

***Handbook
in
Assessment of
Institutional
Sustainability***

Oslo, June 2000

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INSTITUTIONAL DEVELOPMENT IN NORWEGIAN DEVELOPMENT CO-OPERATION

Institutional development constitutes a major concern in Norwegian bilateral development co-operation. In its White Papers No. 19 (1995–96) and No. 51 (1991–92) the Government emphasises institutional development. The point is repeatedly made that progress towards sustainable development in developing countries depends on the strength and quality of public, private and civil society institutions.

“Measures to strengthen important social institutions and organisations will be key areas of long-term co-operation. Institutional and human resource development will therefore be given greater emphasis as priority areas.... Co-operation will not be limited to strengthening public institutions, but will also include institutions in business and civil society.”

(White paper No 19 to the Storting 1995–96, pp. 42–43)

This is in line with comparable policy statements of other agencies such as CIDA, SIDA, UNDP, and The World Bank.

During the 1990s, three complementary perspectives explain the rediscovery of institutions in development co-operation policy:

Increasing efficiency of implementation

At the level of programmes and projects, it became increasingly clear that many of the real problems in development co-operation lay not so much in intent and thrust, as in execution. These problems were often institutional – and represented a major bottleneck for economic growth and development. What still needs to be expanded in many developing countries is their capacity and ability to convert policies into services of value for their citizens.

Strengthening national responsibility

It was further acknowledged that a strong link existed between institutional development and sustainability. Institutions in developing countries needed to increase their capacity to take responsibility for their own development. But such progress towards sustained development depends on the strength and quality of a country's institutional capacity.

Restructuring the public sector

Development consists of more than channelling the right economic and technical inputs into a free market of individual actors. The underlying institutional framework – policies, rules, regulations and structures – determine the effectiveness of the market. If developing countries are to succeed in designing and implementing their own policies, they will need effective organisations and institutions in the public, private and civil sectors.

CHAPTER 1. PURPOSE OF THE HANDBOOK

This Handbook identifies key dimensions of institutional sustainability. It also suggests practical ways and means to assess such dimensions during all phases of the project cycle.

Its main purpose is:

- to strengthen awareness regarding the importance of assessing institutional sustainability for every project¹ supported;
- to provide a more solid basis for decision-making in the initial phase of new projects;
- to identify risks, opportunities, and scope for improvement for ongoing activities; and
- to provide a basis for monitoring and reviews.

The Handbook is prepared primarily for NORAD's programme officers and technical advisors. It may also prove useful for programme officers and managers in partner institutions, NGOs, private companies, etc. This Handbook is applicable to all NORAD-supported projects since institutional assessments are necessary in all projects; they are not only restricted to projects aimed at institutional development as such.

NORAD's operational guidelines require institutional assessment to be performed for all NORAD-funded development projects and programmes. **NORAD's** role is to assess documentation presented by the partner,³ not to participate in project formulation, planning, or implementation.

The Handbook is not a complete manual

This Handbook is not a complete manual for assessing institutional sustainability. It is an introductory guide providing a framework for analysis. It should help **NORAD** staff and other users to decide when a full study is required. Large and complex projects will often require specialised expertise and more sophisticated methods. The Handbook does, however, provide guidelines for NORAD's need for assessment of institutional sustainability at the various stages of the project cycle: project appraisal, progress reporting, project reviewing

¹ For convenience the term *project* is used in this Handbook for both project and programme.

² Manual for Project Cycle Management (NORAD, 1999).

³ The Ministry or responsible institutions in the partner country, private companies or NGOs.

CHAPTER 2. CONCEPTS AND DEFINITIONS

Institutional development and sustainability are broad and complex concepts. Some definitions are required to provide direction and guidance for assessing institutional sustainability.⁴

What is Institutional Development?

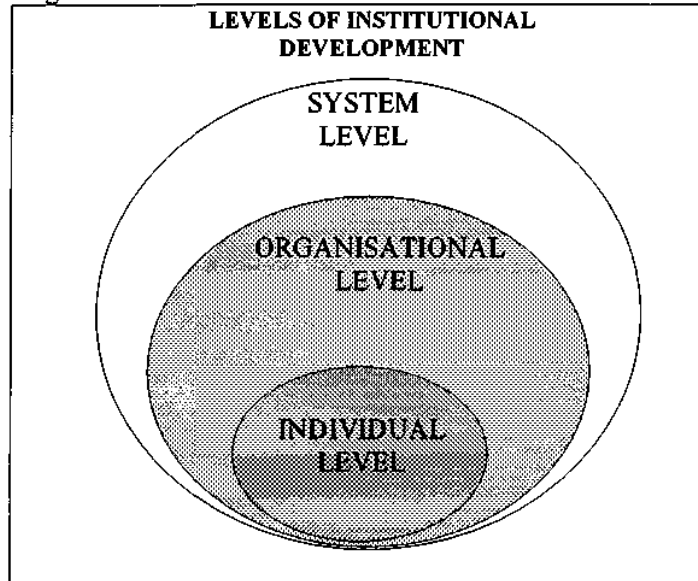
Institutional development is here defined as *the process by which individuals, organisations and social systems increase their capacities and performance in relation to goals, resources and environment.*

Other terms have also been used to define the same process. Some agencies use "capacity development" interchangeably with institutional development, or as an even broader process.

"Capacity" may be defined as the ability of individuals, organisations and broader systems to perform their functions effectively, efficiently and in a sustainable way. Capacity is then the power or energy which determines performance and sustainability and becomes as such the target for institutional development efforts.

It is important to keep in mind that institutional development consists of, but goes beyond, human resources and organisational development. It also involves change in and transformation of social systems. As illustrated by the diagram below, institutional development embraces three levels: individual actors, organisations, and social systems, and consists of a broad

range of activities at each of these levels.



⁴ See The Royal Norwegian Ministry of Foreign Affairs: Evaluation Report 5.98, and UNDP: Capacity Assessment and Development, 1998.

It should also be emphasised that the concepts of institution and organisation are related, but not identical. Institutions refer mostly to the system level and the norms, values and regulations which guide and constrain the behaviour of individuals and organisations in a society ("the rules of the game"), while organisations are the actors or "players" within a system. This distinction has become very important in new sector-wide approaches. A country's health sector, for example, may be regarded as an institution made up of many interrelated organisations and ruled by a set of joint formal and informal norms and regulations. A sector-wide programme needs to address all levels.

Levels of Institutional Development

The failure of many development projects can often be attributed to a narrow view of institutional development when defined in terms of individual skills and organisational characteristics. Often missed are important dimensions at the policy or legislative levels, or in supporting processes and frameworks. If all levels and dimensions of institutional development are not addressed, the potential of sustainable development might not be realised to its fullest extent.

A major dimension of institutional development is at the **individual level**. It is at this level that we find people and actors, including small networks and groups - participants in and managers of projects. They are the smallest and often most basic building blocks serving the requirements for individual competence, and representing conditions for any project or organisation to function efficiently and effectively.

There are further dimensions of institutional development that need to be developed at the **organisational level** whether the organisation is a government, a private sector firm or a community-based organisation. These relate to the organisation's strategy, management, finances, administration, culture, etc.

The **system level** is the level extending beyond the organisation. System-level aspects include overall policies, rules and norms governing the mandates, priorities, modes of operation, etc. within and across the respective sectors.

For national programmes (e.g. governance, public service reform programmes, etc.) the system level will encompass the broad political and socio-economic forces in the country involved. Relevant dimensions in both areas are the legal and political framework, norms and culture, links to external agencies, public participation and legitimacy.

All three levels are necessary for improving institutional performance. Not all NORAD-funded programmes have to embrace all levels, but the process of

selecting levels of interventions and programme components should start from abroad system perspective.

Institutional Sustainability

An institution should be deemed sustainable if it has the strength to survive and develop to fulfil its functions on a permanent basis with decreasing levels of external support. More specifically, NORAD staff would consider an institution or a long-term project to be sustainable if it were likely

- to be able to secure necessary inputs and support;
- to provide, efficiently and effectively, a continuing stream of activities and outputs
 - that are valued by its stakeholders (members, clients, and/or superiors);
 - for as long as the institution is needed.

It is a goal for agencies like NORAD to contribute to the building of strong and capable institutions in partner countries, but institutional development is a means to an end. The ultimate aim is not strong institutions as such, but the realisation of long-term development goals.

Sustainable *institutions* may or may not contribute to sustainable *development*. Some institutions in Third World countries may need to be reformed or abolished to promote long-term, self-renewing change in society. Assessment and dialogue should identify which institutions are legitimate, essential, and relevant to a country's development and thus eligible for NORAD support.

Likewise, this Handbook presupposes that critical context variables of a basic nature (severe conflicts or civil war, democracy, human rights, etc.) are assessed separately when a country is accepted or rejected as a candidate for development co-operation. Such context variables are therefore not fully covered in the Handbook.

CHAPTER 3. ASSESSMENT AT DIFFERENT STAGES OF THE PROJECT CYCLE

According to Norwegian policy, the partner country is responsible for the planning and implementation of projects. This also includes the assessment of institutional issues.⁵ NORAD may, upon request, provide financial support to the partner country at this early stage to ensure adequate pre-studies and plans.

The tasks to be undertaken by NORAD's staff in relation to institutional assessments of projects at various phases of the project cycle are summarised below. Reference is made to NORAD's *Programme and Project Cycle Management Manual* to learn how institutional sustainability issues fit in with the procedures and formats provided.

It should be emphasised that the assessment of institutional sustainability is required in all phases of the project cycle, and that the purpose will be different in the preparatory phase, the follow-up phase and the completion phase. It is thus important to define for which phase and purpose the assessment is to be carried out.

The institutional setting of the project and the partner's administrative and managerial capacity, including the capacity for financial management and reporting, acquiring and retention of personnel and goods need to be assessed before and during project implementation.

Equally important is that an assessment is carried out to establish whether the future organisations, which will produce the expected benefits and services for the target group(s) or society on a long-term basis, are likely to be sustainable.

One should look at past performance for indications of the organisation's ability to survive, but these data need to be supplemented by a qualified assessment of trends, risks and opportunities. Past or current success, or lack of success does not necessarily predict the organisation's future performance and standing. The Appraisal is thus NORAD's tool to contribute to improve project design, reach a decision on funding, and assess the prospects for future sustainability.

During implementation, selected dimensions of institutional sustainability are monitored to measure progress and detect constraints for immediate action. In reviews and evaluations successes and failures are discussed and recorded.

For NGOs and private sector projects the procedures may differ somewhat, for instance in terms of who is responsible for making institutional assessments.

The checklist in Chapter 5 may serve as a practical tool in this context. The list introduces twelve variables or dimensions that will be of concern when institutional sustainability is to be assessed. Version 1 of the checklist may be used in the process to decide whether a limited institutional assessment can be undertaken by NORAD. A full study, undertaken with external assistance, could be based on Alternative 2. A more detailed introduction to the checklist is given in Chapter 5.

Stage of the project cycle	Responsibilities of NORAD officer
<i>1. Mandate for Dialogue</i>	<ul style="list-style-type: none"> • Undertake initial screening of the project to determine the need for documentation of institutional sustainability in the Project Document Draft.
<i>2. Appraisal</i>	<ul style="list-style-type: none"> • Ascertain that appropriate information regarding institutional sustainability has been provided in the Project Document Draft. • Assess the project's institutional sustainability. • Prepare Draft Project Summary including possible institutional conditions.
<i>3. Appropriation</i>	<ul style="list-style-type: none"> • Summarise conclusions from appraisal of institutional aspects in the Appropriation document and, if relevant, in the Agreement.
<i>4. Agreement</i>	<ul style="list-style-type: none"> • Agree with Partner on key conditions and indicators for institutional sustainability (Agreed Project Summary).
<i>5. Follow-up</i>	<ul style="list-style-type: none"> • Check that conditions laid down in the Agreement are followed up. • Make assessments of institutional sustainability in connection with reports presented. • Ascertain that relevant institutional assessments are included in reviews and evaluations, including the end review.

<p>6. Completion</p>	<ul style="list-style-type: none"> • An end review should be undertaken as part of the closure procedures of the project. • The Completion Document is the compulsory administrative closure of the project.
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Preparatory Phase

Mandate for Dialogue

In the *Mandate for Dialogue*, NORAD staff should

- Briefly describe policies and institutions involved in the project;
- Assess the coherence with overall/sector policy and priorities;
- Briefly describe institutional dimensions and their strengths and weaknesses. For this purpose the tool called Alternative 1 in Chapter 5, "Brief Institutional Assessment", may be used;
- Based on an initial screening, assess the need for further information on institutional aspects to be included in the Project Document.

Appraisal

The appraisal is mandatory and may be carried out as a desk exercise, by NORAD, by an external team, or a combination of both. The scope of the appraisal is determined by the Embassy.

The Appraisal Report must always include an assessment of institutional sustainability. The brief checklist in Chapter 5 may serve as a practical tool in the process of deciding whether the institutional assessments can be undertaken by NORAD, or whether additional expertise is needed to assist NORAD. A full study could be based on Alternative 2: "Checklist on Institutional Sustainability" in Chapter 5.

The appraisal may also identify measures that should be undertaken in order to rectify institutional weaknesses and strengthen capacity. Issues related to institutional sustainability may be critical when, or if, a proposal is being rejected.

Findings must be thoroughly discussed with the partner in order to improve project design and strengthen local ownership.

Appropriation and Agreement

The appraisal forms the basis for NORAD's appropriation of funds. NORAD's conclusions from the assessment of institutional sustainability shall be included in the Appropriation Document. Organisational requirements and quality control systems shall be described. Relevant indicators to be included in the monitoring system should be discussed and agreed upon during the preparatory phase.

In the Agreed Project Summary which is a part of the Agreement, indicators, possible critical factors or conditions related to institutional sustainability shall be agreed upon and monitored closely during the implementation of the project.

Follow-up Phase

The partner is responsible for the establishment of a monitoring system to provide NORAD with the necessary information on progress and achievements. NORAD's follow-up includes reviewing the agreed reports, the setting out of possible proposals for adjustments and new components, as well as participating in regular meetings concerning the project, site visits, reviews and evaluations. NORAD's staff should keep an eye on the institutional sustainability issues deemed most at risk in the Appraisal Report and reflected in the Agreed Project Summary. Such issues should be included in the format for the annual or semi-annual Progress Report and followed up in the Annual Meeting, as well as in the Summary Reports sent to NORAD by the Embassy.

During *implementation* the issues and questions presented in the checklist may be used to develop focus, consistency, and continuity in NORAD's assessment of progress and achievements, identify areas in which improvements are considered necessary, and suggest interventions to overcome problems.

Monitoring of Institutional Development

It is important to be aware that the assessment tools in Chapter 5 can be used for monitoring institutional change. The statements and issues can be transformed into progress indicators for measuring institutional processes. Whether the organisation has a competent Board or an Executive body are aspects of governance. Organisational performance could, for instance, be monitored assessing the role and functions of the Board at regular points in time.

It is possible to select a sample of, for instance, ten critical dimensions and use them as indicators in a monitoring system. Such a system would require proper methods for collecting and analysing data, but could also be based on perceptions and impressions of participants and stakeholders.

Reviews undertaken during the follow-up phase should include assessments of institutional aspects, especially those focused on in the Appraisal Report and Agreed Project Summary.

Completion Phase

The closure of a project includes an End Review, which may cover the project's performance, impact and sustainability. The End Review should contain a thorough assessment of sustainability.

Such a review should also include a broad assessment of what is required to secure long-term sustainability.

CHAPTER 4. ISSUES OF SPECIAL CONCERN

Recognising Uncertainty

A systematic assessment improves the quality of planning and reduces the level of uncertainty. But uncertainty is inherent in any analysis and conclusions. Institutional sustainability is a complex phenomenon that should be analysed from different perspectives and with complementary methods, but there will always remain an element of subjective judgement in institutional analysis and prediction of future sustainability. Several interrelated factors play a part, and no single or simple measure can precisely express processes and outcomes.

Addressing Institutional Variation

The importance and impact of each institutional dimension will vary between different types of organisations, projects and country contexts.

Institutions in the public, the private, and the civil sector will often face different kinds of sustainability issues. External markets will, for instance, normally play a more critical role for the sustainability of private firms than for NGOs and public ministries.

For the latter, organisational capacity and legitimacy may be the determining factors for good performance. For a high profile NGO, a question of concern may be that national authorities disapprove of its human rights activities. Such tensions do not necessarily represent a threat to the future and standing of the NGO, but may, on the other hand, be a reason for its presence. For some governmental agencies, power abuse and corruption may be critical issues.

Social sector programmes often depend on continuous transfer of financial resources, while technical maintenance and managerial support are important for infrastructure projects. Overall policy and strategy will be crucial for sector programmes in education, health, energy, etc. Lastly, in countries where the situation may be turbulent (due to, e.g., civil war, political or financial crises), context factors will affect short- and long-term sustainability more strongly than the internal qualities of organisations.

Starting with the Organisation

Projects are not self-contained units, but grounded in organisations and institutional frameworks. Organisations

submitting proposals to NORAD may have several projects' running with support from a broad range of external donors.

This Handbook maintains that the assessment of sustainability should start with and focus on the responsible organisation, and not limit itself to the particular project under consideration. The sustainability of projects depends to a large extent on the quality and effectiveness of the organisation.

There are cases in which an organisation has a solid basis for long-term sustainability, while projects are more vulnerable and might be phased out when external funding comes to an end. And there are well-resourced projects much better off than the mother organisation.

With reference to the Checklist in Chapter 5, separate assessment forms and questions are not prepared for projects and organisations, but issues of particular concern for project sustainability are included in the full-scale assessment (Alternative 2), e.g., 2.3: "New projects are run by existing structures. Parallel structures are not established." In many cases it might be necessary to prepare two assessments: of the project organisation and of the institution(s) that carries/carry the project. In both cases most issues and questions are the same, but with a need to adjust and/or add special concerns.

Timing of the Assessment

It is often necessary to introduce a time dimension in the assessment of institutional sustainability. Assessment during project implementation will often focus on current administrative and managerial capacity, including capacity for financial management and reporting. Equally important is to assess whether the institutions will be able to produce the expected benefits and services after the project is over. The latter type of assessment will have to take a broader approach and address sustainability of institutional frameworks within the relevant sector for the project.

Deciding the Scope

The scope of the assessment depends on project size and complexity of anticipated risks. A proposal from an organisation which is well known to NORAD and has a good record and reputation, should occasion a limited assessment, while a new complex, high-risk and high-cost project may need a full in-depth analysis.

Preparing a Prognosis

As stated in Chapter 2, the task of NORAD in the initial screening is not only to describe the institution's current status. As the concept of sustainability clearly implies, the assessment should result in a *prognosis* - a tentative statement of the chances that the institution will survive and develop to fulfil its functions. All sustainability assessments should conclude with a summary of the *risks and opportunities* involved and a final *overall prognosis* of the institution's sustainability.

Differentiating between Effective and Legitimate Institutions

There is an important distinction between effective and legitimate institutions. Both are required to secure long-term sustainability. A strong and well-managed institution may have a high level of efficiency, but not the trust and credibility of its stakeholders. On the other hand, highly legitimate institutions may be weak from a managerial or effectiveness perspective.

For NORAD, selecting the most appropriate organisation in terms of legitimacy may in some cases imply the preference of the weaker over the stronger. This may be done in cases in which the weaker has a higher potential for institutional growth and continued ownership than the more effective alternative.

On the other hand, in some cases the strongest and most efficient organisation may be preferred, which leads to a temporary "bypassing" of legitimacy. This could happen in a crisis situation where particular tasks have to be carried out urgently and long term sustainability is not considered as important or absolutely required.

Acknowledging the Risks

No assessment can guarantee that a correct decision will be taken. Development co-operation is based on a calculation of risks and opportunities. In most countries supported by NORAD, risks are high and the outcome of assessing institutional capacity of particular organisations is often low or even negative. A poor diagnosis may not lead to a rejection of a proposal, but, on the other hand, justify an involvement by NORAD. There are no opportunities without risks, and NORAD should not necessarily avoid high-risk situations. The purpose of development co-operation is often to strengthen capacities and capabilities of weaker organisations and institutions.

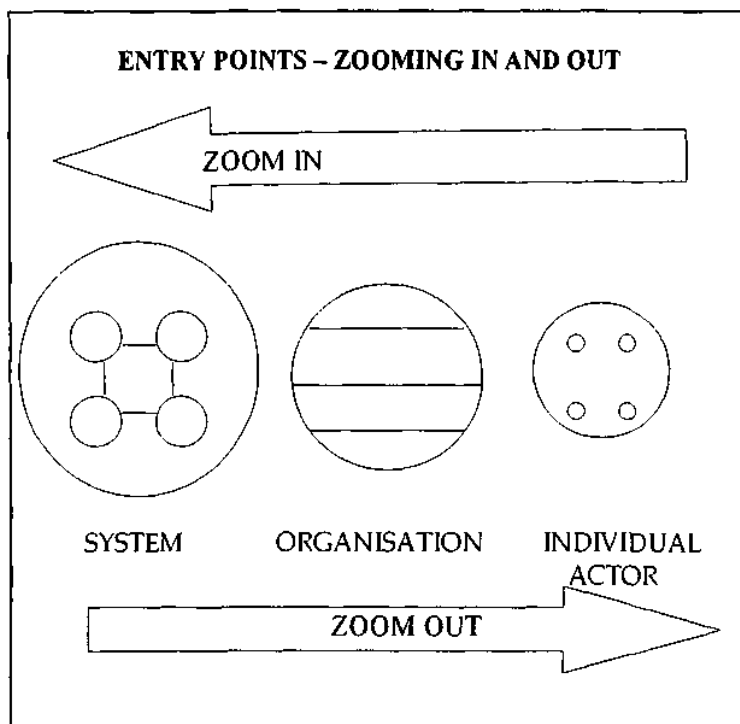
However, it is the purpose of the institutional assessment to establish whether future opportunities outweigh the risks involved, and to what extent the potential for improvement exists in the context at hand. The Handbook does not attempt to define maximum risks or necessary conditions for investing in a project. This Handbook insists that a more systematic assessment and calculation of risks and opportunities in the preparatory stage provide a better basis for informed decisions. It is important that a realistic assessment of actual risks is properly reflected in the Appropriation Document. Risks should not come as a surprise, and it should be possible to review the basis for decisions at a later phase in the Project Cycle.

CHAPTER 5. ASSESSMENT TOOLS

This chapter suggests a framework for assessment and identifies important variables to be assessed and questions to be raised.

Chapter 2 argues that such assessment needs to address important institutional dimensions at individual, organisational and system levels. The most typical entry point for an assessment is at the organisational level. For example, there may be a need to reform the financial management system of a Ministry of Health. This initial examination would then be expanded to look at the availability of human and financial resources and then the broader legal, political, and national financial management frameworks. It is in any case extremely important to decide where to start and define precisely the unit of analysis.

Based on the three-level model in Chapter 2, the analysis first zooms in on organisational capacity, then on human resources and lastly on contextual (system) variables. One should always be aware of external and internal factors that may influence a project. Some of these may be unforeseen and beyond direct control.



The chapter presents twelve dimensions of concern when assessing institutional sustainability. These dimensions seek to capture relevant issues at individual,

organisational, and system levels. Given the organisational entry point, the tool has a bias towards organisational assessment, but integrates the other levels as well. If a broad analysis of a sector with multiple organisations is required, additional questions and methods may be needed.

It is necessary to deal initially with all dimensions. If the first screening reveals particular weaknesses, it would be advisable to zoom in and take a closer look at the dimension concerned.

There are two checklists with a similar structure. The first (Alternative 1) is a brief version with twelve statements. The list helps to structure and guide a relatively rapid screening and assessment. The first dimensions cover typical issues at the organisational level. The next zoom in on individual actors in the organisation and the last group of dimensions on what comes beyond the individual and organisation, for instance linkages, frameworks and legitimacy.

The levels are used only as analytical tools and such distinctions may become blurred in real life situations. Individuals are parts of organisations, and broader systems consist of multiple organisations.

The next list (Alternative 2) is an extended version with several statements capturing several aspects of the twelve dimensions. The selection of lists would depend on the purpose of the assessment.

The full version would be required for a comprehensive assessment, while an initial screening could be carried out using the twelve statements to prepare a preliminary profile, identify areas of concern and decide whether a more comprehensive assessment would be required.

Both versions require a broad range of information. The short version can be used to systematise impressions and perceptions from a review of available documents. In a more comprehensive assessment new information will in most cases be collected through interviews and site visits.

In the comprehensive list each statement is presented in a paragraph comprising

- a reference code;
- a term or a sentence stating the issue to be assessed (e.g., "purpose, management, performance, etc.");
- one or several statements elaborating on the issue under consideration.

Due to economy of language, some of the statements are formulated in rather absolute terms. The staff should bear in mind that the issues addressed are matters of degree. The task at hand is to decide whether the statements give a

true picture on a scale from 0 to 3 or from "nil/missing" to ""a large extent".

For practical purposes the term "institution" is used synonymously with the selected unit of analysis in the lists.

This process of assessment will characterise institutional strengths and weaknesses in a condensed form. The one-page summary could be used to identify and present key findings. Figures and forms do not, of course, replace the need for written text. The twelve categories and the scoring system may help to systematise and structure the analysis and conclusions.

The outcome of the assessment concludes with a recommendation to NORAD as regards future funding. It is important to underline that there is no direct link between diagnosis and decision, but a systematic assessment provides a better basis for informed decisionmaking. It helps to clarify whether future opportunities outweigh the risks of funding projects with a poor prognosis for institutional sustainability.

When funding is decided, the diagnostic results could be used by partner institutions as a precursor for organisational development. NORAD staff should make sure that there are components in the Project Document to strengthen relevant capacities and capabilities of the institutions involved.

Lastly, assessments could be used to monitor institutional performance and to evaluate mid term or end of project achievements.

The scoring system is meant to structure and systematise the assessment. The individual scores reflect to a large extent your own perception and should be cross-checked with others. We will strongly advise against making averages of the scores under each dimension. Written text should always explain and complement the figures.

Results can be presented in several ways. A profile for the entire institution is often the first step of the appraisal, in-depth discussions can then zoom in on the most relevant dimensions. Different types of illustrations should be used in the presentation and discussion of findings. To the extent possible findings should also be thoroughly discussed with key stakeholders before they are summarised in a formal document.

Keep in mind that all statements may not be applicable to all institutions, and some relevant questions may be missing. A standard list is not exhaustive, but may guide

the user into exploring the need to develop additional dimensions and questions.

**ALTERNATIVE 1:
BRIEF INSTITUTIONAL ASSESSMENT**

The rapid assessment takes twelve dimensions into consideration, and the score should reflect the level of agreement with the statement. The following scores should be applied: 0 = Nil/missing, 3= To a large extent. **Please note that the scores may only be regarded as a tentative indication, not as an exact measurement. Any attempt to calculate average values, etc., will be misleading and should be avoided.**

	DIMENSIONS	SCORE				Comments
		0	1	2	3	
1	Purpose and Strategy					
	<ul style="list-style-type: none"> • Purpose and strategies for the institution are clear. • Purpose and strategies are relevant to country needs. 					
2	Management					
	<ul style="list-style-type: none"> • Leadership has a proven capability to direct and manage the institution. • Systems and procedures are operative. • Organisational structures support effective implementation. 					
3	Financial resources					
	<ul style="list-style-type: none"> • Resources are available to cover major recurrent and capital expenditures. • The institution is to a large extent self-sustained. 					
4	Infrastructure					
	<ul style="list-style-type: none"> • Buildings and equipment are adequate. • Infrastructure is well maintained. 					
5	Performance					
	<ul style="list-style-type: none"> • The institution meets its short-term targets. • The institution delivers its "products" with reasonable costs. 					
6	Institutional Competence					
	<ul style="list-style-type: none"> • The institution has the required skills to carry out its operations without external assistance. • The institution has the required competence to support new projects. 					
7	Personnel					
	<ul style="list-style-type: none"> • The supply of qualified personnel is adequate. • The personnel are considered competent. • Personnel policy established/adequate 					
8	Culture and Communication					
	<ul style="list-style-type: none"> • Shared values and beliefs guide staff/members. • Motivation is strong 					
9	Linkages/Networks					
	<ul style="list-style-type: none"> • The institution is linked to relevant national/international partners. • Donors/financing institutions provide predictable support. 					
10	Legal and Political Framework					

	<ul style="list-style-type: none"> The institution has a proper and secure legal framework supported by national authorities. 					
11	External Cultural Framework					
	<ul style="list-style-type: none"> Bureaucratic rules and norms are conducive for performance. Corruption, lack of discipline etc. pose no threat to efficiency 					
12	Participation and Legitimacy					
	<ul style="list-style-type: none"> Strong ownership and participation characterise the institution External stakeholders respect and have confidence in the institution. 					

**ALTERNATIVE 2:
CHECKLIST ON INSTITUTIONAL SUSTAINABILITY**

This checklist is meant to be a tool for a more in-depth assessment of institutional sustainability.

To avoid using one book for each assessment, you may freely copy the checklist from this book. You may also open the document ... (Information regarding how to access and copy checklist electronically to be provided before completion of the Handbook)

As already outlined in this handbook, assessments of institutional sustainability are made at different stages and levels. For small projects the assessment is usually made "on the desk", while large projects may require a comprehensive study. In some cases this checklist is far too detailed for the assessment to be made, while in other cases it is limited. While this is to be regarded a tool for the staff handling development issues, the checklist should be used as a source for selecting what is considered useful and leaving the rest.

The codes for assessing the quality of status quo are the same as are used in the NORAD project software PTA. There is no strict definition to distinguish one judgement from another, and it is up to the individual staff member to draw the line. It would make no sense to make averages of the scores for one or all dimensions. One project judged throughout with low scores, may still be worthwhile supporting, provided measures of institution building are assumed to create expected results.

1. Organisational Strategy						
1.1	Purpose, goals and strategy	0	1	2	3	Comments
	Those responsible for the institution have a clear idea of its role and purpose.					
	The institution has a set of goals that are relevant to country needs.					
	The institution has a realistic set of goals and level of ambition.					
	Goals and strategies are clear to all staff.					
	The institution has the freedom of action to change and adapt to new demands.					
2. Organisational Management						
2.1	Capability of executive bodies	0	1	2	3	Comments
	The institution has a competent board or other executive bodies, providing overall direction.					
	Key personnel show a capability to critically reflect on the institution's performance and development.					
	The management is able to face problems, make necessary decisions, and convert them to action.					
2.2	Systems and procedures	0	1	2	3	Comments
	Systems and routines for planning are operative.					
	Effective administrative and financial procedures are in place (e.g. budgets, accounting, financial reporting, and audit).					
	The institution has sufficient internal control mechanisms.					
	Systems for monitoring and evaluating activities and performance are in place.					
	The institution meets agreed requirements for reporting.					
2.3	Organisational structure	0	1	2	3	Comments
	The institution is placed under appropriate superior agencies.					
	The internal structure conforms to administrative principles concerning span of control, clearness of authority and division of roles and responsibility, etc.					
	New projects are run by existing structures. Parallel structures are not established.					
	The organisational structure supports effective implementation of work.					
	The structures have the capacity to absorb and run new projects.					

The statements are broad and general in order to cover a broad range of organisations. If you have problems understanding or using any of the statements, you might need to redefine the issue, make it more specific, or prepare sub-statements.

3. Financial resources

3.1	Financial resources	0	1	2	3	Comments
	Available resources are sufficient to cover major recurrent and capital expenditures.					
	The budget is large enough to allow the institution to fulfil its obligations.					
	The institution's income will most likely remain stable.					
3.2	Economic independence	0	1	2	3	Comments
	The institution is able to control/ influence its future income.					
	The institution is financially self-sustainable (does not depend on external financial support).					
	Outside agencies or authorities control or supervise economic expenditure.					

4. Infrastructure

4.1	Technical infrastructure	0	1	2	3	Comments
	The institution has the necessary buildings, vehicles etc.					
	Production and/or communication tools and equipment are adequate.					
	The institution is able to use and maintain the infrastructure and equipment.					
4.2	Administrative equipment	0	1	2	3	Comments
	The institution controls the necessary administrative tools and equipment.					

5. Performance

5.1	Performance and productivity	0	1	2	3	Comments
	The institution has demonstrated an ability to implement its strategies.					
	Work produced complies with national quality standards.					
	The institution demonstrates an ability to carry out its activities and accomplish its tasks in reasonable time.					
	The institution meets its short-term targets.					
	The institution delivers its "products" with reasonable costs.					
5.2	Performance demands and control	0	1	2	3	Comments
	The institution is exposed to outside demands to improve performance and produce better results.					
	Authorities or donors control – formally or informally – that performance meets certain standards.					

6. Competence						
6.1	Institutional competence	0	1	2	3	Comments
	The institution has the required skills to carry out its operations (does not depend on external technical assistance).					
	The institution uses appropriate working methods.					
	There are programmes for introduction and training of recruits and "veterans".					
	The institution has the required competence to support new projects.					
7. Personnel						
7.1	Technical personnel	0	1	2	3	Comments
	The supply of relevant technical personnel is likely to be adequate.					
	The technical personnel are considered competent.					
7.2	Managerial and administrative personnel	0	1	2	3	Comments
	There is a satisfactory supply of personnel suited for managerial and administrative positions.					
	The present administration is competent and adequately staffed.					
7.3	Personnel policies, incentives and compensation	0	1	2	3	Comments
	Personnel policies, incentives and compensations are adequate for attracting and keeping key staff.					
8. Culture and communication						
8.1	Culture	0	1	2	3	Comments
	Employees are loyal towards the institution's mission, goals and executive bodies.					
	Motivation and morale are satisfactory at all staff levels.					
	Staff turnover is acceptable.					
8.2	Communication, co-operation and authority	0	1	2	3	Comments
	Management and employees communicate freely and easily.					
	Everyone receives information they need to do their job.					
	Supervisors are able to detect, prevent and handle interpersonal conflicts.					
	Employees accept and comply with legitimate authority.					
	Employees have a say in matters concerning work and working conditions.					
	There are norms and rules for recruitment, rewarding and promotion of staff.					

9. Linkages/Networks						
9.1	Alliances and connections	0	1	2	3	Comments
	The institution is linked to relevant national and/or international partners.					
	The institution utilises its connections productively.					
9.2	Competitors and rivals	0	1	2	3	Comments
	The institution has few rivals and competitors.					
	The institution is able to manage competitors or rivals well.					
9.3	Relations to donors	0	1	2	3	Comments
	A stable group of donors provide predictable support.					
	Donors co-ordinate their efforts and follow common practices.					
	Donors facilitate institutional growth and national ownership.					

10. Legal and Political Framework						
10.1	Legal basis and constraints	0	1	2	3	Comments
	The institution has a proper and secure legal basis and the necessary freedom of action.					
10.2	Political support	0	1	2	3	Comments
	The institution is linked to official policy.					
	The institution and its operations are accepted and supported by national and local authorities.					
	Political support is maintained.					
	National and local stakeholders are stable.					

11. External Cultural Framework						
11.1	Community rules and norms	0	1	2	3	Comments
	Informal rules and norms surrounding the institution are conducive for its performance.					
	There are no ethnic conflicts affecting the institution.					
	There is no gender discrimination affecting the institution.					
11.2	Rules and norms in official agencies	0	1	2	3	Comment
	Formal rules and norms prevailing in the bureaucratic structures surrounding and permeating the institution are conducive to its performance.					
	No practices and attitudes, such as corruption and lack of discipline, pose a threat to the institution's efficiency.					

12. Participation and Legitimacy						
12.1	Local ownership and participation	0	1	2	3	Comments
	There is a strong sense of ownership among staff.					
	Local stakeholders take active part in planning and implementing activities.					
	The institution is perceived as a local asset.					
	The institution is perceived as being under local control.					
	The public has a formal role as stakeholder, i.e., as constituency or through cost-recovery schemes.					
12.2	Legitimacy and trust in community	0	1	2	3	Comments
	The institution is perceived as legitimate and trustworthy by the public.					
	The institution has the support of major stakeholders.					
	The institution is perceived to be transparent in all its operations.					

SUMMARY OF ASSESSMENT

1. Purpose and Strategy		0	1	2	3	Comments
1.1	Purpose, goals, and strategy					
2. Management						
2.1	Capability of executive bodies					
2.2	Systems for planning and evaluation					
2.3	Organisational structure					
3. Financial resources						
3.1	Financial resources					
3.2	Economic independence					
4. Infrastructure						
4.1	Technical infrastructure					
4.2	Administrative equipment					
5. Performance						
5.1	Performance and productivity					
5.2	Performance demands and control					
6. Competence						
6.1	Institutional competence					
7. Personnel						
7.1	Technical personnel					
7.2	Managerial and administrative personnel					
7.3	Personnel policies, incentives compensation					
8. Culture and communication						
8.1	Culture					
8.2	Communication, co-operation and authority					
9. Linkages						
9.1	Alliances and connections					
9.2	Competitors and rivals					
9.3	Relations to donors					
10. Legal and Political Framework						
10.1	Legal basis, latitude and constraints					
10.2	Political support					
11. External Cultural Framework						
11.1	Community rules and norms					
11.2	Rules and norms in official agencies					
12. Participation and Legitimacy						
12.1	Local ownership and participation					
12.2	Legitimacy and trust in the community					

ANNEX A: RELEVANT MANUALS AND HANDBOOKS

NORAD (1999): *Handbook in Gender and Empowerment. Assessment.*

NORAD (1998): *Money Matters. Handbook in Economic and Financial Assessment.*

NORAD (1998): *Programme and Project Cycle Management.*

NORAD (1996): *The Logical Framework Approach. Handbook for Objectives-oriented Planning* (Third edition).

IDRC (1999): *Enhancing Organisational Performance.*

Royal Ministry of Foreign Affairs (1998): *Evaluation of Development Assistance. Handbook for Evaluators and Managers.*

Royal Ministry of Foreign Affairs (1998): *Institutional Development in Norwegian Bilateral Assistance. Synthesis Report.* Centre for Partnership in Development with Nordic Consulting Group/UD Evaluation Report 5.98.

UNDP (1998): *Capacity Assessment and Development in a Systems and Strategic Management Context.* Management Development and Governance Division: Technical Advisory Paper No 3.

UNDP (1998): *CAPBuild UNDP S Design Assistant for Institution-building Projects.* Management Development and Governance Division/Redmon Group Inc Production.

ANNEX B: GLOSSARY

Appraisal - Assessment of the relevance, feasibility and sustainability of a project prior to making a decision on whether to fund it.

Effectiveness - A measure of the extent to which a project is successful in achieving its objectives.

Efficiency - A measure of the "productivity" of the implementation a project - how economically inputs are converted into outputs.

Evaluation - A systematic examination of a project in order to determine its efficiency, effectiveness, impact, sustainability, and relevance of its objectives.

Institution - Norms and rules which guide and constrain the behaviour of individuals and organisations and shape human interaction.

Institutional development - The process by which individuals, organisations and social systems increase their capacities and performance in relation to goals, resources and environment.

Capacity - The ability of individuals, organisations and broader systems to perform their functions effectively, efficiently, and in a sustainable way.

Monitoring - Continuous or periodic surveillance of the physical implementation of a project to ensure that inputs, activities, outputs and external factors are proceeding according to plan.

Organisation - A set of formal structures and processes set up to achieve certain objectives.

Organisational development- The process to change and strengthen structures, procedures and management systems in specific organisations in order to improve performance.

Project - A planned undertaking designed to achieve certain specific objectives within a given budget and specified period of time.

Sustainability - Whether the positive effects will continue after external support has been concluded:

- Availability of resources for continuation of operations in the future;
- Willingness to use resources for this purpose;
- Whether benefits justify future costs.

Annex C Reporting of statistics and institutional development

NORAD is obliged to report Norwegian ODA statistics to the OECD/DAC. The data reported is based on information entered into the computer program for project planning (0KOSYS/PTA). This computer program contains a form for entering statistical information for each individual agreement. The general guidelines for statistical classification of all agreements are to be found in the "Manual for Statistical Classification in PTA", NORAD/OKON 1999.

An assessment of institutional sustainability may be a practical tool for selecting the correct statistical codes. In order to follow the procedures in PTA for entering information about an agreement, all statistical data must be entered prior to the signing of the respective agreement.

Institutional development may be perceived not as a policy objective in itself but rather as a way to strengthen the general framework for development co-operation. There is therefore no Policy Marker for institutional development parallel to the Policy Markers for women and gender equality, environment and human rights / good governance / democratisation / participatory development. Selecting the statistical codes for institutional development should be determined by whether it is the main purpose, or only a part of an agreement.

If institutional development is the main purpose of the agreement the following statistical codes may be used:

- The most important code is the **DAC** sector code. The selected DAC sector should describe the sector of the economy that the co-operation is intended to strengthen. The DAC sector codes have a structure consisting of main sectors and sub-sectors. Almost every main sector has a sub-sector 10 containing "institutional capacity-building". Accordingly, an agreement with a main purpose of institutional development should have a sub-sector 10. The main sector should then describe the sector in which the institution building takes place, for instance fisheries (313-10), education (111-10), energy (230-10), etc.
- The **form of assistance** should be given code 4, which denotes institution-building along with other forms of technical co-operation. This will be followed by a 100 per cent of the committed amount in the field of "Technical Co-operation, Amount".
- If good governance is a policy objective in the agreement, either as a principal or a significant objective, this information should be entered under the **Policy Marker** for human rights. This Policy Marker also contains human rights, democratisation and participatory development. The criteria for using the Policy Markers are listed in the "Manual for Statistical Classification in PTA" (NORAD/OKON 1999).

There is no general rule as to which DAC sector should be chosen when an agreement only partly is directed towards institutional development. The main purpose of the agreement should be the guiding criteria for selecting a DAC sector code and the form of assistance. The policy marker for good governance may be used if this is a significant or principal policy objective in the agreement.

The example from OKOSYS/PTA given below is an illustration of one type of institutional development.