Sida's Support to Public Administration and Institutional Capacity Development 2003-2015:

Perspectives, Evidence and Lessons Learned

Cover photo: Ylva Sahlstrand, Sida

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FOREWORD

Democracy and human rights have made great progress in many parts of the world over the last 30 years, not least in Sweden's development cooperation partner countries. However, we also see a reversal of this trend since 2005, and oppression and authoritarianism are increasing. In 2016, for the 11th consecutive year, oppression increased in more countries than those where democratic progress was recorded. Public institutions based on democratic principles and working for sustainable development play a critical role in democratic governance. But today there are those who question both the intrinsic value of democracy and whether democratic public administration is instrumental for guaranteeing the fulfilment of human rights and the delivery of public services to the population.

In addition, while the last 30 years have seen more people lifted out of poverty than ever before, institutional development is lagging behind human and economic development. As a result, about half the states affected by conflict and fragility today are middle income countries. While the Millennium Declaration was strong on democracy and human rights, the international community failed to articulate the importance of building systems and institutions for democracy, governance and human rights in the Millennium Development Goals. This time around, the Agenda 2030 declaration is even stronger in emphasizing the fundamental importance of human rights, primarily in Paragraph 8, but also in a number of the Sustainable Development Goals. Democracy is only mentioned in Paragraph 9 of the declaration, and not in the Sustainable Development Goals themselves. However, regarding democracy and public administration, Sustainable Development Goal 16 – "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels" – is a distinct improvement over the Millennium Development Goals. Goal 16 will not be achieved without accelerated development results with regards to governance and public administration.

The recently presented *World Development Report 2017: Governance and the Law* is about what makes some policies work while others fail. One key message in *WDR 2017* is that building institutions and successful governance requires a stronger focus on the function that public institutions need to perform – rather than the formal set-up of the institutions themselves – for solving development problems. Moreover, governments and donors have traditionally, and often incorrectly, responded to the failure of institutions and governance by investing more in capacity building. In *WDR 2017*, the World Bank now acknowledges that a more in-depth understanding of the context and power relations among stakeholders (what *WDR 2017* calls "asymmetries of power") is critical for understanding the constraints and incentives behind policy implementation success and failure. Goal 16 and Sida's long-standing experience from political economy analysis – or in Sida's terminology power analysis – should continue to be a key part of our effort to improve the de facto performance of public institutions and governance in partner countries.

Documents steering Swedish support for development cooperation have consistently pointed to the importance for development of good governance and a well-functioning public administration at the national, regional and local levels. However, while Sida's support to public administration as part of the democracy and human rights portfolio was fairly constant at SEK 1 billion per year 2003-2014, this represented close to 50 percent of the portfolio in 2004 but less than 30 percent in 2014.

The purpose of this study is to map, analyse and present general recommendations for Sida's support to democratic governance and specifically public administration and institutional capacity development.

This report consists of a literature review, a study of the financial and statistical data on Sida's support 2003-2015 and desk case studies of Cambodia, Mali, Rwanda, Somalia and Tanzania.

The authors identify a number of factors behind successful interventions in this field: Sida sees institutional development as a political as well as a technical or managerial task. It is necessary to complement Sida's organizational strengthening analysis with an institutional development analysis of the environmental factors that allow organizations to enjoy legitimacy. Standardized approaches are seldom successful; effective approaches are adapted to the specific context and problems. The study also concludes with recommendations on what Sida might do to strengthen its own capacity to work with public institutions, including allocating more personnel to work with public administration and institutional capacity development, creating a unit within Sida for this subject, and continuing to work closely with other Swedish institutions.

The report was commissioned by a committee chaired by Malin Synneborn Lundberg AFRIKA/RÄTTVIS and also included Stellan Arvidsson Hyving INTEM/TEMA, Robert Backlund UM-MOZ, James Donovan INTEM/TEMA, Thomas Kjellson EUROLATIN/DEMO-VBTLA, Per Nordlund

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A consultant team from Nordic Consulting A/S and led by Prof. Göran Hydén wrote the report; co-authors included Marina Buch Kristensen, Kirza Buch Kristensen and Hamish Nixon (the latter from the Overseas Development Institute).

Those of us who work with public administration including public financial management believe that this is a key issue in development, which contributes importantly to success or failure in the majority of Sida's aid contributions. Sida has a long, rich experience in this area and according to several observers a comparative advantage for this area. Sida needs to consider how to consolidate this experience by identifying expert policy specialists at Sida to work with the issue, provide advice and document successful approaches.

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EXECUTIVE SUMMARY

Using data on Sida's disbursements of support to public institutions between 2003 and 2015, this study provides perspectives on the agency's policies and practices in this sector and the lessons learned from its support to partner countries. These lessons provide the basis for a set of recommendations for how it may consider future support in this sector. The disbursement exercise was complemented by in-depth case studies in five programme countries: Cambodia, Mali, Rwanda, Somalia and Tanzania, each representing certain strands of Sida's development cooperation experience.

This study has confirmed that there has been a *decrease* in the support to policy development and public administration as part of Sida's total aid portfolio in the period under review, a *decrease* in the share of this type of support within the Democracy and Human Rights (DHR) portfolio as well as a *decrease* in the support to policy development and public administration within other sectors (education, health etc). The decline in this type of support in the DHR portfolio has *not* been counterweighed by increased Sida support to policy development and public administration within other sectors and it also doesn't seem to be counterbalanced by increased contributions from other Swedish institutions that have their own funds for supporting policy development and public administration in partner countries.

Public institutions include those focused on "access to power", e.g. parliaments and electoral commissions, and "exercise of power" which would be ministries and executive agencies.[1] The study has, in addition, suggested that Sida includes a third category for watchdog or "control of power" type of institutions and recommends that Sida continues to refine these categories to ensure better alignment between how the agency conceptualises and operationalizes its work on these issues. In terms of support to these categories of institutions "exercise of power" institutions received by far the largest amount of support, though as a percentage of the total aid in the DHR sector it decreased. In comparison, the share of support to both to "access to power" and "control of power" entities has been very limited in the period even if Sweden attaches great importance to democratisation and control of corruption in its aid policies.

Part of the explanation for the relative decline in the support to policy development and public administration is the new Swedish Government, which took office in 2006 and had other political priorities e.g. support to CSOs and human rights defenders rather than public institutions. The mapping tends to confirm that new Government made a mark on Sida's support in the DHR sector with a notable reduction in the amounts allocated to public institutions occurring in the early years. The decline in support to exercise of power institutions and rise in support for CSOs, human rights and media, however, began already in 2003 which suggests that the new Government made a correction rather than a break in overall Swedish aid policy.

The decline in budget support during the period is also part of the explanation for the declining share of support to public administration and "exercise of power" institutions. Budget support is closely associated with support to public sector reform and in particular PFM reforms as shown, for instance, in Mali. The continued prevalence of corruption in partner governments has not played a direct role in reducing the share of Swedish support to policy development and public administration. Still, the concern over corruption has changed, at least partly, the way aid was given in the period – away from the Paris agenda with budget support, SWAPs, Programme Aid, and Use of Country Systems to more project based support.

The implementation of the Millennium Development Goals (MDG) can also partly explain the decline. There is evidence in the data to suggest that a shift towards meeting hard and quantifiable targets such as number of schools and health facilities rather than support to policy development and public administration did happen in the period especially in the education sector.

The New Deal seems to have an impact in the share of funding that Sweden has allocated to policy development and public administration in "Fragile and Conflicted-Affected States" (FCAS). As Sweden has turned increasingly toward supporting fragile and conflict-affected states, its funding of peace and state-building efforts, typically involving policy development and public administration components, has continued with a greater success in Somalia than in Mali much thanks to the positive role that the New Deal has played there in bringing donors and the new Federal Government together in joint efforts.

Another point that this study has uncovered is that the flexibility in the direction of Swedish aid within the partner countries varies. The review of the five programme countries included in this study suggests Sida's own space to manoeuvre between the broader objectives of Swedish aid policy, on the one hand, and the programmatic components that are being proposed by the Embassy, on the other varies from one country to another. Where there are many donors, space tends to be crowded with donor harmonization becom-

[1] These are categories that Sida has introduced for the purpose of this study.

ing a key component of administering aid. Tanzania and Cambodia are two contrasting cases in this regard. Some partner governments are more proactive than others when it comes to setting aid priorities. Rwanda is an extreme case of where donors have to fall in line with what the Government sees as its priorities. Thus, Sida's ability to develop a country strategy reflecting first and foremost Swedish aid policy priorities becomes quite difficult and instead reflect what the authorities in the country allows the individual donor agencies to do. In Mali and Somalia, two countries which are both emerging from civil and political violence, the donor role tends to become especially prominent since domestic institutions tend to be weak.

One of the main issues of the report is to highlight the implications for Sida (and other donor agencies) of the emerging paradigm that puts function before form and points to the importance of understanding such concepts as "political settlement" as part of making its own support more effective and proving to have a greater impact on the ground in partner countries. These new ideas that are gaining ground in the international development community constitute challenges to conventional aid modalities. In the case of Sweden, they do so, in particular, because it has a long tradition of basing its own development assistance on fundamental values as reflected, for example, in its rights-based approach.

The principal challenge for Sida in assessing and reorienting its support to public administration and institutional development to this new paradigm involves aligning the normative and other – international and national – policy drivers of Swedish support with this alternative functional orientation to reform. Broadly speaking, this does include a strong element of allowing locally defined and driven problems to guide activity, coupled with stronger contextual analysis of issues such as the make-up of political settlements. However, this approach can be combined with the other policy drivers – such as normative orientations that shape Swedish assistance – as well as the long-term ambitions to promote democratic institutions and respect for rights. The key is that these goals need to be filtered and acted upon through the more functional approaches implied by "working with the grain".

Sida should have a comparative advantage when it comes to tackling this set of issues because, unlike most other donors, Sida acknowledges that building institutions is not merely a technical or managerial but also a political task, involving power relations. The agency has taken initial operational steps in this direction already but more could be done to ensure better effects of this approach. Evaluations cited in the report show that projects whether they focus on institutional reform or capacity development tend to be most successful when they are aligned with local interests and the political dynamics that drive policy. Understanding the underlying political settlement in partner countries is an important part of such analysis.

As part of improved diagnostics, it is also necessary to complement organizational strengthening analysis (OS) with an institutional development (ID) analysis. The latter is an entry point for the effective use of the former. Evaluations suggest that Sida has been good at doing the organizational analysis but has often left out the analysis of the institutional dimensions. The ID is an analysis of the environmental factors that allow organizations to enjoy legitimacy.

Sida already acknowledges that building or reforming institutions require a holistic approach. Various evaluations have shown, however, that this approach has not always been fully implemented. There is a tendency to take every project as a unique entity and focus on the quantifiable and measurable dimensions at the expense of understanding how a particular organisation functions in its wider social and political setting. Any attempt to ensure some degree of sustainability beyond the time frame of a particular project or programme calls for an integrative approach that involves looking at how the various bits and pieces of what Sida (in coordination with other donors) supports hang together and catalyse desired change.

This study emphasizes that best practices are no shortcut to better results. Nor are normative policy preferences enough to secure expected outcomes. What works in a given partner country situation calls for identification of what particular method or approach fits there. This implies not only an understanding of the local conditions but also a closer look at what particular "tool" in the box may work. Evaluations have shown that standardized approaches tend to be wasteful and rarely effective in terms of producing results. There is reason for Sida's methods specialists to develop systems and procedures for how identifying the best fit can be most effectively pursued.

The study also includes comments on what Sida may wish to do to strengthen its own capacity to build public institutions. These include not only more personnel (which may be difficult) but also how to organise itself in ways that make best use of scarce human resources, e.g. creating a special division within Sida for public administration and institutional capacity development and continue to work closely with other Swedish institutions which provide specialists ready to work in partner countries with respect for the Paris principles of national ownership.

INTRODUCTION

The broader objective of this study is to provide a better understanding of Sida's funding of public administration and institutional development, as registered in its DHR portfolio between 2003 and 2015, and on the basis of these findings make recommendations about future options and niches of support. The terms of the study also include an investigation of funding of public institutions in Fragile and Conflict-Affected States (FCAS) as well as a closer look at how public administration and institutional development may have been mainstreamed in sector support. To find out, the mapping of disbursements has been complemented by case studies of five programme countries – Cambodia, Mali, Rwanda, Somalia and Tanzania. This is admittedly a small sample but the five cases were chosen on the basis of highlighting different trends and patterns among Sida's partner countries.

In accordance with the Terms of Reference, the study has three components. To fully capture and understand the patterns and trends that may be identified during the 2003-2015 time period, the study provides *perspectives* on institution building drawing on the experience of the international development community in which Sweden has actively participated over the past sixty years. Chapter One discusses the challenges of building institutions in countries that are not already liberal and democratic and presents an overview of how theories and practices of institution building have changed over time in responds to the complexities of this exercise. This discussion tries to show how the international development community step-by-step has come to acknowledge that aid interventions are likely to be most effective if they are attuned to the specific political realities of each partner country and local actors in these countries are allowed to be in the driving seat to solve what they perceive as national policy issues. This chapter also introduces the concept of "political settlement" and its importance for institution – building, especially in peace and state-building contexts.

Following this overview of the "big picture", the Report moves on to present the *evidence* by tracking disbursements under the Democracy and Human Rights (DHR) portfolio during the 2003-15 time period. Chapter Two shows trends and patterns with regard to the key aspects of the DHR portfolio ending with a summary of the main findings. Chapter Three identifies and discusses the factors at policy and management levels that may help explain the disbursement patterns. As part of the chapter there is a discussion of the specific disbursement patterns at management (embassy) level in the five case countries.

Chapter Four discusses *lessons learned* by Sida and the international development community with reference to key aspects of Sida's work with public institutions: (a) budget support, (b) public sector governance, (c) mainstreaming governance support, (d) institutional capacity development, (e) collaboration with Swedish agencies, (f) anti-corruption, (g) parliamentary strengthening and (h) conflict, peace and security. Chapter Five contains a set of conclusions and recommendations about how Sida may wish to proceed from here bearing in mind what seems to work, partner country interests, and niches that need to be filled.

As the Methodological Note at the end of the report explains further, the investigative part of the study ran into a number of challenges and difficulties relating to how and why specific projects are classified using OECD-DAC codes and the availability of data for the full period. In trying to obtain explanations from Sida personnel the Team received their best answers but they have also acknowledged that their comments and clarifications tend to be confined to the present or most recent years, not the whole period from 2003. The limitations encountered at the programme management level make the analysis and discussion of factors at global and national policy levels a vital complement. These limitations also highlight the importance for Sida to align its management information systems with changes in perspectives on forms of governance programming.

1. PERSPECTIVES ON INSTITUTION-BUILDING

There is a broad consensus among academics as well as practitioners that good governance goes together with improved human welfare and inclusive rather than extractive institutions are the key determinants of both economic growth and poverty reduction (Acemoglu and Robinson 2014). Research such as that by Besley and Persson (2010) adds another set of important insights, notably that a tax system which collects revenue from a broad base, a system of administering justice in accordance with the rule of law, and a society that manages to avoid violence are pillars of prosperity. Furthermore, impartiality in the exercise of state power is important and correlates strongly with gender equality, universal education and the presence of meritocracy, as research by the Quality of Government Institute at Gothenburg University shows (Rothstein and Tannenberg 2015). The list of academic sources which in the form of macro,

large N type of studies demonstrate the correlates between these dimensions of good governance, on the one hand, and inclusive, poverty-reducing, and sustainable development, on the other, could be made much longer but suffices it to state here that they provide the basis and rationale for the many global indices (e.g. World Development Index, Human Development Index, World Governance Indicators) that service the international donor community and are the guiding light for key organizations in the democratic governance field like the OECD/DAC-Govnet and International IDEA.

In the real world the profile of a country that matches the attributes associated with the theories of good governance and inclusive and sustainable development is most recognizable in Western Europe, notably among the Nordic countries, which have a long tradition of democratic governance. However, the long-term association of institutions with prosperity has proven unhelpful in the more thorny developmental questions of how countries move through processes that produce gains in either economic or institutional advancement. In short, it tells us something about being developed, but little about development. The big question that the international donor community has been struggling with during all these years – and still does – is how this profile can be recreated in countries without a similar historical legacy.

”Getting to Denmark”, as this venture is sometimes labelled, has proved to run through unchartered terrain. Toolboxes have been emptied and then replenished as the search for ”what works” has continued. The hard lesson is that there seems to be no shortcuts in the task of building the type of institutions that the world knows correlates with democratic governance, inclusive economic growth and social equality. This first chapter, therefore, discusses why and how theory and practice in support of institutional development have been the objects of regular shifts. It ends with a discussion of what these changes mean for Sweden, which has also followed its own policy principles or values and not merely the evidence derived from lessons drawn by the international donor community at large.

Institutions, Organizations and Capacity Development

It begins by recognizing what the task is all about. The terminology used to refer to activities in this arena can easily be confusing. There are many overlapping concepts such as ”capacity development”, ”organizational development”, ”institutional development” and ”institutional reform” that are used to refer to the same thing. Because support to public institutions almost invariably involves elements of capacity development, it is important to clarify its key components. A recent evaluation of donor support to capacity development has brought renewed attention to the significance of this issue and the importance of understanding the full dimensions of building institutions (Carneiro et al 2015). With reference to Sida, the Report concludes, among other things, that:

...the Swedish support gave a very important contribution to the development of the capacities of partner organisations. This support targets different types of capacities necessary for partners to deliver a variety of products and services, in a manner that is generally efficient. All country-study projects comprised the strengthening of individual knowledge and skills, as well as of methods, procedures and routines at the partner organisations. The least common were measures dealing with the work environment and factors external to the partner organisations. The Swedish support has catalysed numerous positive developments in the partner organisations. However, uneven results at the different levels in some projects point to the importance of carefully adapting the support to the needs and priorities of partners at all levels (Sida 2015, p 2).

This conclusion is directly relevant for the support that Sida provides to public institutions. The agency is good at imparting new knowledge and skills to individuals and organizations but faces difficulties in dealing with factors external to these partner organizations, or the informal dimensions of how rules are translated or not into practices. Another way of saying this is that Sida is good at building organizations but less so when it comes to building institutions – a difficulty that is by no means limited to Swedish development cooperation.

”Organization” and ”institution” are complementary components of capacity development. Both are necessary for that purpose. Thus, it is important to differentiate between them. An institution is not automatically an organization. For example, marriage is an institution but is not an organization. Conversely, a company is an organization but not automatically an institution. This conceptual differentiation and clarification is by no means new and was the subject of a Sida-funded study already twenty years ago (Moore et al 1995). Yet, because the ambiguity continues, a further elaboration will serve the purpose of this study.

”Organization”, as used here, refers to a set of people working together with agreed-upon procedures in pursuit of a common objective. ”Institution”, on the other hand, refers to the societal norms external to the organization that determine its legitimacy and sustainability. In this sense, institutions are the ”rules of the game” while organizations are the teams that play by the rules. These rules may be formal or informal but donor efforts

Table 1. **Differences between organization and institution**

	Duration	Delineation	Purpose	Essence	Control	Change-Ability
Organization	Short-to- medium term	Clear lines of authority	Unity of purpose	Set of roles	Answerable to single source	Easy
Institution	Long term	Diffuse cultural norms	Compatibility of values	Set of rules	Inter-dependent	Hard

have been all about creating a system of formal rules that comply with their own model of good governance.

As this definition suggests, capacity development in the context of development cooperation has two dimensions: (1) to strengthen the organization in terms of achieving its objectives and (2) to internalize the rules that embed the organization in society in a legitimate manner. As the evaluation report quoted above indicates, Sida has been successful in doing the first part but has struggled with the second. This is not surprising given that capacity development involves changing norms and behaviour and thus challenges "business-as-usual" practices. Furthermore, while strengthening the team is an activity that can be carried out within a specific project time period, changing cultural norms and behaviour is a long-term affair. They are much harder to alter. The differences between organization and institution are summarized in Table 1.

Organizational strengthening (OS) and institutional development (ID) are both critical for making an intervention successful and sustainable. OS involves an analysis of the organization, ID an analysis of its operational environment. As the evaluation of capacity development (Carneiro et al 2015) indicates, the two need to be synthesized into a plan or strategy to facilitate effective implementation as illustrated in Figure 1 below.

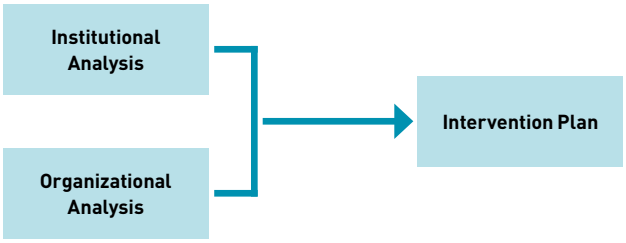

Figure 1. ID/OS framework of analysis for support to public institutions.

The task begins with an analysis of the environment (ID) to identify a specific challenge or problem that the intervention is meant to address. It has two components. One is meant to analyse the factors – geographical, political, socio-economic or cultural – that are likely to influence the inputs, the process or the output of the planned intervention. The second component focuses on the actors – target groups, government agencies, private enterprises and NGOs – the relation among them in terms of what they cover and how they interact.

The institutional analysis is the entry point for the organizational analysis (OS) and absolutely critical for getting the intervention right. The former provides a sense of threats and opportunities that will determine the implementation of the planned intervention, while the latter concentrates on identifying strengths and weaknesses. It provides a direction for a more detailed analysis of the relevant components of the internal organisation such as the strategies and planning, the systems and work processes, the structure, the management style, the staff motivation and the organizational culture. The OS part of the analysis is easier in the sense that it has the potential of yielding clearly identifiable needs that can be addressed in a project format. It may help explain why Carneiro and his colleagues (2015) in their evaluation of capacity development find the ID analysis inadequate.

Another possible reason why the ID component tends to be downplayed in projects supporting public institutions is that the idea that there are threats and opportunities associated with the operation of government or state institutions seems farfetched. Yet, as is now widely acknowledged, there are threats in the form of informal institutions and opportunities, e.g. in the form of exceptional champions of reform and the presence of a political commitment. Institutional analysis needs to address widely these other – less formal – aspects of institutional change. This process is closely linked to the emerging paradigm around understanding and working with institutions – political settlements analysis, political economy, and 'working with the grain' using 'iterative' and 'adaptive' approaches – that are currently gaining momentum in the international development community.

Theory, Policy and Practice

In this community policy paradigms keep shifting because what works has proved to be constantly subject to challenge from new ideas as well as practical lessons. Drawing on contributions by Krasner (2009), Noussi (2010) and Levy (2014), who have analysed this set of issues from a practical policy perspective, this study identifies four sets of theory that have occupied paradigmatic status in

shaping institution-building efforts during the six decades that international development cooperation has been a global presence. These theories are: (1) modernization theory, (2) historical institutionalism, (3) new institutionalism, and (4) "working with the grain".

The change in approach has been determined along two lines as shown below in Figure 2. The first is whether foreign aid is driven primarily by supply or demand, in other words, whether it fills perceived gaps or responds to demands in recipient partner countries. The second is whether the intervention is pursued based on an external model or is designed in response to context, be it socio-economic or political.

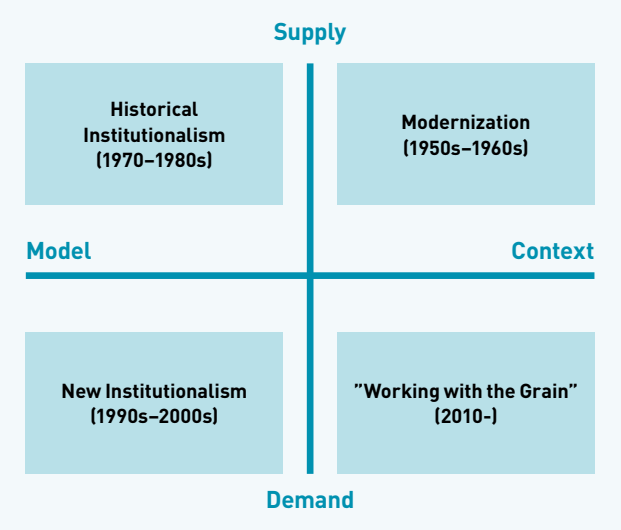

Figure 2. Changes in donor approaches

Admittedly, the timelines listed in the figure are broad and somewhat arbitrary but it is possible to identify an anti-clock-wise move, which began with recognition of the significance of context and ends at the same end of the spectrum.

Modernization theorists emphasized two things that are now again receiving increased attention in the international development community. The first is its assumption that *function is more important than form*. Modernization did not rely on a particular normative regime preference. Policy supported economic development even if that meant funding authoritarian governments. The second is the idea that *development is a prerequisite for democracy*. Certain economic and social conditions were seen as necessary for democracy to develop, notably an open class system, economic wealth, egalitarian value system, capitalist society, literacy and high participation in voluntary organisations (Lerner 1958, Lipset 1959, Diamond 2009).

The notion that development comes before democracy was subsequently challenged by two sets of theories. The first was historical institutionalism which argued that for societies to develop they need *autonomous state institutions to organize politics* (Huntington 1968, Myrdal 1968, Tilly 1992). These institutions include parliaments, political parties, the judiciary, anti-corruption bodies, election commissions, and independent financial oversight bodies. This emphasis on building state institutions was challenged in the 1980s by the adoption of Structural Adjustment Programmes aimed at reducing the size of government and relying increasingly on market forces for development and allocation of resources. It was subsequently rehabilitated as evident, for example in the 1997 World Development Report (World Bank 1997) and the writings of influential theorists like Fukuyama (2004).

The second set of theories goes under the name of new institutionalism. Its protagonists brought New Public Management to the global policy discourse. They argued for a public service driven by criteria previously associated primarily with private sector operations such as *efficiency, results-orientation and a delegation of operational authority to non-state actors*. New Institutionalists also established that *building institutions is not merely a technical but also a political challenge* (Acemoglu & Robinson 2006 and North, Wallis & Weingast 2009). The latter argue that change does not come about merely through the supply of aid money but stems from incentives that lead to a demand for it (Whitfield et al 2015). Political commitment is a precondition for institutional reform. Such reforms, however, cannot be imposed or enforced from the outside because countries that are not already democratic have their own political logic. They are not "sick" or just dysfunctional. Although they may be less robust to shocks than mature democracies, they generate internal forces that provide for two of the basic tasks of all societies: stability and order. Corruption and rent-seeking by elites, therefore, tend to be an inherent part of politics. Trying to combat it entails changing the social and political order altogether. As Khan (2005, 2006) also argues, failure to understand this is a major impediment to a better development policy.

Thus, in recent years, there has been a further development of this critique pointing in the direction of a fuller understanding of how politics in the partner countries drive policy. Initial steps were taken by DFID with its concern about identifying the "drivers of change" and Sida which introduced its "power analysis" in the early 2000s. These ideas have more recently crystallized into a new emerging paradigm.

Working with the Grain

It emphasizes understanding and working with the politics in general and political settlements in particular, responding to problems and concerns driven by the recipient partner country, and proceeding in a flexible and adaptive way.

DFID has defined the concept of political settlements as "the forging of a common understanding, usually between political elites, that their best interests or beliefs are served through acquiescence to a framework for administering political power" (Di John and Putzel 2009:4). It must also be recognized, however, that political settlements are outcomes of bargaining among elites in order to provide a stable regime within which policies can be effectively pursued. The most theoretically robust definition of political settlements has been provided by Mushtaq Khan (e.g. Khan and Somo 2000). In his writings, "political settlement" refers to the balance of distribution of power between contending social groups and classes, on which the state is based.

Working with the grain and its underlying set of theories may be viewed as an extension of the argument provided by new institutionalists as far as paying attention to what the conditions in these countries offer. Its first contribution goes a step further by arguing that building institutions must begin with what is already on the ground. It is a critique of the large-scale reform programmes that were attempted in previous years and which typically yielded limited results. Like the new institutionalists, the proponents of this approach are sceptical of building autonomous public institutions from the outside. The real challenge, they argue, is a collective action problem: how to get people on the ground to work together to solve a particular problem (Booth 2012). A leading protagonist is former World Bank economist, Brian Levy, who in addition to operating an active blog on the subject matter, has written an influential book, *Working with the Grain* (Levy 2014). He argues that d*evelopment pathways are varied and circuitous and to achieve progress, donors need to begin by seeing things as they are, and to work from there.*

Its second contribution is a return to and deepening of the notion that institutions should be understood and supported in terms of their functional requirements, rather than their adherence to a given set of formal characteristics. For example, in the terminology of the upcoming 2017 World Development Report, they must enable coordination, commitment and collective action, but they may do so through a diverse range of formal characteristics. It is a challenge to the mainstream ideas of governance that have influenced the donor community in the last couple of decades which assume that democratic governance is a precondition for sustainable development. In this new approach, "what works" is being stripped of its normative veil. "Working with the Grain" does not presuppose that one practice is inherently better than the other. Taking a pragmatic approach to the issue, its advocates want to make the judgement only once the outcome is known. Best practices are empirically, not normatively, established in their specific political context. *What matters is not so much "best practice" as "best fit", i.e. the notion that an intervention must be adjusted to local conditions, emphasizing again the importance of institutional analysis as an entry point for doing organizational analysis.* Rwanda is one case that has brought this new line of thinking home to the donors.

An important observation about this approach is that while on one level it presents a direct challenge to normatively driven governance policies that centre on Democracy and Human Rights, it also has limitations. As a set of ideas, "working with the grain" and its associated approaches is much more about *how* to pursue institutional development, than about *what and where* to focus one's efforts. While there is a narrow version that assumes all problems should be locally determined, this does not address two important realities: that donor priorities will also always be shaped by a mixture of international policy discourse (both formal and informal) and donor nation political conditions, and that responding only to local priorities may miss the opportunity to make more important longer term shifts in underlying conditions such as the nature of the political settlement.

Being the most recent of paradigms in the governance field, it is too early to state its long term effects on donor practice, but it is at present the frontline of thinking about how the donor community can move forward with the hope of both greater effectiveness and relevance. To the extent that it refocuses the international development discourse on the importance of function rather than form and the need to see policy and practice in their political context, it is a possible game-changer that no doubt will be a central point in any discussion of the future orientation of foreign aid, especially as it applies to building public institutions.

Political Settlements, Peace Building and State Building

Drawing on more recent writings on the subject, the concept of "political settlement" has emerged as a central component of the new policy discourse. Understanding the condition of the state by examining the political settlement on which it rests is helpful for several reasons. First, it questions the extent to which the design of public institutions is the most critical variable. By focusing on the

nature of the underlying political settlement it is possible to understand why the same kind of institution functions well in one country but not in another. Second, it provides an understanding of the direction reforms might take when it comes to core state functions. For example, some countries are better than others in collecting public revenue. Third, it provides an explanatory framework for understanding trajectories of state fragility and resilience, as well as how these relate to development processes and poverty reduction. An elite bargain may be robust and durable allowing the state to achieve a significant monopoly over coercive force and basic capacity for taxation and popular allegiance.

In general, political settlements analysis can be considered a key approach to unpacking the more common, but fundamentally limited, concept of "political will", because it elucidates the foundations of elite orientations, and therefore the likely directions and limitations of political will. It is key to moving from formal approaches to institutional development that have been widely problematic, to more functionally grounded and politically "savvy" approaches in line with the emerging paradigm of "working with the grain" described above.

Political settlements in societies in which social cleavages are predominantly aligned along racial, ethnic or religious lines tend to be problematic. Justice and fairness is determined in terms of how far policies produce outcomes that are mutually advantageous to these groups. Members of the elite who participate in bargaining and producing these accords are also their guardians. Unlike the settlements that are reached in mature democracies where contending social groups or classes realize that they need each other to gain the benefits from public policies and the state apparatus follows the principle of impartiality, political accords in societies that are vertically divided tend to rest on the principle of a fair share of the "spoils" (read: public resources). Accords have the structure of a prisoner´s dilemma. As such they do not prevent one party to the conflict from defecting while all others adhere to the accord. Inclusiveness in these societies is defined in terms of how well power is shared in a balanced way between groups seeking the same ultimate objective of control of state power for themselves. Political settlements in these countries are inherently precarious. They are agreed upon because the costs of violating them are higher and rarely lead to lasting peace or social contracts. They are more like truces, i.e. they keep the rivalling factions from engaging in conflict but do not lay the foundation for transitional justice that institutionalizes the principles of an inclusive form of liberal peace or democracy (Barry 1986).

Where the costs of defection are insignificant, such defection is easy. For example, where the balance of power is relatively even, no party has the capacity to control the other and defection may occur on both sides – in the worst scenario leading to renewed conflict. The situation in countries like Burundi, Mali, Somalia and South Sudan illustrates what can happen if parties begin to defect and none is powerful enough to keep the other in check. Because the sustenance of justice as mutual advantage rests on managing power it is problematic to maintain unless one party is so much stronger that the other parties have no choice but to comply. The contrast between the on going civil and political strife in Burundi, on the one hand, and the peaceful restoration of effective governance in Rwanda, on the other, highlights this point.

In his use of the political settlement concept, Levy (2014) has created a typology of cases that will facilitate its operational use. Drawing on his distinctions, Figure 3 illustrates how it can be used diagnostically to differentiate between countries.

Out of the four African countries included in this study, Tanzania during the 2003-2015 period fits best into the upper left box, while Rwanda tends to fit best into the upper right "rule-by-law" box. Most African countries would be placed in the lower left box while countries like Botswana and Mauritius would fit the lower right. Mali and Somalia are still emerging out of conflict and struggling to reach a sustainable political settlement. Cambodia seems to be an example of the

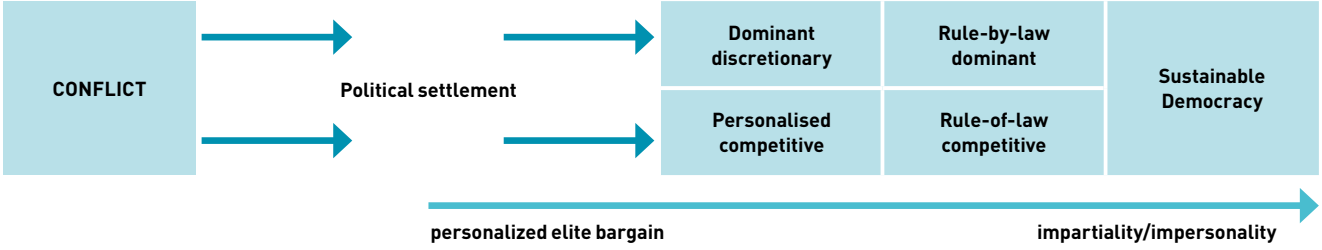

Figure 3. Typology of political settlement for development analysis

dominant-discretionary type of regime, more similar to Tanzania than any of the other African countries included here.

The process of reaching durable settlements is not linear. As suggested above, they may break down because one party to the settlement finds it less costly to breech the accord. The World Development Report 2011 showed that there were 200 armed conflicts in Africa between 1990 and 2009. Few countries were in a truly post-conflict mode. For example, 17 countries around the world – most of them in Africa – which were fragile five or more years between 1977 and 1989 remained fragile 20 years later (World Bank 2011). The 2011 New Deal for Fragile States adopted at the High Level Forum on Aid Effectiveness in Busan confirm this state of affairs:

- 1.5 billion people live in conflict-affected or fragile states;
- Approximately 70 per cent of fragile states have seen conflict since 1989;

Because of the fragile nature of the political settlements in so many partner countries, there has been a growing interest in peace-building and state-building. The New Deal shows that at least 30 per cent of foreign aid is spent on support to conflict-affected and fragile states. Some donor agencies allocate an even higher percentage to such countries.

Peace-Building and State-Building

Perhaps the most important aspect of the New Deal is that it has been generated with pressure from the g7+ constellation – a voluntary association of countries that are or have been affected by conflict and are now in transition to the next stage of development – and the agreement of common principles between them and the OECD International Network on Conflict and Fragility (INCAF), representing development partners. The g7+ was established to give a collective voice to conflict-affected states, and a platform for learning and support between member countries. The group currently comprises of 20 member countries, promotes country-owned and country-led planning mechanisms, and recommends major changes in the way international partners engage in conflict-affected environments. It works together with the international community through the International Dialogue on Peace building and Statebuilding. In addition to the g7+, the IDPS is composed of INCAF, and the Civil Society Platform for Peacebuilding and Statebuilding (CSPPS).

Textbox 1. **Key Features of the New Deal**

The New Deal is organized around three main components:

- An emphasis on aligning assistance with five Peace and State-building Goals, namely: legitimate politics; security; justice; economic foundations; and revenue and services.
- A set of FOCUS principles aimed at encouraging country owned and led fragility assessments and related peace and state-building strategies.
- And a set of TRUST principles aimed at building on and furthering earlier aid effectiveness principles such as alignment and harmonization, the use of country systems, and capacity development.

As such, the New Deal is heavily focused on the role of national governments of Fragile States, which may contribute to the conflation of peace-building and state-building understandings described below.

The New Deal has reinforced the need to consider the underlying political factors that determine the nature of both peace and state building. It has also drawn attention to the need for fragile states to learn from each other rather than just adopting normative prescriptions about inclusivity. Furthermore, the group has convincingly made the point that peace and state building require long time to mature. In short, the New Deal may be said to constitute the hitherto strongest challenge to the reliance on conventional aid modalitiesThe challenge is especially important because it throws light on the historical foundations on which nations and states have emerged in different parts of the world. As countries in Europe emerged as nation-states, "nation" was the driving force. Nationalities fought for their sovereignty using the state to achieve their goal. Inter-state wars became a means to forge these nations together. The Versailles Peace in 1919 was the official closure and a mark of the success of this process. In ex-colonial countries – and the g7+ group happens to be made up of such countries – the process has been the reverse: the state has been used to build the nation out of multiple ethnic and racial groups without engaging in inter-state wars. This means that the underlying cultural norms that drove the European countries to become inclusive nation-states have to be forged through political means using state power. This type of nation building has kept most ex-colonial countries from engaging in wars among themselves but has generated conflict and civil wars where it has fallen short of its objectives. As the presence of the g7+ group confirms, this failure to build the nation has been sufficiently common among ex-colonial countries that the attention of the interna-

tional community now has been increasingly drawn toward the importance of peace-building and its related state-building challenge.

The two processes pose distinct inclusivity challenges. Peace building refers essentially to the integration of contending social groups into a single inclusive nation in countries where the nation building exercise and the initial political settlement has collapsed. It is a complicated process that has many pitfalls and as the New Deal recognizes, it involves building trust, promoting political dialogue, and ensuring justice for all groups engaged in the exercise. This is especially difficult in countries where peace building easily turns into a prisoner's dilemma game and a calculative approach to political costs and benefits of staying with an accord. Mali and Somalia (and several other countries) illustrate how easily political settlements among elites can crumble and undo gains that had previously made in development. Rwanda is a case where peace has been restored out of a frightening civil war that cost over one million lives but it also demonstrates the importance of a strong leader who can dictate the terms for how justice will be restored. The message that Rwanda strongly sends to the international community is that you cannot have development without a lasting political settlement, even if that means that it is imposed from above.

Peace-building, therefore, may be seen as a precondition for successful state-building. The latter entails a different inclusivity challenge: how to legitimize the state through inclusive policies that tackle inequalities in status and inequities in opportunities. That is why the goals of the New Deal, in addition to providing justice and security, also include building a strong economic foundation and ensuring reliable and effective revenue collection and service provision.

As the international donors have adopted the goals and principles of the New Deal they have become increasingly involved in the dual task of building peace and a viable state. DFID has been in the forefront of this process and has developed its own strategy based on support to what it labels "core state functions". Its Core State Functions Programme (CSFP) promotes capacity development, institutional strengthening and infrastructure delivery to promote peace and development. Evidence demonstrates that improved governance can address conflict and fragility and is positively associated with growth and improved service delivery.

For instance, a core element of the creation of a functioning state in Somalia is ensuring that local, regional and national governments respond to the needs and expectations of their citizens. The priority functions, according to CSFP, that citizens expect of their government are the provision of security and justice, transparent and effective financial management, and the provision of basic services. The objectives of the programme is in line with the "one vision, one plan" recommendation of the New Deal but there is a risk that its focus on a narrow and specific set of results indicators may put the emphasis on what DFID's own interventions accomplish and in the process overshadow and negate the g7+ ambition of building on experiences among its member countries. After all, both peace and state building are highly political exercises that need to be driven by actors on the ground and the lessons they have learnt from past experience. Trying to measure, as DFID does, the extent to which local actors demonstrate ownership of (i.e. adherence to) its programme objectives is of course important for British aid officials to know but in the eyes of the g7+ members, this is only of secondary importance (if not a hijacking of the agenda, as some critics would say).

Implications for Swedish aid policy

The growing emphasis on function over form, context over formula as well as fragile and conflict-affected states over others where donors have been active constitutes challenges to Swedish aid policy. Not only has Sweden over the years built up long term relations with most of its programme countries but it has also developed and followed its own principles built around a set of fundamental values, among which a rights-based perspective takes a prominent position. For this reason, the DHR portfolio has a special significance in the way policy is being implemented. This applies to both support of public institutions and human rights. In policy dialogues with partner governments, these concerns feature prominently in how country strategies are being devised. Its significance is further highlighted by the fact that it is also a cross-cutting theme in Swedish aid which means that it is being mainstreamed in sector support.

The most important challenges that Sida faces include: (a) how to align its own principles with a functionalist approach, (b) how to incorporate a better understanding of the way politics determines policy outcome, (c) how to sort out what peace and state-building are all about and how they can be tackled, and (d) how to transit from a best practice to a best fit approach to implementing its policies.

These are issues to which the study will return after having mapped and analysed the disbursements in the DHR portfolio between 2003 and 2015. The evidence generated by this exercise will then provide a set of lessons learned that provide the basis for recommendations to Sida on how to tackle the challenges it faces as it moves forward.

2. EVIDENCE ON DISBURSEMENTS 2003–15

The purpose of the mapping exercise is to provide an overview and trend analysis of the support provided to public administration and institutional capacity development in the relevant period, 2003-2015. The chapter begins by showing the overall trend, then the trend by sector and lastly by the type of institution supported. The chapter ends with a summary of the main points and recommendations emerging from the mapping exercise.

The investigative part of this study has been primarily prompted by the Swedish Government's instruction to Sida, dated July 2015, which calls on the agency to "consider the importance of public institutions based on democratic principles to ensure sustainable results" and the agency's own realization that while its support to public administration as part of the Democracy and Human Rights (DHR) portfolio[2] has been fairly constant at some one billion Swedish Kronor (SEK), its portion of the same portfolio has declined from close to 23 per cent in 2003 to less than 14 per cent in 2015.

In order to understand what has been going on, it is necessary to point out that Sida, for the purpose of this study, uses a distinction between public institutions of two types: one dealing with the "exercise of power" and the other with "access to power". The public administration and institutional development vote is first and foremost focused on the former type. Exercise of Power is for the purpose of this study defined as public sector governance and administrative management, public finance management, decentralisation and support to subnational governments, public sector finance management, government administration and statistical capacity building. It should be noted that support to gender equality and human rights is not included in this category as it involves funding of both governmental and non-governmental entities.

This report has introduced a third category – "control of power" institutions –which are those that in one way or another are expected to oversee government performance. Included here is support to anti-corruption institutions and to legal and judicial development. Audit institutions would fall under this category as well, but it has not been possible to single out the support to such institutions because they have been coded under public finance management (included in the "exercise of power" category). Support to Ombudsman institutions would also ideally fall within this category but as far as the mapping can determine, these institutions have been coded as support to human rights. There is also the question where parliaments belong: the "access to power" or "control of power" category? Because Sida has not used the latter, parliaments have been coded as part of the former. Yet, it is clear that these legislative bodies also serve as watchdog institutions. They are the prime institutions of horizontal accountability. Vertical accountability institutions like media and civil society organizations also fall within the "control of power" category but the full support to media or civil society is not included here.

There are a number of other limitations, which should be mentioned. The figures presented in this analysis do underestimate the extent of Swedish support to public administration and institutional capacity development. Support classified as human rights in the database may include support to institutional capacity development of human rights commissions or support to local administrations. Furthermore, Swedish institutions such as the Swedish National Audit Office have their own funds, which are not captured in Sida's database and therefore are not included in the figures presented in this report.

Overall trend

As shown below in Figure 4, the support to policy development and public administration (public institutions) as part of Sida's total aid portfolio did indeed decline whether or not budget support is included. With budget support included, support declined from 28 per cent in 2003 to 17 per cent in 2015. Without it there was a smaller – but still significant decline from 23 per cent in 2003 to 14 per cent in 2015. It is also interesting to note that budget support has decreased significantly throughout the period.

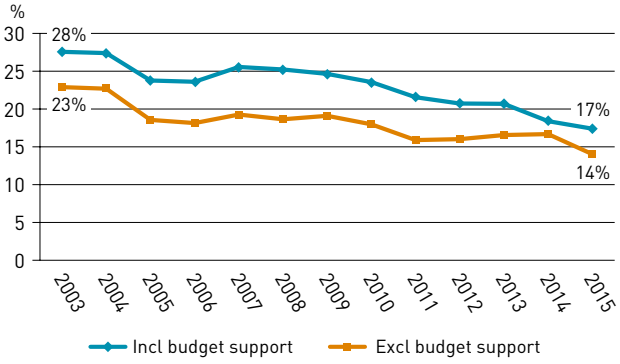

Figure 4. Support to Policy Development and Public Administration as part of total aid.

[2] The DHR portfolio includes DAC-codes "Government Administration", "Statistical Capacity", "Public Financial Management", "Public Sector Policy and Management", "Decentralization and Support to Sub-National Governments".

The disbursements to policy development and public administration in monetary terms increased steadily from the beginning of the period to 2009 (with or without budget support included). After 2009 the support decreased until 2011 when the disbursements excluding budget support started to rise again as shown in Figure 5. In 2014 disbursements took another dip and landed in 2015 on the same level as in 2003.

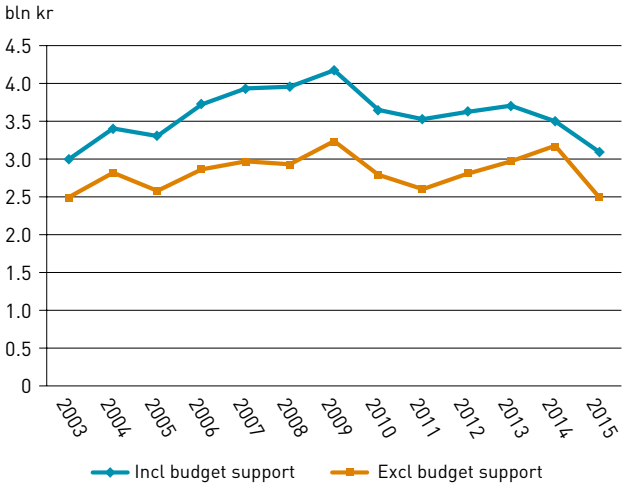

Figure 5. Disbursements to Policy Development and Public Administration measured (in SEK).

Distribution channels

The support to policy development and public administration has been channelled through a variety of organisations: multilateral agencies, NGOs and civil society, public-private partnerships, and public institutions. Figure 6 shows how over time support to policy development and public administration has relied on different channels. In monetary terms, the support channelled through multilaterals increased from 2005 to 2009, then declined from 2009 to 2011, only to increase once more reaching its peak in 2014. Support channelled directly through public institutions increased steadily from 2003 to 2009 and then declined until 2014 ending at the same level in 2015 as in 2003. It should be noted that the support channelled through multilateral agencies might also have ended up indirectly supporting public institutions.

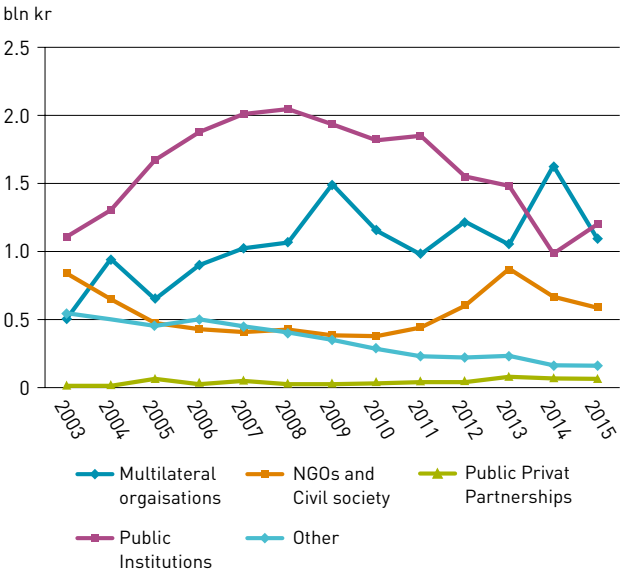

Figure 6. Distribution channels for Support to Policy Development and Public Administration

Looking only within the DHR sector, the support to policy development and public administration has mainly used multilateral and public institutions as shown in Figure 7. Support channelled through multilaterals and public institutions both increased from 2003 to 2009. The multilateral channel then dropped until 2011 only to rise again until 2014. Support channelled through public institutions continued to increase until 2011 but then declined until 2014.

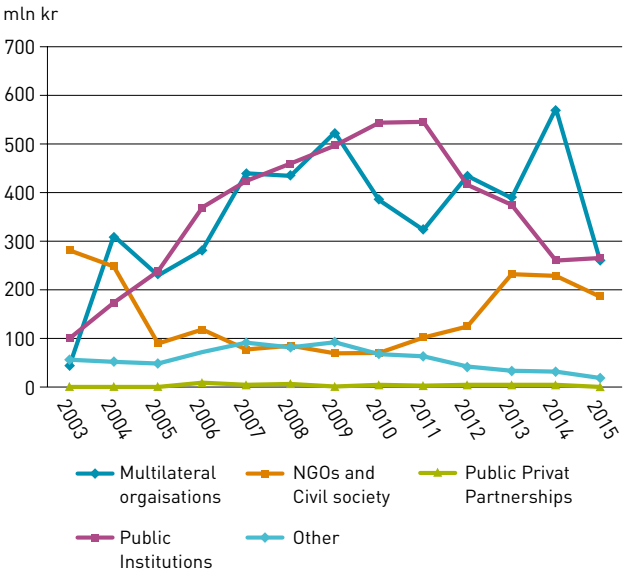

Figure 7. Distribution channels for Support to Policy Development and Public Administration within the Democracy and Human Rights sector.

Figure 8 shows the relative importance of the different distribution channels and how it has shifted over time during the period. Support channelled through public institutions increased until 2011 followed by a decline until 2014 while the support going through multilaterals increased significantly from 2003 to 2004 and then stayed between 31 and 42 per cent until 2013 when it increased to 52 per cent in 2014 only to fall again, quite drastically in 2015. The support channelled through NGOs and Civil Society dropped significantly from 2003 to 2005 then stabilised until 2010 when it increased again, though not to the same level as in 2003.

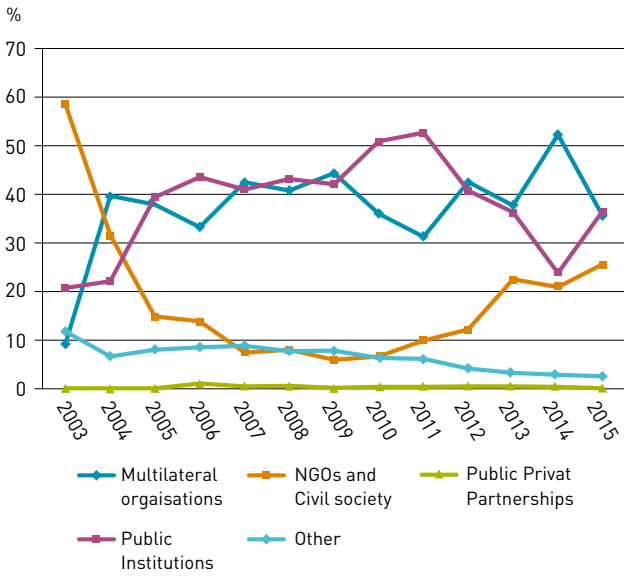

Figure 8. Distribution channels for Support to Policy Development and Public Administration within the Democracy and Human Rights sector as measured in percentage terms.

Sector trends

A key question in the study is how much support to policy development and public administration has been given within sector programmes. Answers have been obtained by using the DAC codes related to policy development and public administration (xxx10) as provided by Sida's Statistical Department. Looking at the support to policy development and public administration in all sectors (but excluding the Democracy and Human Rights sector) as part of total aid, there is a clear downward trend from 18 per cent in 2003 to 10 per cent in 2011 after which the support stabilised around that level, as shown in the next figure.

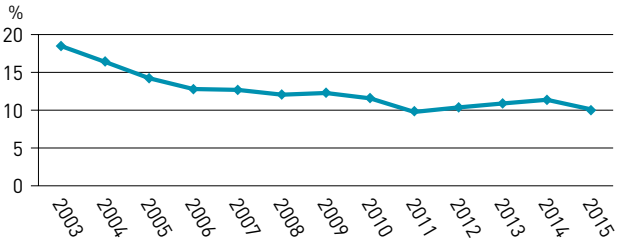

Figure 9. Support to Policy Development and Public Administration in all sectors (excl. democracy and human rights sector) as part of total aid.

The data also make it possible to identify trends in support to public administration and institutional capacity development by each sector. Using the same DAC codes (xxx10) plus some additional codes for Democracy and Human Rights (15xxx) that include support of the legal sector, anti-corruption and public administration, Figure 10 shows the support to policy development and public administration in select sectors as part of Sida's total aid in these sectors[3]. Support to Democracy and Human Rights was rather stable between 20-25 per cent from 2003 to 2007, and then rose to 30 per cent in 2010 before beginning a fall that stood at 14 per cent in 2015. A look at the Conflict, Peace and Security sector indicates a low support to policy development and public administration from 0 to a high 16 per cent in 2012, while Education support decreased significantly from 59 per cent in 2003 to 6 per cent in 2011 before it rose again to 32 per cent in 2015 – quite a rollercoaster ride!

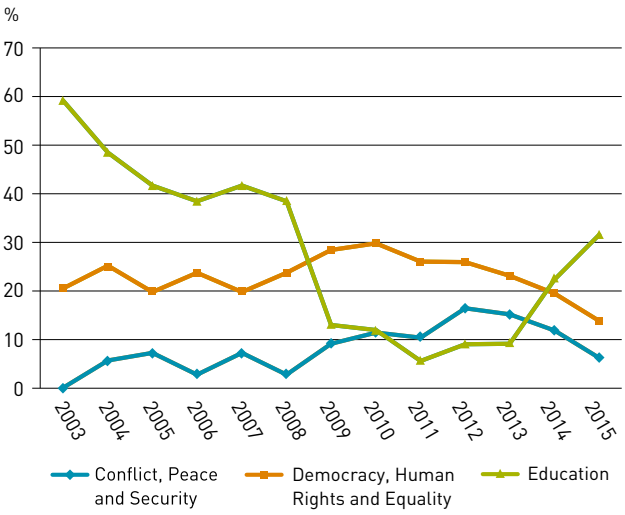

Figure 10. Support to policy development & public administration as part of the total aid in key sectors.

[3] A graph showing all sectors can be found in Annex 2.

In monetary terms, as shown in Figure 11, the picture looks somewhat different, especially for the support to the Democracy and Human Rights sector where actual disbursements increased significantly until 2009 (with a dip in 2005), after which it stayed more or less the same at around 1 billion SEK until 2014, and finally fell quite drastically in 2015. The other most striking feature of this chart is the dramatic decrease in funding budget support after 2008 and especially 2011, although it bounced back somewhat between 2014 and 2015.

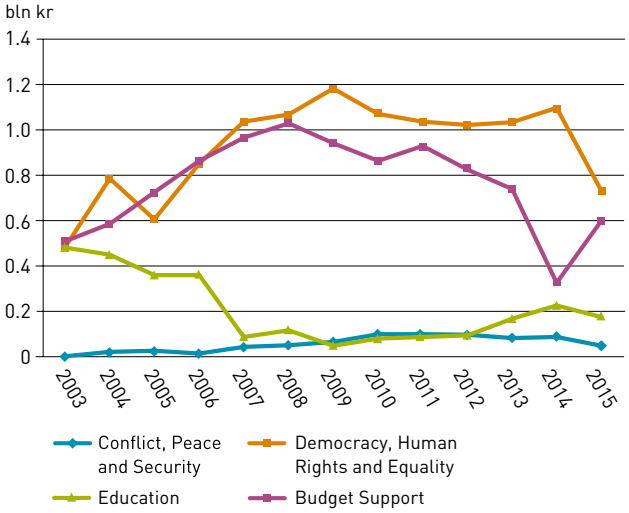

Figure 11. Support to policy development and public administration in selected sectors (in SEK).

Support by type of institution

The study has also assessed the distribution of support to different types of institutions, defined as Access to, Exercise of and Control of Power institutions. The distribution of support within the Democracy and Human Rights portfolio shows that most funds were directed to "exercise of power" institutions (government institutions). Following some variation between 2003 and 2005 it stabilised around 800 Million SEK for the rest of the period. Support to "control of power" institutions – mostly legal sector bodies and to a smaller extent anti-corruption agencies – was at a much lower funding level also quite stable until 2010 when it fell before increasing again until 2013. Funds provided to "access to power" institutions were limited until 2008, when it increased and stabilised at a new level from 2009 to 2013 and then with a small decrease from 2013 to 2014. Again, funding of this type of institutions was at a much lower level than the money going to the "exercise of power" type.

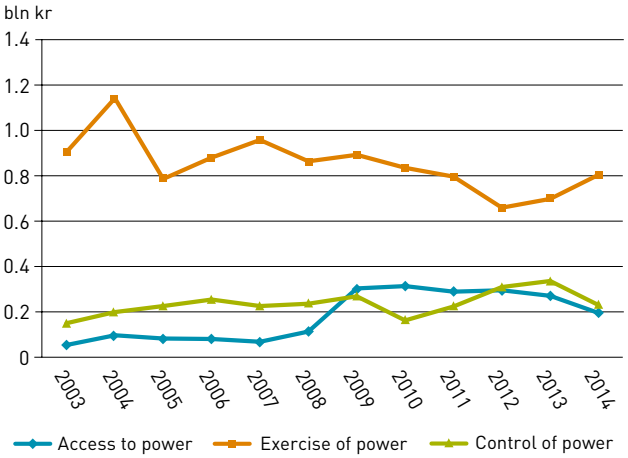

Figure 12. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

Access to power: Includes codes 15151 and 15161 elections, and 15152 legislature and political parties
Exercise of power: Includes sector codes 15110 public sector governance and administrative management, 15111 public finance management, 15112 decentralisation and support to subnational governments, 15120 public sector finance management, 15140 government administration, 16062 statistical capacity building. It should be noted that support to gender equality and human rights is not included as this support includes funding of both governmental and non-governmental entities.
Control of power: Includes code 15113 anti-corruption organisations and institutions and 15130 support to legal and judicial development. It has not been possible to single out the support to for instance audit institutions as they are coded under public finance management (15111).

When looking at the percentages, there was a significant decrease in the support to "exercise of power" institutions, while those classified as "access to power" entities increased between 2008 and 2010 before reaching a stable level. Support to "control of power" institutions stayed at the same level – around 4-7 per cent – the whole period. The support to human rights, civil society and media shows a significant increase during the whole period, rising from 45 per cent in 2003 to 70 per cent in 2013. Because the way projects have been coded, it should be noted that some of this support may include public institutions such as human rights commissions and Ombudsman type of institutions.

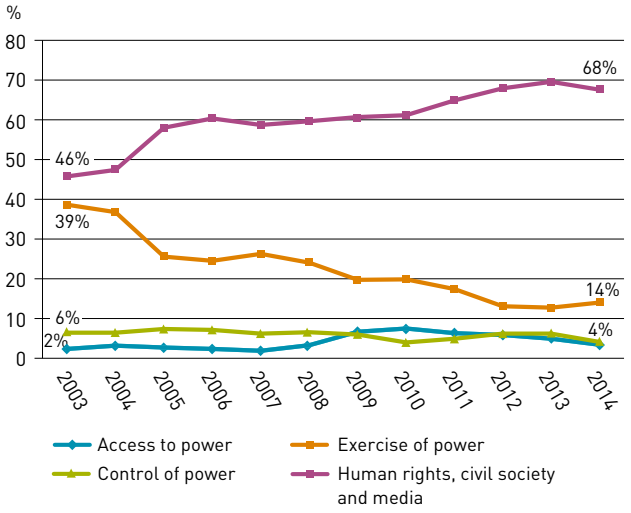

Figure 13. Distribution of support to type of institution as a percentage of the DHR sector

Summary of main points

The main points from the mapping exercise are:

- At the overall level when all sectors are included (and taking into consideration the limitations highlighted in the introduction to the Chapter) there is a **decrease in the support to policy development and public administration as part of Sida's total aid portfolio.** With budget support included, there is a decrease from 28 per cent in 2003 to 17 per cent in 2015. Without it there is a smaller – but still significant – decline from 23 per cent in 2003 to 14 per cent in 2015.
- Moneywise, there is an **increase in the support to policy development and public administration** during the first part of the period **but a steady decline after 2009**.
- There has been a **decrease in budget support after 2008** and more dramatically so after 2011 though a smaller increase from 2014 to 2015.
- The support for policy development and public administration channelled through **multilateral agencies** has been very volatile and with a small upward trend money wise in the period
- The **total support to policy development and public administration in sectors** (excluding Democracy and Human Rights sector) **as part of total aid has decreased** during the period. Changes in the support to policy development and public administration in other sectors have been **especially notable in Education**, which shows a marked decline in the first part of the period
- In the **Democracy and Human Rights portfolio,** the percentage of support to policy development and public administration was quite stable between 20 and 25 per cent from 2003 to 2007, followed by an increase to 30 per cent in the following four years and then a steady decrease to a low of 14 per cent in 2015.
- In terms of support to type of institutions (excluding budget support), "**exercise of power" institutions received by far the largest amount of support**, though as a percentage of the total aid in the Democracy and Human Rights sector it decreased.
- In comparison, support percentage-wise both to **"access to power" and "control of power" entities was very limited.**
- There are general **challenges with the encoding** and tracking of support to capacity development and public institutions. There is no clear marker for this type of support in Sida's database and the support to policy development and public administration must be used as a proxy.
- **The distinction between access to, exercise of and control of power types of institution is not encoded in the database and the DAC codes**. It is necessary, therefore to use proxies when tracking the distribution of support between these three different types.
- The task of **tracking support to "control of power" institutions becomes especially challenging** because they are spread among a range of different DAC codes.

3. EXPLANATIONS FOR THE EVIDENCE

This chapter discusses the possible factors that explain the trends in disbursement 2003-15. What drove these changes in the Swedish context? In trying to find answers to this question, this study has adopted a two-tiered approach with one focusing on the policy level, the other on the management level. This seems relevant given the decentralized nature of aid administration in the Swedish context. Sida headquarters operates in a political context with instructions and influences coming from the Ministry of Foreign Affairs and interactions with other bilateral and multilateral agencies that make up the international development (donor) community. Management is done largely at partner country level where officials develop projects and programmes and administer them once they have been approved in close consultation with Sida and Foreign Ministry officials in Stockholm. Thus, headquarters officials tend to be more exposed to policy trends at

global level, like those discussed in Chapter One, while those working in the embassies tend to be guided primarily by what the host partner country offers in terms of policy challenges and opportunities although there it is not a one-way street. There is also an influence from country level to the international policy level. The outline of the assumptions that have guided the analysis of factors behind the patterns and trends of disbursement is graphically illustrated in the next figure.

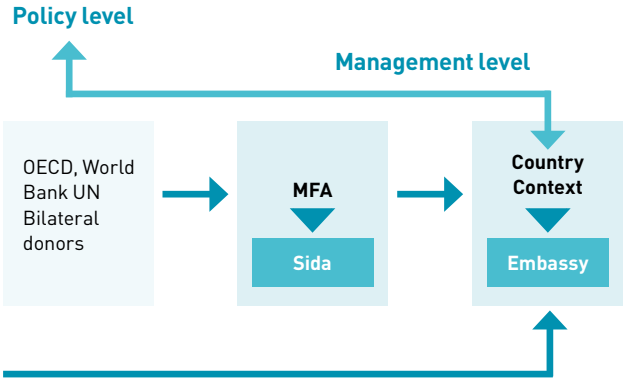

Figure 14. Graphic representation of hypotheses guiding the study.

The chapter begins with a discussion of possible influences at policy level followed by likely factors at management level which will be pursued through a discussion of disbursements made by Sida in the five programme countries included in the study. It ends with a summary discussion of what have influenced the shifts in disbursement.

Policy Level

Because Sweden actively participates in the international development community it not only helps shaping its policies and practices but also constantly receives new ideas that influence its own aid policies. Although there has never been a question about Swedish commitment to assisting poorer countries in the world and most of what was set out in the country's first aid policy statement 1962 still is valid, shifts in priorities and practices have occurred that are reflected in the way money has been allocated and disbursements made. In Sida's own preliminary assessment of the shifts between 2003 and 2015, the agency identified as possible reasons (1) a shift in policy priority in favour of non-state actors, particularly civil society organizations, (2) a redirection of funds towards conflict-affected and fragile states, and (3) the phasing out of budget support.

Having considered the most significant events in the policy world that possibly could have affected the way funds were shifted during the period in question, this study settled for six most likely factors. The hypotheses build on Sida's own assessment but go a few steps further in choosing the following explanatory variables: (1) the change of government in 2006 which included the appointment of a new Minister of Development Cooperation, Gunilla Carlsson; (2) the focus on implementation of the MDGs; (3) the phasing out of budget support; (4) the continued prevalence of corruption in partner governments; (5) the reassertion of the human rights agenda; and (6) the emerging focus on fragile and conflict-affected states.

This chapter begins by discussing the six factors at policy level mentioned above.

The Change of Government

Although Sweden had experienced change from a Social Democratic to a non-Socialist government twice earlier (1976) and (1991), Swedish aid policy had remained largely the same. There was enough commitment to the original principles of supporting governments and formulating Swedish aid in line with recipient government policies that no notable shifts did really occur.

The change of government in 2006 came to mark a greater challenge to this Swedish aid orthodoxy because the new Minister of Development Cooperation, Gunilla Carlsson, made it clear that she was out to reform the policy. In presenting her new approach in 2008, Carlsson conveyed – among other points – the following message:

- Poverty is not only measured in money but also in terms of basic human rights;
- Swedish aid will more than before be directed towards the strengthening of basic democratic and judicial institutions;
- Swedish aid should be more directly targeted towards the central actors in the democratization process, e.g. dissidents in Cuba, monks in Burma and opposition groups in Zimbabwe (*Stockholm News*, September 27, 2008).

It is obvious from her policy statement that she had issues with concentrating aid merely to governments and wanted to see more aid extended to non-state actors. She was drawing on principles associated with the New Institutionalism School (see Chapter One) that sees development coming from an enabling environment in which actors drive reforms and change processes because of what they perceive as their available options. She also took from the same school of thought the importance of a results orientation in foreign aid.

The mapping tends to confirm that Carlsson made a mark on Sida's support in the DHR sector. As Figure 4 in the previous chapter illustrates, the downward support to policy development and public administration as part of Sida's total budget showed signs of decline already at the beginning of the period but when it comes to actual amounts, Figure 5 shows that a marked reduction occurred in the early years of her time as minister (2007-2009). The mapping also indicates that in 2008, support of human rights, CSOs and media increased and continued to do so until 2013. The fact that the decline in support to exercise of power institutions and rise in support for CSOs, human rights and media began already in 2003 suggests, however, that her intervention in support of organizations in the human rights field was more of a correction than a break in overall Swedish aid policy which actually already had an emphasis on human rights and human rights based approach back in 2003 (see the Policy for Global Development 2003). In conclusion: other factors, apart from the change in Government, also played their role in the shifts in disbursement.

Implementation of the MDGs

A prominent policy feature of the 2003-15 period was the implementation of the MDGs. Sweden was strongly committed to realizing this global endeavour, which focused on reducing by half the number of poor people in the world. It encouraged a concentration of donor funding to the social sectors, notably education, health and water. The Goals included such targets as getting every child to attend school, providing facilities for implementing a policy of health for all, and the provision of drinkable water in every community.

It is a reasonable assumption that this global effort would have its consequences for aid priorities and modalities. For example, one would expect greater amounts of aid to meet hard and quantifiable targets such as number of schools and health facilities built, percentage of children in school, percentage of girls enrolled, and average distance to health clinics. There is evidence in the data that such a shift did indeed occur. Support to policy development and public administration declined during the period and as shown in Figures 10 and 11, it was quite dramatic in the Education sector.

One might also anticipate that support to multilateral agencies would go up as part of the MDG implementation. This is a particularly relevant assumption in the Swedish case since the country has always been a staunch supporter of the U.N. system. The records tend to support this thesis. Support channelled via multilateral agencies as found in Figures 6 and 7 shows a very volatile picture with great annual variations but there has been a small upward trend in the amount channelled through multilateral agencies in the period. It was only in 2014 after the new government – a coalition between Social Democrats and the Green Party – had come to power that a noticeable decline occurred. There is therefore evidence to support the thesis that the MDGs had some influence on Sida's aid priorities and choice of modalities.

Budget Support

General budget support (GBS) – or just budget support – emerged as aid modality in the mid-1990s with Sweden being a leading advocate for its adoption. The rationale behind this move was to (a) give recipient government a larger say over the use of aid money, (b) use in-country institutions rather than creating parallel funding mechanisms, and (c) reduce and streamline the reporting requirements to the donors. This new modality was endorsed in the 2005 Paris Declaration and thus became the preferred, if not prescribed, approach to managing aid.

At that time, there was a general euphoria in the donor community about the new aid architecture. There was a broad consensus among the donors that financial management systems would improve with strengthened national ownership in recipient countries. The previous emphasis on political conditionality was abandoned in favour of the prospect of developing shared values through deeper policy dialogues. As a result, in Sweden and among other donors budget support was treated as a way of improving aid management. An evaluation of the experience 1994-2004 was also generally positive pointing to the possibility of using budget support to strengthen public financial management systems rather than seeing such improvement as a prerequisite for budget support (Nilsson 2004).

A joint donor evaluation of budget support (IDD and Associates 2006) came to similarly upbeat conclusions: donor alignment with policy and budget cycles seemed to work in all the countries included in the study; financial management had become strengthened and more transparent; and, service delivery had become more focused on poverty reduction. The study concluded that General Budget Support (GBS) is no more prone to fraud than other aid modalities.

Back in 2004 there was a tendency of increasing Swedish GBS both in terms of volume and in relation to other forms of programme aid. Even if it did not account for a large portion of Sweden's total bilateral development cooperation (only 5.3 per cent 2003), it constituted a large portion in its cooperation with specific countries,

especially in Africa. It proved difficult to sustain the political enthusiasm for budget support because of growing differences of opinion among the donors and increasing opposition to the continued use of this modality. Minister Carlsson was one of those who became increasingly sceptical.

This is shown in Figure 11 in Chapter Two which confirms that budget support fell initially 2008 and more drastically in 2013 although it bounced back in 2015 after the new Government came to power. Even though it has been retained in support to a number of programme countries, it is a modality that is no longer preferred and advocated as it was in the beginning of the period. Budget support is in general closely associated with support to public sector reform and in particular PFM reforms as also evidenced in Mali. The decline in budget support, therefore, is part of the explanation for the evidence provided in Chapter Two.

The prevalence of corruption

Despite the conclusion in the 2006 report cited above that budget support is no more prone to fraud than other types of aid modalities, the fate of GBS in Sweden was also directly influenced by growing evidence of corruption in the way its aid was managed. Although no policy decision to reduce budget support was taken at the time, revelations in 2010 that millions of SEK had been embezzled in a Sida-funded health project in Zambia prompted Minister Carlsson to significantly reduce budget support (Swedish Embassy, Lusaka 31 May, 2010), a turn already mentioned above.

It is reasonable to assume that budget support loosened the donor leash as the modality encouraged partner governments to take greater control over how foreign aid was being integrated into their national budgets. Thus, even if it did not necessarily encourage fraud, it had the effects of changing priorities. Recipients of foreign aid were naturally first and foremost interested in having control of the external funds, not necessarily how they were used. Management of public funds soon became a big issue in the relations between the development partners with the donors insisting on tracking their funds inside partner government institutions and recipients responding by interpreting these measures as a rejection of the Paris principles. The continued prevalence of corruption also generated pressures in the donor community to support wholesale public sector reforms that would attempt to close the loopholes through which fraud could be carried out.

In the Swedish case there is no evidence that corruption led to a decline in support of public administration and institutional development. The response instead seems to have been that such support should be increased in order to curb fraud. Corruption scandals did not in themselves lead to shifts in Swedish priorities and modalities of support except in the case of Zambia. In other cases, such as Mali, where a similar corruption scandal occurred, it was only one reason among many for reducing budget support and for opting out of the health sector and in Tanzania where a corruption scandal in the energy sector moved the Embassy to delay and decrease GBS disbursements, it did not preclude the option of Sweden re-entering a GBS agreement with the Government.

The Reassertion of the Human Rights Agenda

The fall of Communist states at the end of the 1980s created a void on the global political scene that was quickly seized by liberal democratic states anxious to extend their influence over the minds of governments and citizens around the world. This produced a surge in support not only for democratization of governments but also for the institutionalization of human rights. The latter process culminated with the 1993 International Conference on Human Rights in Vienna, at which governments around the world recommitted themselves to the principles of the 1948 Universal Declaration of Human Rights. In its wake or as part of this process, world governments also adopted a series of complementary rights conventions aimed at promoting and protecting the rights of underprivileged and vulnerable groups.

During the early 2000s there was a growing realisation in the donor community that the champions of human rights in the developing world were often few and far apart.

Because of the central place that human rights occupy in Swedish aid philosophy, it was not difficult for Minister Carlsson, acting on her own and in response to lobbying from Swedish and international civil society organizations, to make the argument that there is a need to strengthen support to those defending the rights-bearers. This move was not politically controversial in the Swedish context and thus led to a greater interest to again support civil society actors. This time it was not merely small discretionary funds that were given by the embassies but money that were an integral part of individual country strategies. In 2011 a HRBA policy is adopted and the strong emphasis on the rights perspective and in particular civil and political rights later becomes a pronounced part in the Swedish Aid Policy Framework from 2013.

Figure 13 in Chapter Two shows a rise in support to human rights, CSOs and media institutions after 2010

suggesting that Minister Carlsson was making good on her promise to change the aid policy at least in this respect. This is also corroborated by the rise in the percentage of support channelled through NGOs to Policy Development and Public Administration within the DHR sector as shown in Figure 7 in the same chapter.

The Emergence of a Focus on Fragile and Conflict-Affected States

Security and conflict rose to the top of the international development agenda already in the early 1990s, particularly after the successive failures of UN and US-led peace-keeping in Somalia (Zartman 1995). Since 2001, the narrative that FCAS can be the source of international security threats has, combined with arguments that poverty is increasingly concentrated in states suffering from persistent conflict and weak institutions, created a strong push for increased aid to these FCAS (Collier 2007).

Many bilateral and multilateral organizations now have explicit targets for assistance to FCAS, although orientations among donors vary. For example, the latest UK official development assistance strategy echoes previous guidance in calling for 50 per cent of aid to be targeted on fragile and conflict-affected states and regions, and links this allocation with crisis prevention, national security, and concentration of poverty in these countries (HM Treasury and DFID 2015). Sweden, for its part, has tended to avoid targets based on country categories, instead focusing on aid themes and target groups (Ministry of Foreign Affairs 2014).

The concept of a fragile state implies institutional deficits, and therefore effective assistance to FCAS should imply increased attention to institutional strengthening of various kinds. It is reasonable to assume, therefore, that aid to public sector reform and capacity development would rise in some proportion to the amount of aid directed at FCAS. Similarly, one would expect that in light of the emphasis on using country strategies and aid coordination, the use of multilateral assistance and participation in pooled funding mechanisms would increase in some proportion to the amount of aid directed at fragile states.

The two FCAS country cases included here – Mali and Somalia – offer some support of these hypotheses. In both countries, the percentage of the DHR support channelled through multilaterals rose in the period especially in Somalia where, between 2008 and 2014, the proportion of the aid in the DHR portfolio that went to "exercise of power" institutions also rose, most notably in 2013 and 2014. This increase in support to public institutions is likely a consequence of the adoption of the Somalia Compact as part of the New Deal framework.

In Mali, by contrast, support to exercise of power institutions decreased to virtually nothing after the conflict broke out in 2012. In fact, there has been a general downward trend in the support to exercise of power institutions in the period. Even after the restoration of peace in the last few years of the period Sweden was reluctant to support "exercise of power" institutions on a large scale. In comparison, therefore, it seems that Somalia has benefitted from its association with the New Deal and Sweden has certainly found it easier to provide support to "exercise of power" institutions within that framework while Mali by not wanting to be affiliated to the New Deal accord has been left out of significant Swedish support to public institutions.

Management level

Supporting public institutions and their development of capacity to the point where they are capable of reaching the quality that donors expect for administration of their aid is a labour-intensive exercise. It has become even more so in recent years as Sida has seen drastic staff cuts – a 20 per cent drop between 2009 and 2013 – despite an overall increase in Swedish ODA during the same four-year period (OECD, 2013). This may not have a direct bearing on disbursements but is likely to reduce the ability of Sida staff in the embassies to do full justice to the many dimensions of their job in the partner countries. Very often it is the interaction with officials and ordinary folks in these countries that is the first victim of a too heavy work load. Even those who would like to go out of their way to better understand the social and political realities of the country to which they are posted lament the time constraints in doing so that they face at work. This point takes on special significance today when theory and practice call for "working with the grain", i.e. the ability to nurture institutional development from within rather than from the outside.

There is also the possibility that the desk work suffers. With the decentralized system of administering its foreign aid in partner countries, Sida personnel in the embassies play an important role in determining not only what projects get initiated and approved but also how they are coded, monitored and evaluated. Final approval involves consultation back and forth with Sida headquarters and the Ministry of Foreign Affairs through the ambassador on location as well as officials in Stockholm. Policy directives and administrative procedures make this routine easily understood, yet depending on what Sida officials in the Embassy propose as country strategy the process can take its time. There has to be satisfacto-

ry alignment between the broader objectives of Swedish aid policy, on the one hand, and the programmatic components that are being proposed by the Embassy, on the other. This is not always easy to achieve given that priorities and modalities tend to change and partner country authorities have their own agenda.

The review of the five programme countries included in this study suggests Sida's own space to manoeuvre varies from one country to another. Where there are many donors, space tends to be crowded with donor harmonization becoming a key component of administering aid. Tanzania and Cambodia are two contrasting cases in this regard. Some partner governments are more proactive than others when it comes to setting aid priorities. Rwanda is an extreme case of where donors have to fall in line with what the Government sees as its priorities. Thus, Sida's ability to develop a country strategy reflecting first and foremost Swedish aid policy priorities becomes quite difficult and instead reflect what the authorities in the country allows the individual donor agencies to do. In Mali and Somalia, two countries that are both emerging from civil and political violence, the donor role tends to become especially prominent since domestic institutions tend to be weak.

To fully appreciate how Sida as part of the embassy in each partner country operates and is influenced by country contexts, it is necessary to provide an account of the main features of Swedish aid in the five case countries and how it fits into their development needs.

Cambodia

Cambodia, with the help of the international community, has recovered from the horrors of the genocide during the Pol Pot regime in the second part of the 1970s. Today, the country registers high levels of economic growth and reductions in poverty level. The Cambodian state remains "soft" – a contrast to neighboring countries which have all used a strong state to make impressive advances in both economic and social terms. Cambodia, therefore, displays many of the same institutional weaknesses that tend to characterize states in Africa. Compared to the situation in most African states where Sweden is present, the number of bilateral donors in Cambodia is small. Sweden cooperates closely with the European Union which is channeling some of its aid for public finance management reform through Sida. Sweden also channels some of its support through the United Nations, notably UNDP and UNICEF. The Democracy and Human Rights portfolio has for many years been the most significant component of Swedish aid to Cambodia.

Background

Since Sweden began its development assistance to Cambodia in 1979, humanitarian efforts have gradually given way to long-term cooperation. According to the current country strategy that runs from 2014 to 2018, development cooperation is focused on democracy, gender equality, human rights, education, climate and environment. In a country where power is centralized, the ruling party dominant, and human rights constantly threatened, Swedish aid supports decentralization and strengthening non-governmental organizations at grassroots level. Through its support of NGOs, Sida is promoting e.g. legal advice, observations and documentation of human rights violations, anti-corruption and the development of independent media. Trials against war criminals continue and are an important part of the national healing process. The trials are supported by Sida through contributions to the Extraordinary Chambers in the Courts of Cambodia (also referred to as the Khmer Rouge Tribunal).

Cambodia's young democracy still has major deficiencies. The country has a multi-party system but the governing party holds much of the power, putting opposition parties in a vulnerable position. The judicial system is deficient and corruption is common. Power is centralized and millions of people in rural areas still lack basic rights. In response to this situation, Sweden provides support to public administration reforms as well as public participation for increased democracy. In this approach which combines reforms of public institutions at local government level with civic participation, Sida works through the National Committee for Sub-National Democratic Development. Sida also provides targeted support to capacity development of sub-national councils as well as to NGOs in order to strengthen civic engagement in the decentralization reform.

A particularly interesting feature of Swedish aid to Cambodia is its collaboration with the European Union in a programme titled Partnership for Accountability and Transparency in Cambodia – A Demand and Supply Approach. Funded through direct budget support, Sida supports the government's programme to reform public finance management (PFMRP) with the aim of improving budget management, reducing corruption and increasing transparency. It is targeted on key public institutions, including the Ministry of Economy and Finance, the National Institute of Statistics, the National Audit Authority, as well as parliamentary committees and civil society organisations. The decision by the EU to delegate responsibility for one component of its programme was in part dictated by the technical and professional competence that Sweden could provide,

drawing on Swedish expertise from various domestic agencies in relevant sectors such as Statistics, Auditing and School Inspection. This particular type of pooling of resources makes sense in a country where donors are few.

In addition to the support channeled through the DHR portfolio, Sweden works in the

Education sector to facilitate access to good basic education, including for vulnerable groups. These include poor rural households as well as females who still tend to lag behind when it comes to literacy and readiness to continue education beyond elementary level. Sweden also supports the government's coordination of climate change policies and funds a number of smaller projects operated at local level by non-governmental organizations and local authorities.

Analysis of Disbursements

The total country allocation rose from a low of SEK 107 million in 2008 to a high of SEK 269 million in 2014. The DHR portfolio has on average constituted two-thirds of the total country budget although it has varied. It was a low 59 per cent in 2006 and 2007, then followed by a constant rise to 82 per cent in 2010 only to be followed by a continuous gradual decline to 53 per cent in 2014. As shown in Figure 14, by far the most of the DHR portfolio has gone to "exercise of power" type of institutions, confirming the observations above about the funding of decentralization as well as public finance management. Support to "access to" and "control of" power types of institution has been virtually nil throughout the period. Sida's support to NGOs or civil society has been coded, as they should, under other labels. Support to policy development and public administration has not included those organizations that work on humanitarian assistance. A figure that stands out in the analysis is the significant part of Swedish aid that has been channeled through multilateral implementing partners. The main such partner has been the UNDP. Support to multilaterals as part of the DHR portfolio was highest in the first part of the period and then gradually declined. It was a high 83 per cent in 2003. 67 per cent in 2009 and a bottom low of 2 per cent in 2011. In 2014, it amounted to 16 per cent of the DHR sector. In short, while working with the UN agencies continues, it is no longer as prominent a part of Sida's programme in Cambodia as it was earlier.

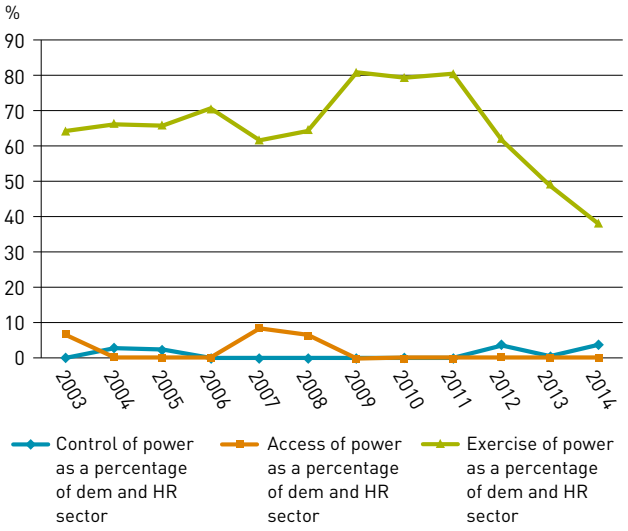

Figure 15. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

A final comment concerning the disbursements in Cambodia is that the figures obtained from Sida shows a higher level of payments than the amounts that have been delegated to the Embassy in Phnom Penh for implementation of the Cooperation Strategy. According to the Embassy, there must have been activities placed under the "Cambodia code" that are actually not controlled and managed by the Embassy. This highlights the challenges that exists in interpreting the data because of issues over how things are coded.

Conclusions

Cambodia is an interesting case because of the significance of the DHR portfolio in the total country programme. It is also of interest because of the small number of bilateral donors present in the country and the way that this shapes aid modalities. Sweden, in addition to working with multilateral implementing partners, is itself the recipient of a significant amount of money from the EU for support to public institutions using budget support. Sida officials recognize the long term nature of strengthening public institutions in countries with a soft state but given the distance Cambodia has already travelled since 1979 there is a sense that what is being done, especially at local levels, is meaningful and rendering positive outcomes.

Mali

Mali is a country, which during the time period covered here, has gone from being hailed as an emerging democracy to becoming a FCAS. The Malian storyline confirms the risks of on-going political settlements falling apart

even in countries that were once considered stable and functioning democracies. Unlike most other countries with a similar trajectory, Mali has abstained from joining the g7+ and the New Deal framework. Sweden began providing assistance to Mali in 1999 and provided budget support until the breakout of the armed conflicts in 2012. Although the political and military situation in Mali remains volatile, Sweden, like other donors have resumed aid in the last few years.

Background

When the Swedish Government commissioned Sida in 1999 to initiate specific development cooperation interventions in Mali, the country was held up as an example of where democracy had been strengthened and promising development strategies had been adopted. The cooperation strategy that was subsequently approved in 2004 – and which is interestingly still in use[4] – has a strong focus on the importance of institutional capacity development. It recommends that funding on a smaller scale should be provided – in consultation with other budget support donors – for measures aimed at developing management and administrative skills and capacity in government administration, particularly in the sphere of public financial management.

In the period since 2003 Sweden has, apart from humanitarian aid and budget support, provided assistance for democratic governance including gender, public finance management, statistics, natural resource management and climate change initiatives. The 2004 strategy also points out that future measures should be particularly aimed at strengthening the ability of government institutions to fight corruption.

Mali is a country where the initial euphoria over budget support led to funding of projects aimed at strengthening public finance management. Support to public sector reforms, however, were phased out before the 2012 coup d'etat and the ensuing political crisis primarily because of lack of absorptive capacity. According to the Embassy's 2010 Annual Report, Sida lost confidence in the public administration reforms because of limited traction. Swedish budget support was suspended after the coup d'état and has since not been resumed. In fact, all of Sweden's bilateral development cooperation with the state and its institutions was suspended in 2012 but development cooperation continued through the UN and civil society organisations.

[4] To conduct its business legally, the Embassy has relied on additional or complementary strategic decisions from Stockholm, e.g. letters of appropriation by the MFA, the directives for annual planning by Sida management and revised instructions to the agency (myndighetsinstruktion).

In 2013 Sweden decided to resume bilateral development cooperation after Mali adopted a roadmap for a return to peace and democracy. It is an interesting case study because it is emerging from a civil war that led to a state breakdown, yet it has opted to stay outside the New Deal framework. The Swedish Government excluded budget support from the resumption of bilateral cooperation citing continued lack of absorptive capacity. Since 2013, Mali has come to increasingly rely on the State Building Contract (SBC) it has signed with the European Union which allows member states (though Sweden is not one of them) to channel their own budget support through this arrangement.

SBCs are a form of aid modality that is especially relevant in FCAS. EU has used it since 2013 and plans over the next five years to use more than two-thirds of funding under the 11th European Development Fund and over half from the Development Cooperation Instrument for 2014-2020 to assist people in fragile states. Mali is likely to be a major beneficiary of the application of this aid instrument. According to the Embassy, the SBC is an important aid instrument but not the only one. For instance, Sweden's support to institutional development in sectors is another modality used.

Analysis of disbursements

There was a sharp increase in the total Swedish aid to Mali in the period from SEK 92 million in 2003 to 254 million in 2013. In 2014 it stood at SEK 233 million. Following the coup d'état and the escalated conflicts in 2013 development aid decreased because of the suspension of state-to-state cooperation whereas humanitarian aid increased to respond to the needs on the ground in the country.

The percentage of total aid allocated to the DHR portfolio rose from 4 per cent in 2003 to 37 per cent in 2014. Although the level of disbursement varied, as shown in Figure 15, before 2012 most of the money in the DHR portfolio went to "exercise of power" institutions confirming the orientation of the country strategy to strengthen public institutions. Budget support constituted a large share of Swedish assistance before it was suspended in 2012 – 54 per cent in 2003 and 62 per cent in 2011. During these years funds went to support public finance management and improving national statistics. Control of power type of institutions received virtually no funds during these years (although some support may have been provided to audit institutions as part of the election support programme). Access to power institutions began to receive support only in 2013-14 when Sweden gave substantial sums of money to fund national elections. In addition, Sweden has supported civil society

organisations working with democracy issues at local levels as well as a UNICEF programme aimed at strengthening the rights of children and women.

As in other Swedish programme countries, corruption and the need for anti-corruption measures features prominently in the annual reports issued by the Embassy. In practice, however, Sweden provided limited support for anti-corruption activities – apart from the support to PFM reforms in the 2004-2007 period. The explanation given by the Embassy for this apparent contradiction is that other donors were already funding such initiatives.

Support to policy development and public administration in sector programmes (excluding humanitarian assistance) fell during the period from 40 per cent in 2003 to 25 per cent in 2014. Sweden supported the health sector with an annual SEK 35 million grant in the 2004-2009 period and also the education sector which received substantial support varying from SEK 34 million in 2003 to 50 million in 2008 after which the Swedish assistance to the education sector was completely phased out. The rationale for phasing out of the health and education sectors, of which a lion share was support for public administration, was, according to Sida staff in the Embassy, linked in part to shifts in Swedish aid priorities. Other factors included limited results from the attempted reform programmes and decisions in the donor community to shift funding responsibilities among the sectors.

Support channelled through multilaterals as a percentage of DHR sector budget was relatively low between 3 per cent and 26 per cent in the period 2005-2010 and much higher between 46 and 92 per cent in the period 2011-2014. Multilaterals were one of the few options left following the coup d'état as the Government proposed few programmes for Sida to finance directly.

Since 2009 Sweden has been supporting the natural resource sector including a policy development and public administration component. According to the Embassy, it was chosen because Sweden is seen to have a comparative advantage here.

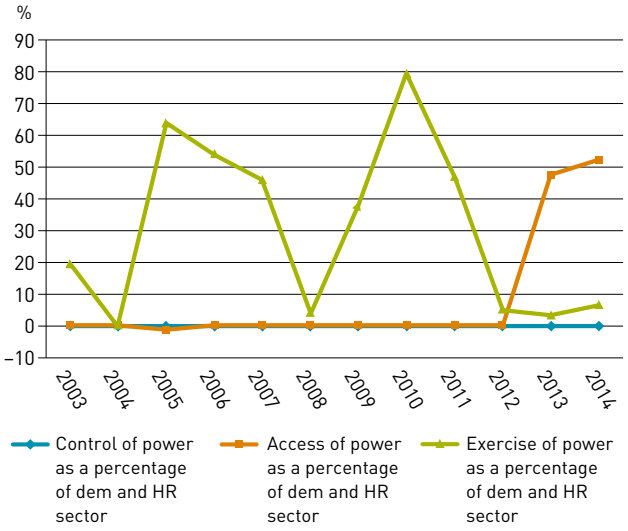

Figure 16. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

Conclusions

Mali aligns with the overall trend of falling levels of support to "exercise of power" type of institutions within the DHR sector. In Mali the proportion declined from 19 per cent in 2003 to 7 per cent in 2014 (although in the 2005-2011 period the level of support reached 40 per cent). The most important reasons why Swedish support to institution-building in Mali has declined are the coup d'etat, the limited ability of Malian institutions to propose plans and absorb aid as well as public sector reforms failing to get traction. The result is that Mali, at least for the time being, is highly dependent on the resources provided under the State-Building Contract it has signed with the EU.

Rwanda

Rwanda is a rather special development partner. It became a Swedish programme country in the wake of the 1994 genocide against the Tutsis and its ambition to put an end to ethnic politics and fratricide. In 2016 Rwanda is a case of success, having left its conflict-ridden status behind and proved to be one Africa's best development performers. Many donors are present in the country and Sweden is not among the biggest. Its total aid in 2014 amounted to SEK 261 million (approximately USD 38 million). The Democracy and Human Rights portfolio constituted one third of total aid. The Government of Rwanda directs donors to accept its own priorities to an extent that tends to be greater than in other partner countries. Thus, Sweden has been "assigned" to the Natural Resources and Environment sector and private sector development/employment as well as Education

with a focus on Higher Education. Swedish aid includes support to the National University of Rwanda and also to civil society. Support to policy development and public administration goes primarily to other sectors. Since Sweden for political reasons suspended its budget support in 2012, the relationship with the Government has been strained. Consequently, a good deal of money has gone to civil society organizations.

Background

Despite the strong economic growth that has taken place in Rwanda over the last ten years, many people still live in extreme poverty. Swedish aid contributes to ensuring that development takes place in an environmentally sustainable way, and that the increased resources get to benefit the poorest. The country adopted the Vision 2020 at the turn of the century and it is being implemented through the Economic Development and Poverty Reduction Strategy, initially EDPRS1, and since 2013 EDPRS2. To improve the situation of the poorest and most vulnerable groups in society, the Government of Rwanda launched the Vision 2020 Umurenge Programme (VUP) in 2008 which Sida started supporting in 2010. The initial support amounted to around 30 million SEK per year for three years. An additional payment of 40 million SEK was also paid by the end of 2011. The VUP is seen as functioning well. Money reaches its intended beneficiaries and there is no evidence of corruption as it goes through levels of hierarchy in the government system. It has a strong focus on results bolstered by performance contracts that compel leaders at district and other local levels to follow-up on what is happening.

Economic development for the poorest is one of the four areas of Swedish development cooperation in Rwanda. The other three are: democracy and human rights, natural resources management, and research cooperation. Sweden's aid to Rwanda goes through various channels. Support to major reform programmes is complemented by direct cooperation with civil society organizations, and by institutional cooperation agreements between universities in Rwanda and Sweden. It is significant that Sweden does not have special sector support to public administration within the DHR portfolio. Funds under this category are channelled to and through other sectors, especially in the Natural Resources sector.

Analysis of disbursements

Total Swedish aid to Rwanda during the 2003-14 period varied from a low of SEK 62.8 million in 2004 to a high of SEK 261 million in 2014. The freezing of Swedish budget support that occurred in 2012 is reflected in the steep decline from SEK 214 million in 2011 to SEK 94 million the following year. Total aid rose again in 2013 to reach its highest level the following year. The share of the DHR portfolio of total aid was 33 per cent in 2014, which was the highest with the exception for 2008 and 2009. For the rest of the period its share fluctuated between a low 10 per cent in 2005 and 2011 and a high of 31 per cent in 2012.

The 2012 suspension affected primarily the support to public institutions. As shown in Figure 16, funding of "exercise of power" type of institutions drastically fell from SEK 8 million in 2011 to a mere SEK 184,000 in 2012; in relative terms a drop from 37 to 1 per cent. No money was released in 2013 but disbursements returned to a modest level – SEK 359,722 – in 2014.

Records of disbursements show that funding has been nil or very modest of the other types of institution – "access to power" and "control of power". In addition to 2003 some support was given to the former type between 2008 and 2011, presumably to the country's parliament. The rather substantial support that Sweden has given to civil society has been coded in categories other than those used here.

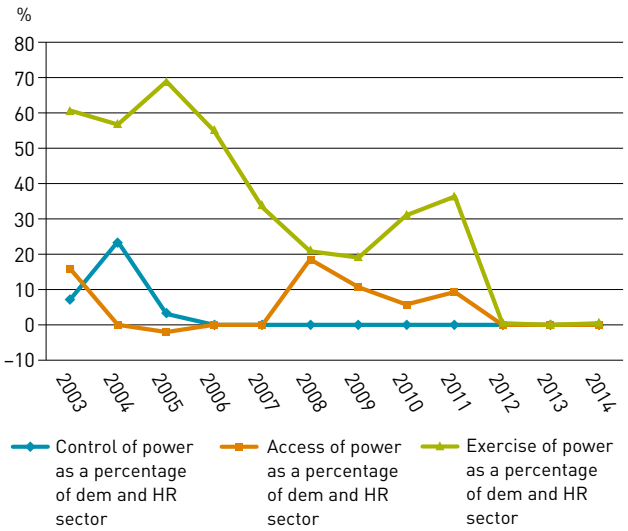

Figure 17. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

The figures also confirm that funds for policy development and public administration have been channelled through other sector support, very little of it for humanitarian purposes. There is no evidence that funds from the DHR portfolio have been channelled through multilateral implementing partners. Although the larger OECD donor group meets regularly to prepare meetings with Rwandan partners, there is little of shared funding arrangements outside of what the Rwandan Government

has already decided. The figures for Rwanda, therefore, tend to confirm that bilateral donors are kept on a short leash: each agency should stay with the sector it has been allocated by the government.

Conclusions

Rwanda is a case of strong partner government control of the aid process leaving donors at the receiving end as far as decisions about policy priorities go. Having a pro-active partner is meant to be ideal but it also means that at management level normative preferences as outlined in Swedish aid policy documents are being challenged. The strong sense of sovereignty expressed by the Government of Rwanda when it comes to setting the country's development priorities, including its mode of governance, means that policy dialogues easily become contentious as happened in 2012 when Sweden and some other donors suspended their budget support over the Rwandan military's incursion into eastern DRC. The balance and tone of the policy dialogues in Rwanda tend to be quite different from what transpires in such settings in other partner countries.

Somalia

Somalia has throughout the period been a country plagued by conflict. As a result, most donor support has been focused on the peace/state-building nexus with disagreements existing among both domestic and external actors as to how to go about restoring the country to stability. The New Deal, which was adopted by the Somali authorities and the donor community, has brought a new sense of direction. Sweden has been very active in terms of improving donor coordination in Somalia and has, for example, chaired the Somali Donor Group and co-chaired the humanitarian donor group. The Swedish Embassy in Nairobi, from where the programme is administered, works closely with other donors on a day-to-day basis and has taken a strategic decision to wholeheartedly support the implementation of the New Deal in Somalia.

Background

Sweden's involvement in Somalia dates all the way back to the 1980s but it was only after 2002 that a more regular presence was established. The following year, Sweden adopted its first country strategy. In the ensuing ten years Sweden channelled its aid through multilateral agencies and NGOs. Sweden has had the intention and ambition of contributing to state – building in Somalia from the beginning of the period. The first strategy emphasised that it was premature but that the foundation for future support should be gradually built by supporting small-scale initiatives at the local level.

A 2009 directive from the MFA emphasised that the support to public administration should be broadened to include the regional and national level as the political context changed. The directive also underlined the importance of support to institutional capacity development as a precondition for a functioning state and public administration. In the 2011 annual country report Sida regrets that there is a lack of a nationwide development plan or context analysis underpinning the development cooperation but that the agency is leaning on local plans and analyses to adapt its support to the domestic conditions. In 2011 Sida began to question the sustainability of the various state-building initiatives without a lasting national peace and suggested that perhaps peace-building rather than state building should be the main focus. In the 2012 annual report there is however again an emphasis on the need for looking into the feasibility of supporting public administration and institutional capacity development.

The New Deal became a turning point for the development partners in Somalia. The donors believe that it created a window of opportunity as a result of the successful transfer of authority in 2012 from the Transitional Federal Government (TFG) to the new Federal Government of Somalia (FGS) within the framework of a provisional constitution. The Compact – which was endorsed at the landmark New Deal Conference in September 2013 establishes a three-year roadmap with critical milestones across five Peace-Building and State-Building Goals (PSGs). The Somalia Compact has served as an important platform to expedite a shift in government and donor planning and programming, from an exclusive focus on humanitarian action to a wider focus on peace building and state building.

In July 2013, the Swedish Government adopted a new results strategy for development assistance to Somalia. The overall objective is to promote lasting reconciliation, stability and restore efficient governance by strengthening peace, improving security, establishing good governance, and investing in people through improved social services. As part of the new strategy Sweden supports job-creation efforts and, as the only donor, the media. Sweden also continues to support democratic governance through various Swedish and international NGOs as well as through a national UN programme to improve local governance.

Two decades of humanitarian and development assistance in the absence of a recognised central government have weakened accountability and transparency over

the use of public resources. In the absence of functioning integrity institutions and acknowledging the linkages between corruption and legitimacy as well as the strong risk of diversion of donor funds, a stronger focus from both the donors and the Federal Government of Somalia on the need for anti-corruption measures has emerged in the last few years.

Sweden has not, according to the figures from the database, supported anti-corruption programmes directly or "control of power" institutions. Swedish aid channelled through UNDP in practice has however control of power elements such as the support to strengthening police and security sector governance. This support is however categorised as support to "exercise of power" institutions. This highlight the problem of how to categorise support especially through multilateral agencies which may be a mixed bag of support to power, exercise and access to power institutions. Control of corruption is also indirectly promoted through the same UNDP programme supporting local government institutions to improve service provision through the mainstreaming of governance principles such participation, transparency and responsibility. Lastly the Embassy is also supporting the Financial Governance Committee through the World Bank, which is working on anti-corruption among others through dialoguing with the Government at the highest level.

Aid allocations and disbursements

Swedish aid to Somalia increased substantially from SEK 53 million in 2003 to 567 million in 2014. Before 2006, country allocation to Somalia did not exceed SEK 100 million but in 2007 Swedish aid almost doubled. Between 2010 and 2011 it doubled once more and in 2013 there was yet another drastic upward hike. The percentage of the total aid portfolio that is channelled to DHR has fluctuated in the period but it was more or less on the same level in 2013 as in 2005.

Contrary to the trend at the global level, the percentage of support channelled to exercise of power institutions has actually risen in the period. Between 2008 and 2014 the proportion of aid in the DHR portfolio that went to exercise of power institutions rose from 37 to 63 per cent. The amount going to support to policy development and public administration in sectors (excl humanitarian) also rose in the period, especially from 2008 when it was a meagre SEK 43,000 to 24 million in 2013. The percentage of aid recorded as going to the access to and control of power types as part of the DHR portfolio has been nil.

The proportion of aid to policy development and public administration in sectors kept increasing during the period but is still a small proportion – approximately 8 per cent of all the support in sectors in 2014.[5] The Swedish support channelled through the World Bank's Mid-Term Plan for economic development has some governance aspects. The reason why this percentage is quite low is that the Embassy staff believes that priority must be given to first build an overall functioning governance framework before providing state-building support in a sector.

Pooled funding has become a common modality in conflict-affected, crisis and emergency response situations and the members of the multilateral development system are the major investors in many fragile situations. A major part of the Swedish development cooperation has also been implemented by various UN agencies throughout the whole period. This is confirmed in the disbursement figures, which show that the percentage of the DHR support channelled through multilaterals rose significantly from 27 per cent in 2005 to 73 per cent in 2014.

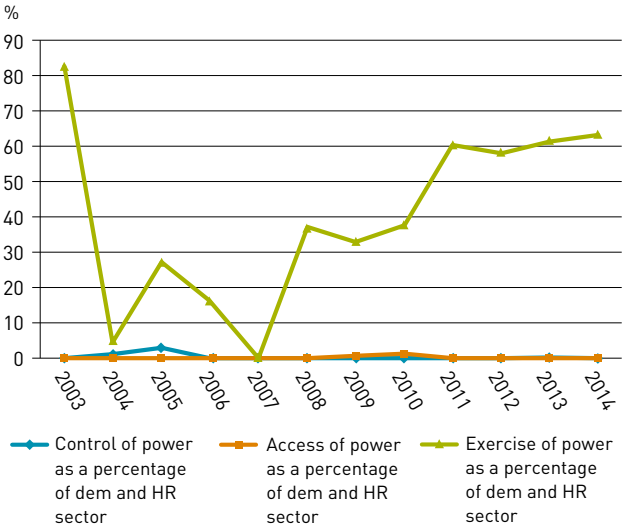

Figure 18. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

Conclusions

Somalia is in many ways a model country when it comes to the New Deal because there was no pre-existing Somali framework or agreed strategy with donors. The Somalia New Deal in combination with the Somalia Development and Reconstruction Facility (SDRF) is the major governance mechanism through which to coordinate aid around the Compact.

Sweden has been eager to support "exercise of power" institutions since the adoption of the latest Swedish strat-

[5] Excluding humanitarian aid

egy and endorsement of the New Deal for Somalia at the September 2013 Brussels Conference. The Swedish approach is very much guided by the New Deal with its focus on ownership and aid coordination and by the global focus on the need for state building in fragile situations. There is also joint donor country context analysis including conflict analysis and political economy analysis. There is a growing acknowledgement that context matters and that trying to implement a standard model of peace-building is futile. A piece of good news for the donors is that lack of absorption capacity does not appear to be a problem.

Tanzania

Tanzania has been a top recipient of Swedish development assistance for many years. It dates back to independence and has over the years covered most sectors. The relative political stability of the country and its readiness to commit policies to global priorities mean that donors have found Tanzania a hospitable and relevant partner. With present annual contributions of SEK 750-850 million, Sweden is among the larger bilateral donors to the country. Disbursements from the DHR portfolio have made up on average 16 per cent during the period. Notable is that in 2014, Sweden withheld a considerable part of its payments – later made in 2015 – over a corruption scandal. Also notable is that concerned over Tanzania's high level of aid dependence, Sweden, as one of its largest donors, is moving toward a new aid modality whereby the Government of Tanzania would be paid based on agreed-upon outcome targets.

Background

The aim of Swedish development cooperation with Tanzania is to contribute to conditions for sustainable growth in the country and provide people living in poverty with better opportunities to support themselves by obtaining work and starting and running productive businesses. The main target groups are women, children, and young people. Support is spread quite widely. Areas include (1) Energy, (2) Democratic Accountability and Transparency, (3) Education and Vocational Training, (4) Private Sector Development, (5.) Land Security, and (6) Research.

General Budget Support has constituted a large portion of the total aid. It has among other things contributed to more boys and girls completing their primary education and to improved infrastructure. Budget support payments were delayed and decreased in 2014 as a result of a scandal in the energy sector but discussions are currently ongoing with the Government of Tanzania about a reformed GBS instrument. The current country strategy 2013-19 – labelled "results strategy" – is flagging the possibility of introducing yet another modality whereby payments would be made after the agreed outcomes have been achieved.

A marked priority throughout the years has been support to building a strong fundament for freedom of the media and increased access to information. The long-term support to the strategically positioned Media Council of Tanzania, (MCT) is a case in point. As part of its DHR portfolio, Sweden has also supported human rights organisations like the Legal and Human Rights Centre, Zanzibar Legal Service Centre, Tanzania Gender Networking Programme and Tanzania Women Lawyers' Association. Sida, together with partner organizations like UNICEF and Save the Children, has also promoted the implementation of the Child Rights Convention in Tanzania. One of the eight anticipated results in the 2013-19 strategy is "enhanced capacity in civil society to demand accountability and increased awareness of human rights. Sweden has also helped build capacity in the National Audit Office of Tanzania (NAOT), deemed one of the more successful capacity development projects in recent Sida history. As part of the DHR portfolio Sweden also plans to contribute to strengthening accountability, enhancing effectiveness, and increasing openness in Tanzania's public administration. Tanzania's involvement in the Open Government Partnership will be used to combat corruption and strengthen citizens' opportunities to understand and influence public decisions that impact their lives.

Analysis of disbursements

Disbursements in 2003 were SEK 532 million – the lowest during the period with the exception for 2014 – and rose to its highest point in 2008: SEK 841 million. The figure for 2014 marks a sharp decline – 46 per cent – from the previous year, which is explained by the fact that the Embassy and the Government could not agree on the proposed country strategy. At the bottom of this disagreement was the corruption scandal in the energy sector. As a result, Sida operated without an official country strategy in Tanzania for 1 ½ year. The DHR portion has varied between a low 10 per cent in 2008 as well as in 2012 and a high of 24 per cent in 2010. Because of the delay in approval of the country strategy, disbursement in 2014 was "only" SEK 373 million, support to Democracy and Human Rights still constituting half the total budget.

As shown in Figure 18, the bulk of the support to public institutions has gone to those engaged in "exercise of power", i.e. public administration. This support has declined significantly from a high of 68 per cent of

the DHR portfolio in 2004 to a low of 14 per cent in 2013. Because of the outlier status of 2014, the figure for that year was 60 per cent. Support to "access to power" types of institution has been under ten per cent the period with the exception of a jump to 20 per cent in 2009. "Control of power" types have fared a little better with peaks around 20 per cent in both 2006 and 2008.

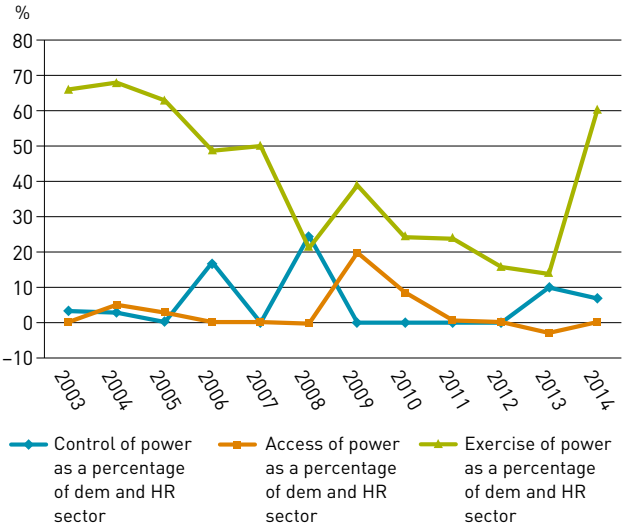

Figure 19. Distribution of support to type of institution in the democracy and human rights sector (excl. budget support).

Budget support has been a constant component of Swedish support during the period. It grew from constituting approximately 20 per cent in the first two years (2003 and 2004) to 50 per cent (or a little more) in 2012 and 2013. This tends to confirm the great trust that Sweden has had in the policy process in Tanzania during all these years. Against this background, the sudden decline in 2014 is an unusual marker in the relations between the two countries. Disbursements through multilateral implementing partners have been generally insignificant with the exception of 2009 and 2014 when support to multilateral agencies were 26 and 60 per cent respectively of the DHR portfolio.

Conclusions

Tanzania's status as a major recipient of Swedish aid is confirmed by the figures for the 2003-15 period with support to policy development and public administration constituting a significant component. The country's aid dependence has been a source of concern and it now looks like Sweden has decided to embark on a different approach, aimed at paying only on the basis of agreed upon results. This will no doubt put pressure on the Tanzanian Government to perform and it seems like a blessing that the country's fifth president since independence, John Magufuli, is a leader with the calibre to make a difference in how the public service performs.

Summary of Findings and Conclusions

The evidence generated by the mapping exercise leads to two major findings. The *first* is that the relative share of support to public institutions fell in the 2003-2015 period.[6] This applies to the share of support to policy development and public administration as part of Sida's total aid portfolio, the share of support to "exercise of power" institutions as well as the share of support to policy development and public administration within sectors. Mainstreaming support to public administration and institutional capacity development in other sectors is thus *not* an explanation for the overall decline. The *second* finding is that support to "exercise of power" type of institutions has throughout the period far exceeded the support given to "access to power" and "control of power" types on institution by far.

Support to building public institutions is at one and the same time a technical and political venture. Keeping the two apart has proved difficult, especially where budget support is used as modality. The country case studies demonstrate how political considerations on both sides have determined the fate of budget support. Because of Sweden's own commitment to continued use of the budget support mechanism, the damage has been controlled wherever the partner government has found it in its own interest to continue receiving such type of support.

The marked commitment to fight corruption in Swedish aid policy has surprisingly not translated into strong support to "control of power" institutions although Sweden has a tradition of supporting supreme audit institutions (mistakenly categorised as "exercise of power" type of institutions). Despite many disappointments over the years, this commitment to fight corruption, it seems, has helped sustain the support to public institutions. The continued prevalence of corruption in partner governments has not been an excuse for halting this support but rather a reason to continue, if not reinforce, it. Minister Carlsson almost turned this policy over when she reacted to a series of corruption scandals in Sida-supported projects in 2009 and 2010 but there is no evidence from subsequent years and from the programme country budgets that there was a clear break in the support to public institutions because of corruption. Still, the concern over corruption has changed at least partly the way aid was given in the period – away

[6] Taking into consideration the limitations highlighted in the introduction to Chapter Two.

from the Paris agenda with budget support, SWAPS, Programme Aid, and Use of Country Systems to more project based support.

As Sweden has turned increasingly toward supporting fragile and conflict-affected states, its funding of peace and state-building efforts, typically involving policy development and public administration components, has continued with a greater success in Somalia than in Mali much thanks to the positive role that the New Deal has played there in bringing donors and the new Federal Government together in joint efforts.

Much of the institutional development support targeted on public sector reform especially in FCAS was provided in collaboration with other bilateral and multilateral implementing partners, notably the World Bank and the UNDP. By channelling support to public administration through multilaterals in FCAS Sida was in fact "outsourcing" the corruption and reputational risks to other agencies. The "outsourcing" of the corruption risk may have contributed to the upward trend in the share channelled through multilaterals in the DHR portfolio in countries like Mali and Somalia.

Another point that this study has uncovered is that the flexibility in the direction of Swedish aid within the partner countries varies. It is to some extent a matter of donor coordination at embassy level as the case of Somalia illustrates in particular. It is also an outcome of how strongly host governments insist on their own priorities or have the capacity to deal with specific policy challenges. Of the countries included in this study, the Government of Rwanda is the most directive. It is also most protective of its own sovereignty. Because Sweden is especially respectful of partnership and local ownership of the aid component of the government's overall public revenue, it tries to take its lead from the partner side. In countries like Tanzania where the relationship between the partners rests on a long tradition of trust, Swedish aid priorities have been far less contested. The first real "incident" only occurred in 2014 when the two governments failed to find agreement over the orientation of the Swedish country strategy.

4. MOVING FORWARD – LESSONS LEARNED

This chapter takes a closer look at the lessons that Sida and other donors have learned during the specific period covered by this study – 2003-15. These are important for where Sida wants to go next and what it wishes to prioritize in its support to public institutions. Thus, this chapter helps set the stage for the study's recommendations.

The discussion centres on lessons learned in relation to major components of Swedish aid in which support to public institutions have featured: (1) budget support, (2) public sector governance, (3) mainstreaming governance in sectors (4) institutional capacity development, (4) collaboration with other Swedish institutions, (5) anti-corruption mechanisms, (6) parliamentary strengthening, and (7) conflict, peace and security.

Budget support

Judging from number of recent evaluations of budget support in the case countries, this aid modality has had a positive influence on control of corruption and in particular PFM reform. In Tanzania there is strong evidence that the combination of GBS funding through the budget with targeted support to institutions of accountability such as the National Audit Office, the Parliament, CSOs, media and Local Government Authorities has created more transparency and strengthened PFM reforms (Lawson 2013). In Mali a similar joint evaluation also pointed to strengthened PFM reforms (Lawson 2011). There are however issues with policy inconsistency and increased transaction costs due to donor conditionality.

A lesson learned from the two evaluations in Tanzania and Mali is that budget support functions best as a means of supporting a well-established national policy, for which there is a clear and coherent political commitment and for which implementation structures are in place, or can easily be established. When these essential elements are not in place, it is difficult, if not impossible, to create them through budget support. More than any other modality, budget support has been caught up in the "politics of aid" ironically because by insisting on the use of country systems and country ownership, it has also brought the GBS donors closer to the inner dynamics of the government politics in partner countries.

Budget support, therefore, has been seen by some partner governments as giving donors too much influence over their own politics. During the period budget support was sometimes suspended by donors as a way of criticizing specific political moves by some of these governments. An example would be the reaction by some donors' (including Sweden) to the decision by the Government of Rwanda to send troops to intervene in the conflict in neighbouring Democratic Republic of Congo. While suspension of aid to partner countries had occurred in previous years when project and programme support prevailed, such measures tended to be confined to specific sectors and thus be less damaging to national political pride than suspensions of budget sup-

port which had the effect of leaving a bigger dent in the state of public finance and thus causing greater political embarrassment and inconvenience to recipient partner governments.

Donor alignment has weakened as some donor governments have abandoned or suspended aid in reaction to perceived misappropriation by partner government institutions. These incidents have also encouraged donors to introduce their own financial tracking systems, measures that have gone contrary to the spirit and principles of the Paris Declaration. The result is that lines of accountability with donors as principals have continued to be more prominent than those that start with local citizens in partner countries as the true principals.

The global policy shift away from budget support, from SWAPS, Programme Aid, Use of Country Systems and in general away from the Aid Effectiveness principles in the Paris/Accra agendas. This broader shift has implications for the manner in which institutional capacity development is programmed and implemented. The OECD evaluation of implementation of the Paris Declaration (2012) regretted that efforts to improve support to capacity development have been mixed at best. The evaluation concluded that support is still supply driven, aid is tied and increasingly fragmented. Furthermore donors continue to work in silos and strengthen the capacity of one organisation at the time rather than groups and systems of accountability. There also continue to be issues related to ownership of reforms in particular related to inclusiveness of non-state actors e.g. parliaments and civil society.

In Sweden, faith in GBS has remained strong, not the least within Sida, but the Swedish commitment to budget support was rattled by gross corruption scandals in Swedish funded projects in in Mali and Zambia in 2009-10. Despite these incidents, Sweden seems committed to providing budget support, as the Tanzanian case suggests, but it is also likely that the discussion of what aid modality works best might become subject to further review as the donor community is contemplating the consequences of a potential move from emphasis on form to function.

Public Sector Governance

Public Sector Governance Reforms (PSGRs) has been a prominent part of the international donor agenda during the period. It has entailed a variety of reform efforts focusing on the public sector at large, local government, public finance management, as well as the judicial sector. A common feature in all these efforts has been the assumption that reforms must be sector-wide, in other words comprehensive. Existing practices have typically been ruled out as foundation for reform. The result has been ambitious programmes aimed at changing governance within short time spans as opposed to understanding and recognising the small incremental changes, which may have significant impact. Furthermore, they have assumed that institutions determine and shape choice and behaviour. In short, if only the right institutions are in place, public servants will change the way they conduct their business.

In recent years there has been a growing awareness that reforming economic and political institutions using a standardized template really does not work well. Andrew (2013) has shown how such an approach overlooks the norms and cultural-cognitive[7] factors that make up institutions and how these elements take much longer time to change than what the shorter term time perspectives that donor funding permits. Similarly, Levy (2014) has argued for the creation of incentives for local actors to take charge of the process and initiate a reform process based on existing institutional premises.

The broader finding from evaluations of public sector governance suggests that reforming public finance management (PFM) has been more successful than efforts to change the public sector at large. PFM measures concentrate on reforms involving a relatively small number of institutions with the Treasury as a focal point. All stakeholders that are directly involved tend to have an incentive to embark on change; hence, the possibility of reaching results. Taking on the public sector at large, however, is much more complicated with stakeholders operating under different conditions (Andrew 2013).

Sida did not evaluate its own PFM support before 2012, but an evaluation of PFM reforms in three African countries that year concluded that reform outcomes are generally more favourable where a wide range of policy options is available at the outset or where the mechanisms for monitoring and coordination of reforms promote active lesson learning and adaptation during the implementation process. The report also shows, however, that the countries included in the study frequently found themselves facing a constraint in respect of the policy space for reforms, where the menu of available policy designs and models for PFM reform was not appropriate to the institutional and capacity context, and where the learning and adaptation processes were rarely effective enough to promote quick changes to faulty design and implementation models (Lawson 2012). The same study also showed, that the most successful governments were those that proved willing to fund PFM reforms direct-

[7] Cultural cognition is the hypothesized tendency of persons to form perceptions of risk and related facts that cohere with their self-defining values

ly. External financing was not a decisive factor. Donor funding facilitated implementation of PFM reforms only in countries where the context and mechanisms were right for success, and where external funding was focused on the government's own reform programme.

A 2013 Sida-sponsored evaluation of donor support to public sector governance reform showed that many reforms in fact fail but noted a few successes in terms of improved technical skills and laying the foundations for further reform (Turner 2013). The lessons learned through that evaluation are directly relevant to this study and the most important ones are repeated here in abbreviated form.

The *first* is that designers of major public sector governance reforms and other stakeholders need to appreciate time and information constraints as well as cognitive limitations when dealing with highly complex organizational changes. A *second* important lesson is that political economy analysis (PEA) needs to be more consistently employed in PSGRs in order for policy practitioners to fully appreciate how politics affects policies, how economic interests in society influence decision making in the state, and how informal institutions, such as patronage, hinder reforms. A *third* conclusion is that monitoring and evaluation activities tend to focus too narrowly on outputs, are too technical, and often meet with political resistance. The *fourth* lessons of relevance here is that although PSGRs are meant to improve service delivery, they tend not to be connected to how such improvements would actually be obtained. A focus on specific services and how to improve them would appear to offer better returns for enhancing welfare outcomes. A *fifth* significant conclusion is that PSGRs tended to put strain on the partnership relation because of their typically slow progress and difficulties in demonstrating what progress has taken place.

There are other lessons that have been highlighted but the overall experience in recent years points to the importance of not being overambitious in terms of design, of not being too impatient in expecting results, and of not ignoring the underlying politics that inevitably shapes threats and opportunities for success.

Mainstreaming governance

Many of the governance challenges that partner countries face occur in sectors other than the DHR. As their governments strive to achieve the MDGs – and currently the SDGs – there are serious weaknesses in the functional ministries due not only to lack of trained human resources but also because they are institutionally weak. Rules are poorly understood and often violated in the course of daily work. Because Sida still invests substantial aid in several social development sectors (health, water and sanitation, education etc.) as well as natural resources, the issue of strengthening governance also in the sector-specific ministries and agencies is important. Although the share of Swedish funding channelled to public administration and institutional development in sectors has fallen during the 2003-15 period, reforming institutions in all these policy areas remains critical to make progress towards the SDGs. Doing sweeping reforms across the board, as suggested above, tends to be counterproductive. An alternative route to making support to governance in sectors more effective may be to build on local efforts that are already showing success, thereby learning more closely what factors on the ground drive performance. Such an approach would be in line with current thinking about building better governance from the bottom-up taking advantage of change agents already on the move. The idea that valuable lessons can be learned from "zones of productivity" is not new but needs to become of higher priority as donors and partner governments ponder how they can make aid for development more effective.

Sida does not have a policy framework or procedural guidelines, which include those for how to analyse sector governance (organizational/institutional analysis, power analysis, value chain analysis) or a specific approach for how to improve sector governance (PFM, strengthening oversight, decentralization, integrity measures or diagnostic tools aimed at identifying where a particular intervention may yield anticipated results). What Sida does at present is to screen projects/programme for whether key governance principles such as participation, transparency and accountability (as part the HRBA screening) have been properly mainstreamed but even such screening is not carried out systematically. In the potentially new environment in which functional considerations become more important, this set of issues relating to mainstreaming governance takes on an added significance.

This lack of overall policy and operational guidance on how to approach governance outside the DHR sector may explain why the share of funding to public administration in other sectors has fallen. For example, the phasing out of sectors such as health and education in Mali was largely determined by the lack of traction that these governance interventions suffered. In FCAS type of contexts, governance issues in sector ministries may be side-lined in favour of those associated with strengthening core state functions such as security and public finance. This is the explanation given by the Embassy in Nairobi responsible for Somalia for why Sida does not give governance support to other sectors. This does not mean that such support is necessarily more problematic

than the one given within the DHR sector but the issues raised above indicate the need for increased attention to how the mainstreaming of governance can be best pursued in the context of the on-going paradigm shift.

Institutional capacity development

Institutional capacity development is the essence of support to public institutions and many lessons have been drawn in recent years that tend to confirm the point made in Chapter One that it is much easier to build organizational capacity than it is to reform and institutionalize new rules (Booth 2011, Levy & Walton 2013 and World Bank 2011). Capacity development projects tend not to pay enough attention to norms that shape choices by offering intrinsic rewards and cultural-cognitive devices that influence how groups think and behave. These studies tie the limits to a lack of realism in reform design and implementation. They argue that reforms commonly fail to allow for necessary adaptation of external ideas to the realities in targeted contexts, because the reform processes focus too narrowly on introducing the external good practice *in principle* and pay little attention to the practical difficulties of doing so *in practice*.

As Andrew (2013) emphasizes in his review of the limits of institutional reform in developing countries, building institutions include all of the above: laws, norms and cultural-cognitive, i.e. local knowledge, patterns. The latter two are more deeply embedded than the formal mechanisms that the donor-sponsored reforms entail and tend to be the principal reason why reforms fall short of their objectives. Changing human behaviour takes time and the employment of ”change agents” or ”reform champions” notwithstanding, these efforts rarely reach their ultimate goal – the capability of in-country ministries and agencies to carry on the reform process on their own.

The recent evaluation of Sida support to capacity development showed that it made important contributions to the development of partner organizations (Carneiro et al 2015). By targeting individual organizations such support tends to be generally efficient in delivering a variety of products and services. All country-study projects demonstrated how individual knowledge and skills as well as methods, procedures and routines at the partner organisations were improved. The evaluation also showed, however, that the aspects that Andrew identified as most challenging – notably changing cultural norms – were least successful. It reiterates an observation that was already made in a 2008 evaluation of experiences and lessons learned from Sida’s work with Human Rights and Democratic Governance, which argued that projects and programmes that were based on adaptation to local conditions proved to have much higher rates of accomplishment (Dahl-Östergaard et al 2008).

One important lesson that has been learned by Sida to overcome some of the limitations mentioned above has been to engage other Swedish professional agencies in sector-specific projects such as The Swedish National Audit Office, Statistics Sweden and the Office of School Inspection in providing technical advice to partner countries. This modality is seen as more effective than relying on consultants that fly in and out within a short time period. The institutional “twinning” arrangements that Swedish agencies make with the assistance of Sida provides for a more collegial approach and one that allows interaction over a longer time period. The Cambodia case study provides evidence of its relative success.

Collaboration with other Swedish institutions

In the 1980’s when support to public administration became one of Sweden’s priorities, twinning arrangements between Swedish institutions and counterparts in developing countries were adopted as a modality to secure effectiveness. Several Swedish government agencies were invited and encouraged to participate and this form of collaboration between Sida and other executive agencies in Sweden continues to this day. There is no updated overview of Swedish aid allocations to public administration channelled through other Swedish institutions and as highlighted by a report from the Swedish National Audit Office (2011) several Swedish institutions carry out capacity development in developing countries without reporting it. An assessment from 2010 estimated that approximately SEK 1 billion channelled through hundreds of Swedish institutions every year and most often the purpose is capacity development in public administration. Yet, another assessment from 2012 on the same subject showed that if support to research is deducted the amount is closer to SEK 500 million and the number of agencies is below fifty. Almost all of these grantees receive less than SEK 4 million.

Nor is there an overall evaluation of this type of support. The SADEV evaluation from 2010 and the report from the Swedish National Audit Office 2011 both pointed to a potential conflict between the Paris Declaration and its emphasis on demand-driven aid and the use of Swedish government agencies. Other evaluations, however, demonstrate positive effects of this type of support. For example, Vaillant and her collaborators (2012) point to twinning arrangements between host country agencies and their counterparts in donor countries as successful and highlight how Swedish police

and its supreme audit institution have played an instrumental role in professionalizing their counterparts in Nicaragua and Tanzania respectively. This evaluation, however, does not show whether these positive results at the organisational level have translated into broader institutional changes. Another example is the recent evaluation of the International Centre for Local Development (ICLD) which shows the positive effects of the institutional linkages between Swedish municipalities and their counterparts in cooperation countries (Oxford Research Sweden, 2015).

Finally, a recent paper by Andrews (2015) is focused specifically on the work of the Swedish National Audit Office and the National Tax Board and their contributions in the field of public finance management in partner countries. He argues that building on these twinning experiences, Swedish agencies have demonstrated that they recognize the political realities on the ground and the unwritten non-technical difficulties of reforms. He adds that he believes the Swedish audit and tax authorities have important lessons from their own experience to share with counterparts in developing countries e.g. on how to build coalitions for far reaching budget reform, or how to manage relationships between audit agencies and parliament and the executive.

Anti-Corruption Mechanisms

There is general agreement that corruption undermines state capacity to produce public goods, but it has been difficult to find an approach that effectively reduces corruption in public institutions. This is confirmed in the joint review of anti-corruption (AC) approaches, sponsored by a group of donors, including Sida (Disch et al 2009), which has been an important influence on thinking about anti-corruption within the agency. One of the main points of that review is that donors start their efforts from the assumption that corruption is the outcome of individual choice and weak institutional mechanisms to control it. Anti-corruption programmes, therefore, have aimed at reining in corrupt behaviour through institutional and legal reforms as well as capacity development. In pursuing these programmes, they have typically followed a standardized approach that has paid little attention to context.

Whereas these preventative efforts, as suggested above, have recorded some success in the context of public finance management, it has been much more difficult to achieve similar results in the field of public sector reform (Independent Evaluation Group 2008).

Because donors have tackled the issue of corruption as an aberration from normal behaviour, there has been little readiness to understand and diagnose the underlying dynamics that tend to shape public administration in partner countries. The 2012 joint evaluation of anti-corruption efforts, which Sida supported, found that donor analysis of corruption tends to be irregular and incomplete (Vaillant et al 2012). Donors had not systematically differentiated the forms and patterns of corruption that pervade in various sectors; information generated by local and national surveys has not sufficiently informed their analysis and in the absence of a comprehensive, regular, and evidence-based analysis of corruption in partner countries, donors have not been able to provide genuine guidance on strategic prioritization and sequencing. It was emphasised that donor support for evidence gathering can have significant leverage and Sweden's support for a corruption survey in Vietnam was quoted as a case in point.

Although anti-corruption is high on Sida's agenda, the disbursement analysis carried out by this study and the 2009 review mentioned above show that Sweden has offered very limited support to "control of power" institutions and it has fallen short of its ambition to direct its support to all the various links in the accountability chain. Its ambition to take a holistic approach has proved difficult to implement. For example, Sweden has a tradition of supporting supreme audit institutions but it has traditionally not been linked to funding of other key institutions, notably parliamentary public accounts committees or civil society organisations working on anti-corruption. As a Norad-funded study found: support to anti-corruption agencies or Ombudsman type of institutions, when pursued in isolation, had little or no impact (Mungiu-Pippidi et al, 2011). The new EU-Sida partnership programme that has been launched in Cambodia is an exception to this rule. It is in line with the dominant discourse about "what works" today.

Anti-corruption requires coordination and collective action at host-country level. Getting there, however, requires more than institutional reform. For change to happen there must be political leadership ready to engage all stakeholders. The international community may be able to facilitate the emergence of national anti-corruption coalitions, but for such collective action to be effective, it depends on political leaders like Paul Kagame in Rwanda. For this reason, it will be interesting to see whether the new President of Tanzania, John Magufuli, who has committed himself to root out corruption, will be able to replicate the achievements in this regard made by his neighbour in Rwanda.

Finally, we agree with Rothstein and Tannenberg (2015) that fighting corruption goes beyond support to elections and the emergence of multi-party politics. In fact, increased political competition in most partner

countries has had the effect of increasing political corruption. These measures have not enhanced horizontal accountability, as further illustrated in the next subsection. At the same time, this study argues that laying the foundation for impartiality in the execution of public service and a reliable tax system not only takes time but also presupposes an understanding of the role political settlements have in determining progress in that direction.

Parliamentary Strengthening

Parliaments in partner countries continue to be a weak link in the policy-making process as well as in the accountability chain. Although some form of competitive elections is now institutionalized in these countries, elections have proven an uncertain mechanism for guaranteeing the vertical accountability of political leaders. For instance, as Bratton (2013) shows, African voters do not always eject corrupt incumbent rulers, instead re-elect them to multiple terms in office. Furthermore, in the light of the persistent dominance of strong national presidents, elected legislators seldom succeed in closely monitoring the performance of the executive branch. Thus, after two decades of democratization across the sub-Saharan subcontinent, political executives in Africa continue to enjoy considerable room for decision-making manoeuvres with all the opportunities for corruption and maladministration that such discretion allows.

A 2005 review of Sida's support to parliaments (Hubli and Schmidt 2005) highlighted the growing consensus that parliamentary strengthening programmes have often fallen short of their goals because they have not been sufficiently "politically contextualized," i.e., not designed and implemented in a manner that recognizes the political incentive structures that govern parliamentary behaviour. Too often, such programmes have focused on parliament as a self-contained institution and, as a result, have concentrated on the symptoms of a dysfunctional political process rather than the underlying causes.

The review also highlighted the point already made above that efforts aimed at strengthening accountability have been directed towards reform of audit institutions whereas parliaments mostly have been overlooked when it comes to the role they play in exercising horizontal accountability. Much support has been given to strengthen the input that legislators may have in formulating policies and preparing budgets. The case studies in the review suggested that not only technical improvements but also political capacity to use the findings of the audit in order to put pressure on governments are necessary to strengthen accountability. Furthermore, Public Accounts Committees (or their equivalents) need to have more analytical resources in order to make a constructive contribution to the budget policy process. Finally, it highlighted the difficulty in disaggregating Sida's parliamentary support in ways that allows for a quantitative assessment of the relative support to the repres**s**entative, administrative, law-making, oversight or budget capacity components of what parliaments do.

Conflict, Peace and Security

As suggested in Chapters One and Three, peace and security issues have become increasingly prominent in discourses around aid allocation. This assistance, however, has been highly skewed because of poor coordination among donors. With almost one quarter of all official development assistance going to Afghanistan and Iraq alone (OECD 2015), the result is the emergence of a group of fragile 'aid orphans'.

The increased emphasis on fragile and conflict-affected states has been accompanied by changes, particularly after 2001, in discourse around *how* aid should be allocated. These changes encompass both sectoral or thematic allocations, and modes of aid delivery. Especially important was the proclamation of the New Deal for Fragile States in 2011.

The OECDs 2011 review of aid practices from 2005–2010 concluded that only 1 out of 13 targets relating to the Paris principles had been met, and eight out of ten principles for engagement in fragile states were "partly" or "broadly off track" (OECD 2011). In 2014 the New Deal Monitoring Report covering a range of "pilot" countries concluded that while progress had been made on surface level issues such as writing compacts, "insufficient or no progress" had been made in using the Peace and State building Goals to monitor assistance, increasing the use of country systems, or strengthening capacities (Davies and Hingorani 2014). Finally, a recent assessment of alignment of assistance with the PSGs reinforces that there is no agreed framework for tracking aid to the these goals but that from what is known, just 9 per cent of the ODA allocated to FCAS was going to support legitimate politics, security or justice (OECD 2015).

These patterns indicate an unintended consequence of the New Deal framework: the tendency to conflate or obscure the distinction between peace-building activity that addresses underlying drivers of conflict across governmental and non-governmental spheres and state-building, which assumes the core post-conflict challenge is now the building of functional state institutions and strengthening state-society relations. This conflation is evident in the compound terminology of the "Peace and

Statebuilding Goals" (PSG). In a sense, the New Deal implicitly assumes clear post-conflict status for places – such as Somalia – where these lines cannot be considered so clear.

However, Sweden's status as a donor with a strong normative orientation has a potentially important role to play. Swedish emphasis on democracy and human rights assistance aligned with Peace and Statebuilding Goals 1 and 3 in fragile settings may help rebalance the distortion described above. It also may be able to support the analytical disentangling of distinct peace-building and state-building challenges from each other. However, as the profile of this access to power and human rights assistance falls outside the scope of this study, the potential for Swedish support to play this role in New Deal settings would require further analysis.

Beyond the problems of allocation, these reviews highlight an issue that is echoed in the findings of this study regarding support to public sector reform and capacity development: the systems to report assistance are still not suited for the purposes required by the new paradigms being pursued. Clarity over the conceptual categories for public sector assistance, and work to align reporting with these is still needed.

Conclusions

The lessons learned in peaceful as well as fragile and conflict-affected state contexts confirm that support to various aspects of building public institutions is a highly political, complex and time-consuming exercise. What works is not easily defined in terms of universally applicable "best practices" but requires a more careful and comprehensive diagnosis aimed at identifying threats and opportunities brought about by underlying political settlements that tend to be contextually determined. This does not mean that each country situation is idiosyncratic but it does imply the need to identify types of political settlements, as suggested in Figure 3, Chapter One. Such a diagnosis would suggest potential "best fits" that do not constitute a total break with institutional realities already on the ground but take into consideration the political foundation on which any change or reform must be built. The frequent references to lack of "political will" or its crucial significance for success in implementation of development projects are confirmation that donors too often overlook the political realities of actors in partner countries responsible for their implementation. International best practices have often been adopted even though they do not represent relevant solutions to the problems facing partner countries. That is why Matt Andrew and his collaborators advocate a problem-driven, iterative and adaptive (PDIA) approach to governance (Andrew 2013). This suggests a three-layered approach based on the assumption that policy choice matters, but how it is adopted and pursued matters even more, and that the ability of partner governments to follow a PDIA approach is a function of the prevailing political settlement (Golooba-Mutebi and Booth 2013).

As a result of growing pressures on development agencies to show results, many of them have been caught by the allure of randomised control trials (RCTs) and other statistically rigorous techniques of impact assessment. As the number of such evaluations has grown, it has become apparent that their limitations include a difficulty of generalizing about development interventions that work across country and regional contexts (Rodrik 2007, Woolcock 2013). That is yet another strong reason for the adoption of diagnostic tools, which can help generate a well-supported typology of political settlements as guide for a realistic form of aggregation of findings about impact. Sida is mostly relying on political economy or conflict types of analysis as diagnostic tools for programming purposes. However as emphasised in this study, the institutional analysis is the entry point for the organizational analysis (OS) and absolutely critical for getting the CD interventions right. Making better use of this analytical component will also help support to public institutions gain stronger traction in partner countries.

5. CONCLUSIONS AND RECOMMENDATIONS

Research, as evidenced in Chapter one, shows that quality of government factors tend to have a strong positive impact on human well-being and is central for equitable, inclusive and sustainable development. If the purpose of Swedish development policy is to promote the ambitious SDGs, the proportion of aid resources for strengthening the quality of government and the capacity of public administration should be increased.

This study has shown, however, that more financing alone is not enough. The most critical challenge to strengthening the quality of government and enhancing the capacity of public administration lies in the way this task is being approached. Recent changes in theory and practice are shifting the ground-game towards a greater need for contextualization of programmes and projects. "Working with the Grain" calls not only for the application of formal knowledge but also an understanding of the social and political realities of decision-makers in partner countries. Such understanding needs to complement diplomacy and policy dialogue.

The principal challenge for Sweden in assessing and reorienting its support to public administration and institutional development to this new paradigm involves aligning the normative and other – international and national – policy drivers of Swedish support with this alternative functional orientation to reform. Broadly speaking, this does include a strong element of allowing locally defined and driven problems to guide activity, coupled with stronger contextual analysis of issues such as the make-up of political settlements. However, this approach can be combined with the other policy drivers – such as normative orientations that shape Swedish assistance – as well as the long-term ambitions to promote democratic institutions and respect for rights. The key is that these goals need to be filtered and acted upon through the more functional approaches implied by "working with the grain".

An example of this synthesis could be work on anti-corruption, where international, national, and normative policy drivers continue to be likely to shape assistance. However, these drivers can be directed into programming that more effectively understands the political landscape that shapes incentives and behaviours around corruption, chooses entry points that are aligned with that landscape, and works in a way that is willing to try different approaches and learn from these continuously. Such an approach implies further refinement of the policy drivers and normative priorities of Swedish assistance combined with an effort to connect these to underlying functional qualities that are expected of institutions in these priority areas. On the basis of such an analysis, further consideration of how Sida's management information and classification systems support this framework is needed. The recommendations from this study begin with the implications of this challenge.

1. *Strengthen the diagnostic part of strategy and programme designs.* Unlike most other donors, Sida has a comparative advantage when it comes to implementing this recommendation because it acknowledges that building institutions is not merely a technical or managerial but is also political task, involving power relations. The agency has taken initial operational steps in this direction already but more could be done to ensure better effects of this approach. Evaluations show that projects whether they focus on institutional reform or capacity development tend to be most successful when they are aligned with local interests and the political dynamics that drive policy. Understanding the underlying political settlement in partner countries is an important part of this diagnosis. The template proposed by Brian Levy in Figure 3, Chapter One which distinguishes between four regime types – dominant discretionary, personalised competitive, rule-by-law dominant and rule-of-law competitive – constitutes one possible starting-point for ensuring a systematic and comparative analysis that avoids being too general or too country-specific.
2. *Give more attention to institutional development analysis.* As part of improved diagnostics, it is also necessary to complement organizational strengthening analysis (OS) with an institutional development (ID) analysis. In fact, the latter is an entry point for an effective use of the former. Evaluations suggest that Sida has been good at doing the organizational analysis but has often left out the analysis of the institutional dimensions. As this study has emphasized, the ID is an analysis of the environmental factors that allow organizations to enjoy legitimacy. Best management practices are a "shot in the dark" without the grounding that a well-executed ID provides.
3. *Make the holistic approach a reality.* Sida, again, has a comparative advantage by having already accepted that building or reforming institutions require a holistic approach. Various evaluations have shown, however, that this approach has not always been fully implemented. There is a tendency to take every project as a single and unique entity and focus on the quantifiable and measurable dimensions at the expense of understanding how a particular organization functions in its wider social and political setting. Any attempt to ensure some degree of sustainability beyond the time frame of a particular project or programme calls for an integrative approach that involves looking at how the various bits and pieces of what Sida supports, in coordination with other donors, hang together and catalyse desired change. The new joint partnership programme being developed in Cambodia by Sida and the EU is a good example of an integrated and holistic approach which draws on institutional analysis and address the whole accountability chain rather than an single organisation.
4. *Find ways of identifying the "best fit".* This study has emphasized that best practices are no shortcut to better results. Nor are normative policy preferences enough to secure expected outcomes. What works in a given partner country situation calls for an identification of what particular method or approach fits there. This implies not only an understanding of the local conditions, as suggested above, but also a closer look at what particular "tool" in the box may work. Evaluations have shown that standardized approaches tend to be wasteful and rarely effective in terms of producing results. There is reason for Sida's meth-

ods specialists to develop systems and procedures for how identifying the best fit can be most effectively be pursued.

5. *Achieve a better alignment between conceptualizations and operations.* This study has identified discrepancies between what Sida states that it is doing, on the one hand, and what it does in practice, on the other. This is evident in different contexts. Allocations and disbursements in partner countries are not always compatible with country strategies. Key decisions, e.g. phasing out budget support, have been made without its consequences for support to policy development and public administration, and in the context of fragile and conflict-affected settings, there is evidence of conflicting ideas about (a) what peace and state-building processes are all about and (b) how they may be most effectively applied. This problem is also evident in the ways projects are coded without enough guidance by instructions derived from a coherent conceptualization. There is good reason to take a closer look at how well information systems and classifications align with the functional approach as well as with the norms that underpin Swedish aid policy in the DHR sector.
6. *Include a category for "watchdog" institutions.* As part of Sida's effort to reach a better fit between the concepts it uses and the way it administers programmes (including coding them), this study has suggested a category for public institutions whose primary role is to oversee government operations. While Sida has introduced classifications as part of this study that addresses "access to" and "exercise of" power types of institution, there is no single and useful category for those that serve as "watchdogs". They have so far typically been coded as belonging to the "exercise of power" category, which is a misrepresentation of what they do. To deal with this discrepancy, this study recommends the introduction of a third category – "control of power" – and an adjustment accordingly in the instructions for how to code programmes or projects. As part of this exercise, it is also important that Sida finds ways of capturing the support provided by other Swedish agencies through their own development assistance activities.
7. *Draw further programme conclusions from areas of success.* By following a thematic approach, Sida has over the years demonstrated its success in certain areas of public administration, for instance support to supreme audit institutions, statistical bureaus, and more broadly in areas that emphasize the use of public data for policy-making. Using, for instance, the Open Government Initiative, it can build further on this success and on its own or in collaboration with other donors, multilateral or bilateral, provide support to critical government functions. There is also reason for Sida to consider cases of success in partner countries where the drivers are a set of local factors. Such success stories provide important insights with wider implications for how the agency might adapt to the new paradigm of "growing with the grain".
8. *Find a niche for anti-corruption support.* Anti-corruption features prominent in Sida policies without being reflected in aid disbursements, for example, to "control of power" institutions. Nor is anti-corruption, as illustrated in the country cases, systematically a cross-cutting issue in other thematic or sector programmes. Sida has typically used democratic assistance as an anti-corruption measure. There is however evidence to suggest that democracy is not necessarily associated with control of corruption. Sida may want to build on its strength in statistics and, for instance, support the generation of locally owned governance data that can strengthen corruption diagnostics and policy-making. A case in point would be the Data Tracking Mechanism of Corruption in Uganda (http://eprcug.org/research/data-tracking-mechanism) which could benefit from support to the Ugandan Statistical Office to systematically produce governance data as part of the Government's effort to combat corruption.
9. *Continue to make use of specialists in other Swedish agencies.* Capacity development in public institutions in partner countries is a long-term proposition, as evaluations have repeatedly concluded. It is also an exercise that is quite labour-intensive. Finding a formula that works has not been easy. Yet, Sweden is ahead of other donors in its decision to draw on specialists in other government agencies to offer their services in partner countries. Even if these specialists are not full-time on location in these countries, their occasional presence, in combination with visits by counterparts to Sweden, has proven to yield encouraging results. The successful use of these specialists in Cambodia is a case in point. Swedish personnel has a good reputation in partner countries and with the recruitment of specialists that are attuned to working in different cultural and political settings, this programme constitutes an important component of institutional capacity development and should not only be continued but possibly, wherever applicable, expanded.
10. *Continue to be at the forefront of implementation of the New Deal.* The New Deal can have a positive impact on the extent to which public administration and in-

stitutional capacity development can be supported in FCAS as evidenced in this report (the contrasting cases of Mali and Somalia). Sida should further pursue its niche of supporting legitimate politics and justice in FCAS to rebalance the limited donor support to these PSGs. Sida should also support analytical efforts to disentangle the distinct peace-building and state-building challenges from each other. Lastly tackling fragility will require better data on the quality of governance and institutions and Sida will in this regard be able to draw on its comparative advantage in statistics.

11. *Strengthen Sida's own capacity to manage institution building programmes.* Promoting institutional capacity development is a human-resource intensive exercise and if Sida wants to continue and possibly expand its support to this type of activities, there is a need to strengthen its own in-house capacity. This may involve different things. Despite limitations imposed on hiring new personnel, Sida must continue to make the case for being able to hire additional staff to administer (1) the policy development and public administration component of the DHR sector, and as part of that revive its former Division for Public Administration, and (2) the recruitment of specialists in other Swedish government agencies. There is also a reason to consider how the organizational status of this key component can be given a core position with authority to match its critical role in ensuring that Sweden can live up to its commitment of building inclusive, equitable and sustainable institutions for development in partner countries.

ANNEX 1: METHODOLOGICAL NOTE

In the course of mapping at the overall global level and in the country screening we have come across a number of methodological challenges as detailed below:

Terminology and definitions

The study team was asked to look for trends in the support to Public Administration and Institutional Capacity Building during the period 2003-2014[8]. The data provided by Sida is categorised according to sectors and encoded according to DAC codes and we agreed with Sida to use the Sida sector categorisation and the DAC codes for the purpose of the mapping. There is no specific DAC code on support to public administration and institutional capacity building. There is a *type of assistance code (01)* called capacity development, but this code has not been used consistently as it has not been used at all after 2008. It has therefore been necessary to look at the DAC sector codes, which mainly include support to policy development and public administration. These include a number of the DAC sector codes under the DAC heading Government and Civil Society (15xxx)[9] and, when looking at other sector support (for example education), all codes ending with 10 (xxx10).

Another issue is the fact that staff encoding the programmes could have interpreted the sector codes differently. Furthermore, such interpretations may have shifted over time. It has not been possible to go through each contribution or project encoded as they amount to thousands and we have therefore used the data as they were presented to us by the Sida statistical office.

Type of institutions

We have further been tasked with mapping the distribution of support between access to power, exercise of power and control of power. These categories have not been used when encoding programmes so it has become necessary for us to use the DAC codes as proxies. For transparency purpose, under each chart (figure) we have listed which DAC codes used.

Even so, the mapping has proved more difficult than anticipated. For example, the support to "exercise of power" institutions include PFM programmes which in turn may include support to national audit institutions – in our terminology conceived as "control of power" institutions. There are only two DAC code – support to anti-corruption and support to legal and judicial development – which are indisputably focused on "control of power". The support to legal and judicial development could also include support to legal aid provided by civil society organisations, which we have left out of the other two categories. The mapping of the support distributed through these types of institutions should be read with this in mind.

Sectors

The ToRs for the study refer to the Democracy and Human Rights portfolio, but it must be noted that the data provided include gender equality in this portfolio. Gender equality programmes, therefore, will be included in the global mapping under the heading Democracy, Human Rights and Equality. These programmes, however, have not been included in the country screening as it is not clear to what extent they included support to public institutions. Furthermore allocations classified by Sida in the database as democracy/human rights may actual be geared towards supporting public administration and institutional capacity development.

[8] Some data was provided for 2015 and has been included, others only until 2014.

[9] Sector codes 15110 public sector governance and administrative management, 15111 Public Finance Management, 15112 Decentralisation and support to subnational governments, 15120 public sector finance management, 15140 Government administration, 16062 Statistical capacity building, 15113 Anti-corruption organisations and institutions and 15130 support to legal and judicial development.

ANNEX 2: DISBURSEMENTS BY REGION AND SECTORS 2003–14

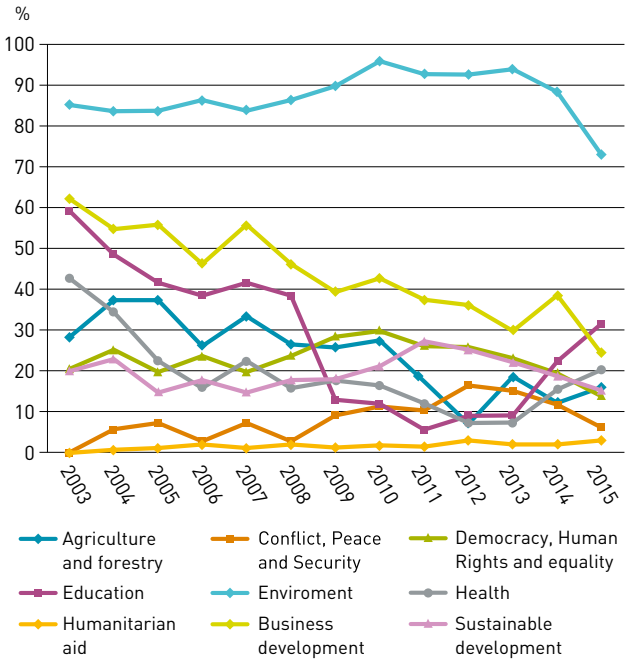

Figure 1. Support to policy development and public administration by sector as part of the total aid in each sector

Note: The exceptionally high support registered for the Environment category may, as pointed out in a Sida memo titled "Ökad betoning på institutioner"and dated 19 August 2015, reflect the lack of other adequate sector codes and is therefore not reflecting a true picture of the sectorial distribution of its disbursements.

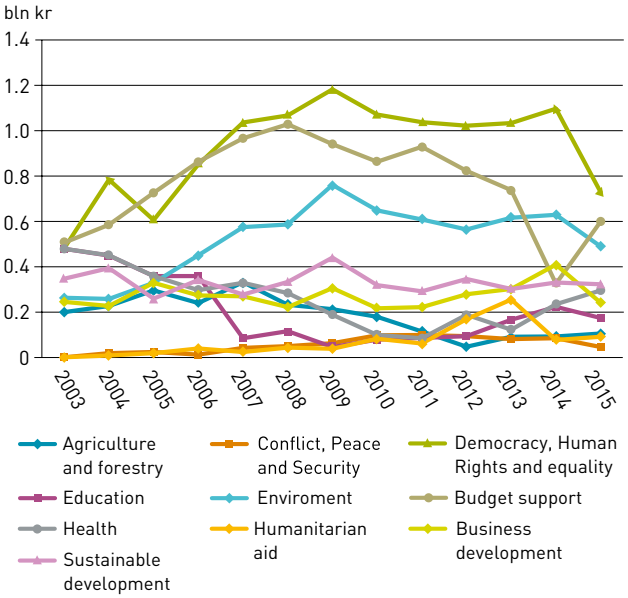

Figure 2. Support to policy development and public administration by sector in Swedish Kroner

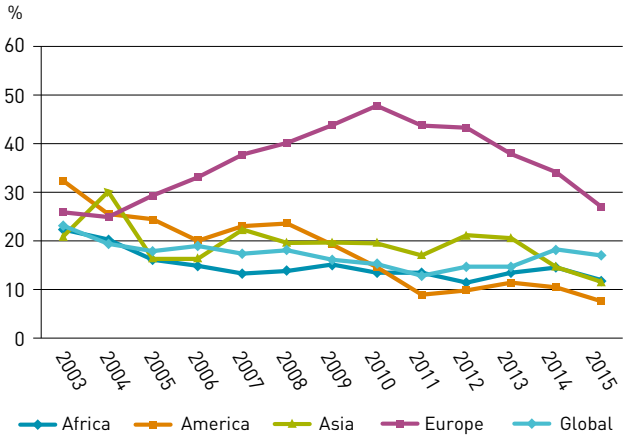

Figure 3. Disbursements to policy development and public administration as part of total aid by region

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