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Executive summary

A principle in development aid has been that recurrent expenditure should be borne by the recipient in order not to jeopardise the sustainability of capacities created. In the wake of the African crises donors have, however, increasingly accepted to assist in running and maintaining services through budget support at government level. At organisational level or project level the principle seems to have been adhered to mainly in theory.

The purpose of this paper is to provide empirical evidence on the issue of capacity building and recurrent cost by presenting two case studies of Swedish support to organisations in two countries. The paper also discusses the principle and the implications of its application and non-application.

According to the terms of reference two cases should be studied from two different countries, namely Tanzania and Namibia, representing different history, development experience and prospects. Tanzania Food and Nutrition Centre, TFNC, and Namibia Central Statistical Office, NCSO, were selected. The study has been carried out as a desk study based on available material at Sida and Statistics Sweden.

TFNC was established in 1974 as a non-commercial or service parastatal. The institute has received Swedish support from the start. From the point of view of capacity building, the support has been successful in the Tanzanian context. The Sida evaluation in 1991 concluded that TFNC was the most advanced institution of its kind in Africa and had gained international recognition. Until the beginning of the 1990ies the institute had grown continuously and its professional competence was steadily improving. Very little technical assistance has been provided since then. According to the current agreement the Swedish support will be phased out by 1999. The decision taken in 1993/94 was made in order to further concentrate Swedish support to fewer sectors in Tanzania.

Financially TFNC has been highly dependent on mainly Swedish support from the start. During the last two years i.e. during the first two years of the phasing out period the relative dependence on Sida has increased. In three years time TFNC will have to make up for almost 50% of its total income to sustain the current activities at present level.

The Swedish support has financed a large part of the recurrent operational costs of TFNC and has played a decisive role to enable TFNC to utilise the production capacity. Less has been used for recurrent administrative costs. A few hypotheses may be suggested to explain the financial dependence. First, Sida has placed high priority on the problems TFNC was set to address. In relation to this overall goal for Swedish support the long term financial sustainability may have been seen as a secondary problem. Second, the financial crises of the Government made it less credible as a safeguard of what had been built with Swedish support. However, the long phasing out period can be seen as a generous measure to enable TFNC to adjust to new conditions.

At the time of independence in 1990, Namibia had no central statistical office. The first major activity was to carry out a population census. UNDP, UNFPA and FINNIDA assisted the National Planning Commission (NPC) in this task. Sida and ODA agreed to support the build up of a central statistical office within the NPC. The main donors, Sida, ODA and UNDP have provided substantial technical assistance during the first few years to develop capacity and to

fill the gaps of indigenous professional staff. NCSO only had one Namibian professional employed when it was established. UNDP funded the first director of the office.

At the start of the Swedish support the parties were aware of a number of possible obstacles to the envisaged development process. Strong emphasis was put on the requirement of the NCSO to recruit indigenous staff and that sufficient budget was allocated to meet the operational costs. The Namibian side was explicitly made responsible for recurrent costs.

Capacity building seems, on the whole, to have been successful in the sense that the basic infrastructure for the production of statistics has been laid in terms of methodology, computing capacity, field organisation and publishing. The capacity is proven by the production that has and is taking place. There has been substantial increase in indigenous professional capacity and top management posts are now filled by Namibians. But the build up of capacity has been accompanied by development of financial dependence on Sida to meet growing operational costs. The underfunding which partly has been compensated by Sida has concerned the conducting of surveys and not administrative recurrent costs.

After a year of co-operation, Sida agreed to partly finance the household income and expenditure survey and Sida has continued to contribute until now for other surveys. The development may be explained by a number of interrelated factors. The Government embarked on a reform programme to cut and contain public expenditure. The recurrent cost implications of the statistical programme was not analysed and foreseen in the budget preparations. The focus of the professionally dominating expatriate staff was on the need to produce statistics. The budget constraint was not their business but the business of the NPC. The external demand for statistics was strong not least from Sida.

Sida has lately raised a number of concerns regarding its future support to NCSO, i.e. the issue of recurrent cost financing. A review is now being made of the statistical programme and its financing. The aim is to agree on a realistic level of services which will allow Namibia to fully fund the recurrent costs and Sida to gradually phase out its support.

The two cases are no exception to a rather common pattern. Similar examples could be found in the two countries and in other countries. The basic conditions under which the two projects have operated are, however, different in terms of level of economic development and financial position of the governments. Still, recurrent costs have been funded in both cases. Support to recurrent costs has mainly been confined to direct programme or operational costs. Administrative overheads, including salaries, have been met by the governments although Sida funds may have contributed to these costs indirectly. In the case of TFNC the funding of recurrent costs has been part and parcel of the support from the beginning whereas Sida, in the case of NCSO, with increasing reluctance has accepted to contribute.

Some lessons can be drawn from the cases. First, the development of competence and production capacity and the utilisation of capacity in actual production are parts of the process of developing an organisation. From this perspective the funding of operational costs can be seen as an important ingredient in a total development effort and the question should be to determine when the time is appropriate to regard the funded activity as a regular activity which should be government funded. Second, donors may have mixed objectives when supporting capacity building. They also want to see improvement at societal level and are therefore inclined to fund recurrent production costs. By doing so they may disregard the overall situation of the institution and its prospects for financing in the long term. Third, generous funding of recurrent production costs may create a mismatch between these costs and

administrative overhead costs increasing the pressure to use donor funds directly or indirectly for administration.

In both cases Sida has, in practice, had a flexible attitude towards funding of recurrent costs. If Sida would have insisted on strict enforcement of the principle of not funding recurrent costs it is likely that the development of NCSO had been delayed. The question now is whether the reassessment of the statistical programme ends in a solution which safeguards the achievements made and includes priorities which are financially viable in the long term. This would enable Sida to phase out the support over a number of years with a viable institution as a result. In the case of TFNC an immediate enforcement of the principle would probably lead to a collapse of the organisation. The support will end in 1999 and the question is whether TFNC will be able to adjust to this new situation. The period covered by the case study does not show signs of any major measures to prepare for the new situation.

The two cases show that the general financial situation of the Government has a decisive importance for how the issue of recurrent costs should be handled. For the poorest Swedish programme countries the absorption capacity for development activities is limited in the short term and aid would have to be drastically cut if the principle of not funding recurrent costs should be strictly applied. Recurrent costs, both administrative overheads and operational costs, are as necessary for development as capital costs. The general principle of not funding recurrent costs therefore has to be applied flexibly.

The basic question that has to be answered positively, when capacity building assistance is considered, is how important, from an economic and welfare point of view, the service is that is supposed to be produced. If the result of such an assessment is that the service in the long run is vital, but can not be funded because of the financial position of the government, then the service may be a good candidate for recurrent cost financing.

In the poorest countries it may be inefficient and even destructive to stick to the principle of not funding recurrent costs. It may be inefficient because it may create imbalances in timing and mix of resource inputs. It may be destructive because it may lead to deterioration of capacity when assistance is terminated for some reason. Instead there is a need to apply a total perspective of funding capacity building. A total perspective would include an assessment of investments, cost of running services and administrative overhead costs, including salaries. Only then is it possible to design the appropriate mix of inputs at the start of a build up process and to monitor the efficiency of the inputs during the process and the relevance and cost effectiveness of the services produced. The approach implies that the parties, donor(s) and recipient, agree on and monitor the total package but not necessarily that the financial inputs are completely pooled.

Even when the first basic question of relevance and importance has been answered positively there are a number of problems that have to be addressed when applying this approach.

First, at an early stage of build-up of an organisation it is difficult to assess the future "optimal" level of services to be produced. The needs are big and the pressure to do as much as possible is difficult to resist.

Second, the approach makes the donors jointly responsible with the recipient for the capacity that is built. Joint responsibility is not necessarily compatible with the principle of recipient responsibility and ownership.

Third, the approach requires an analysis of the different types of costs of developing and running the institution. Undeveloped and inefficient budgeting and accounting systems and procedures may constitute substantial obstacles to this kind of analysis. In addition, the tradition to disclose and openly discuss recurrent budgets, especially administrative budgets, is not well developed.

Fourth, a key problem is how the recipient and the donor should divide the responsibility for the financing of the total effort. If a total package is agreed upon it should be a practical matter who pays what. The question is what should happen if the agreement is not followed. The partnership which this approach represents would probably not survive indulgence with inability of honouring an agreement.

Fifth, a total financial package must include incentives to rationalise and raise productivity and it must not cause negative effects on costs of other government organisations. The latter of these two requirements may be difficult to satisfy at an organisational level as regards, in particular, salaries and other conditions of service which for large groups of civil servants normally are determined at sector or national level. For these groups, financing of administrative costs will probably have to be taken care of by budget support or sector programme support.

Although the difficulties in applying a total perspective are many, the alternatives of either strictly enforcing the principle of not funding recurrent costs or continuing with the current practices are probably less efficient in promoting sustainable development.

1. Introduction

1.1 The nature of the problem

Development aid contributes to capacity building through investments in physical assets like buildings and equipment, in systems and procedures and in human resources through education and training. The recipients of these investments are typically government organisations which are supposed to produce the services for which the capacities are built. After the build up period, full responsibility for the organisation is supposed to be taken by the government. The capacity created through the investments naturally requires money for running, maintenance and renewal.

A principle in development aid has been that recurrent expenditure should be borne by the recipient in order not to jeopardise the sustainability of the capacity created. However, experience over the last 15 years of the development in Africa shows that most low income African countries have lacked the financial strength to provide the required recurrent funding. This has been amply manifested. At service level the consequence has been deteriorating quantity and quality of delivery. At organisational level the consequences have appeared as deteriorating real salaries, lack of maintenance and renewal of physical assets, inability to pay for necessary goods and services and thus much reduced utilisation and erosion or destruction of installed capacity. The poor service delivery has in many cases been exacerbated by ineffective resource allocation and weak management.

In the wake of the African crises donors have increasingly accepted to assist in running and maintaining services through budget support at government level as a means to assist in overcoming the crises. At organisational and project level the principle of government responsibility for recurrent expenditure seems mostly to have been adhered to by donors in theory. In practice, it is questionable whether the principle has ever been strictly applied. When applied, it has often been in an ad hoc manner.

Development aid to governments has in principle been based on the assumption that economic growth will take care of growing recurrent costs through increased government revenue. The principle of government responsibility for recurrent cost financing is supposed to be a safeguard not to allow development aid result in unsustainable requirements for recurrent cost financing. Obviously the principle did not work in practice when economic growth stalled. Instead, many countries have fallen deeper into financial dependence and the issue of sustainability has become increasingly urgent to address. The structural adjustment programmes and civil service reforms have not yet delivered the economic growth hoped for.

1.2 Purpose of the study

The purpose of this paper is to provide empirical evidence on the issue of capacity building and recurrent cost by presenting two case studies of Swedish support to organisations in two countries. The cases will be used for a discussion of a set of future oriented issues put forward in the terms of reference for the study:

- (i) What would happen to sustainability concerns if donors continued to regard current cost financing as the responsibility of the recipient country and insist on strict enforcement of counterpart obligation ?
- (ii) What would such a policy require in terms of changes in national development policies and priorities, in order not to jeopardise sustainable capacity building?
- (iii) What would happen to sustainability concerns if donor policies allowed the financing of the recurrent costs of institutions?
- (iv) Would such a policy require any changes in national priorities and policies ?
- (v) What would be the impact of the two scenarios on the aid relationship between donor and recipient government ?

1.3 Approach and delimitation

The terms of reference include both a macro economic perspective and a case study perspective on the issue of recurrent costs. This study focuses on the latter perspective. The selection of cases were made on the following criteria.

According to the ToR two cases should be studied from two different countries, namely Tanzania and Namibia, representing different history, development experience and prospects. In selecting institutions the following criteria were used:

- (i) The institution should be grant financed through the government budget. These are the type of institutions that are likely to suffer most from the problem of recurrent cost financing.
- (ii) The institution should be easy to delimit so that data collection is facilitated and causal relationships are easier to establish.
- (iii) The institution should be executive i.e. produce services for ultimate clients. This excludes policy units of central ministries. The assumption is that the latter type of institutions suffer from recurrent funding problems more because of lack of political appreciation in a narrow sense than genuine difficulties to find the money required.

On the basis of these criteria the Tanzania Food and Nutrition Centre and the Namibia Central Statistical Office were selected.

The study has been carried out as a desk study and been based on material available at Sida and Statistics Sweden. A few interviews have been made with Sida staff and staff of Statistics Sweden. I would especially like to thank Gunilla Essner and Christina Etzell, Sida and Lars Lundgren , Statistics Sweden for their help.

1.4 Structure of the paper

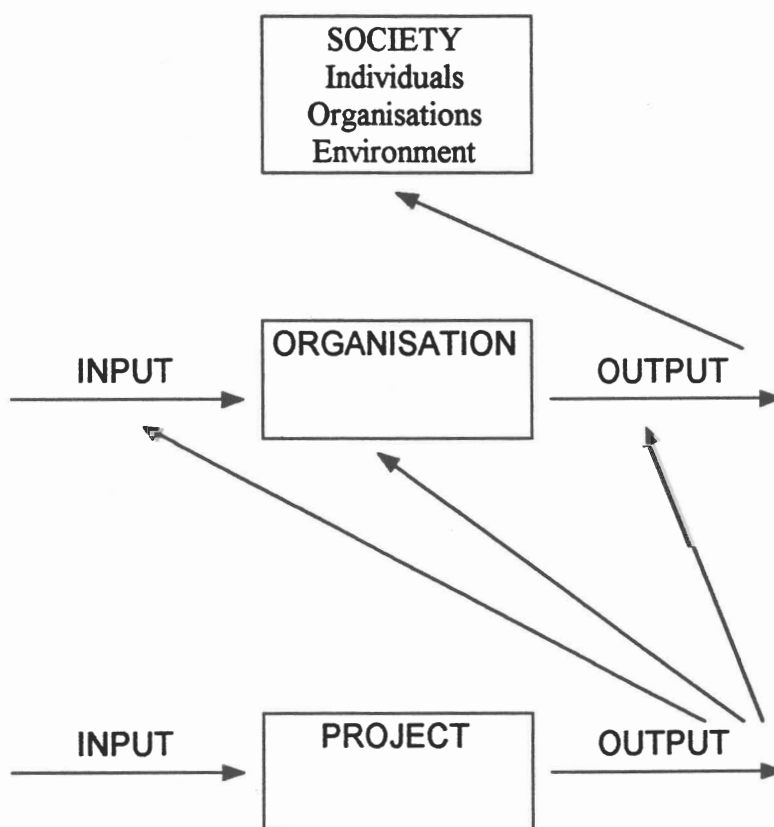
In the next section some theoretical elements of relevance for the problem of capacity building and recurrent costs are discussed. The purpose is to provide the frame of reference that has guided the case studies and that underlies the discussion of the policy issues in the final section. The case studies are presented in section 3 and 4 followed by the final section dealing with the future oriented questions.

2. Capacity building - elements of a theoretical framework

2.1 Development cooperation and capacity building

The concepts of institution, institutional development, organisational development and capacity building have been discussed at length in the literature¹. There is no need to discuss these concepts here but it is necessary to define how they are used in this study. In discussing recurrent cost problems at a practical level a cost centre has to be identified. A cost centre is an organisational entity in the form of a ministry, a department, a division or an agency. Assistance is normally channelled to an organisation which is accountable for its use. In practice assistance to capacity building and institution building in most cases has an organisation as its target. Only by making an organisation efficient and only through organisations can institutions, in the form of formal and informal behavioural norms, be developed and maintained. In practical situations an actor oriented perspective has to be adopted. Capacity building and organisational development are therefore used synonymously.

Assistance to capacity building may target different aspects of an organisation and it may emphasise the development objectives differently. The figure below can be used to illustrate some of the complexities involved in assistance to capacity building.



¹ See e.g L. Wohlgemuth, J. Carlsson ed. : *Förvaltning, Ledarskap, Institutionsutveckling - på Afrikas villkor*. Nordiska Afrikainstitutet, 1996. The book contains, apart from essays on different relevant subjects, references to a large part of the contemporary literature.

The figure illustrates the relationship between the three levels that are dealt with in organisational development or capacity building assistance. The project level is normally the level where the activities are determined by the parties of the co-operation. The outputs of the project impact on the organisation through e.g. trained staff, new administrative systems, new production methods and/or new types of services and thereby affect the capacity of the organisation. The organisational level is where the services are produced. The services justify the existence of the organisation. This is the level where recurrent costs are incurred and for which the organisation needs a budget. The outputs or services produced by the organisation are used at the societal level or impact on that level. The targets for impact are individuals, organisations or the physical environment. The kind of impact that is desired determines the type, the volume and quality of services to be produced.

A decision to support an organisation by a donor implies that the donor support the mission of the organisation i.e. the impact that the organisation is supposed to bring about or in other words, the needs the organisation is supposed to satisfy.

Depending on the circumstances in a specific case, development assistance to capacity building may range from a specific aspect e.g. training of a certain type of professional staff to a "total" intervention encompassing staff development, development of types of services/outputs, production methods and administrative and management systems and procedures. A project may include investments in equipment and buildings as well as provision of technical assistance to advice on the development process and train the staff of the recipient organisation. Rarely assistance is given to fill posts in the line organisation in order to directly secure delivery of services. This production oriented strategy of assistance, common in the early days of development co-operation, lost credibility during the 1970ies as a strategy prolonging the undesired external dependence.

2.2 Capacity and recurrent costs

It follows from the discussion above that the concept of capacity building, as used in this paper, is synonymous to creation of production capacity. Production capacity in budget financed organisations is complicated to determine. Theoretically, capacity can be defined by the volume of output of a given set of services an organisation is capable of producing with available physical, financial and personnel resources. But, most public services can be produced at different levels of quality and productivity. By raising productivity increased volume can be achieved for the same input of resources and by raising quality the impact of the services are likely to improve.

In practice the production capacity of a budget financed organisation is determined by political decisions on its mission and mandate, often laid down in a separate act, its organisational structure and approved establishment and its budget. For an organisation in a build up phase it is typical and understandable that there is a mismatch between the scope of work described in its mission and its ability to perform. Actual staff strength both in terms of quantity and quality is normally far below the approved establishment and the budget allocated is adjusted to the actual staff complement. The typical situation for an organisation in a build up phase is then that at every point its budget constraint limits its possibilities to expand to the production capacity determined by the mission and its approved establishment. Foreign aid to develop the organisation is used to train new staff, to develop systems, buy equipment etc.. These investments will gradually require additional recurrent funds.

What has happened in many African countries is that the recurrent budget allocation has not kept pace with the expansion of the organisation. Political decisions to reduce scope of work or the establishment in order to minimise the growing underfunding have seldom been taken. In mature organisation, i.e. organisations that have reached their approved size, the budget allocation has gradually been eroded in real terms leaving the organisation with an increasing mismatch between its installed capacity and its financial means to fully use it.

It should be noted that the distinction between recurrent expenditure and capital expenditure i.e. investment in durable assets may be simple to draw. Development expenditure is a concept which is wider than capital expenditure and includes recurrent expenditure. The type of recurrent expenditure that often is included in development expenditure is directly used to finance operations i.e. the regular tasks of an organisation. Administrative overheads, salaries and basic administrative costs, are typically not included in development expenditure.

2.3 Sustainability

A sustainable organisation is an organisation that is capable of producing utility continuously for its clients or customers and its stakeholders at a cost that motivates them to supply the resources required to keep the production going. This implies that the organisation must be able to produce services that meet the demand in terms of quantity and quality and at a cost that is accepted. It also implies that the organisation is capable of changing its services and improve its efficiency to adapt to changing demands². These are the basic criteria for sustainability. In development co-operation other criteria have to be added.

Public, budget financed, organisations are highly dependent on policies and priorities of the Government. A high performing government organisation may not survive because of changing political priorities at the same time as low performing organisations continue to exist. Being politically relevant is a necessary condition for a public organisation to be sustainable. It is, however, a known phenomenon that government organisations that have been built up with donor support and where donors are present have better chances to operate at a reasonable level and survive than non - supported organisations. This leads to the issue of self reliance as a criterion for sustainability. This criterion has two aspects, financial self reliance and self reliance in terms of competence. The opposite of self reliance is dependence. An analysis of dependence can be made by answering the questions in the matrix below³.

² G. Andersson & P. Winai: *Diagnosis of Organisations. Guidelines for the application of the staircase model.* Mimeo, Second draft October 1996.

³ Ibid.

	Financial	Competence
<i>Current Operations</i>	A To what extent is the organisation dependent on external financial support to sustain operations?	C To what extent is the organisation dependent on external technical assistance to carry out operations?
<i>Development Activities</i>	B To what extent is the organisation dependent on external financial support for development and change?	D To what extent is the organisation dependent on external technical assistance for development and change?

The ultimate objective of support to organisational development is to reach a situation where every question get the answer that no critical dependence on external aid exist. An organisation which is critically dependent on external financial support to sustain its operations is in a long term perspective better off, provided Government or other funds can be mobilised, than an organisation that is critically dependent on both external financial and technical support for its development.

3. The case of Tanzania Food and Nutrition Centre

3.1 Introduction

The Tanzania Food and Nutrition Centre, TFNC, was created through an act of Parliament in late 1973 and was actually established in 1974. A SIDA mission carried out in the beginning of the 1970ies proposed the establishment of a national nutrition centre. As most government organisations, TFNC was, however, not created out of nothing. It had its forerunners in the government administration already during the colonial time. Nutritional problems were also observed in the second five year plan in the end of 1960ies when a National Nutrition Committee was set up as well as a Nutrition School in the Ministry of Health.⁴

The first actions of the TFNC concentrated on staff recruitment and training of new staff. A good number of staff were sent to Holland for training. During the first five years over 50 staff were recruited and trained. SIDA became a major supporter from the start. The support was both financial and technical.⁵

3.2 Mission and mandate

The TFNC was established as a non-commercial parastatal under the Ministry of Health. It is lead by a Managing Director reporting to a Board of Directors. The parastatal status has implied a certain degree of autonomy in operational matters. Financially, the institute has been, in principle, fully dependent on Government subvention to cover recurrent and development expenditure. Until the abolition of SCOPO, the Standing Committee on Parastatal Organisations, a few years ago, its organisational structure, salary scales and conditions of employment also had to be approved by the Committee. As a result of the last years reforms of the public service the Centre is allowed to retain revenues it may earn. It has also been allowed to operate an account in a Swedish bank.

The functions of the TFNC are stipulated in the establishing act as:

- "To plan and initiate food and nutrition programmes for the benefit of the people of the United Republic;
- To undertake reviews and revisions of food and nutrition programmes;
- To provide facilities for training in subjects relating to food and nutrition and prescribe conditions which must be satisfied before any diploma, certificate or other award which may be granted in any such subject upon completion of any such training undertaken by the Centre or other education institution in the United Republic;
- To carry out research in matters relating to food and nutrition;
- To advise the Government, the schools and other public organisations on matters relating to food and nutrition;
- To stimulate and promote amongst the people of the United Republic, awareness of the importance of balanced diets and of the dangers of malnutrition;
- To gain public confidence in the methods suggested by the Centre for the correction or avoidance of malnutrition.

⁴ Proceedings of the 2nd National Conference on Nutrition, Dar es Salaam, Tanzania. TFNC 1993.

⁵ Ibid.

- In collaboration with the Ministry responsible for Development Planning to formulate, for incorporation in the national development plans, plans related to food and nutrition for the benefit of the people of the United Republic;
- In collaboration with the producers, manufacturers and distributors of articles of food, to ensure proper nutritional value of the food marketed in the United Republic or exported to foreign countries;
- To make available to the Government and people of the United Republic its findings on any research carried out by it on matters affecting nutrition;
- To participate in international conferences, seminars and discussions relating to food or nutrition;
- To do all such acts and things, and enter into all such contracts and transactions, as are, in the opinion of the Governing Board, expedient or necessary for the discharge of functions of the Centre.⁶

The functions, as laid down in the Act, give the Centre an advocacy role. It does not have any regulatory powers except for the power to prescribe conditions for issuing of educational awards. To be effective, i.e. to influence positively the nutrition status of the people, the Centre has to use information and communication as its main means and the primary target group of its activities are public bodies directly servicing the people. The basis upon which the advocacy role is to be performed is research.

3.3 Organisation and staffing

The Centre is organised in 5 departments: Planning, Nutrition Education and Training, Community Health and Nutrition, Food Science and Nutrition and Finance and Administration. The Centre is headed by a Managing Director reporting to the Board. The Board has twelve members and has formed an executive group which follows the work more closely than the full Board. A reorganisation has been carried out during 1994/95 whereby the previous Laboratory department was merged with the Food Science department.

TFNC has grown continuously in terms of staff since its establishment. The development is shown in the table below distinguishing between staff in the operational or programme departments and the Finance and Administration department.

Table 1. TFNC staff numbers⁷

	1980	1987	1991	1995	% increase 1980 - 1995
Programme departments	54	68	76	75	49
Finance and Admin. dep.	4	11	66	92	2300
Total	58	79	142	167	288

The table indicates a modest growth of staff in the programme departments over the last ten years. During the 1990ies the expansion seems to have come to a halt. The expansion of the

⁶ Thoughts for Food. SIDA Evaluation Report 1992/2.

⁷ Ibid. for 1980 - 1991; Annual report 1994/95 for 1995

Finance and Administration department has, however, been dramatic and has continued during the 1990ies. The development can partly be explained by the fact that administrative staff have organisationally been moved from the programme departments to the Finance and Administrative department, which implies that both professional and administrative staff have increased. It is, however, beyond doubt that there has been a substantial relative increase of administrative staff.

TFNC has had a rather modest staff turn over. Over the ten year period 1983 to 1993 an average of 7 staff members left annually and average of 16 were recruited.⁸ The figures do not disclose the extent to which professional staff have left.

During its whole existence training of professional staff has been accorded high priority. From the start until 1993, TFNC has financed training for 4 staff members at PhD level, for 29 staff at MSc/MA level and for 4 staff at BSc/BA level. Some 40 staff have also participated in training at diploma and certificate level.⁹ According to the SIDA Evaluation report 1992/2, TFNC had 40 professional staff in 1991 at BSc/BA level and above distributed as shown in table 2.

Table 2. Key staff qualifications

	1991
PhD/MD	4
MSc/MBA/MA	24
BSc/BA	12
Total	40

3.4 Mode of operation and work programme

The work of the Centre is organised as programmes/projects which are run by the respective departments and in which staff from another department may participate. According to the Budget and Plan of Operations for 1995/96, the projects are divided into the categories shown in table 3.

⁸ Proceedings of the 2nd National Conference on Nutrition, Dar es Salaam 1993

⁹ Ibid.

Table 3. Number of projects run by TFNC

	<u>Number budgeted for</u>	<u>Number funded from other projects</u>	<u>Number being negotiated</u>
1. Finance and admin	2		
2. Nutrition policy and planning	5	1	
3. Community health and nutrition	7	1	
4. Nutrition education and training	5	1	
5. Food science and nutrition	4	1	2
6. International co-operation	4		
Total number	27	4	2

Of the total number of 29 directly funded projects, SIDA funds were budgeted for 19. Other donors were contributing funds to 7 projects and 2 were being negotiated. The Government contributed to 1 project (rehabilitation and construction of offices).

The content of the above projects varies widely. Two main groups can be identified. The first group contains projects which only indirectly supports the core activities. These projects are found in 1 and 6 in the above table and concern human resource development, office buildings, co-operation with ICH and other international co-operation, international procurement and the joint follow up of SIDA/ TFNC co-operation. The second group contains projects carrying out the core functions of the Centre. The main projects during 1995/96 were:

Nutrition Policy and Planning

Nutrition policy and planning. The project aims at creating awareness amongst decision makers at all levels on the need to incorporate nutritional considerations in their development plans. SIDA is the sole funder.

Nutrition Information System. The project aims at providing information on the nutritional situation and related variables in order to facilitate planning and decisions making. UNICEF is the sole funder.

Community Health and Nutrition

Vitamin A Deficiency. The aim is to reduce the prevalence of Vitamin A deficiency through distribution of Vitamin A capsules, pilot study on horticulture and red palm oil, information to health extension workers, laboratory development and research. World Bank through IDA is the main funder.

Iodine Deficiency Disorders. The aim is to eliminate IDD by the year 2000 through distribution of iodised capsules, iodization at salt production level information and social mobilisation. SIDA is the sole funder.

Nutritional Anaemia. The aim is to reduce the problem of anaemia in women of child bearing age through information, training, follow up at district level. The project is fully funded by World Bank through IDA.

Breastfeeding, infant and young child nutrition. The aim is to improve child nutrition especially breastfeeding and weaning through information and training of health care personnel, development of information material and monitoring of national legislation on marketing of breastmilk substitutes. SIDA is the sole funder.

Nutrition education and training.

In-service nutrition training. The aim is to improve capacity at district level to manage food and nutrition programmes through training. SIDA is the sole funder.

Food and nutrition library. The aim is to strengthen research and library services through i.a. acquisition of relevant books, journals etc. SIDA is the sole funder.

Food science and nutrition

Germination and fermentation. The aim is to improve nutritional quality and safety of weaning foods through the use of germination and fermentation technologies. The project is supported by SIDA and Sarec.

The project stock in 1995/96 is to a considerable extent similar to the projects carried out and reported in the evaluation carried out in 1991 in terms of problem areas addressed implying a rather stable assessment of the nutrition problems. The brief account of the main projects also indicates the catalytic role of the Centre. Only in the IDD field it seems as if the Centre plays an direct implementing role towards the ultimate targets groups. The advocacy role is carried out through measures to change attitudes and to enhance knowledge of policy and decision makers in related fields and health and extension staff directly working with the ultimate beneficiaries.

3.5 Income and expenditure patterns

Being a national institution (non-commercial parastatal in the old terminology) TFNC has to keep separate accounts that are audited annually. It is also obliged to submit an annual report to the parent ministry. It may be noted that TFNC for many years has obtained clean audit reports which renders it a rather unique position in the parastatal system. The information presented on income and expenditure is obtained from audits reports for 1992/93 and 1993/94, annual report for 1994/95 and the 4th quarterly report for 1995/96. This means that the figures for 1994/95 and 1995/96 are preliminary actuals.

TFNC income

TFNC has three main sources of income. The basic financing is provided by the Government as a subvention recorded in the recurrent budget under the Ministry of Health. The development budget may also include funds for TFNC under the same Ministry. The figures in the Government budget are global. They appear in the same form in the TFNC accounts but no distinction is made between development and recurrent income. The second major source is

income accruing from donors and the third source is own generated income and income on financial transactions. Table 4 shows the distribution of income from those sources over the last five years.

Table 4. TFNC Income 1991/92 - 1995/96 according to source. Million Tshs

Source	1991/92	%	1992/93	%	1993/94	%	1994/95	%	1995/96
Govt. subv.	96	21	139	21	134	23	210	23	147
Donors	347	75	499	75	378	63	603	67	596
Other	17	4	26	4	86	14	85	10	44
Total	460	100	664	100	598	100	898	100	787

The table shows that the government share of total financing has been rather stable over the five year period. It should be observed that the government figure may include funds from the development budget, but this is unlikely. For example in 1995/96 some 60 million Tshs were budgeted but nothing was released. The subvention could therefore be regarded as the government contribution to recurrent cost financing. The rather substantial increase in other income during 1993/94 and 1994/95 can partly be explained by substantial gains from foreign exchange transactions which were made possible through an account in a Swedish bank that TFNC operates and the devaluation of the shilling in relation to Swedish kronor. Income from interest on bank deposits, also made possible through advance disbursement of donor funds, is another main explanatory factor. The reduction of the share of donor funds which appears in 1993/94 and 1994/95 does therefore not reflect a lessening in dependence of donor financing.

The Swedish contribution to TFNC consists of funds channelled directly from SIDA, funds from SIDA to finance co-operation between IFC and TFNC, funds provided through SAREC and through Swedish University of Agriculture. Funds from SIDA constitute a major share of the total. In table 5 the Swedish contribution in relation to total income and to total donor contributions are shown.

Table 5. The Swedish contribution to TFNC income

Year	Share of donor funds %	Share of total income %
1991/92	53	40
1992/93	58	44
1993/94	74	47
1994/95	68	46
1995/96 *	73	55

* The Swedish contribution has been calculated on the basis of the figure obtained from Sida on disbursed Swedish kronor. The exchange rate used has been 1 SEK = 75 Tshs

The table shows that the Swedish contribution is very significant and seem to have become even more significant both in relation to donor funding and to the total income of the TFNC.

Tanzania has experienced rather high inflation rates during the whole period. If 1991/92 is taken as the base year the Consumer Price Index calculated by the Tanzanian authorities has developed as follows: 1992/93 = 124; 1993/94=161; 1994/95 = 216; 1995/96 = 272.¹⁰

¹⁰ Tanzania: Policy Framework Paper 1996/97 - 1998/99

Using the CPI as a deflator, the income in real terms has developed as shown in table 6.

Table 6. Development of TFNC income in real terms and according to source 1991/92 - 1995/96. 1991/92 = 100

	1991/92	1992/93	1993/94	1994/95	1995/96
Govt. subv	100	117	86	101	56
Donor funds	100	116	68	80	63
Other	100	124	312	229	94
Total	100	116	81	88	63

TFNC has not been able to retain its income in real terms. The great fluctuation in the government subvention is symptomatic of the budgetary situation in Tanzania. The sharp drop during the last year may be explained partly by the introduction of the cash budget implying that disbursements from the Treasury are done only when cash is available.

The development of the Swedish contribution to the TFNC income is shown in table 7.

Table 7. The development of the Swedish contribution to TFNC income in real terms 1991/92 - 1995/96. 1991/92 = 100.

1991/92	1992/93	1993/94	1994/95	1995/96
100	126	95	103	86

The table shows that the Swedish contribution has followed the general pattern but has been subject to less fluctuation than other sources of income.

TFNC expenditure

TFNC expenditure can be divided into three main categories, administrative expenditure, project expenditure and other expenditure. The development of expenditure is shown in table 8.

Table 8. TFNC expenditure 1991/92 - 1995/96. Million Tshs

Exp. category	1991/92	1992/93	1993/94	1994/95	1995/96
Administratio n	63	108	166	255	303
Projects	291	325	436	485	642
Other	50	54	65	N.A.	8
Total	404	487	667	740	953

Administrative expenditure consist of two main categories, personnel emoluments and operations and maintenance costs. The latter include a number of expenditure items. In the Tanzanian budget system these costs are normally referred to as recurrent costs. Project expenditure relate to the specific costs accrued by the programmes/projects but include the same type of cost items as administrative costs except for direct salaries. Project expenditure also include specific items related to a particular project e.g. costs for procurement of iodised capsules and investments in training of staff or long lasting items for which depreciation is

made. Project expenditure may thus include both recurrent and capital expenditure. In the Tanzanian system the project expenditure is called development expenditure and recorded in the development budget. Donor funds are budgeted for in the development budget regardless of the nature of expenditure that are met by donor funds. Expenditure category "Other" mainly consists of depreciation. The figure for 1994/95 has not been available and the 1995/96 figure in table 8 does not include depreciation costs.

The development of expenditure in real terms is shown in table 9.

Table 9. Development of TFNC expenditure in real terms and according to expenditure categories 1991/92 - 1995/96. 1991/92 = 100.

Exp. category	1991/92	1992/93	1993/94	1994/95	1995/96
Admin. exp	100	138	163	187	176
Project exp.	100	90	93	77	81
Other	100	88	80	NA	6
Total	100	97	102	85	87

The striking information revealed by table 9 is that administrative expenditure has grown considerably in real terms during the period whereas the project expenditure has decreased.

As mentioned above the administrative expenditure consists of personnel emolument and expenditure for operations and maintenance so called other charges. In table 10 the administrative expenditure are broken down into those main categories.

Table 10. Development of administrative expenditure 1991/92 - 1995/96. Million Tshs

Exp. category	1991/92	1992/93	1993/94	1994/95	1995/96
Personnel	29	47	92	139	182
Other charges	34	61	74	115	121
Total	63	108	166	255	303

The table shows that there has been a drastic change in the composition of administrative expenditure. The personnel costs have risen 6 times whereas the other charges have risen 3 times. The structure of costs has thus become healthier. In real terms the development is shown in table 11.

Table 11. Development of administrative expenditure in real terms 1991/92 - 1995/96. 1991/92 = 100.

Exp. category	1991/92	1992/93	1993/94	1994/95	1995/96
Personnel	100	131	197	221	231
Other charges	100	144	135	156	129
Total	100	138	163	187	176

The substantial increase in real terms of personnel expenditure also represents a substantial increase for individuals. The development represents a break with the trend of decreasing real salaries experienced since the 1970ies. The increase for other charges also represents a break with the previous trend. To what extent these increases have restored reasonable salaries is not possible to say with available information. The likely answer is, however, that salaries are

still much lower than in the mid 1970ies. But, the salaries alone do not reflect the actual pay employees receive. Allowances of different type come on top, including allowances paid from project funds.

Relation between income and expenditure

Both income and expenditure have fluctuated over the period resulting in surpluses as well as deficits. Table 12 shows the relation between income and expenditure.

Table 12. Development of total income and expenditure. Million Tshs

	1991/92	1992/93	1993/94	1994/95	1995/96
Tot. income	460	664	599	898	787
Tot. exp.	404	487	667	741	953
+ / -	56	176	-68	157	-166

The accumulated surplus over the five years is 155 million Tshs which shows that TFNC has had a very favourable financial position in the Tanzanian context. The surplus has accrued from the donor funds. Table 13 compares donor funds and project expenditure.

Table 13. Relation between income from donors and project expenditure. Million Tshs

	1991/92	1992/93	1993/94	1994/95	1995/96
Donor funds	347	499	378	603	596
Project exp.	291	325	436	485	642
+ / -	56	174	- 58	117	-46

Over the period the accumulated surplus amounts to 243 million Tshs compared to the accumulated overall surplus of 155 million Tshs. This means that the donor funds are used to offset deficits accruing from excessive administrative and other expenditures. A substantial deficit is recorded for 1995/96. Surpluses and deficits are accounted for in an Accumulated Fund. The development during the last year implies that this fund for the first time has had to be used to cover the shortfall in "own revenue".

3.6 Concluding observations and comments

(i) Sida has supported TFNC since it was established 23 years ago. According to the current agreement the support will terminate in 1999 through a gradual phasing out process. The decision to phase out the support was made in 1993/94 as one of the measures to concentrate the Swedish support to fewer sectors. The health sector was chosen as it was a small sector in the Swedish aid and other donors were well established and dominating¹¹. The decision was thus not based on an assessment of TFNC as such. (A similar decision to withdraw from the health sector had been taken already in 1983/84 but where TFNC was excluded. The main reasons were that TFNC had been supported by Sweden since the start, the support was considered successful, not only Sida was involved but also SAREC and TFNC had a strong Swedish constituency¹².)

¹¹ Bo Vestman, Sida. Head of DCO at the time of the decision.

¹² Gun Britt Andersson. Head of DCO at the time of the decision.

(ii) In the case of TFNC the regular operations are carried out in the mode of programmes and the cost of running the programmes would, if the distinction between capital and recurrent expenditure was applied, be classified as recurrent costs. The programmes have all been developed with financial and also technical assistance. It would therefore have been possible, at least in theory, to determine when a programme is ready to move from a development phase to a phase of implementation of recurring activities. In practice it may be difficult to draw that line as continuous development is part and parcel of the whole mode of operation. One could also question whether the distinction between investments/ development expenditure and recurrent expenditure is a relevant distinction to make in institutional development assistance. From a societal perspective the TFNC recurrent activities are developmental in nature. The TFNC activities aim at reducing malnutrition and improving health status of people and thereby improve the human capital.

(iii) From a sustainability point of view TFNC will have to compensate for the gradually reduced level of Sida funding if it is to keep its operations at the same level. If the support is classified as development or recurrent is irrelevant in this context.

(iv) TFNC's dependence on donor support, in particular from Sida, has been high since it was established. During the last two years i.e. during the first years of the phasing out period, the relative dependence on Sida has increased. In three years time TFNC will have to make up for almost 50 % of its total income to sustain the current activities at present level. The alternatives available for TFNC seems to be:

- increased Government subvention
- increased financial support from other donors
- saving through improved productivity
- increased earnings from sold services or
- a combination of these alternatives.

To the extent TFNC is unable to compensate for the Sida funds it will have to restructure and reduce its capacity to a level matching the financial constraint.

(v) How can the deep financial dependence be explained ? A few hypotheses may be suggested:

- Sida has placed high priority on the problems TFNC was set to address. In relation to this overall goal the question of long term financial sustainability may have been seen as a secondary problem - a problem for which the Government should have the main responsibility.
- From the point of view of capacity building, the support has been successful in the Tanzanian context. The Sida evaluation in 1991 concluded that TFNC was the most advanced institution of its kind in Africa and had gained international recognition. Until the beginning of the 1990ies TFNC had grown continuously and its professional competence was steadily improving. Very little technical assistance has been provided since then. As long as the pressure to prioritise the assistance to Tanzania was weak, the reason to cut down assistance to one of the best functioning institutions was similarly weak, especially as the aim of TFNC was to improve conditions for the disadvantaged.

- During the 1990ies, when reforms of the civil service was put on the agenda as a result of the deepening financial crises of the state, the Government became less credible as a funder if the aim was to safeguard what had been built up with Swedish support.
- The problem of sustainability became evident in the situation where Sida itself had to cut and the health sector support was selected. The long phasing out period indicates the awareness of the problem and must be seen as a generous measure by Sida to give TFNC a real chance to adjust to new conditions. The question is whether TFNC will be capable to utilise this opportunity.

4. The case of Central Statistical Office, Namibia.

4.1 Introduction

At the time of independence in 1990, Namibia had no central statistical office. A small unit existed with about six employees responsible for data collection. Processing, analysis and publishing of statistics concerning Namibia was made in Pretoria. The National Planning Commission, NPC, was according to the constitution entrusted with the responsibility for national statistics. Early after independence the NPC agreed with the UNDP to employ an expert to analyse the needs within the field of statistics including the organisation of the national statistical function. Discussions with SIDA on future Swedish support were also initiated already during the first year.

High priority was accorded demographic statistics at this time and UNFPA with financial support from FINNIDA assisted in planning a population census to be conducted in 1991. The rush in which the population census was to be conducted refrained SIDA from supporting the activity. Instead the discussions with Sida focused on the long term development of statistical capacity. The Namibian side also held discussions with the British ODA on long term capacity building. On the basis of these initial discussions a joint programme planning mission between the NPC, SIDA and ODA was set up. The mission resulted in a proposal in June 1991 for co-operation between the NCSO, Statistics Sweden, the Zimbabwe Central Statistics Office and the ODA during a first phase of three years¹³.

The discussions between Sida and NPC continued on the basis of the proposal and a first agreement on a 1,5 year programme of support was concluded by Namibia and Sweden in the spring of 1992. A contract was also concluded with Statistics Sweden on implementation of the project. The joint mission report was given the status of project document¹⁴.

4.2 The situation at the start

The description that follows in this section is based on the joint mission report and Sida's Insatspromemoria.

The legal framework

At the time of the joint mission in June 1991, the NCSO had just been established as a division within the NPC and the UNDP expert had been appointed the first Chief of the NCSO. The operations were initially to concentrate on the population census, national accounts, compilation of existing administrative statistics and price statistics. For the long term development of the central statistical function a five year statistical programme was to be prepared.

The legal basis for the central statistical services remained the same as before independence. The joint mission report emphasised the need to prepare a new Statistics Act for Namibia to

¹³ Lundgren L., Church J., Jambwa M.: Cooperation between Namibia Central Statistical Office (NCSO), Statistics Sweden/Sida, Zimbabwe Central Statistical Office(ZCSO) and UK ODA 1991/92 - 1993/94. June 1991.

¹⁴ Sida: Insatspromemoria 1992-03-25.

ensure the right of the NCSO to collect data from respondents as well as public access to statistical information. The need to prepare a new legal framework had also been identified by the UNDP expert and it seemed as if the donors and NPC were in agreement on the urgent need to prepare a new Statistical Act.

The NCSO had thus no clear mission and mandate at the time of its establishment as regarded its function as a central statistical authority. Administratively the NCSO had the same status as other divisions of the NPC implying e.g. very little autonomy in personnel and financial management.

Organisation and staffing

The approved organisation consisted of two main units, one for demographic and social statistics and one for economic statistics. At the start the NCSO got an establishment consisting of a chief, a deputy chief, nine statisticians, a controller and nine clerks. Altogether 21 posts were approved by the Public Service Commission. However, only one professional national statistician was employed at that time. The main reason being the short supply of qualified nationals. Naturally it was realised that the building up of the NCSO capacity would take considerable time. The approved organisation and establishment was seen as a first step. In the long term it was envisaged that the organisation would need about 26 professional staff and about 100 non-professionals.

The project document outlined the growth rate in terms of staff. Over a three year period about half of the required number of professionals should have been recruited and almost all non-professionals. The design of the assistance was based on the assumption that the pace of recruitment would be kept.

Given the staffing situation the need for gap filling was acknowledged by the donors.

Work programme of the NCSO

The fact that only one national statistician was employed in June 1991 and that the organisation just recently had been established implied that no regular work programme had been developed. Statistics of different kinds were, however, produced but mainly by sector ministries and the Ministry of Finance. No real overview existed. The initial priorities were to take the population census, process and disseminate demographic information, to compile a statistical abstract from existing statistics, to improve the price statistics and the national accounts.

The joint mission report made a review of the situation in all areas of statistics as a basis for the formulation of the support programme and concluded that the need to build up basic infrastructure for statistical work - survey and computing capacity - was a prerequisite for long term capacity to produce statistics.

Objectives and content of the support

The main objective of the co-operation is, according to the joint mission report, to "support Namibia in developing an efficient system for the production of current statistical information required by policy-makers and planners". In its assessment of the co-operation programme Sida states that it is likely that a build up period of at least five years is required before the overall objective is in reach. Thus Sida expected a long term co-operation lasting between 5 -

10 years. No explicit time limit was set. Assessment of the need for continued support would be made on the basis of results achieved.

As the planned support was a joint exercise between several parties the resulting programme divided the tasks between these parties.

The Swedish support was to focus on general strengthening of the NCSO including support to develop a statistical programme, development of computing capacity, planning and implementation of a household budget survey and surveying capacity, methodology and social statistics in general.

The support would be extended through long term and short term advisors, study visits, attachments and equipment. The Zimbabwe CSO was to be funded by Sida and their contribution would consist of short term advisors and provision of places for attachments.

The UN organisations were to fund the Director of the NCSO and the 1991 population census through long and short term advisors including UN volunteers, equipment and training. The British ODA assumed responsibility for economic and agricultural statistics by provision of long term advisors and the training component through a long term advisor and scholarships.

Responsibility for overall management of the programme rested with the Director of the NCSO but a co-ordination committee consisting of the Director and the team leaders from Statistics Sweden and ODA would manage the day to day operations of the programme.

Prerequisites and assumptions

The basic documents reveal a high awareness of possible obstacles to the envisaged development process. A number of requirements were explicitly mentioned for the programme to achieve its objectives and the responsibility to meet these requirements were placed with the NCSO.

Strong emphasis was put on the requirement of the NCSO to recruit staff along the lines envisaged in the joint mission report and that organisational and budgetary matters were resolved to meet this end. Emphasis was also put on the requirement that sufficient budget was allocated to meet operational costs of the NCSO. The need to review schemes of service and salary levels was mentioned as well as the need for a new Statistical Act and sufficient office accommodation.

4.3 The development of the NCSO

Since the initial phase the institutional co-operation between NCSO and Statistics Sweden has been extended two times 1993/94 - 1994/95 and 1995/96. The last contract has been extended until June 1997 to allow for a revised plan aiming at phasing out the Swedish support. Sida's intention is either to terminate the support by the end of 1999 or to substantially reduce the contribution over a short phasing out period¹⁵.

The aim of the final phase of the Swedish support, as expressed in the Sida terms of reference for the annual consultations in October 1996, is that the NCSO by that time shall perform as a

¹⁵ Sida/NPC: Agreed Minutes from Annual Consultations, October 1996.

fully fledged, independent, self-renewing, effective and efficient government agency, competently meeting its mandate assigned by the Government without further need for extensive foreign support. This intention may be seen as an elaboration of the overall objective stated already at the start of the co-operation.

No external evaluation of the project or of NCSO as a whole has yet been undertaken. The progress has been regularly reported according to the Sida requirements and the following description is based on these reports¹⁶.

The legal framework

The NCSO is now an established and recognised central statistical office. It still operates under the same legal framework as when it was established. There has been a long delay in preparing a new Statistical Act originally envisaged to be enacted already in 1992. No specific reason for the delay is reported. It can be assumed that other matters have been given priority during the first years and that the lack of proper legislation not has been felt to be the obstacle assumed to be. In 1995 Statistics Sweden started to assist the NCSO to review the legislation and a proposal should have been submitted by the Government to the Parliament before the end of 1996 according to the Agreed Minutes of the annual consultations in October 1996. A new legal framework may therefore be in place during 1997.

Organisation and staffing

During 1992/93 the Public Service Commission approved a new establishment for the NCSO. The number of posts in the organisation came close to the figures outlined in the joint mission report. However, an approved establishment does not automatically mean that the posts are funded and can be filled. The Government imposed a freeze on employment in 1992/93 and the NPC has had to negotiate for funding of established posts every year. The budget constraint in combination with the difficulty to find suitable candidates for recruitment has been a continuous problem in building up the NCSO national staff according to the project reports. The effects have been less training than envisaged and more of gap filling in implementing the statistical programme.

Table 14. The projected staffing needs according to the joint mission report

	Year 1	Year 2	Year 3	Final staff complement
Professional	9	12	14	26
Non-professional	43	78	96	102
Total	52	90	110	128

The projection of staffing needs were given by the joint mission for the first phase 1991/92 - 1993/94. The project did not really start until 1992/93 so the first year of the projection could be the actual starting year when comparing with the outcome. Table 15 is compiled from different reports as no summary table of the development has been provided in the annual project reports.

¹⁶ Annual Project Review 1993/94.

Project Review for 1992/93-1994/95 and Plan of Operation for 1995/96 - 1999.

Terms of Reference for Consulting Services and Plan of Operation 1995/96 - 1998.

Annual Progress Report 1995/96 and Plan of Operation 1997 - 1998

Table 15. Development of actual staffing by nationals

	August 1993	March 1994	January 1995	September 1996
Professional	10	12	16	18
Non-professional	20	20	21	35
Total	30	32	37	53

It is interesting to note that the projected number of professional staff and the actual development does not deviate significantly if 1992/93 is used as the first year of the projections. The numbers actually coincide well. The reference to staffing as a major constraint should therefore probably be interpreted as insufficient competence of the staff employed.

In addition to the permanent staff of the NCSO, temporary employed staff is used in field work. A cadre of enumerators was trained and used for the first time for the population census. Some of those have constituted the nucleus of staff subsequently built up for the various surveys the first being the National Household Income and Expenditure Survey implemented in 1993.

The need for technical assistance has been justified because external experts were needed to assist in development of the organisation and to fill the gaps in production capacity. In table 3, an attempt has been made to describe the number of long term expatriate personnel working at the NCSO. Data has not been available on the exact periods when the different experts have worked at the NCSO. The table should be interpreted such that during a certain year the figure shows the maximum number of expatriates on long term contract that were at the CSO at the same time.

Table 16. Expatriate professional staff

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
SCB/Sida		2	5	5	5	4
UNDP	3	3	4	4	3	1
UNFPA	4	4	2	2		
ODA		1	1	2	3	1
Total	7	10	12	13	11	6

Over the whole period the expatriate advisors have been almost equal in numbers compared to national professional staff. The situation now seems to change radically with the drop by almost 50 % of the expatriates between 1995/96 and 1996/97.

The composition of the expatriates naturally reflects the responsibilities of the different donors. The UNFPA supplied expertise for the population census, one chief advisor and one EDP advisor and two UN Volunteers. UNDP has funded the Director, one EDP advisor and two UN volunteers. ODA was supposed to fund three long term advisors from the start. Only one, the economic statistics advisor, was, however, in place from the first year. The agriculture statistics advisor joined in 1994/95 and the training advisor in 1995. The reason for the delay in employing the training advisor was the slow pace of recruitment of national staff. The remaining advisor is in the field of agricultural statistics.

The advisors supplied by Statistics Sweden comprise the team leader (from October 1992), a household survey advisor (from February 1993), a national accounts advisor (from July 1993), an EDP advisor (from January 1994) and an advisor on demographic and social statistics (from January 1994). Statistics Sweden has also supplied short term consultants over the whole period. Between 60 and 100 weeks of short term consultancies have been carried out every year. This represents another 2-3 person years of work. It can be noted that Sida, during 1996, agreed to fund the remaining UN volunteer until mid 1997.

No figures have been available to allow an estimate of the actual relations between expatriate and national inputs of professional expertise. The total volume of technical assistance in terms of working time may, however, exceed the volume supplied by national professionals when leave for training is taken into account. As pointed out above it was realised at the start of the project that the expatriate input would be heavy and needed in order to fill gaps because of lack of indigenous staff. In view of the repeated references to the problem of recruitment in progress reports it seems that the expatriate input became relatively heavier than anticipated.

The work programme

The need to prepare a long term statistical programme was acknowledged by the NCSO and the donors right from the start. The programme should reflect the needs for statistics as derived from the Governments development policy and represent an optimal co-ordination between demand for statistics and available resources. A group of advisors financed by the different donors prepared a report in the beginning of 1993 which was used as an input into a user/producer workshop in August the same year. The outcome was a five year plan for 1993/94 - 1997/98 on development of statistics for Namibia. The plan has guided the subsequent work to produce statistics and to develop the NCSO¹⁷.

The plan contains general recommendations, description of eighteen specific subject areas and three general areas, the population and housing census, the national household survey programme and regional statistics. The subject areas can broadly be classified in two main groups: economic and social statistics. The plan is specific in what should be done, when it should be done and who the main actors would be. It also takes account of the current situation in each area. The statement that the plan is based on an assessment of resource availability (including agreed donor contributions) is, however, not substantiated by an analysis of the consequences in terms of development and recurrent cost implications.

From available reports it is clear that substantial progress has been made in the core fields of social and economic statistics. The results of the population census have been analysed and published, the household income and expenditure survey has been implemented and i.a. supplied information for revising price statistics. The agricultural census has been carried out. The national accounts have been taken over by NCSO from the Ministry of Finance and have been modernised and substantially improved. There has also been set backs due to two main factors. The availability of national professionals and insufficient funding of the operations has delayed implementation and also led to cancellation of activities.

Parallel to the production activities the build up of capacity has been pursued through training, computerisation, development of methodology and survey machinery and installation of printing and publishing facilities.

¹⁷ Central Statistical Office: Development of Statistics in Namibia. A Five Year Plan 1993/94 - 1997/98.

Financing

Being a division within the NPC the accounts for the NCSO are integrated in the overall accounts and the Permanent Secretary is the Accounting Officer. No detailed financial information has been reported in available reports. In recent progress reports information has, however, been given on the NCSO recurrent expenditure. The figures may therefore not be absolutely correct but should indicate size and trend of recurrent expenditure. The table below shows the expenditure trend for the last four years. The 1996/97 figure is the budgeted expenditure.

Table 17. Government contribution to recurrent expenditure. '000 Namibian dollars

	1993/94	1994/95	1995/96	1996/97
Personnel	1992	2925	3051	2962
Goods and services	953	1300	1941	2977
Total	2945	4225	4992	5939

In nominal terms the growth of personnel expenditure has been about 50 % over the four year period whereas expenditure for goods and services has increased by three times. Increased personnel expenditure would have been expected for 1996/97 in view of the substantial increase in staff. (A possible explanation may be that the figure is preliminary awaiting the implementation of the Wage and Salary Commission recommendations. New salary and wage structures were to be introduced in April 1996. The new structure would then effect the 1996/97 budget but may not be included in the above figure. Another explanation may be that personnel costs for temporary employed staff used in survey work are not budgeted for. A third explanation may be that the personnel budget actually has been cut and a fourth that the figure is wrong)

In real terms the growth has been less. The Namibian inflation has been around 10 % (average inflation on an annual basis - the Namibian financial year - has been 12, 9 and 8 % between 1993/94 and 1994/95, 94/95 and 95/96, 95/96 and 96/97 respectively. For the last four months of the last financial year the assumption has been made that the inflation will continue at the same rate as for the first eight months¹⁸. Applying these inflation figures, the growth of the Government contribution in real terms is shown in table 18 below.

Table 18. Development of Government contribution in real terms. 1993/94 = 100

	1993/94	1994/95	1995/96	1996/97
Personnel	100	131	126	113
Goods and Services	100	122	167	237
Total	100	128	139	153

¹⁸ Namibian Consumer Price Index. Central Statistics Office.

The Swedish contribution to NACHOS is shown in the following table. It should be noted that the Swedish financial year until 1994/95 run from July to June whereas the 1995/96 figures represents half of 1995 and the whole of 1996 i.e. 18 months, due to the change of financial year to calendar year from 1997.

Table 19. Swedish contribution to the NCSO. '000 SEK

	1992/93	1993/94	1994/95	1995/96
Fees	2344	4213	6234	7944
Reimbursables	1080	1713	1977	3011
Goods	949	1160	1344	1412
Local costs	26	2500	3124	3693
Total	4399	9586	12679	16060

The expenditures on fees, reimbursables and goods have been channelled through Statistics Sweden. Of those costs fees and reimbursables are direct costs of the technical assistance whereas goods represent expenditure for equipment mainly computers and printing/ copying machines i.e. investments that in the medium to long term need to be renewed, maintained and in the short term incur direct operational costs. Such operational costs have so far mainly been covered by Statistics Sweden and appear as reimbursables.

Local costs represent expenditure by the NCSO on its operations. In 1993 when the household income and expenditure survey (NHIES) was to be implemented sufficient funds were not allocated in the NPC budget for the size of the survey planned. In this situation Sida agreed to allocate additional funds to be directly channelled to the NPC/NCSO. In 1993/94 2.5 mSEK was allocated for the NHIES. In 1994/95 the contribution to local costs continued to cover expenditure for NHIES and, in addition, the Namibia Agricultural Census. An annual agricultural survey planned to be conducted in 1995 had, however, to be cancelled due to shortage of funds. The shortfall in the recurrent budget of NPC reappeared in the following year. Sida then agreed to partly fund the Intercenal Demographic Survey which is a follow up to the 1991 population census.

The issue of recurrent costs appeared early in the project and has since remained an issue. In the annual consultations in October 1996 NPC informed that survey costs in the future would be budgeted for in the development budget and not be treated as recurrent expenditure, the main reason being that survey costs fluctuate from year to year and therefore difficult to accommodate within the recurrent budget ceiling.

By assuming equal monthly disbursements of the Swedish contribution and applying the average exchange rate between kronor and the Namibian dollar for each year the Swedish contribution in Namibian dollars is obtained¹⁹. The amounts arrived at are shown in table 20.

¹⁹ The average exchange rates used for the different years: 2.34, 2.38, 2.11, 1.71 have been calculated on the basis of monthly exchange rate figures obtained from Statistics Sweden.

Table 20. Sida contribution converted to Namibian dollar. '000 ND

	1992/93	1993/94	1994/95	1995/96
Fees & Reimb.	1463	2490	3891	6406
Goods	406	487	637	826
Local costs	11	1050	1481	2160
Total	1880	4027	6009	9392

The relative importance of the external support may be assessed by comparing the Sida contribution and the Government contribution. In the table below the Sida contribution is shown as a percentage of the Government contribution.

Table 21. Sida contribution as a percentage of Government contribution

	Total Sida contribution as % of total Government	Sida local cost contribution as % of total Government	Sida local cost contribution as % of Government Goods and Services
1993/94	95	36	110
1994/95	142	35	114
1995/96	125	29	74

The table above is derived from table 17 and table 20. It should be observed that the financial years do not coincide. The Namibia financial year runs from April to March whereas the Swedish runs from July to June. For 1995/96 when the Swedish financial year covered 18 month, 2/3 of the amount in table 20 has been used for the comparison. In spite of these shortcomings the figures give an indication of the relative importance of the Swedish support. Of particular relevance is the importance of the Swedish contribution to local costs. These are costs that largely will remain if the Swedish support would be terminated and the Government would wish to keep the level of production these funds have made possible. Most of the costs for consultants in terms of fees and reimbursables will disappear in the event of termination of the Swedish support. To some extent these costs will have to be compensated for as regards e.g. the gapfilling element of the contribution. The Government would also have to compensate for renewal, maintenance and running of computers and other equipment.

Figures for the contribution from other donors have not been available. According to the progress reports the UNDP budget for 1994 - 1996 amounted to USD 450 000 which would equal about 1 million SEK each year mainly to cover the cost of the personnel. Actual disbursements by ODA is also not known but would be higher than for UNDP. The main expenditure item for ODA is also personnel although training may have been significant. Neither UNDP nor ODA has contributed to cover local costs.

4.4 Concluding observations and comments

The review of the project has been made to shed light on the problem of capacity building and recurrent cost financing. From this perspective a number of concluding observations and comments can be made.

(i) In terms of capacity building the project seems to have been successful in the sense that the basic infrastructure for the production of statistics has been laid in terms of methodology, computing capacity, field organisation and publishing. This capacity is proven by the production that has and is taking place. There has also been a substantial increase in indigenous professional capacity. Naturally the national statisticians lack experience. The dependence so far in terms of competence on external expertise has been high and crucial for the achievements made. The gradual phasing out of external expertise which has started will show whether NCSO is capable to pursue the production without massive external technical assistance. On the basis of the material available in this study the likely outcome is impossible to assess.

The fact that Namibians during the last year have been appointed in all top management positions makes it possible to focus the attention on management of the organisation. Efficient management of the NCSO will probably become the critical factor in its future development.

(ii) The build up of the NCSO has been accompanied by development of financial dependence on Sida to meet the growing operational costs. The underfunding by the Government of recurrent costs during the last few years does, however, not include salaries. The schemes of service for statisticians and the salary levels are at par with similar professionals. The underfunding concerns the direct costs of conducting surveys.

(iii) A variety of interdependent causes may explain the development of the financial dependence.

- The Government of Namibia inherited a bloated public service at independence and like most countries in Africa it has had to embark on a programme to rationalise and cut costs. The scarce resources had become even scarcer at the time when NCSO needed more funds. This affected the funding of posts as well as the allocation for running expenses.
- As a division within the NPC, the statistical office had no or limited control of its own finances. Its budget was and is integrated in the budget of NPC. Thus, NCSO lacked a platform from which it could "fight" for its own funds.
- The fact that NCSO has been highly dominated by expatriates, including the Director, all funded by donors, may have isolated the NCSO from the realities of the Government budget.
- The "professional imperative", well known in all disciplines and especially prevalent in budget financed organisations, placed priority on the development of the production capacity to meet all articulated needs for statistics. The lack of analysis of the cost implications of the Five Year Plan is an indication that the budget constraint was not felt as a constraint, at least not hard. The demand for statistics expressed in the user/producer

workshop where the Five Year Plan was discussed was strong. Ministries and donor funded experts in these ministries articulated the needs for statistics.

- The division of responsibility between NPC/NCSO and the donors was very clear in respect of funding of recurrent costs. Such funding should be catered for by the Namibian budget. This fact may have reduced the attention of the expatriate staff on the issue. It was not their business!
- Sida accepted to fund the recurrent costs through additional allocation to NPC/NCSO. The reasons for doing so may have been many. The NHIES study was planned at a level of ambition exceeding the funds available in the NPC budget and the implementation plan was ready when Sida accepted to contribute funds over a two year period. The justification for the request presented to Sida was that the full costs of the survey had not been foreseen when the budget was adopted. At that time the explanation was reasonable and Sida agreed to fund half of the costs provided NCSO could finance the remaining half. It should also be noted that Sida regarded the survey as very important as it would create the information base required to assess social policies, e.g. poverty alleviation policies²⁰. A rejection of the request would also have had serious repercussions on the whole support programme for NCSO. From all these points of view it was a rational decision to co-fund the survey.
- When the initial principle was broken and no changes took place in other factors, it was probably more convenient for NCSO to return to Sida when funds were needed next time. Sida was then put in a negotiating position and reluctantly agreed to contribute funds also for the intercensal demographic survey.

(iv) During the annual consultation in October 1996 Sida raised a number of concerns regarding the future support i.a the issues of budget allocation to NCSO and of the realism of the Five Year Plan. The Plan of Operation for the continued Swedish support will now be based on an overall action plan for CSO for the coming financial year. Sida has thus addressed the issue of recurrent cost financing by postponing the decision on continued support and by demanding full overview of CSOs planned operations and financing. It is likely that this intervention will result in Namibia taking over the full responsibility for the recurrent costs either at the level required by the Five Year Plan or at a lower level following a revision of the plan. Another option possible is that Namibia, by moving survey costs to the development budget, may be able to attract other donors who have interest in particular surveys.

²⁰ Sten Rylander och Anton Johnston, Sida.

5. Should recurrent costs be financed by donors ?

5.1 General comments

As pointed out above the basic assumption of aid for capacity building is that the recurrent cost implications will be taken care of by economic growth. Donor financed activities are supposed to contribute to economic growth directly or indirectly. If the growth is insufficient to generate the required financial resources, the capacities created will not be sustainable. All of the poorest countries in Africa have suffered from low or negative growth over the last 20 years. At the same time the Governments with support from the donors have pursued policies both to expand services and, during the structural adjustment era, tried to maintain the services at established levels.

However, many Governments have been forced to let the services gradually erode - also the most basic services which are prerequisites for future growth - through reduced allocations in real terms to administrative overheads including salaries and to operational costs. The structural adjustment policies were introduced to restore balanced budgets and to create macro economic conditions for economic growth. In this process donors have provided general budget support as a means to protect services. The donors have also increasingly addressed sectoral issues jointly. Sida's policy on sector programme support is an expression of this orientation²¹.

The macro and sector policies pursued by donors do not make any distinction between spending on current operations and development. This distinction is irrelevant when service delivery is prioritised. The effectiveness of public expenditure as a whole is focused. The budget support is not conditioned on type of expenditure. If conditions are attached they concern other matters. Budget support is normally treated as any revenue and allocated according to the priorities of the respective governments and the general conditions set by the donors.

At organisational and project level it is probably a fiction that the principle of not funding recurrent costs has ever been applied strictly. Deviations from the principle can probably be found in most institutional development projects. But the distinction between different types of recurrent costs have to be kept in mind. Donors have generally been reluctant to fund core administrative costs or administrative overheads such as cost of salaries, office accommodation, telephone, electricity, water, office stationary, maintenance of equipment and other basic needs of an organisation. However, in reality donors have accepted to fund also these types of expenditure when the life or the progress of a project has been threatened. The topping up in various ways of salaries has become common during the last 10 years in most of the least developed countries. The haphazard way in which donors have used topping up has further distorted already distorted remuneration systems.

Donors have been less reluctant to fund operational costs to carry out services. This type of funding is in many cases related to the capacity building effort as such. E.g. if you develop a capacity to conduct a demographic survey it is probably effective to include an actual survey in the project. This type of funding is also justified from overall development aspirations. E.g. the funding of the development and implementation of the IDD programme, implemented by

²¹ Sida: Sector Programme Support. July 1995.

TFNC, is justified because it contributes to improvement of human capital and welfare. However, this type of recurrent expenditure funding has seldom been determined in relation to the administrative budget. For any type of operation there is a relationship between the operational capacity and administrative overheads required. Donors and recipients have seldom bothered to find out this relationship when a project has been agreed upon and reporting and monitoring are normally confined to the project during implementation. Responsibility for the totality is seldom taken by donors at project level.

5.2 Lessons from the cases

The two cases are no exception to a rather common pattern²². However, these two cases do not show many similarities in basic conditions. The TFNC has received support for almost 25 years whereas NCSO so far has received support for only 5. The general environments differ considerably. The Tanzanian government has faced extraordinary financial problems for almost 20 years and has over the last 5 - 10 years embarked on radical changes of both the economic and political system. Namibia started at a much higher level of economic development and with a much better financial position of the government. The conditions for effective aid has been much better in Namibia compared to Tanzania. In both projects support for recurrent costs has still been given.

Support to recurrent costs has in both cases mainly been confined to the operations or activity programmes. The basic administrative overheads including salaries have been met by the governments. In the case of TFNC it seems, however, that the Tanzanian budget crises during 1995/96 has forced TFNC to use donor funds to cover part of the administrative costs. This has been made possible through the mode of support agreed with Sida where surpluses from programme funds have been deposited in a special fund. The assistance has the form of a flexible budget support. Indirectly Sida has also contributed to administrative costs by allowing TFNC to earn interest on advance payments and gain on foreign exchange transactions. It is also likely that TFNC has had considerable indirect help to keep up its administrative level through the Sida support.

In the case of NCSO, funding of administrative overheads has probably been very limited and confined to stationary and maintenance of equipment through the consultants budget.

Funding of recurrent costs for operation has been part and parcel of the support to TFNC since the start. In the case of NCSO, Sida accepted to fund operations as an exception to the project agreement. NCSO was then in the beginning of its build up and the circumstances were such that an exception was considered acceptable. The interesting observation in this context is that a major motive for Sida to agree was the urgent need to get access to social statistics. Sida wanted the statistics for the overall role it wanted to play in its development co-operation with Namibia. An additional motive was naturally to safeguard the progress of the project.

Three remarks can be made. First, the development of competence and production capacity and utilisation of that capacity in actual production are parts of the process of developing an organisation, especially when it is being built from nothing or almost nothing. Sometimes the testing of new capacity is done in the form of pilot projects. In these cases production is seen as a natural part of a project. In the NCSO- case it would have been perfectly possible to

²² Similar examples of support to recurrent costs can be found in projects at the Ministry of Finance, Bureau of Statistics and vocational training in Tanzania.

include the social survey in the project from the beginning and regard it as a capacity building activity. Instead of adhering to a principle of not funding recurrent production costs, the question should rather be to determine when the time is appropriate to regard a production activity as a regular activity that requires recipient recurrent funding. In the case of TFNC this question has not been raised in view of the content of the current support.

Second, donors may have mixed objectives when supporting capacity building. The basic objective naturally emerges from the wish to see improvements at the societal level. Development of institutions is only a means to achieve this objective. By placing priority on the basic objective donors naturally want to support production of services and are therefore inclined to fund recurrent production costs. By doing so, the overall situation of the institution itself may be disregarded. As long as the donor provides the recurrent funds for the operations the institution is in a good position. But the day the Government is supposed to take over the funding, it might not be easy to create enough room in the Government budget. This is probably what will happen in the case of TFNC. In the case of NCSO, Sida has been aware of the risk of creating an institution which develops a work programme of a size that can not be financially sustained. The measures now taken will help to eliminate this risk.

Third, generous funding of recurrent production costs may create a mismatch between these costs and the administrative overhead costs. The latter are likely to grow or shrink at a pace commensurate to other government organisations and not in relation to the requirements of donor funded programmes. The consequence is that the pressure to use donor funds directly or indirectly for administration increases.

In both cases Sida has, in practice, had a flexible attitude towards funding of recurrent costs. What would have happened if Sida had insisted on strict enforcement of the principle that the Government should fund recurrent costs? In the case of NCSO strict enforcement would have delayed the development of much needed statistics and most likely the development of capacity - i.e. ability to undertake surveys. Provided Sida and the Government can agree on a statistical programme that the Government is prepared to fully fund in terms of recurrent costs, Sida's extra support has probably been a good thing. If Sida's insistence on full Government funding leads to the withdrawal of funds from other equally or more important activities, Sida's condition will be inefficient from an overall welfare or economic point of view.

In case the parties can not agree and Sida enforces the principle, the Government will anyway have to make up its mind on how much it is prepared to spend on statistics. If the Government would act in such a way that the NCSO gradually becomes underfunded the effectiveness of continued support will decrease. NCSO is not a self reliant organisation today in terms of professional and management capacity and if Sida would withdraw fast, the achievements made would be jeopardised.

In the case of TFNC enforcement of the principle now would probably lead to a complete collapse of the organisation. The support will end in 1999 and the question is whether TFNC will be able to adjust to this new situation. The period covered by the case study does not show signs of any major measures to prepare for the new situation. It is unlikely that the Government will be able or willing to compensate TFNC for the declining Sida support. On the other hand, if the decision to phase out the support stands, the TFNC Board and Government will have to seriously review their priorities when they realise that the moment of truth is close. In that situation they may be able to find constructive solutions. Otherwise, the question Sida is likely to face is whether it should accept that the institution deteriorates to a state where it is

unable to provide much services - of a kind that Sida has found of utmost importance for more than 20 years - or if Sida should change its decision and instead continue to support TFNC.

5.3 Conclusions

The two cases show that the general financial situation of the Government has a decisive importance for how the issue of recurrent costs should be handled. For the poorest of the Swedish programme countries the absorption capacity for development activities is limited in the short term and aid would have to be drastically cut if the principle of not funding recurrent costs should be strictly applied. Recurrent costs, both administrative overheads and operational costs, are as necessary for development as capital costs. The general principle of not funding recurrent costs therefore has to be applied flexibly.

It may be trivial to conclude that the risk of creating a critical financial dependence is much higher in the poorest countries such as Tanzania, Mozambique, Laos and Cambodia than in countries like Namibia and South Africa. In the latter countries, reasonable services and accompanying institutions are easier to finance out of own revenue than in the former countries provided sound economic policies are pursued. In the poorest countries foreign assistance will inevitably play a greater role in the build up of institutions and their services. The risk of long term financial dependence to run institutions is naturally also reduced in countries with high economic growth e.g. Vietnam. But what is a reasonably long term time perspective when discussing assistance to the poorest countries, financial dependence and sustainability? It is definitely not 5 - 10 years. To increase per capita income 5 times takes 17 years with a 10 % annual growth and 33 years with a 5 % annual growth. For countries like Tanzania and Mozambique, if things go well, it is likely to take a quarter of a century or more to reach the level where the middle income countries are today. Development assistance is justified when it supports sound and acceptable policies. If this criterion is fulfilled then the minimum time range in which financial dependence and sustainability should be seen is at least 25 years.

The basic question that has to be answered positively when capacity building assistance is considered, is how important, from an economic and welfare point of view, the service is that is supposed to be produced. Does, for example, the welfare gains achieved and likely to be achieved through TFNC, justify the costs given the current and likely future situation of health services? Are other health problems more important or could malnutrition be addressed more cost effective through other means? If the result of such an assessment is that the service in the long run is vital, but can not be funded because of the financial position, then the service may be a good candidate for recurrent cost financing. Some institutions probably play a more vital role for economic growth and general development than others e.g. ministries of finance, tax departments, judiciaries and police. Only during the last years have assistance to these type of government bodies become more common.

In the poorest countries it may be inefficient and even destructive to stick to the principle of not funding recurrent costs. It may be inefficient because it may create imbalances in timing and mix of resource inputs. It may be destructive because it may lead to deterioration of capacity when assistance is withdrawn for some reason. Instead there is a need to apply a **total perspective** of funding of capacity building which includes investments, costs to run services and administrative costs including salaries. Only then is there a chance to design the appropriate mix of inputs at the start of a build up process and to monitor the efficiency of the inputs during the process and the relevance and cost effectiveness of the services produced.

The approach implies that the parties, donor(s) and recipient, agree upon and monitor the total package but not necessarily that the financial inputs are completely pooled.

The problems of this approach are many, even when the basic question of importance has been answered positively. First, at an early stage of build up of an organisation it is difficult to assess the future "optimal" level of services to be produced. The needs are big and the pressure to do as much as possible is difficult to resist. This pressure normally comes from the recipient as well as from professionals engaged in planning. In cases where donors have own interests, because of mixed objectives (general policy, commercial, environmental, gender, nutrition of children) there are few effective mechanisms to stop creation of over-capacity in relation to the growth of financial capacity of the recipient.

Second, the approach makes the donors jointly responsible with the recipient for the sustainability of the capacity that is built. Joint responsibility is not necessarily compatible with the principle of recipient responsibility and ownership and may endanger sovereignty. It requires a long term commitment which may be difficult for donors to take in view of their accountability to their own constituencies. The typical duration of a Sida agreement with a recipient is around 3 years, never 10 and definitely not 20.

Third, the approach requires an analysis of the different types of costs of developing and running the institution. A consequence is that budgeting and accounting have to be transparent. Procedures have to align the budget processes of the recipient and the donor. The accounting system has to be organised to reflect the real costs of the institution. In many cases this may pose considerable practical problems. The tradition to disclose and openly discuss administrative budgets is not well developed and the design of budgeting and accounting systems do not easily allow for adequate cost accounting and reporting. Cumbersome and inefficient financial management procedures often make budgets to uncertain instruments both as regards timing and size of releases of funds from the Treasury.

Fourth, the key problem is, however, how the recipient and the donor should divide the responsibility for the financing of the total effort. If a total package is agreed upon it should be a practical matter how the financial responsibility is divided in terms of who pays what. The question is what should happen if the agreement is not followed. Experience shows that donors in many cases have been indulgent with the inability of recipients to honor agreements. The partnership, which this approach represents, would probably not survive this kind of behaviour.

Fifth, a total financial package must include incentives to rationalise and raise productivity and it must not cause negative effects on costs of other Government organisations. The latter of these two requirements may be difficult to satisfy at an organisational level as regards, in particular, salaries and other conditions of service. From a personnel policy point of view it would be impossible in practice to allow widely different benefits for employees of similar position and profession. In most cases the cost of government personnel, has to be determined at sector or national level as long as conditions of service are determined centrally. The implication is that aid financing of administrative costs and in particular personnel emoluments probably has to be channelled through general budget support and sector programme support for the majority of civil servants such as teachers and health personnel. However, the modalities in which support to administrative costs, including salaries, could be channelled, need to be further investigated.

Although the difficulties in applying a total perspective of costs of a development effort are many the alternatives, either to strictly enforce the principle of not funding recurrent costs or

to continue with the current practices, are probably less efficient in promoting sustainable development.

For specific government organisations there may be other ways also to include financing of administrative costs. But in such cases it is probably necessary to introduce some kind of buyer and seller relationship between the financier and the producer in order to create a mechanism to determine the relevance of the services and the size of the organisation and to keep up the pressure for continuous productivity improvements.

Several attempts to reform government organisations are made in this direction as part of on-going civil service reform programmes. Similarly to TFNC, the Statistical Bureau in Tanzania is a case of extreme financial dependence on mainly Swedish support where attempts now are made to reorganise the Bureau. The financial dependence was clarified and sustainability concerns were raised in 1994 through a number of studies.²³ Sida decided to set the final date for its continued support to 1999. This has triggered off activities to find solutions to the problem of financial dependence. The solution envisaged includes the transformation of the Bureau to an autonomous agency financed by selling statistical services to Government ministries, donor agencies and private users. The arrangement is similar to the model operating in Sweden. If implemented, it will force the Government to determine its priorities regarding statistics and the Government will have to pay a price based on the principle of full cost recovery. Similarly, donors could finance surveys they would like to see done and they could contribute funds to Government to buy services.

This type of solution will naturally only work for services where there is a demand supported by financial resources to be effective. The larger part of public services do not have these properties.

²³ G. Andersson & P. Winai: Institutional Development - The case of Takwimu. Report to Sida, March 1994
L. Hjalmarsson: Effective Public Administration Assistance? Sida's programme of support for improvement of the production of statistics in Tanzania. May 1994.
E. Heikkonen & M. Jones & S. Wangwe: An evaluation of the Swedish support to the Bureau of Statistics in Tanzania.