

**Mainstreaming institutional development: implications of program-based approaches for donor procedures, approaches and structures. The case of Dutch Development Co-operation.**

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## **I. Introduction**

1. This paper is written with the objective to stimulate the debate on the theme of institutional development within donor agencies, whereby Dutch Development Co-operation will serve as particular case study.
2. The donor's role is changing dramatically as we have embarked on programmes centered on SWAp's, often within the frameworks of PRSP's, which have longer time horizons and require our longer-term commitment. More than ever before, donor agencies have become players in the complex arena where the various forces which determine a nation's political, socio-cultural and economic dynamics meet and shape its future. This implies that donor agencies not only have to be conscious of the other players that can range from State agencies to sectors from civil society and the private sector, but also have to determine their positions carefully in those interactions.
3. As we concur with the fact that ownership and partnership should be guiding principles in development co-operation, we need to be ready to match our operations with theory. This entails making choices when designing and implementing programmes, which can never be neutral. We have come at a critical junction in our experience with the implementation of SWAp's. We know that we can choose from various partnerships and working methods, ranging from donor-controlled processes to approaches which are lead by developing countries, based on home-grown development policies and rooted in national systems and procedures.
4. In this paper we like to touch upon some of those choices to be made from the perspective of our own institutional change. Our central theme is that donors need to be ready for internal reform, aimed at achieving greater consistency between personal behavior, institutional norms and the new development agenda. Only if and when donors undergo a drastic overhaul of their own corporate culture including their procedures, accountability mechanisms and the wider array of institutional incentives, is there a fair chance that ownership and sustainability of development efforts stand a chance of success.
5. A change in donor culture is part of a wider agenda, which calls for the integration of institutional development in all development efforts. An "institutional development perspective" on development co-operation entails reversing the way of doing business and accepting that you can change within your own organization.
6. Below an overview is given of the main theoretical issues which are part of the discourse which puts institutional development at the core of development co-operation. This is followed by an overview of how Dutch development co-operation has tackled some of these matters. We would greatly welcome exchange of experiences relating to this subject matter in other donor agencies.
7. In this paper we draw heavily on the thoughts of Jean Bossuyt, who was commissioned to write a paper on the topic of institutional development which since became a reference paper and also serves as point of departure and general

framework for a new institutional development unit in Dutch Development Co-operation.

## **II. The importance of institutional development (Conceptual framework)**

8. Development should be seen as a process of social learning. The heart of the problem in poor societies is not the lack of funding or technical know-how, but a matter of governance and the resulting inability to make good use of existing institutions and capacities.
9. A key challenge in development cooperation, in particular for the international donor community agencies is to help overcome these fundamental institutional barriers to development and to assist partner countries in implementing societal change processes. Institutional development is at the helm of that transformation and must be considered an exercise in social innovation rather than purely a technical improvement.
10. These insights imply that institutional issues have to be put at the heart of development cooperation strategies. For donor agencies this entails that institutional development has to be mainstreamed in all aspects of the agency's work. This will not only serve the improvement of aid effectiveness, but more importantly it will prove a way to prevent development cooperation from becoming an obsolete tool, alienated from evolving needs of partner countries.
11. Over the years, the perspectives on institutional development evolved from a rather micro to a macro approach to institutional development. This macro-approach looks at institutional development in a systematic way from the premise that it makes little sense to build capacity from the outside in the absence of supporting conditions such as social trust, accountability and participation. Hence the need to focus on networks and clusters of organizations and to improve the broader capacity of society as a whole.
12. This more governance-oriented approach to institutional development looks at delivering aid in ways that build ownership, mobilize local capacity and produce institutional change. This means, amongst others, that donors should be less focused on *what* should be done than *how* it should be done and be willing to scrutinize the nature of their involvement in processes which aim at greater democratization.
13. Accountability-relationships are central to this involvement, because accountability is at the heart of governance in democratic societies. Donor agencies are necessarily engaged in an accountability relationship with their own domestic institutions. In the contexts of SWAps it has become increasingly evident that the accountability relationship between donor and recipient's governments are important, closely followed by accountability between these governments and their peoples. These different forms of accountability are in turn closely linked to ownership and a concept of "shared accountability" between the various actors. It is understood that this entails taking risks, whereby in more

operational terms the question of “risk-management” becomes essential for donor agencies.

14. There is now widespread consensus that we need “ownership”, participation, decentralization and process approaches as guiding principles for more effective and sustainable cooperation policies. Many donors are moving towards direct budgetary support in longer term, with sector programmes being the preferred mechanism in the medium term. Some donors already apply both at the same time.
15. Despite these revolutionary concepts, we are being confronted with die-hard aid practices, which do not even come close to the spirit of these new thoughts. It may be stated that change is needed, but that change is hindered by administrative and political pressure inspired by the desire to disburse sizeable aid budgets relatively quickly. Champions of change are therefore needed at all level of bureaucracy and beyond and there needs to be at least an acknowledgement of the following principles which underlie the need for institutional development :

*a) Institutional development reverses the way of doing cooperation.* For donor agencies this means to fundamentally rethink their relationship with local partners and be less focused on input and more on results and sustainability.

*b) Institutional development implies a comprehensive and coherent implementation strategy;* if one accepts that institutional development is above all an exercise in social transformation and therefore needs systemic support, one needs to take into account political, economic and cultural factors that may affect institutional performance. It calls for attention on incentives, norms, values and attitudes.

*c) Institutional development calls for a profound reform in the corporate culture of donor agencies.* Embarking on a mainstreaming process will require profound changes in the corporate culture of donor agencies, i.e. in the formal and informal rules and systems that determine how aid is delivered, managed, monitored and evaluated. Without such an internal transformation process, the track record of institutional development is not likely to improve, nor will innovation at field level have much lasting effect.

*d) Institutional development requires an implementation process that can rely both on high-level political support and on the participation of all key actors and stakeholders concerned.*

### **III. Dutch development aid as a case-study**

16. There is the perception of a growing gap between the language of the new development agenda and the control-oriented style of operation displayed by donor agencies, leading to major contradictions:
  - The new development agenda puts a premium on dialogue, negotiation, and non-linear cause-effect attributions and above all, on risk-taking; yet the overall incentive culture within donor agencies is geared to risk-aversion and bureaucratic accountability.
  - Despite the centrality of ownerships, donors continue with top-down development targets, conditionalities and centralized management processes

- The need for quick and visible results leads donor agencies to accelerate the natural pace of development processes, based on the injection of big money and standard technical approaches.
  - Drives to disburse funds by deadlines and spend within fixed periods, weakens participation and local self-reliance
  - Focus is on accounting for aid resources and their utilization, neither on results nor sustainability.
17. These are the observations by Jean Bossuyt that fell on receptive ears within Dutch Development Co-operation. They capture the contradictions we like to deal with, yet they bring us to fundamental questions about the organization's *raison d'être*, our procedures and our relationships with the public at home and abroad. We have started a process of drastic change a few years ago, well before Jean Bossuyt wrote his paper, but we haven't finished it yet.

### **Pre-conditions to change**

18. Dutch Development Co-operation underwent similar changes as other development agencies when it concerns the transition process from the projects-based approach to SWApS. With hindsight we can conclude that the first steps of this process, which required a considerable overhaul in our practices, were implemented relatively quickly. The reason for this mainly lies in the fact that SWApS were introduced shortly after a series of fundamental changes were implemented in the organization as a whole that helped creating the enabling environment needed. These changes were:

- a) A fundamental "coherence" discussion lead to a broad Foreign Policy Review at the highest political level in 1995 which resulted in a new policy and drastic organizational overhaul at headquarters in 1996.
- b) Simultaneously, early 1997, the bilateral development cooperation programme was decentralized to embassies, including policy dialogue with recipients; management responsibility and budgetary allocations.
- c) Parallel to the above in 1996, a considerable simplification of procedures on the project and programme cycle was effectuated which started with the introduction of set of procedures and internal guidelines motivated by a the desire to push back transaction costs and provide greater freedom to the embassies.
- d) An agreement of Parliament of a broader interpretation of ministerial responsibility of expenditures.

19. Ad. 1) The Foreign Policy Review was inspired by the need to better integrate foreign policy, including economic policies and development cooperation. The separate country desks for development cooperation were abolished and single country desks were created with coordinating power for all major aspects of foreign policy: integrating political issues, economic affairs and development cooperation (recently this has been further elaborated by including also asylum issues within these desks). The purpose of the reorganization was to improve coherence by bringing coordination responsibility together in one central point. The reorganization involved all ministerial staff at headquarters: about a thousand persons experienced changes in the tasks, roles and the working environment.

With regard to development co-operation, a traditional strong sense of welfare responsibility was refocused towards helping to strengthen recipient's ownership, capacity, and economic self-reliance. Poverty reduction was reconfirmed as the major objective for development cooperation. A partnership approach is emphasized with a shift in aid delivery from project to programme assistance.

20. Ad 2.) Decentralization came about by the felt need to bring programmes in line with the circumstances in the various countries, to bring policy and implementation closer together, and to substantially lower transaction costs as well as decrease processing time of requests. Particularly this decentralization process proved an important enabling condition for the introduction of SWApS. Nevertheless, decentralizing operations also meant that ambassadors in their role as manager needed to have adequate managerial tools. In this regard, in the early stages of decentralization two main tools turned out to be inappropriate; Human Resource Management (HRM) and management information systems. Both tools are currently being addressed. A new personnel policy was introduced in 2000 and is currently being fine-tuned (in terms of recruitment and transfer of personnel, while other aspects of HRM still need to be further developed and implemented). A new management information system, which incorporates both financial and non-financial data and deals with the complete financial management cycle – from budget to electronic payment of invoices-, will be introduced during 2002/3.
21. Ad 3.) The amount of rules and regulations was substantially decreased: recently Dutch Development Co-operation was being complimented by the DAC for its comprehensive “operational guidelines”. Also all rules and regulations were made accessible in one single electronic document, integrating several previously common separate (and often conflicting) guidelines from different desks. The adagio “if it is not part of operational guidelines, it isn't a guideline” proved to be a good rule for streamlining our internal transaction costs.
22. Ad 4.) Our Auditor General had been pushing the Minister for Development Cooperation on taking a stand as to how far ministerial responsibility reached for more than 3 billion Euro spent annually on development cooperation. A note was discussed and adopted in parliament stressing the fact that the minister is not so much responsible for the end result but instead is to be held accountable for the process. The new core policy has been summarized in The Four Golden Rules: a) investigate the other party before doing business; b) make sure that anticipated results and all contractual obligations are well documented; c) monitor and evaluate progress; and d) apply sanctions when necessary. The Minister needs to take these 4 steps in the process to spend aid resources and is held accountable on that basis. The first two rules are a way of undertaking a risk-assessment. This was further elaborated in a so-called “Checklist on Organizational Capacity Assessment” and an accompanying instrument called Institutional and Sector Organization Analysis (ISOA).
23. The new policy with regard to accountability made it possible to monitor on the basis of the general outcomes and the impact rather than tracing every single Euro of Dutch money spent. This policy also is enabling us to contribute to general (sector-) budget not on the base of reimbursements or advances but rather in view

of a judgement of results achieved in the past and the plausibility of achieving results in the future.

24. In 1998 a new Minister for development cooperation took office who instigated a number of policy changes, of which the introduction of SWAps was one and more emphasis of government-to-government cooperation another important element. This went hand in hand with a country-screening process, which resulted in the selection of 20 countries, which subsequently became partners for substantial bilateral development programmes.<sup>1</sup> Since then bilateral aid policy is characterized as: limited countries (currently 22); limited sectors per country; and the sector approach as organizing principle.

### **Implementation**

25. Once the decision was made to focus bilateral aid policy on less countries and less sectors, embassies were requested to design exit strategies for certain countries and sectors. In the case of the 22 structural bilateral aid countries, embassies were asked to phase-out “free standing projects” and to refocus their programme on the basis of SWAps. Originally a very strict planning covering a two-year period was made with regard to the time available for restructuring the development programmes. Initially the new policy was introduced in a very top-down manner: i.e. by instructions from headquarters, which in the meantime a support group was set up to elaborate the new policy
26. In addition to the above, training courses were organized to introduce the “Institutional and Sector Organization Analysis” and to update knowledge on macroeconomic issues of all embassy staff in the 22 “SWAP-countries”. These courses proved instrumental in the implementation of SWAps.
27. The initial top-down introduction resulted in a lot of resistance from embassy staff. It was felt that headquarters was introducing a new policy which did not sufficiently take into account the local circumstances in which they were working nor gave credit to programmes/projects which were perceived as relatively successful. It was therefore less the merits of SWAps which were being questioned as the way in which HQ’s was introducing the new policy.
28. To acquaint staff at headquarter level with the implications of SWAps and to further elaborate the new paradigm it was decided to elaborate policy documents on various thematic issues related to SWAps. Characteristic for the way Dutch Development Co-operation implemented the policy was that initially most emphasis was not put on policy elaboration but on obtaining hands-on experience. Only in 2000 a so-called evolving “policy document” on SWAps was published.
29. During a second phase of the implementation in 1999, “country-teams” were created at headquarters composed of different representatives of headquarters’ departments. The objective of these teams was to improve the communication with embassies. Most teams visited the embassies shortly after being created and

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<sup>1</sup> Other countries still remained eligible for Dutch development programmes in thematic areas of development aid, such as good governance, human rights and peace-building/ environment and private sector); through multilateral or NGO-funds.

functioned initially as a vehicle to introduce and further elaborate the policy views of headquarters. However the teams also acted as a vehicle for bringing back to headquarters' level the legitimate concerns and views of embassies.

30. Subsequently, in 2000 a new "third generation" support group started its work with the major goal to improve communications with embassies and to give due credit to the issues brought up with regard to the introduction of SWAPs based on field experience.
31. The whole approach and interpretation of SWAPs became significantly less dogmatic than originally perceived. This was partly due to the fact that people got more used to the principles of SWAPs and partly to the fact that embassies were given more leeway to introduce SWAPs in accordance with the local context. Also it was communicated that the introduction of the SWAp did not mean the end to all projects, neither did it mean budget support was the only remaining funding mechanism. It was firmly underscored that both activities at micro and meso level and activities aimed at institutional strengthening of local organizations are essential to a successful implementation of a SWAp.
32. In 2001, a "fourth-generation" support group therefore operates in a different working environment and consequently prioritized its tasks differently from its predecessors. The current challenge is to phase out the need for a separate task force all together and to embed sector approaches as organizing principles into the line organization. To this effect, the support group is working in the following areas: a) planning & control cycle; b) human resource development; c) knowledge management systems and d) donor harmonization.
33. The work on human resource development can be highlighted as central in the institutional change process within the organization. Working on the basis of the sector approach requires not only new skills - putting ownership central, moving away from projects to sector support, making an institutional/organizational analysis, making donor coordination work, analysing poverty from a micro to macro perspective - but also a different attitude. An attitude characterized by openness, by willingness to let go of the safe environment of established procedures and well framed projects with clearly spelled out results, willingness to take risks (which is not the culture of a bureaucratic organization), and willingness to learn in the process. It requires competencies and skills such as negotiation, cooperation, and facilitation. It involves other knowledge fields such as macro-economics, public finance management and institutional development. One of the most important factors for success of the sector-wide approach (recent SIDA study) is the quality of the cooperation process, and consequently, the ability of staff at the local level to participate and stimulate the process in which many actors and factors play a role, is crucial. This requires a) **strategic personnel management**<sup>2</sup> and b) **training of staff**.<sup>3</sup>

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<sup>2</sup> Strategic Personnel Management includes the following elements:

- *Skill mix: analysis of existing and desired competencies (from project managers to technical experts to institutional experts, negotiators, facilitators, lobbyists to macro-economists)*
- *Adjustment of profiles for key positions*
- *Improved use of existing personnel management instruments*



34. Of course, change processes require inputs from different parts of the organization and it is therefore important to name a number of parallel developments c.q. task-forces which are instrumental in the change process. In 2000 a task force assigned with “mainstreaming poverty” throughout the organization was installed which amongst others developed tools to support work processes within the organization. In addition, there are task forces on result-based management, annual planning cycles and knowledge management with which the support group on SWAps collaborates closely. And last but not least, a PRSP coordination unit and a new unit on “poverty policy and institutional development” were set up. The latter was set up to actively promote a wider institutional change agenda within and outside the organization. This unit is expected to take on a number of tasks of the support group and to function as a bridge between embassies and Ministry.

## **VI. In conclusion: success factors and constraints for institutional development within Dutch Development Co-operation related to policies and implementation of SWAps.**

### **Success factors**

#### *1) Commitment*

36. The new Minister for Development Co-operation in 1998 strongly endorsed the new policy. Her call for more effectiveness and limitations on the number of countries was much applauded by Parliament. This gave her considerable leeway to implement policy changes such as the introduction of SWAps and seeking closer collaboration with recipient governments. Finally the top management level within the Ministry was also very strongly committed to the new approach and took it upon itself to personally introduce the new approach in most of the countries with whom the Netherlands had a longstanding relationship.

In short: a strong political and administrative commitment, a sense of urgency and an enabling organisational context to implement SWAps at country level.

#### *2) Enabling environment*

37. As mentioned earlier, decentralisation and delegation of authority to Embassies had already taken place before the new development policy with regard to SWAps was introduced. The new policy emphasis on local ownership, as well as decentralisation of authority to embassies resulted in new arrangements related to planning-and control cycles (bottom-up annual planning, decentralised control positions). In addition, multi- annual country-based strategic planning was abandoned. Although the reasons for this were mainly political, it helped to create

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<sup>3</sup> Different types of training were developed:

- Change Management: Learning by doing pilot project
- general skills training courses with different modules: Macro economics, Institutional; Sector and Organisation Analysis, Integrated training on Sector-wide approaches and cross cutting issues (Good Governance, poverty reduction, gender, institutional development and environment), Monitoring and Evaluation
- *regional exchanges of views (learning by doing)*
- *introduction courses for new employees*
- *short courses for specific target groups to update them on latest development in SWAP's*

space for more local ownership either through PRSP's or comparable recipient country owned strategies.

The same is true for financial management issues. As a result of a prolonged discussion with the Court of Audit and Parliament in 1998, a policy paper on the scope of ministerial responsibility and accountability was adopted that allowed for the new kind of funding mechanisms that came about with SWAs. The principle that the Minister is accountable for processes instead of the tracking of Dutch funds per se proved essential to open the way for more process orientated approaches to development co-operation.

### *3) Task forces to support the change processes*

38. Management decided that the new approach needed focused and multi-disciplinary attention, which could not be provided by the traditional more thematically oriented departments. Therefore a task force comprising of key representatives of different departments was selected and was made to report directly to the Deputy Director- General. This freeing of time and capacity to introduce the new policy created the necessary momentum which probably would not have materialised if responsibility for implementation had immediately been delegated to line departments. The negative side to this approach is that task forces can not exist forever (although the support group SWAs is currently in its fourth generation) and responsibilities have to be transferred back to line departments. We now feel that the time is ripe for this transfer as the new policy is accepted broadly enough to allow for such a move.

## **Constraints**

### *1) Internal resistance*

39. The new paradigm demanded a significant change in working methods and focus. The slogan "think micro, act macro" was exactly opposite to what most people had been doing in the recent past namely: thinking macro but acting micro. Instead of coaching their own (limited scope and local-) projects, development staff are now required to take on multi –dimensional, complex national programs which required a lot of co-ordination with others both within and outside the embassies. This change took place in a context of considerable "change fatigue" in the Ministry of Foreign Affairs. However, internal resistance was not organised in a systematic manner. This was due partly because many were also convinced about the need for change, partly because there was real strong management support in favour of the change and partly because delegation made organising such resistance harder. The way we have tried to insist on a new agenda has been to continue to look for communication and dialogue. Several instruments are applied: some already mentioned earlier such as the introduction of country teams and organising regular (regional or thematic) conferences, and introducing the pilot Learning and Development which tried to help Heads of Development Co-operation in refocusing their teams. In addition, top management pays annual visits to each of the concentration countries. The silent internal resistance however, remains a significant problem

## *2) Human resource strategies*

40. As mentioned above the prevailing human resources did not match with the human resources needed to execute the new programs. However the 2001 DAC review pointed out that the Ministry was lacking a strategy or policy document on personnel. Given the number of personnel issues such as skill mix, lack of incentive structure, recruitment difficulties this was considered a major problem. The DAC review also noted that the Netherlands is running its development programme with a remarkably small staffing for the size of its budget. Things were worsened by the fact that as part of the reorganisation of the ministry of foreign affairs, the development part of the ministry had given up its own training program and HRD co-ordinator in 1996. Supposedly this was to be taken up by the central supporting departments which never materialised. Only recently funds have been made available out of the development budget to recruit new staff for specialised functions. Moreover, a HRD staff member especially for development co-operation was recently appointed and an action programme for human development is currently being elaborated.

## *3) Organisational culture*

41. There is a major difference between the organisational culture of the foreign policy and the development policy branches within the Ministry. Still staff is regularly shifted from one branch to the other, which considerably complicates communication between field level staff and headquarters' regional desks. Regional desks are perceived as overly focusing on non- development issues and as lacking the depth and breadth of experience to serve as effective interlocutor for the complex development issues coming from the field. In addition, while considerable authorities are delegated to the field with the ambassador as delegated authority, ambassadors posted in developing countries are not necessarily development professionals. The DAC review noted that the combination of foreign affairs and development policy in one Ministry has produced mixed results and is still seeking its most appropriate expression.

Integrated management and the principle of subsidiarity were key elements accompanying the introduction of the new development policy. Although this is an essential requirement for implementing the new policy it did not come easily to the ministries' managers. Being handed over responsibility is one thing but being held accountable for achieving results is quite something else and gives rise to lively debates.

## Annex:

### Lessons learned

Jean Bossuyt made an interesting table to check the status of affairs within donor agencies, which we hereby use to check the status of the internal reform process relating to Dutch Development Co-operation.

INVENTORY BOTTLENECKS	MAIN POSSIBLE REFORM MEASURES
Limited priority to institutional development	<p>Change staff incentives at all levels; <b>At present major effort under implementation to upgrade and expand general skill mix of staff dealing with Swaps and PRSPs.</b></p> <p>Ensure top management support; <b>Strong commitment exists from minister and top management to introduce Swaps as organising principle in bilateral development aid.</b></p> <p>Show the benefits of institutional development; <b>Large proportion of staff (both at embassies and headquarters) trained in Institutional and Sector Organisation Analysis (ISOA). Swaps as organising principle being embedded in organisation with regard to: a) planning and control cycle; b) human resource management (skill mix); c) knowledge management; and d) donor harmonisation (especially at level of recipient country)</b></p>
Conditionality overload	<p>Reduce demands on partner countries; <b>Dutch Development Co-operation aims at donor-harmonisation at level of recipient country and within DAC. Progress is slow, but noticeable</b></p> <p>Rolling conditionalities-phased programming; <b>Within the context of Swap's efforts are made to work with trackrecords on past performance rather than base involvement on conditionalities. This allows for better tuning into the pace of change within a country. Nevertheless, the drive for result based management if applied inappropriately may have effects which points in the opposite direction and the habit to direct programs on the base of conditionalities is only dying slowly.</b></p>
Short-term project approach	<p>Long-term commitments to themes or sectors following a process approach; <b>The introduction of SWaps as organising principle implies a long term political commitment to a sector. In terms of mode of finance, Dutch Development Co-operation aims at direct sector budget support (if conditions permit), away from the project approach. It is not stated when this has to be reached because it depends on local circumstances.</b></p>

Centralised decision and management	<p>Clarify roles between staff at headquarters and in the field; <b>This is an ongoing exercise. Role of field offices to change from financing projects to policy dialogue with recipient government on macro and sector issues. Role of headquarters to determine general policy framework and support field offices. This change in roles takes considerable amount of time.</b></p> <p>Delegate authority to the field (including to negotiate and revise programmes); <b>Delegation of authority (including budget) implemented in 1996. This turned out to be an effective pre-condition to introduce SWAs as organising principle.</b></p> <p>Give local actors management responsibilities. <b>With decentralisation, field offices have been given appropriate management responsibilities. To make this effective changes are under implementation regarding human resource management and a new management information system.</b></p>
Disbursement pressures	<p>Incorporate flexibility within budgets; <b>In annual budgets sufficient flexibility in budgets exists. However, multi-annual planning is underdeveloped</b></p>
Results focused on projects approved and funds transferred	<p>Results focused on the donor's contribution to building partner country capacity to plan, implement and evaluate their own development; <b>Ownership is taken very seriously at all levels (policy and regulation). Under SWAs support to implementation capacity of government is increasingly getting attention. Although Dutch Government is implementing Result Based Management, with regard to development co-operation this is carried out within the framework of the recipient countries themselves.</b></p>
Upstream accountability (financial control)	<p>Downstream accountability (embedded in local systems), focused on sustainable development impact and institutional change</p> <p>Performance auditing; <b>Harmonisation of rules and regulation at level of recipient countries, including donors is given priority. Official Dutch Development Co-operation policy is to use local accounting framework as starting point (if adequate in design and implementation) and to include to the extent possible as many donors as possible. If not adequate, adequate support can be given to upgrade. Successes thus far depend much on local circumstances and willingness of local donors to participate. Progress is slow, but noticeable. At present there is increasing attention to Public Finance Management aspects (in the light of PRSPs).</b></p>
Capacity gap and limited learning	<p>Provide relevant training: <b>Training provided on SWAs, Institutional Analyses, annual meetings with staff from field offices, regional meetings on specific subjects.</b></p> <p>Recruit staff with new (facilitation) skills; <b>In 2001 Minister obtained permission from parliament to recruit additional staff with required skills.</b></p> <p>Mobilise existing (often dormant) expertise on institutional development within agency; <b>In 2002 support unit on institutional development set up at headquarters.</b></p> <p>Institutionalise collective memory and feedback systems; <b>increasing</b></p>

	<p>attention to knowledge management by means of newsletters, policy notes, annual (and often regional) meetings between staff, use of internet and intranet. At headquarters country support teams set up.</p> <p>Improve knowledge management on institutional development; is weak, needs to be supported by recently set up unit on institutional support.</p>
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