accessible, 3) serve as useful starting point for building knowledge base – but knowledge is partial*

- Lessons need to be complemented in several ways – need to know more about
  - Lessons from further experiences, particularly programme support & support for informal rules
  - The validity, relevance, sufficiency and relative importance of the lessons in different situations
- Appropriate and urgent task for evaluation that can make significant contribution to knowledge base
- Need to know about Sida's actual use of lessons in practice – task for study or evaluation
- Need for Sida to ensure application of lessons in practice and consider immediate action

*Lessons about nature of ID identified – but need for more knowledge and other needs highlighted*

- Stressed need to learn more about complexity of ID and how to handle that & to better understand relationships between formal and informal rules
- Urgent need for development of analytical methods on these issues and more generally
- Pent-up need to reflect on experiences together & to develop a common language for ID issues
- Possible need for Sida to further develop general knowledge about ID and reform processes
- To make use of knowledge and lessons, Sida may need to change its own internal ways of working to enable:
  - Adoption of a process-oriented approach to long-term and unforeseen ID process
  - Development of personal relationships, long-term presence and dialogue

*Concluding reflection: Little knowledge about performance of support in ID – in particular about the effects of support on ID*

- Strong basic need to know more about performance of Sida support for ID in general and about its effects on ID in particular
- A crucial and pressing task for evaluation by Sida
- Possibly equally strong need among wider donor community
- Research suggests little impact of aid on institutions, but need explore disaggregated effects at different levels and causes of limited effects further – tasks for both research and evaluation

## Box A1: Summary of Knowledge → Needs, Implications & Role of Evaluation

### Chapter 4 on Lessons about ID Itself

*Lessons learned about ID suggest not insignificant implicit knowledge, made explicit here*

- Crucial for Sida be aware, explicitly recognise, consciously relate to and apply lessons

*Many uncertainties and remaining knowledge gaps identified*

- Clear need to learn more about ID and understand it better – basic condition for support
  - Not least about dynamic interactions of factors and actors, prevailing informal rules & central actors and their incentives for/against change
- Conscious and collected effort desired to meet the need
  - Make better use of existing research & promote further research
  - Participatory and learning-oriented evaluation can make major contribution to increase understanding
  - Development of conceptual and analytical framework needed – these lessons can provide inputs

*In light of previous observations – Sida needs to act on knowledge*

- Need to explicitly, consciously and strategically relate to and deal with a) characteristics of ID, b) major factors involved and c) circumstances which render ID particularly difficult
- Major challenge: strategically address the way it relates to different actors, their roles, incentives and interaction in the reform processes
  - Identify the central actors involved, their interests and power relationships
  - Most crucial make active, conscious and strategic choices of which actors to support
- Need to develop methods and tools for both analysis and support as well as strategies for support to ID
  - again, lessons may serve as a useful input

### Chapter 5 on Other Emerging Lessons

*Institutional theme highlights and responds to deeply perceived needs within the organisation and among its partners – these are additional lessons*

*Need to deal with – understand, take into account and act upon – issues that are more general to development and development co-operation*

- Cope with increasing complexity of aid
- Adopt process-oriented approaches to support
- Discuss and clarify role of donors in influencing values
- Learn and consider local context better – in particular the informal
- Task for Sida at overall policy and managerial level

*Strongly perceived need to reflect on one's own practice – and to do this together*

- Requires creating time and space for reflection and exchange of experience, & forms and opportunities to make use of insights
- Task for Sida broadly but equally relevant for evaluation

*Usefulness of a participatory and dialogic approach – for inquiry, advocacy and learning*

- Need to develop such ways of working further
- Task also for those working with dialogue in theory and practice
- Need for more conscious application in evaluation

*Interest and need to know more about outcomes – about what works and what does not*

- Need for more evaluation, in particular for learning



# Appendix 2 Activities & Publications of the O&O Phase

During the O&O phase, a number of activities were performed and several reports were produced by UTV. Here they are listed, together with other publications related to the overall evaluation theme on support for institutional development (ID).

## Activities Performed during the O&O Phase

### Seminars & interviews at Sida/Stockholm

- Seminar with UTV evaluators on evaluation theme and O&O phase late 2004/early 2005
- Seminar with the Policy and Method Group of the Department for Infrastructure and Economic Cooperation (INEC), 17 March 2005
- Seminar with the Division for Democratic Governance at the Department for Democracy and Social Development (DESO/Desa), 5 April 2005
- Seminar with the Country Groups for Kenya and Mozambique, 28 April 2005
- Seminar with the Division for Infrastructure and Finance at the Department for Infrastructure and Economic Cooperation (INEC/IF), 10 May 2005
- Seminar with the Country Groups for Laos and Vietnam, 12 May 2005
- Seminar with Division for Contract-Financed Technical Cooperation at the Department for Infrastructure and Economic Cooperation (INEC/KTS), 31 May 2005
- Several recurrent meetings with the Reference Group for the O&O phase of the evaluation theme during late 2004 and throughout 2005
- Seminar with the group for public administration of the Department for Europe (EUROPE), 20 September 2005
- Several interviews and conversations with Sida staff at Sida/Stockholm (see further Eriksson Skoog, 2005a)
- Seminar with UTV evaluators on first draft of this Synthesis Report, 5 April 2006

### Seminars, workshops & conversations with external participants

- Full-day workshops on lessons from experience of Sida consultants working with support for institutional development, 9 June 2005, for Sida staff and consultants
- Half-day follow-up workshop of consultants' workshop, 22 September 2005, with participants from Sida, Ministry of Foreign Affairs and consultants
- Seminar with Mary Shirley from Ronald Coase Institute, on 'Institutions Matter! – But Can Aid Reform Institutions?', 27 September 2005, co-organised with INEC (NEC/Academy seminar)
- Post-seminar with Mary Shirley with Reference Group 27 September 2005
- Individual conversations between Mary Shirley and Sida staff 26–28 September 2005

### Activities during field visits (see further Eriksson Skoog 2005a)

- Several seminars, group meetings, interviews and conversations in Mozambique (14–19 November 2004), Kenya (22–26 November 2004), Laos (22–28 February 2005) and Vietnam (14–21 February 2005), with Embassy staff, including national programme officers, and with local counterparts, consultants, other donors and independent observers

### UTV staff participation in external conferences & meetings

- EGDI/WIDER conference on 'Unlocking Human Potential – Linking Formal and Informal Sectors', 17–18 September 2004, Helsinki, Finland
- ISNIE conference on 'Institutions and Economic and Political Behavior', 30 September–3 October 2004, Tucson, USA
- Ronald Coase Institute workshop on 'the St. Louis Initiative: Setting a New Institutional Agenda', 10–12 November 2005, St Louis, USA
- Sida/POM (Department for Policy and Methodology) workshop on 'Capacity Development in a Changing Landscape of Development Cooperation, 8–9 March 2006, Stockholm
- LenCD forum on 'Addressing the Paris Declaration, Collective Responsibility for Capacity Development: What Works, and What Doesn't?' 3–5 October 2006, Nairobi, Kenya
- Membership in Reference Group for Capacity Development, at Department for Policy and Methodology (POM) at Sida, during 2006 and continuing



## Interim documents produced & used during the process

- Brief Presentation of Evaluation Theme and O&O Phase
- Draft Thematic Paper
- Draft Conceptual Paper
- Travel Report from EGDI/WIDER Conference
- Travel Report from Mozambique and Kenya
- Travel Report from Vietnam and Laos
- Travel Report from ISNIE conference
- Travel Report from Ronald Coase Institute workshop
- Reflection Notes from LenCD forum

## Major Reports Published/ Produced during the O&O Phase

Barrientos Córdova, Begoña, (2005) unpublished mimeo, Department for Evaluation and Internal Audit, Sida, Stockholm

Sida Studies in Evaluation 05/03: *Institutionsutveckling skapas inifrån – Lärdomar från konsulters erfarenheter av stöd till formella och informella regler*, by Lage Bergström

Sida Studies in Evaluation 05/04: *Development of Institutions is Created from the Inside – Lessons Learned from Consultants' Experiences of Supporting Formal and Informal Rules*, by Lage Bergström

Sida Studies in Evaluation 2007:02: *Changing Rules – Developing Institutions: A Synthesis of Findings*, by Gun Eriksson Skoog

UTV Working Paper 2005:3: *Supporting the Development of Institutions – Formal and Informal Rules. An Evaluation Theme, Basic Concepts*, by Gun Eriksson Skoog

UTV Working Paper 2005:4: *Donor Approaches to the Development of Institutions – Formal and Informal Rules. A Partial Overview*, Sara Bandstein

UTV Working Paper 2005:5: *Sida Support for the Development of Institutions – Formal and Informal Rules. Reports from Kenya, Mozambique, Laos and Vietnam*, Gun Eriksson Skoog

## Other Reports within/related to the Evaluation Theme Published/Produced by UTV

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UTV Working Paper 2006:3: *Learning from Sida Support to Institutional Development in Laos PDR, Interim Report from Learning Exercise*, by Pernilla Sjöquist Rafiqui with Liz Goold

## Reference Group for the O&O Phase of the Evaluation Theme

Samuel Egerö (part of the time), ASIA/Asia

Jan Essner (part of the time), ASIA/Asia

Hallgerd Dyrssen, DESO/Desa

Åsa Forsman, INEC/Urban

Ingemar Gustafsson, POM

Margareta Husén (part of the time), DESO/Education

Stina Karlton, DESO/Desa

Thomas Kjellson, DESO/Desa

Per Lundell (part of the time), POM

Mirja Peterson, EUROPE/ECCA

Alexandra Wachtmeister, NATUR/Environment

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Avdelningen för utvärdering och intern revision
- 2007:02 *Changing Rules – Developing Institutions*  
*A Synthesis of Findings*  
Gun Eriksson Skoog  
Department for Evaluation and Internal Audit





# Changing Rules – Developing Institutions

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## A Synthesis of Findings

Institutions – the formal and informal rules for social interaction – are a key to sustainable development and poverty reduction. Institutional reforms are high on the international development agenda and supporting institutional development (ID) is a strategic issue for donors. However, changing rules – developing institutions – is a complex matter, since institutions are embedded in a country's specific history and culture. If ID is inherently 'local', how can donors successfully support ID as a means to contribute to poverty reduction?

This report synthesises the findings from an initial orientation and overview phase, identifies lessons learned and discusses implications for Sida and its partners.

One conclusion is that Sida support for ID is comprehensive, deliberately provided and broad in scope – but theories of change, strategies and methods for dealing with the characteristics of ID are not well articulated. A central lesson is that ID is a dynamic process of complex interactions. It calls for a deeper understanding of this complex process; the adoption of a process-oriented approach; and the development of common concepts and analytical frameworks.

Little is known about the performance and long-term impact of Sida support for ID – hence further evaluation is needed. In addition to knowledge about results and lessons learned evaluation can contribute to a) learning about the local context and process of ID, b) the development of common concepts and understanding through joint reflection among Sida staff and country partners, and c) enhancing the capacity of local partners.



SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Department for Evaluation and Internal Audit

Address: SE-105 25 Stockholm

Visiting address: Valhallavägen 199, Stockholm, Sweden

Tel: +46 (0)8 698 50 00. Fax: +46 (0)8 698 56 15

E-mail: [sida@sida.se](mailto:sida@sida.se)

[www.sida.se](http://www.sida.se)