

**Internal Audit 03/03
Contribution Audit**

Conditions for Governance within Sida

**Arne Svensson
Wiveca Holmgren**

Department for Evaluation and Internal Audit

Reports may be ordered from:
Infocenter, Sida
S-105 25 Stockholm
Telephone: (+46) (0)8 779 96 50
Telefax: (+46) (0)8 779 96 10
E-mail: info@sida.se

Author: Arne Svensson, Wiveca Holmgren

The views and interpretations expressed in this report is the author's and do not necessarily reflect those of the Swedish International Development Co-operation Agency, Sida.

Sida Internal Audit
Commissioned by Sida, Internal Audit

Copyright: Sida and the authors

Date of Final Report: November 2003
Printed by Edita Sverige AB, Stockholm, Sweden 2003
Art. no. Sida3280en
ISBN 91-586-8539-1

SWEDISH INTERNATIONAL DEVELOPMENT CO-OPERATION AGENCY
Address: S-105 25 Stockholm, Sweden. Office: Sveavägen 20, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
Telegram: sida stockholm. Postgiro: 1 56 34-9
E-mail: info@sida.se. Homepage: <http://www.sida.se>

Preface

Sida's Internal Audit, from the Department for Evaluation and Internal Audit (UTV), carried out a feasibility study of the prerequisites for management in Sida in accordance with the 2003 Audit plan. This feasibility study includes a comprehensive examination and analysis of the prerequisites for internal management in Sida. Its purpose is to identify problem areas and define issues for future audits. The consultant Professional Management Arne & Barbro Svensson AB were engaged to carry out the feasibility study together with the Internal Audit.

This feasibility study report was presented to Sida's Board of Directors on 24 October 2003.

Internal Audit noted that interest in the feasibility study within Sida was considerable, leading to a discussion of issues related to Sida's internal management. Issues included how to structure the internal management that is appropriate for a complex organisation like Sida and what is the ideal balance between various controls or procedures most suitable for Sida.

The report of the feasibility study resulted in five recommendations for continued audits. Sida decided that Internal Audit's future audits should focus on two of these areas:

- The consequences of the field vision for management of Sida's operations
- Management by results and Sida's organisational culture

The feasibility study report does not answer all questions about Management prerequisites within Sida, which was not Internal Audit's intention, though it did explore several key management issues. If the feasibility study stimulates continued discussions within Sida about issues such as the governing and control environment and leads to initiatives that improve internal management and control, this would be a positive side effect of the feasibility study.

Eva Lithman
Head of the Department for
Evaluation and Internal audit

Wiveca Holmgren
Internal Auditor

THE PREREQUISITES FOR INTERNAL MANAGEMENT IN SIDA – A FEASIBILITY
REPORT – INTERNAL AUDIT 03/03

Table of Contents

| | |
|---|-----------|
| 1. Summary | 7 |
| 2. Background, project and implementation | 8 |
| 2.1 Background..... | 8 |
| 2.2 Project..... | 8 |
| 2.3 Method | 8 |
| 2.4 Concept of internal management | 9 |
| 3. Comprehensive examination and analysis..... | 10 |
| 3.1 Internal and external management..... | 10 |
| 3.2 Management through internal policy documents | 11 |
| 3.2.1 Sida's regulations..... | 11 |
| 3.2.2 Perspectives on Poverty | 12 |
| 3.2.3 Hierarchy of policies..... | 13 |
| 3.2.4 Main policy documents | 14 |
| 3.2.5 Crosscutting policies | 15 |
| 3.2.6 Sector policies | 15 |
| 3.2.7 Other: guidelines, strategies, position papers, etc. | 16 |
| 3.2.8 Methods and manuals | 16 |
| 3.2.9 Other policy documents | 17 |
| 3.3 Management through internal processes | 17 |
| 3.3.1 Internal management and learning processes..... | 18 |
| 3.3.2 Country strategy process..... | 18 |
| 3.3.3 Operational planning process..... | 19 |
| 3.3.4 Intervention cycle process (From project to programme approach) | 20 |
| 3.3.5 Horizontal vs vertical management processes within Sida..... | 20 |
| 3.3.6 Follow-up and evaluation processes..... | 21 |
| 3.3.7 Are the general management processes appropriate for Sida's entire operation?..... | 22 |
| 3.4 Management through organisational culture | 22 |
| 3.4.1 The concept of organisational culture | 22 |
| 3.4.2 Sida's organisational culture | 23 |
| 3.4.3 Sida's internal management and monitoring environment: From control to quality assurance | 24 |
| 3.4.4 A learning organisation..... | 25 |
| 3.5 A few conclusions..... | 26 |
| 4. Alternative models to describe internal management..... | 26 |
| 4.1 Triggers for controls identified by reference group | 26 |
| 4.2 Classic models for classifying forms of management..... | 27 |
| 4.3 Models that focus on perspective shifts in management | 28 |
| 4.4 Description of Sida's internal management | 30 |
| 4.5 Choice of structure | 31 |

| | | |
|-----------|--|-----------|
| 4.6 | A few conclusions | 31 |
| 5. | Analysis of problem areas | 32 |
| 5.1 | Consensus culture and unclear decision-making processes | 33 |
| 5.2 | “ <i>Sida at Work</i> ” and/or “How I Work”?..... | 34 |
| 5.3 | Common value base and sub-cultures | 34 |
| 5.4 | Shall or should?..... | 35 |
| 5.5 | Inadequate focus on results | 35 |
| 5.6 | Consequences of implementing the field vision..... | 37 |
| 5.7 | How does decentralisation affect controls? | 38 |
| 5.8 | Total picture of internal management | 38 |
| 6. | Recommendations for audits and methods in the main study..... | 38 |
| 6.1 | Recommendations for audits | 39 |
| 6.2 | Recommendations for methods | 40 |
| | Appendix 1 Assignment and implementation | 41 |
| | Appendix 2 About policies and methods | 42 |
| | Appendix 3 Inventory of factors affecting internal management at Sida . | 47 |

1. Summary

The 2003 audit plan states that a feasibility study of the prerequisites for internal management in Sida shall be carried out. The aim of this feasibility study is to examine and analyse Sida's internal management, explore a few suggestions to describe Sida's internal management, submit recommendations for one or more audits in the field and identify methods appropriate for use with the main study.

The comprehensive examination and the analysis in chapter 3 show that the status of various policy documents is unclear. Despite the drastic reduction in the number of written policy documents, people still feel there are too many. The implementation of *Perspectives on Poverty* (PoP).¹ as a main policy document provides conditions for a more coherent operation. Crucial for whether PoP achieves its intended effects are the acceptance process combined with a consistent and rigorous overview of other policy documents and management processes.

The analysis also shows that the relationship between management by results and financial management needs improvement. For example, the connection between operational and resource planning in Sida's operational planning process needs improvement. The knowledge gained from following up and evaluating initiatives is an important part of the learning process.

Sida has no systematic discussion related to its reimbursement system and therefore its role is not given as much attention as internal management based on, for example, the relevant policy documents for the different areas of operation.

Chapter 4 states that internal management is multidimensional. Management occurs not just through policy documents; it occurs mainly in different processes, where the organisational culture is important for how the different triggers that set off controls are captured. Different controls complement one another to achieve an internal management system that is suitable for its purpose. We need to describe internal management, to create an understanding for and increase awareness of how different controls can best complement one another. Chapter 4 presents several models that describe management. Based on these models, as well as a review of the triggers that the reference group has identified within Sida, we recommend testing a descriptive model in the main study. Internal management is audited from four perspectives:

- Context
- Employees
- Results
- Culture

Chapter 5 discusses a number of problem areas. Finally, chapter 6 recommends that the main study focus on the following areas for review:

1. Effects of implementing the approach represented by *Perspectives on Poverty* on Sida's internal management in general (standards, values, policy documents, etc.).

2. The consequences of the field vision on internal management of Sida's operations (origin/strengthening of subcultures etc.).
3. Distribution of roles in ownership of Sida's internal management.
4. Harmonisation of developments in the organisational structure and culture.
5. Results-based management and Sida's organisational culture.

Regardless of which audit area Sida chooses for the main study, it should apply a comprehensive approach to management. Even if the main study focuses on a specific area of internal management, the audit should consider the relationship with other triggers and the effects of collective management.

2. Background, project and implementation

2.1 Background

In the 2003 audit plan, which was approved by Sida's board of directors, Internal Audit stated it would audit with the prerequisites for internal management in Sida. The audit was motivated in the audit plan because Sida runs a multifaceted operation together with a large number of stakeholders and in different environments. This situation poses special difficulties for Sida to govern the operation².

UTV has initiated this audit with a feasibility study, the results of which will serve as the basis for the decision about the main study.

2.2 Project

Internal auditor Wiveca Holmgren from UTV carried out the feasibility study. UTV commissioned Arne Svensson from Professional Management Arne & Barbro Svensson AB to work with Sida's internal audit department to carry out the feasibility study. The project and its execution are described in appendix 1³.

2.3 Method

An important element of the feasibility study was a review and analysis of Sida's policy documents.

Fifteen people were interviewed for the feasibility study, including three heads of departments and two embassy counsellors, though most of the interviewees were programme officers. More programme officers than department heads were interviewed because the point of departure was to focus on this group's perception of factors affecting management in the Sida.

A seven-member reference Group representing seven Sida departments—the Departments of Africa, Infrastructure and Economic Co-operation, Central and Eastern Europe, Natural Resources and the Environment, Democracy and Social Development, Information and Personnel and Organisation Development—convened three times. The reference group proceeded as follows:

Meeting 1:

1. Brief presentation of the project, role of the reference group, and structure of the reference group meetings.
2. Discussion based on the question: What governs you in your work? Itemisation of all management triggers and controls.
3. Reference group tries to define and classify the triggers and controls. The group produced several different paradigms.

Meeting 2:

1. Overview of interview results presented.
2. Group discussed how to describe these results in the paradigms suggested during meeting 1.
3. Discussed similarities and differences in governing and control environment in Sida's different sections
4. Participants submit and discuss proposals for in-depth studies.

Meeting 3:

1. Discussed first draft, feasibility report: examination and analysis section.
2. Discussed first draft, feasibility report: proposal section.
3. Participants submit written suggestions for additions to or modifications of the draft.

Participants present the feasibility report to and discuss it with the Management Board, after which Sida's Board of Directors addresses the report.

2.4 Concept of internal management

Like everyone else, Sida's employees have a free will and therefore react in varying degrees to different factors affecting management. Employees have personal driving forces and individual goals based on their own situation. These driving forces and goals greatly influence the individual's performance at work. The purpose of internal management is to ensure that the organisation's interests receive priority over those of the individual in cases when these interests do not coincide. Actions are potent and effective when values, objectives, driving forces and incentives coincide. An operation contains many forms of management. Internal management can focus on concepts such as inputs, behaviour, objectives and results, internal work processes, values, attitudes, organisational culture, regulatory systems, organisational structure, distribution of responsibilities and authorities, wage-setting or other aspects of the reimbursement system. The various controls complement one another and each organisation has to develop a suitable blend of factors that affect internal management in order to run the operation as efficiently as possible in relation to its established objectives.

The inflow of inputs to an operation has to be converted into effects for the recipients of the organisation's services. **Internal** management primarily targets this resource conversion process.

Meanwhile, internal management is based on its **external** counterpart. External management by government authorities consists of tools such as civil service regulations, administrative agency guidelines, the annual Government directive and letter of appropriations to Sida with its reporting requirements, government communications to the Riksdag, legislation and regulations. *External management and the conditions in the environment in which the administrative agency operates serve as the framework for the authorities' internal management.* This internal management must be exercised appropriately if a government agency is to meet today's high demands for productivity and efficiency.

This report uses the definition of internal management: a process involving management and personnel aimed at achieving, with reasonable reliability, an efficient operation according to the objectives decided by the Swedish Riksdag and the Government, compliance with regulations and government decisions applicable to the operation and a reliable feedback mechanism for the results.

The structure of these management processes has changed radically over time. Originally, internal management was exercised in a direct relationship between superior and employee – direct management. These processes have evolved in various ways.

A management process includes a number of forms of interaction between management and employee using various approaches and supported by policy documents, the scope and content of which varies substantially among different organisations.

When the definition of internal management refers to a process, it does not mean that management consists of **one single** linear process. In fact, several more or less strongly co-ordinated processes are always involved. Thus, several forms of management usually coexist within an organisation. The emphasis, and the connection between the different forms, may vary. Appropriate internal management deals with the controls used within the agency and their structure as well as how these controls are combined.

As government authorities' external management has evolved, we have learned that deficiencies exist in the balance between the various controls in the authorities' internal management. Another general problem is that the management of larger regulatory authorities lacks a comprehensive picture of how management within the agency is structured and operates. One reason is that "ownership" of different forms of management is often distributed among several entities within the organisation, while the strategic responsibility for the whole is not sufficiently transparent. One of the purposes of this feasibility study is to investigate whether these general premises also apply to Sida.

Note that internal management focuses on what happens **within** Sida. Equally important for the (final) results of resource consumption, however, is what happens in the partner countries. In part, the same management processes and policy documents are used to guide Sida's personnel and to guide the work of the partner organisations and the work in the partner countries (policies, country strategy process, procurement regulations, etc.). But some management processes and policy documents only focus on what

happens outside Sida with the funds that Sida makes available to the partner organisation (instructions, reporting requirements, framework agreements with umbrella organisations, etc.). Although these aspects are not included in the feasibility study, they are still of significance to the discussion on internal management. For example, this involves an awareness of the consequences of possible differences both internally and externally (such as safeguarding basic values, using the logical framework approach, knowledge development).

3. Comprehensive examination and analysis

3.1 Internal and external management

The interviewees disagree about Sida's most important management processes and controls. They also disagree about how the different controls work and the areas in which inadequacies in management can be found. As the audit plan notes, you can view internal management from two perspectives: the standards and values that apply within Sida, and the nature and status of the policy documents. According to many of the interviewees, these two perspectives cover the most essential aspects of internal management. But the interviewees feel that other aspects are also important. For example, many of them emphasise the importance of incentive for internal management⁴. However, there is no systematic discussion related to Sida's reimbursement system; consequently, its significance is not given as much attention as management based on, for example, the policy documents that apply within the different areas of operation.

The interviewees also note the lack of knowledge about the policy documents, especially explicit knowledge (policy document content, which ones exist, where to get them). However, the interviewees believe that this is compensated for by implicit knowledge; the employee has learned what to do in various situations, but cannot always associate working methods to a specific policy.

This audit addresses internal management **within** Sida. The interviewees discussed the difficulties of separating internal from external management in an analysis, such as in the task of co-ordinating various international players and how this affects Sida's internal management. One example of this is the international harmonisation⁵ of vision and working methods, which affects formulation of co-financed contributions in partner countries such as in sector programme support⁶. "Silent partnership" is another example of contributions that require a special approach to controls, where the internal-external management relationship is complex⁷. Another example is the country strategy process; the government takes a formal decision about the country strategy, but Sida has great input concerning the content. Formally, it is a question of external management by Sida, but in reality, it can just as well be considered a part of internal management. Sida also has good opportunities to influence the content of the Government's annual directives and letter of appropriations and their reporting requirements. Some parts of Sida's operation involve close collaboration with the Ministry of Foreign Affairs even in the implementation phase, where it is difficult to draw the line between internal and external management. One example of this is the Department for Co-operation with NGOs and Humanitarian Assistance and Conflict

Prevention. Great demands are placed on consultation between Humanitarian Assistance and Conflict Prevention and the Ministry of Foreign Affairs, where the committee for humanitarian aid (HUMSAM) serves an important function. Finally, some of the interviewees note that the most important aspect of internal management is to ensure that the intentions of the Riksdag and the Government become reality. Consequently, based on the viewpoints reported here, external triggers must be integrated into internal management.

3.2 Management through internal policy documents

Initially the review gave special attention to two areas of internal management:

- Management through internal policy documents and internal management processes
- Management through standards and values (organisational culture)

Section 3.4 includes a review of the organisational culture.

The first area has been divided into two sections: 3.2 deals with internal policy documents and 3.3 deals with internal management processes. Policy documents are frequently the result of processes involving a smaller or larger number of Sida's employees. The management process involves both supporting the document's contents before decisions and ensuring compliance with the policy document once it is adopted.

Below is a review of the policy documents carried out in association with the feasibility study and interviews. The following questions were initially asked during the interviews: What policy documents does Sida have? Which are Sida's most important policy documents? Several follow-up questions were asked about each of these policy documents: How well supported are the contents of this document? To what extent is this policy document applied in practise?

As a result of an earlier overview, the number of written policy documents is drastically reduced. Nevertheless, most interviewees felt that the total scope of controls, policy documents and other triggers affecting internal management is far too large and the status of various policy documents is unclear.

3.2.1 Sida's regulations

Sida's intranet contains its policy documents, civil service regulations, guidelines, the Government's annual directives and letter of appropriations and Sida's regulations. Sida's regulations cover a number of documents classified under the heading organisation, development aid process, communications process, procurement, business administration, personnel administration and other administration. The following documents are included in the regulations, with the name of the responsible department or unit in parentheses [*please see list of acronyms following the appendices*]:

- Sida's organisation
Work and decision-making mechanism (Director General)

- Development aid process
 - General conditions for Sida's contributions to Swedish non-government organisations (SEKA/NGO)
 - Anti-corruption regulations (NATUR/METOD)
 - Country strategies (ASIA)
 - Environmental impact assessment in development co-operation (NATUR/MILJÖ)
 - Aid agreement regulation (EVU/JUR)
 - Conflict management and peace promoting processes (SEKA/HUM)
 - Working with contributions in Sida's project cycle (NATUR/METOD)
 - Evaluation policy – Swedish version (UTV)
 - Loan-financed Development Co-operation (INEC/FINANS)

- Communications process
 - Contacts with the mass media and production of information materials (INFO)

- Procurement
 - Procurement (EVU/JUR)

- Financial administration
 - Delegation of economic responsibility (EVU/EKONOMI)
 - Internal audit policy at Sida (UTV)

- Personnel administration
 - Values and approaches for the personnel and organisational development (PEO)

- Other administration
 - Guidelines for Sida's archive (EVU/SERV)
 - IT for Sida and UM (EVU/IT)
 - Space preparedness (EVU/SERV)

Considerable deregulation has taken place within Sida regarding contribution management compared with the manuals that previously governed the operation. From the interviews, it would seem that Sida does not have too many regulations for administrative issues; in fact, there are too few. Personnel and financial administration decisions have largely been delegated to the department head level, which several interviewees appreciated. Sida's basic values and established practises (characterised by “common sense”) shall govern the application, which the interviewees also believed was positive. However, some interviewees felt that developing and interpreting procedures in a few areas occupied too much working time. They said it would be good to have a few clear regulations within a few areas such as financial follow-up and representation (external and internal). The latter may seem to be of marginal significance, but the interviewees pointed out that—not least against the background of scandals occasionally exposed involving representation at administrative agencies—it would be devastating for Sida's credibility if against all expectations, someone in the organisation should cross the boundary of what the public considers acceptable.

3.2.2 Perspectives on Poverty

The principles of Sida's main policy document are *Perspectives on Poverty* (PoP) should underpin all operations.

This means that other policy work and the country strategy process are based on PoP

The interviewees appear to broadly support PoP as a main Sida policy document. Its character is clearly described as follows: *"It is not a manual or a road map, but hopefully a compass and a mind map"*. A *"mind map"* requires a completely different form of support than a manual if it is to govern daily operations. A special project has therefore been initiated to promote support for the policy throughout the organisation⁸. In this context the government bill "Shared Responsibility - Sweden's Policy for Global Development" based on Globkom⁹ could become important for focusing on Sida's operations and thus its conditions for internal management.

Having **one** main policy document involves a major shift for Sida. It provides a base for a more coherent (uniform) operation. Sida assumed that its six foreign aid objectives would all move in the same direction, but this has not been the case. According to several of the interviewees, the comprehensive goal of the UN millennium declaration and the interim goal of reducing poverty in half by 2015 provide a clearer focus.

Two crucial points determine what effects PoP will have in practise: how successful Sida will be in encouraging everyone involved to adopt this approach and the extent to which comprehensive policy has an impact on Sida's many sector and crosscutting policies. The latter are audited with some regularity, depending on how long they retain their relevance. There is no overall timetable for audits of these policies based on PoP, but the interviewees stated that it would take two to three years before all other policies are audited.

But despite widespread endorsement of PoP, the interviewees still had objections. These objections are mainly of three types. The first objection is to the concept of poverty. The interviewees felt that Sida's definition is not consistent with the generally recognised implications of the concept, which could mean a democratic problem when Sida communicates its view to Sweden's citizens and to partners in partner countries. Even if there were a consensus within Sida on the use of poverty as a multidimensional concept, in the general debate the concept is associated with a lack of material resources. The second objection is that the definition of this concept is so broad that it entitles far too many contributions within this framework. As a result, PoP would not lead to a clearer focus and gathering of Sida's contributions than the previous six foreign aid objectives. The third objection is that expanding the concept to include dimensions such as powerlessness (lack of democracy) and vulnerability (lack of sustainable development) risks diminishing the strength of the concepts of poverty reduction, democracy and sustainable development.

3.2.3 Hierarchy of policies

The Policy Unit inventoried and made a list of policies and other key documents

(Appendix 2¹⁰). According to the Policy Unit, the purpose of policies is to guide the operation towards certain specific objectives which, taken together, will lead to achievement of the main objective of development co-operation: helping to create conditions for poor people to improve their living conditions. According to the Policy Unit's summary, policies also serve a supportive function by providing guidance on how employees should act in various situations. Policy documents also fill an information and communication function in relation to partner countries, international partners, and organisations and partners in Sweden. Finally, policies facilitate follow up of the operation's results and the individual employees' work.

According to the document, policies shall meet the following criteria:

- Policies govern the operation on a strategic, programme and project level
- Policies normally shall have at least a three-year life span
- The title of the document shall include the word “policy”
- Policy work shall be carried out on the level of expertise in the field
- Policies shall not have the nature of an operating plan or strategy for a specific sector or country/region
- Policies are set by decisions made by the Director General or the department heads
- The Policy unit, which also maintains the documents on the Intranet site, shall be consulted

According to the Policy unit's analysis, Sida endeavours to have relevant policies for key areas, sectors, and aspects in the operation. Moreover, Sida endeavours to achieve a reasonable balance in working with new or updated policies. Consequently, Sida conducts an annual review of priorities for policy work within the framework of the operational planning process, during which departments suggest the scope and focus of the policy work. Based on this review the Policy unit formulates a proposal for priorities for the Management Board.

The Policy unit notes in its analysis that policies are not rules; they are prescriptive and should guide Sida's actions. Sida's regulation state which rules are mandatory and should always be obeyed. According to the Policy unit, policies shall be formulated in easily comprehensible English (though a Swedish version may also be written).

According to the Policy unit's documents there is a hierarchy of policies that governs the operation (for more information please see section 4):

1. Main policy documents
2. Crosscutting policies
3. Sector policies
4. Other policy-related documents (guidelines, strategies, position papers)

There are also department policies that only apply within certain departments for different sectors or areas of operation.

3.2.4 Main policy document

According to the Policy unit's list, the main policy documents are *Sida Looks Forward*, *Perspectives on Poverty* and *Sida at Work*. The Policy unit is policy owner and is responsible for revision and follow up of PoP. Its responsibilities also include encouraging both the home organisation and the field to apply the policy.

Sida Looks Forward, which was adopted in 1997, defines Sida's role in Swedish global development policy. According to the Policy unit's list, the Director General's staff (or the Policy unit) owns the document and co-ordinates updating and revision on behalf of the Director General.

Sida at Work is the document that governs and guides the employees in their work and that also governs other methods of development work (for more information please see 3.2.8)¹¹.

Previously, Sida's Director General established action programmes for the fight against poverty, sustainable development, peace, democracy and human rights, and equality. Together the action programmes described how Sida intended to work to achieve the development goals established by the Riksdag for Swedish aid work. These programmes are somewhat different in character. For example, Sida's Sustainable Development Programme consists of three parts: policy, experiences and an action plan¹². The interviewees commented that these action programmes live on in practise. One reason is that they are part of the requirements for contributions carried out over time and in which the effects of the contributions are evaluated in relation to these action programmes.

3.2.5 Crosscutting policies

Sida's operation has six crosscutting policies. These policies relate to the agency as a whole and use PoP as a point of departure; in other words, they are based on the issue of poverty. These policies constitute important points of departure in implementing and assessing the poverty analysis that serves as the starting point for country strategies. One or more of them can thereafter have a key role in the continued formulation of the contributions highlighted in the country strategy. Thus, it is not necessary to apply all crosscutting policies to all contributions, but only to those strategically identified as important.

Sida shall revise its crosscutting policies in an interactive process involving the entire agency, finishing off with a review process for comments. The Director General appoints the ordering party. The entire field organisation will participate. The director general approves these policies after the Management Board has processed them. Sida will develop training modules for all policies and offer them to all employees.

The department or unit named within parentheses is the owner of each policy and is responsible for updates, revision and follow-up, as well as support to the organisation's

employees within the policy field:

- Policy for equality between men and women (POLICY)
- Policy for sustainable development (NATUR)
- Policy for promoting democracy and human rights (DESA)
- Policy for conflict management and peace building (SEKA)
- Policy for capacity building (METOD)
- Policy for fighting HIV/AIDS (DESO)

According to the Policy unit's document, crosscutting policies can be supplemented with methods development. Crosscutting policies shall also be a point of departure for formulating sector policies.

3.2.6 Sector policies

Sida defines its approach to specific sectors such as health, education, commerce, energy, or transports in sector policies. The purpose of these policies is to describe opinions in policy issues such as strategic priorities and conclusions on working methods. The policy in each field applies to the agency as a whole. Sector policies are supplemented by guidelines for important methodological areas.

The formulation of the final policy document may vary in its level of ambition. In some cases the documents are extremely short, limited to objectives and strategic areas. In other cases, the document also describes considerations that serve as the basis for the sector policy, as well as discussions about working methods and other information. For example, the Department of Infrastructure and Economic Co-operation (INEC) states in its template for formulating sector policies that the document will be a maximum of twelve pages and include a summary and conclusion, background and purpose, description of the sector, objectives and basic premises, the role of aid work and Sida's comparative advantages, choice of strategic areas, working methods and priorities¹³.

The sector unit formulates, updates, revises and follows up these policies after approval by the Director General. The policy owner is the head of the department that is in charge. Sector policies are presented to the Management Board and adopted through a decision by the head of the department. The point of departure for these policies is a focus on poverty as presented in PoP. Sida's crosscutting policies according to 3.2.5 shall also be considered in sector policies. The level of objectives for participation in the process shall be determined during the annual discussion of priorities about policy work. According to the Policy unit's document, it is important to recognise the experiences of Sida's field workers in the process.

The following sector policies are available:

- Policy for support to the health care sector (DESO)
- Policy for support to the education sector (DESO)
- Policy for Sida's development co-operation within the cultural field (DESO)

- Sida's policy for the rights of the child in Swedish development co-operation (DESO)
- Policy for Sida's work with trade and development (INEC)
- Sida's policy on financial sector development (INEC)
- Policy for environmentally viable aid in the energy area (INEC)
- Policy for private sector development (INEC)
- Policy for water development and sanitation
- Policy for support to the urban sector (INEC)
- Policy for support to rural development (NATUR)
- Research Co-operation An outline of Policy, Programmes and Practise (SAREC)

There is also a communication policy, though it is not included in the Policy unit's list of policy documents.

3.2.7 Other: guidelines, strategies, position papers, etc.

This group includes “policy-like” documents, which according to the Policy unit's document have a more limited impact on work within Sida. These documents may not contain the word “policy”. They will not become the objects for any broader work in the organisation nor will they be circulated for comment. Document owners can be the heads of department or the unit at the responsible department. The method owner is responsible for formulation, updates, revision and support in implementing the document. The method owner is also responsible for removing the document from the list when it has outlived its purpose. A list of these documents is included in Appendix 2.

3.2.8 Methods and manuals

Guidelines and manuals are available for each policy area listed above, such as guidelines on how Sida shall carry out an environmental impact assessment. However, these documents are not standardised in appearance. Nevertheless, as far as possible they shall be linked to Sida's two main processes: the country strategy process and the intervention cycle.

According to “*About policies and methods*” these methods are not rules; they are prescriptive and should guide Sida's actions. Most method documents cover a crosscutting policy area such as equality, the environment or conflict management. Decisions about these methods and manuals are usually taken in the order that applies for the corresponding crosscutting policy.

The following method documents apply to the agency as a whole:

- *Sida at Work* is the main document describing working methods and procedures to guide Sida's staff. It is “*a source for knowledge about central goals, concepts, approaches and principles, and a practical manual for everyone who works with country strategies and actual contributions*”¹⁴. The Director General has approved the document. The Methods Development Unit is the “owner” of the method and

is responsible for formulating, updating and revising the document as well as providing support to the organisation's employees in applying the method. The entire agency shall work on the revision process together (including employees in the field) and after the document is sent around for comments, the Management Board will treat it. The Director General appoints the ordering party. All employees will receive training to learn how to apply the working method presented in *Sida at Work*.

- *Guidelines for country strategies in Swedish development co-operation. The “owner” of these guidelines is The Ministry of Foreign Affairs, which together with Sida (POLICY, REGMETOD) formulates, updates and revises them¹⁵. The Policy unit owns the method for the Appendix to the guidelines and carries out the necessary updates and revisions together with REGMETOD. The appendix is approved by a department head decision after being dealt with in the Regional Forum. Employees will receive training in how to use the in document.*
- *Intervention cycle manual. The Methods Development Unit is the “owner” of the method and is responsible for formulating, updating and revising the document. The department head approves the manual.*
- *Methods for analysing poverty and assessing the poverty analyses as well as follow up; poverty focus. The Policy unit is the owner of the method and is responsible for formulating, revising and supporting the organisation. The department head approves the documents. This framework responds to a number of questions that ask how, which is neither crosscutting policy area nor sector specific (according to the classification of policies above), gathered in the section headed Main Methods. The owner of these methods (indicated in parentheses) formulates, updates, and revises them and also supports the organisation in its application of these methods. The department head approves the methods. The Policy unit, which also co-ordinates uploading on the Intranet, shall be consulted. Appendix 2 includes a list of method documents.*

The department level also has the document “*The XX department at work*”, which describes the procedures used in each department.

3.2.9 Other policy documents

As was mentioned earlier in this chapter the interviewers noted the difficulties of finding the boundary between internal and external management. Some of the interviewees mentioned the Public Procurement Act (LOU) as particularly problematic in this context. All government operations are affected by external controls such as laws and ordinances, which would occupy too much space in this feasibility study. However, since several of the interviewees felt that LOU had as much significance for efficiency as Sida's policy documents, we find it reasonable to briefly discuss Sida's **application** of this law.

As part of its action program for procurement, Sida has developed its own guidelines for procurement that are not covered by LOU, Sida's Procurement Guidelines. The

interviewees noted that the employees have appreciated this because the guidelines specify how Sida should deal with the legislation. Templates for procurement, agreements and general terms and conditions have been formulated or revised.

Nevertheless, LOU is perceived as problematic. The legislation is difficult to apply because it does not at all take into account the special conditions found in development co-operation. Sida's attorneys continuously monitor case law developments in this area. Through standardisation by using templates and general terms and conditions in contracts, the individual programme officers' actions have been governed to ensure legal application throughout the organisation. Nevertheless, some of the interviewees felt that this occurred at the price of increased bureaucratisation and decreased focus on results.

3.3 Management through internal processes

The most essential management processes in development co-operation are the country strategy process and the intervention cycle. In addition, Sida's operational planning process is essential for internal work within the agency, such as resource allocation and priority setting among different activities, departments and projects.

3.3.1 Internal management and learning processes

Several interviewees mentioned the difficulties of seeing that the changes of focus of – and the procedures for – development co-operation have led to a change in Sida's internal management. The structure of the internal management process is largely dependent on how management views learning and the educational strategy that is applied (see also section 3.4.4). Development co-operation has focused more on issues such as budget support, longer terms of agreement, and increased co-ordination and harmonisation with other donors. According to some of the interviewees, to date Sida's internal management and processes for learning have not changed to systematically gather experiences and learn from these changes, though discussions are underway to formulate an educational strategy within Sida. However, as yet no such strategy exists.

The interviewees mentioned Sida's work with capacity building as an example of the view of learning. The policy for capacity development formulated by the Methods Development Unit (Nov. 2000/Feb. 2001) states that the overall objective is that support to partner countries' shall be accomplished through a clearer focus on capacity development in all programmes and projects and through more active collaboration with Swedish partners. To achieve these objectives Sida will systematically integrate capacity development as an objective in projects and programmes. The policy specifies fundamental concepts including developing knowledge and expertise on an individual level and within the organisation, developing institutional frameworks and strengthening the Swedish resource base. The policy emphasises the importance of working with knowledge development rather than knowledge transfer. Relevant knowledge and expertise are developed as the result of a learning process and a social interaction. The interviewees questioned not the capacity development policy as such, but whether Sida lives up to this policy internally. Other interviewees felt that changes in internal

management within Sida over the past few years have been characterised at least in part by the developments regarding the view of capacity development in development co-operation.

3.3.2 Country strategy process

All six foreign aid objectives and all four objectives for co-operation with Central and Eastern Europe have in principle been equally important, allowing for different priorities within Sida. The Government's annual directives and letter of appropriations to Sida specifies several areas of operation and objectives for each policy area. Sida has more specific reporting requirements at the operational area level. At the country level, Sida formulates country strategies that state how to apply these objectives to the current situation in a specific country. The Government lays down the country strategies, which are valid for a period of three to five years. Globkom noted weaknesses in partner countries' planning and management capacity during formulation of these country strategies. Against the background of Sida's policy for capacity development and the key role of the country strategy process in Sida's internal management, this is crucial for the possibilities of having an impact on the policies Sida has laid down within different areas. Sida is dependent on existing conditions for developing a consensus with the partner country related to these policies.

According to the interviewees, the country strategy processes work fairly well, even though several of them believe that in practise the country plans have the greatest impact on internal management. It is not always possible to set priorities based on the country strategies without including certain ad hoc strategic considerations¹⁶.

Country and regional strategies and the annual country plans are therefore key governing instruments for development co-operation. They also serve as an important foundation for following up and calculating resource consumption, during resource allocation within Sida's departments in Stockholm and when assessing the size and structure of the field organisations.

Each regional department has developed its own procedures for formulating the country plans. The regional department always has the main responsibility for formulating country strategies. The responsible Swedish authority abroad authors the draft for the country plans in consultation with Sida's sector and regional departments. Support to NGOs is not programmed into the country strategies, but the Department for Co-operation with NGOs and Humanitarian Assistance and Conflict Prevention (SEKA) participates in certain country strategy procedures by including the NGOs experiences of their contributions in the relevant country. One common criticism of the country strategies is that they provide no practical guidance for the choice of contribution¹⁷.

The document "*Mind the Middle*" recommends developing the country plan process to narrow the gap between the country strategy and the intervention cycle. Sida is revising its country plan process based, among other things, on the new conditions associated with the field vision¹⁸.

The country strategy and country plan processes shall take into account all policies laid down for the different areas. According to several of the interviewees the individual programme officers working with the individual contributions usually do not refer to existing policy documents; they feel that they have enough to deal with in the stipulations of the country plan. They may possibly underestimate the importance of the policy documents. Even if the policy documents are not used in daily operations, the intentions in high priority areas can be channelled through the choices made in the work with country strategies and country plans.

3.3.3 Operational planning process

The operational planning process involves planning for activities to be carried out and allocating the appropriation for development co-operation in the short- (one year) and long-term (two to four years), as well as the allocation of the administrative appropriation.

The distribution of the appropriation for development co-operation among the different subject areas and countries is the basis for Sida's resource conversion process. Since the allocation of resources is not linked to the results of the operation, many of the interviewees feel that according to the Riksdag and the Government, it seems to be more important that the allocated resources are consumed than that the programme officer should require results. Consequently, the focus on results is perceived to be weak. One effect of this situation is that employees feel that during operational planning, it is more important to ensure resource consumption than to analyse the process and ensure that results are achieved.

The planning phase of financial management, with decisions about objectives and frameworks, presumes a follow-up and evaluation phase, where the collective results are analysed, including the achievement of objectives (in results-based management) and resource consumption (in financial management), as well as the correlation between them. This assessment serves as the basis for decisions about both objectives and inputs. As is described below in greater detail, many of the interviewees feel that there are deficiencies within Sida on all of these levels in the operational planning process.

In Sida's operational planning process the connection between the operational and resource-planning phases is weak. Objectives are set without "price tags" for what it costs to achieve them and/or recommendations for input allocation. A basic problem from a management perspective is that the proposal for focus, which is approved by the Director General, addresses appropriations, while operational planning is carried out within each organisational unit. Consequently, only in those cases where appropriations are directly related to the organisational unit is there a clear connection between the focus of the operation and the prioritisation process.

In most cases, the size of Sida's staff is stipulated and only marginal changes are made in practise in relation to earlier allocations. For the most part, Sida sets priorities in the country strategy process without taking into account the administrative resources for

implementing the contributions¹⁹. In the absence of a model for clear project management, delegation between departments and units also tends to become ad hoc, at least regarding the connection between each individual “project” and the allocation of necessary human resources.

Sida's departments work internally with different methods or forms for management. For example, SEKA uses the balanced scorecard (BSC). SEKA's scorecard was adopted in 1999 and covers four focus areas: internal processes, development, finances and partner organisations.

3.3.4 Intervention cycle process (from project to programme approach)

Sida at Work describes the eighteen steps of the project/intervention cycle. According to the regulations, one purpose of Sida's preparation process for project proposal is to ensure the relevance of each project becomes in relation to the needs of the target group and to the Swedish foreign aid objectives. Moreover, the project must be realistic, feasible and socially, financially and environmentally sustainable; in other words, it should lead to results that beyond the conclusion of the aid work project.

Sida works increasingly with programme support and with support to individual projects. Shifting from a project to a programme approach affects the entire organisation and internal management in its entirety, requiring even more of a process-oriented working method. According to the interviewees, this programme approach makes the work more integrated; it is no longer crystal clear where different activities and considerations belong – in the country strategy, country plan or during the intervention cycle. The interviewees believe that the programme focus requires Sida to flexibly and systematically tailor its personnel resources to the requirements of the operation in the different stages when intervention is necessary. They feel that the local presence of the programme officers is crucial, but in part for other reasons than previously; for example, for participation during donor co-ordination.

Developing internal management in an objective-oriented organisation requires clear objectives at all levels that also go together logically. Developing an objective-oriented process that works involves interactive learning throughout the organisation over an extended period of time. Ensuring that these objectives are realistic, based on available inputs and other assumptions, involves working with a network of contacts and negotiations. The changing nature of development co-operation with work closer to the recipient and its institutions has meant that the boundary between where Sida's responsibility ends and the partner's begins is sometimes unclear.

3.3.5 Horizontal vs vertical management processes within Sida

Developing management processes is an ongoing progress. The interviewees especially note a need to improve the connection between Sida's results-based management and its financial management. The interviewees emphasise that a considerable amount of Sida's internal operations involve processes requiring interdepartmental co-operation. Nevertheless, Sida structures and follows up on resource consumption through the

traditional “linear route”, which the employees feel creates resource-planning problems. As an alternative, the interviewees note that more and more government agencies have shifted to a more process-oriented organisation, in which the operation practises project-based management with resource allocation linked to the projects.

One problem brought up during the interviews is that projects are delegated from one department to another without an equivalent transfer of financial resources to handle the project. The basic problem is that projects are entered horizontally in Sida's matrix organisation while resources are allocated linearly. It is essential that analyses of resource needs for both short-term (one year) and long-term planning include all inputs (such as funds for development co-operation, personnel, IT investments) and that the “negotiations” involved in the process result in clearly defined projects in terms of costs, deadline, quality and performance. One proposal previously discussed within Sida is to develop a project management model that could be applied to Sida's most important “products” (such as country strategies, country plans, policies, co-operation agreements, preparation of contributions, implementation/follow-up of contributions, annual audits, evaluations and revisions). A project management approach would clarify the undertaking and allow a more realistic connection between the selected level of objectives and allocated inputs.

An earlier report to Sida²⁰ recommended a system that

- Creates conditions for a clearer connection between objectives, results and costs.
- Links objectives and planned resource consumption.
- Provides a good picture of the achievement of objectives and actual resource consumption

Even if management processes are mainly vertically oriented and move linearly, the horizontal management processes are important. Much of Sida's development work is carried out in project format. One example of this is the programme support group²¹, which has promoted the programme-based approach within Sida and also participated in the international standardisation work on harmonisation²² and developing different forms for programme support. Sida also contains many networks for specific crosscutting policy areas (Barnnätverket, HIV AIDS, Konfliktnätverket et.al.) or organisations (Diakonia), with an exchange of experiences among the involved departments and units. These networks can have great significance for internal management by developing “best practise” guidelines and other forms of standardisation within Sida as a whole. In other contexts the responsibility for monitoring is handled through functions such as “staying in touch”, seminars and evaluation of documents. These forms of informal interaction – often horizontal - are also a part of internal management.

A few years ago Sida established a number of “focal points” for which the Sector Forum is the steering group. The Sector Forum holds annual discussions of operational planning and its follow up for each focal point. The Sector Forum is also the steering group for the Methods Development Unit, which plays an important role in Sida's internal management. The connection between policy formulation, methods development and application within all of Sida is of central importance for the effects the internal

management processes have on the implementation of contributions. The chair of the Sector Forum is a member of ROV. The interviewees note that the roles and responsibilities of these organs – as well as the connections between them – are not completely clear. Questions related to the agency as a whole are handled by units, which instead of being administrative units are placed lower in the hierarchy (for example, POLICY was moved from ASIA to AFRA and METHOD belongs to NATUR). Naturally, this affects the communications process and decision-making lines.

3.3.6 Follow-up and evaluation processes

According to Sida's comments to Globkom, the capacity for skilled analysis, follow up of results and evaluation needs to increase. Like many other financiers, Sida uses the Logical Framework Approach (LFA) for project review, follow-up and evaluation of development co-operation projects²³. Central to internal management are the agency's follow-up and evaluation processes and the way the outputs of these processes are used. Sida's evaluations have two main purposes: learning and control²⁴. In an operation as complex as Sida's it is not possible to give one general description of everything done within the field of follow-up and evaluation, and this information is not systematically gathered within Sida. The indicators selected have to reasonably reflect the most important activities and their results²⁵. There is relatively substantial scepticism toward overly extensive evaluations of effects among the interviewees, because it is difficult in a complex society to identify the relationship between a contribution and its more long-term results. The causality problem is smaller with short-term, well-defined contributions, but at the same time, it is more difficult to verify the long-term effects in relation to the ultimate objective of poverty reduction. Despite these objections, most interviewees feel that evaluations and synthesis studies are important components of the learning process.

3.3.7 Are the general management processes appropriate for Sida's entire operation?

The interviewees pointed out that considerable progress has been made within Sida at integrating the previously free-standing regulatory authorities, even if certain differences in organisational culture remain. However, the interviewees emphasise that Sida's general management processes have not been adapted to the different activities.

Sida's control system is largely based on traditional, bilateral collaboration and not adapted to other activities and processes (support to Non-government organisations, humanitarian aid, budgetary support, international education programmes, multilateral support, contract-financed technical co-operation and research co-operation). The interviewees emphasised that SEKA's operation (with an annual budget of SEK 2.5 billion) does not always fit into Sida's general control system, which is largely designed for a job based on country strategy processes, country frameworks and intervention cycles. In recent years, people have felt that it is increasingly important to work with the development of civil society. Partnerships with non-government organisations are sometimes considered a more sustainable type of support than for equivalent support to

go via the partner country's government administration. However, this approach has only achieved a minimal breakthrough in Sida's policy documents and the country strategy process. For example, even the field vision represents the traditional approach, which means that field experiences from non-government organisations do not receive the same attention as development co-operation at the administrative level. Management of – and within – a government agency like Sida is based on the “*Top down*” principle, which is correct in a rule of law. The civil society's job, on the other hand, is often characterised by the “*Bottom up*” approach, which is important for generating participation and local ownership. How is collaboration shaped, what can be characterised as a partnership, from both of these perspectives? What consequences will this have for the development of Sida's internal management?

3.4 Management through organisational culture

3.4.1 The concept of organisational culture

An organisation's internal management and controls are highly influenced by the prevalent culture. The organisational culture also has great significance for how forms of are designed. Regardless of how well the formal control systems are designed, there is always room for individual interpretations of regulations and policy documents. Especially in knowledge intensive organisations, internal management cannot occur through regulation and standardisation of behaviour alone. It is important to influence assumptions, ideas and values through management processes.

Part of the feasibility study about Sida's prerequisites for internal management deals with standards and values. The organisation's research has focused on its culture in recent decades. The concept of organisational culture is defined in many different ways, but by tradition, it is seldom investigated during the internal audit or system audits, since culture is perceived as difficult to capture through methodology. However, there are methods for analysing and describing an organisation's culture, which includes basic values, management philosophy, organisational structure, responsibility, authority, skills, personnel, and wage policy. Consequently, it is also possible to develop internal management within these areas

Many people today consider value management (cultural management) to be more controlling than management by rules or by incentive, because it generates greater personal accountability through internalisation of the organisation's value basis, which becomes part of the individual's standards and values. Management by rules can give an “escape route” from personal responsibility (“I'm just following the rules”), while incentive-based management can create compliance with the organisation's goal through different types of rewards. Meanwhile, an important discussion involves the rights with which an organisation's management tries to influence its members' values, so that these better match the organisation – and where to draw the line for an acceptable influence.

3.4.2 Sida's organisational culture

What characterises Sida's organisational culture in the form of, for example, visible

cultural expressions, basic values or basic assumptions? Are there differences in organisational culture among Sida's different departments and units? Are there differences between Sida in Stockholm and in the field? What do the employees perceive as positive and negative in Sida's organisational culture? These are some of the questions discussed in the interviews and with the reference group.

Sida's value basis is formulated in "*Here's what we should do – Here's what we do*", which is part of the regulations. Among other things, it states that Sida as an organisation must be *dynamic, flexible, analytical and creative* and that Sida's employees must be competent and given room to work toward Sida's overall goals. When the interviewees describe Sida's organisational culture, it is noteworthy that this is based on strong values and certain basic assumptions, while external attributes fade into the background.

The interviewees feel that new members in the organisation are socialised into Sida rather quickly, but at the same time some interviewees feel that in addition to the value basis there are implicit behavioural guidelines that are difficult to understand ("*It takes time before you understand what everyone else has known forever*"). The descriptions often use express concepts such as personal interest in aid-related issues, great commitment, solidarity with the poor, strong shared values, consensus culture, political correctness, the written word's culture, dedication, seriousness, internal cohesion and loyalty. These people are aware of the partners and listen carefully to what is said. The employees have a clear understanding of their role ("*create conditions for...*", not "*we will fix...*").

What values exist within Sida on internal management and control? What differences are found among different departments, units or personnel groups? In general, the interviewees demonstrate great acceptance because a state authority like Sida has to have effective internal management and controls. Many of the interviewees emphasise the importance of "*Sida practises what it preaches*". Sida's approach to good management in its development co-operation also has to apply to the organisation internally. According to the government bill on *Shared responsibility*, efforts for good internal management shall be given greater importance in Sweden's global development policy. The interviewees point out the importance of setting a good example in a shared knowledge development. In development work, you cannot discuss openness, insight and transparency in decision-making processes and then not apply them internally. Sida's credibility would be questioned if the organisation emphasised the importance of clear objectives, follow-up and evaluation, but did not apply these concepts to its own internal management.

The interviewees believe that "good" standards, attitudes and values support Sida's job. Loyalty appears to be extremely strong and there is also considerable interest in changing and improving Sida.

The interviewees who were employed longest believe that the sky's the limit at Sida in general. However, not everyone shares this belief; especially relatively new employees feel that there are many implicit rules and attitudes within Sida. There are basic values

related to what makes good aid work, which are the most important development activities and which channels for aid work are most effective - and these ideas are not always based on evaluations and research but more on ideology and attitudes.

Attitudes toward co-workers in other departments at Sida have to be described as extremely favourable. There is relatively little of an *“us and them”* mentality. Co-workers within Sida are perceived as professional and co-operative, unpretentious and constructive.

According to the interviewees, it is important to learn from the experiences of others while being open to new methods, based on a different approach than what has prevailed up to now. The *“old guard”* needs to become more aware of constructive reconsideration and to respect the experience of newcomers arriving with fresh new ideas. The important point is to be open to trying new ideas and not just dismiss them because they have not been tried before and the person making the suggestion has no proof to back their success.

Understanding differences in basic values is also important. There is a difference in attitudes on one point among Sida employees that cannot be attributed to organisational belonging, level in the organisation, age or anything similar. People have a different view of learning and knowledge; some emphasise expertise as significant, while others are convinced that – somewhat exaggerated – *“everyone knows everything, if you just have the right attitude”*. This difference in opinion characterises the attitude towards mobility within Sida both, personally and on behalf of co-workers.

Is Sida's organisational culture perceived as positive or negative by the interviewees? All of the interviewees feel that the positive outweighs the negative – which is why they stay with the organisation. Which elements of organisational culture can be perceived as positive or negative is personal and mainly characterised by the extent to which the personal values in a certain regard agree with the values and attitudes described in, for example, *“Here's what we should do – Here's what we do”*.

The interviews show that Sida's employees accept the organisation's responsibility for controls. At the same time, Sida should be supportive in dialogue with partners. Is it possible to unite a controlling role with a supportive and advisory role? How do you develop this type of attitude? These key issues in developing internal management are discussed in greater detail in the next section.

3.4.3 Sida's internal management and monitoring environment: from control to quality assurance²⁶

Control mechanisms are embedded in the operational planning process, the intervention cycle and the financial administration support system. For example, different forms of control are exercised by managers, controllers, QA and the Project Committee. The latter, which is a body for advisory services for contributions exceeding SEK 50m, provides quality assurance for contributions and develops methods to evaluate projects²⁷. Sida's Quality Assurance (QA) function is intended to ensure that the

embassies (those that already have full delegations and those expected to receive them) use Sida's control system as intended, that collaboration within the embassy and with Sida S works well and that there is adequate capacity to succeed with the undertaking. The controller network has an important task in monitoring the application of Sida's policies, methods and regulations. Also to be mentioned in this context are the systems for follow-up and assessment of progress in the implementation process and the risk analysis currently in use²⁸.

Discussions about Sida's internal management and control environment should be based on the context in which Sida's internal management meets reality in the partner country, where the effects of the co-operation are to arise. Sweden expects its partners – countries, companies and organisations – to be responsible for their own programmes/project; in other words, they “own” their own development. Consequently, it is reasonable that the goal of Sida's contributions is knowledge development, changes in attitudes or similar effects in the partner, rather than the final effect in the affected population group of the partners' actual action (which is also affected by external factors).

The government has commissioned Sida to ensure that the operations receiving Swedish support achieve their planned results and that the appropriated funds are used prudently. Sida shall exercise its responsibility for supervision so that its partners retain their ownership and Sida does not take over. Sida's personnel have the task of finding a practical balance between encouraging ownership and exercising responsibility for supervision in relation to the parties involved in each programme or project. The tightrope between ownership and responsibility for supervision are expressed in Sida's conditions and terms and thus in the types of assistance that Sida uses²⁹.

In Sweden—and in many other countries—people have toned down the focus on external control and external responsibility for supervision in other contexts; they have assumed a more trusting and co-operative attitude in which internal management, control and quality assurance are “embedded” in the processes. An alternative to having one partner controlling the other is for both parties to share responsibility for developing a system that ensures results (“quality assurance”). An important question is how Sida's internal management and control should be configured and organised in this “new” context and in relation to the partner's responsibility for these issues.

3.4.4 A Learning Organisation

In Sida's program explanation “*Sida Looks Forward*” Sida is described as a knowledge organisation. How Sida attracts, recruits, retains, manages and trains its personnel and their expertise is crucial for Sida's method of successfully running the operation. Sida faces the demands of a new generation taking over and an increased volume of aid work, as well as expansion into new countries and sectors. To meet these demands, existing personnel have to adapt their knowledge and expertise and Sida has to engage in an intentional and strategic recruitment campaign for new personnel.

Sida's operation is affected and governed to a considerable degree by the rest of the world, which is changing at an ever-increasing pace. Both the organisation and

employees must therefore be prepared for change and growth. To meet these changes and new demands the policy documents emphasise Sida employees will embrace a philosophy based on continuous learning to learn from personal experiences and the experiences of others. Sida's organisational structure shall be level, decentralised and specialised. Decisions shall be made where the knowledge is and the operation is carried out. Moreover, according to the policy documents Sida shall be characterised by transparency, innovation and the free exchange of opinions. This approach is found in Sida's policy for the heads of departments, "*the Staff Flower*", its equality policy, and in the description of development activities in "*This is how we are – This is how we learn*"³⁰.

The interviewees emphasised the need for training for embassy employees, especially for basic knowledge of Swedish administration and the Swedish resource base. Within many sectors, knowledge and capacity development in Sweden are extremely advanced. From an international perspective, we have unique experiences in Sweden in several fields. Shared knowledge development in the partner country includes the responsibility for applying this knowledge. Embassy employees have to acquire this knowledge through systematic professional skill development.

One important benefit of the increased number of appointments in the field has been that Sida's personnel have been able to learn more about a speciality and/or several different areas and gained increased field experience, which in the best of cases can later be applied to other contributions. However, the interviewees pointed out that Sida does not do enough to take advantage of the knowledge of employees returning home from the field. Short-term projects offer younger programme officers and new employees an opportunity for development, which at the same time is an effective way of developing skills.

Sida has formulated several policies and tools that govern and support learning, including policies for department heads and employees, as well as tools to define expertise, skill analyses and skills profiles. Although Sida's personnel devote a considerable amount of time to learning, many feel that it is far too little. Sida records regularly the different "learning activities" in relation to the five skills of the "skill star": vocational, strategic, learning, relationship and functional skills.

3.5 A few conclusions

The comprehensive examination and analysis show that

- The status of different policy documents is unclear
- Despite the drastic reduction in the number of written policy documents, people still feel there are too many
- Implementing PoP as a main policy document establishes conditions for a more coherent operation
- Crucial for whether PoP achieves the intended effects are the acceptance process and a consistent and rigorous overview of other policy documents and

- management processes
- The relationship between results-based management and financial management needs to be improved. For example, the connection between operational planning and resource planning in Sida's Operational planning process needs improvement.
 - Learning from the results of follow up and evaluation efforts is an important element in the educational process for a knowledge organisation.
 - Discussions of ownership, harmonisation, control and management should evolve into concrete proposals for types of partnership, providing quality assurance for the results of development co-operation.
 - There is no systematic discussion involving Sida's reimbursement system; consequently, its significance is not given as much attention as management based on, for example, the policy documents that apply within the different areas of operation.

4. Alternative models to describe internal management

This section deals with the question of how internal management can be described to facilitate communication about management issues within Sida. The directive stipulates that several different alternative proposals should be described. To begin, section 4.1 presents the triggers identified by the reference group that initiate controls within Sida. After that, sections 4.2 to 4.4 discuss several different management models with a brief analysis of the relevance of each of these models for Sida. Finally, section 4.5 discusses interesting structures for describing internal management within Sida.

4.1 Triggers for controls identified by reference group

At its first meeting, the reference group inventoried the factors affecting internal management, controls and areas of management that are important for Sida's employees. A table in appendix 3 presents these triggers for controls classified under a number of headings, based on the different ways of structuring management according to sections 4.2–4.4 below. The reference group also defined other classifying principles (collective—militaristic, male—female, authoritarian—anti-authoritarian, individual—organisation, management organisation/hierarchy—knowledge organisation/knowledge), which is partially covered indirectly by the twelve different ways of structuring forms of management listed below.

Appendix 3, which presents a summary of triggers that set off controls within Sida that the reference group identified, contains ten areas of management (external players, external factors affecting management, recipients/target groups, organisational culture, policy documents, individual driving forces, inputs, the organisation, soft/informal management, hard/formal management). These include elements of results-based management, value-based management, incentive-based management and behaviour-based management, as well as given external prerequisites for internal management in the form of the context that Sida works in and the structure of external management.

The reference group's analysis shows that many of these triggers that affect the individual do not have any direct connection to what is perceived as formal internal management within Sida. Factors such as individual driving forces and family situations

are not governed by Sida's policy documents. As can be seen in "*Here's what we should do – Here's what we do*" a basic value within Sida is that even more personal triggers can and should exist; for example, it should be possible to combine working at Sida with a responsibility for a home and children. The reference group's inventory shows that there are many triggers. The employer has to identify which of these can be influenced in the short- or long-term.

The reference group noted two key criteria for selecting a management model to describe internal management within Sida: the model has to be simple and it has to present the whole picture. At its second meeting, the reference group discussed different ways of structuring controls. The summary below contains twelve options, identified by the letters A to L. The first six (A–F) are traditional two- or three-dimensional classifications of management based on different criteria. These options are followed by three ways of describing the essential changes for management in government agencies in recent times (G–I). Finally, we present three approaches that have been used in different contexts within Sida to create structure in the analysis of internal management or a part of management (J–L). All of these models are relevant to Sida in some way; how and to what extent is briefly discussed with each option.

4.2 Classic models for classifying forms of management

The literature contains several traditional ways of classifying management. They often have a simple structure based on differences in a single dimension.

A. Formal and informal controls

Formal controls refer to those for which a formal decision has been made about what is in effect, such as instructions, a budget, delegation order, rules or regulations. Informal control systems cover all other factors governing the way people behave in the organisation (such as personal values).

Formal management within Sida is apparent in a large number of policy documents. The document "*Here's what we should do – Here's what we do*" regulates the values and approaches for personnel and the development of the organisation. Other policy documents also contain standards and values that define Sida (*PoP*, *Sida at Work*, *Sida Looks Forward*). Consequently, Sida's value basis is a part of its formal internal management, even though there are also informal triggers for controls, which are not systematically documented and made visible.

B. Written and oral management

Factors affecting management are classified here based on how management is communicated: in writing or orally. We have added other forms of communication such as body language and tacit understanding or instinct.

Several of the interviewees stressed that Sida focuses on the culture of the written word, while others emphasise speaking skills as the most important factor for success within Sida. The documents supporting internal management within Sida are more visible than the interaction that occurs among leaders and employees in the management processes.

C. Hard and soft management

Controls can also be classified based on how obligatory they are for the individual on a scale of hard to soft. The hardest forms of management are regulations associated with various types of sanctions (prison, fines, and penalties for non-compliance). They are followed by other regulations stating how employees should act and what they should do.

The interviewees perceive internal management within Sida as mainly soft, with relatively few mandatory regulations. However, they showed some uncertainty about just how hard the requirements in the policy documents should be considered to be.

D. Regulations – recommendations – advice

Even here the triggers are divided based on how compulsory they are for the individual. Regulations state what an employee must do, without any exceptions.

Recommendations should normally be observed, but exceptions are possible under extenuating circumstances (sometimes extraordinary reasons), which should be possible to be justified. Advice can be followed if desired but no justification is required if the individual chooses to do something else.

This model is particularly relevant within Sida, as many of the interviewees feel that policy documents are vague about what should be considered mandatory regulations, recommendations or advice.

E. Individual – group – organisation

A distinction is made in this model between factors that are specific for each individual's priorities (family situation, values, knowledge, experiences), the group's standards ("group pressure" in the form of acceptance, "this is the way we do it here") and the organisation's shared triggers (organisational culture, vision, interpretation of the organisation's mission).

As can be seen in the summary in Appendix 4, many of the triggers that set off controls within Sida are aimed at the individual employee. But a common value basis serves as a strong bond running through the organisational culture. The total picture suggests that the clearest internal factors affecting management can be found when developing working methods at the intermediate level (department, unit) and strong subcultures occur on this level.

F. Strategic – tactical – operational management

Military leadership training has been a model. Many attempts have been made to transfer military terminology for management to civil operations. The problem lies in finding a "tactical" range between operational activity and strategic considerations.

Sida is striving to strengthen the connection between policy-generating processes, methods development and their application in daily practise. Management processes on a strategic level and on an operating level are integrated to some extent in the annual cycle.

4.3 Models that focus on perspective shifts in management

The classic models for describing management, which were presented in the last section, aim in general to classify the current existing methods of management for an organisation. When discussing the **development** of management systems, however, it is more interesting to analyse changes in terms of “before – after”, such as the transition from management of input to management of output or from management of behaviour to management of results.

The following three models focus on shifting perspectives on management in some regard. The first (G) describes the shift of the formal management of government agencies from input of resources and their use to output, or results. The second (H) focuses on how management of employees' behaviour has shifted from direct management of the individual's actions and behaviour, to the objectives for what is done, to the governing effect of the organisational culture. The third (I) describes people's different driving forces and the shift in emphasis that has occurred in the direction from management through coercion to an affirmation of the inherent driving forces in the individual employee.

G. Management of resource consumption, working methods or through (expected) results

In traditional budget-based management, rigid regulations controlled the purposes for which different resources could be used. Detailed manuals or descriptions of procedures that had to be followed to the letter governed this working method. Through the entry of management by objectives³¹, the focus turned to the results. Management would be based on an agreement about expected results, while the individual would independently decide on how to achieve these objectives.

Sida has undergone the same development as many other government agencies in this regard. In the case of formal management, the transition from traditional budgeting to management by objective and results has received the most attention in the Riksdag's management of government agencies. Of course, this change has also affected internal within Sida.

H. Direct management, management by objectives or cultural-based/value-based management

The transition from direct management to management by objectives gave the individual great potential to independently choose the method of achieving the objective. Some people felt that the freedom to determine how things should be done became too great in an organisation based on management by objectives. If everyone shared the same values, as defined by approaches and attitudes, then working methods would become more standardised, even without extensive regulations.

According to the interviews, while Sida has a common value basis, it also has several subcultures at the unit or department level that greatly influences management processes. The degree of direct management from supervisor to employee is relatively low.

Sida uses projects ³² largely to create a temporary organisation, with the authority to break against the mainstream organisation's structure and decision-making processes. According to the interviews, policy-generating projects are often staffed from a limited group of especially creative and trusted employees, whose values therefore gain pivotal significance for Sida's development. In a continued audit of internal management, this model is of interest because it is useful to study how the more formalised government management by objectives and by results is balanced and supplemented by informal processes that create and maintain shared values as the basis of cultural-based management.

I. Compulsory, material, standardised and inherent driving forces

Over time we have seen a sharp shift in people's driving forces at work ³³. Some researchers feel that it is the incentive structure/reimbursement system that is the most important factor for management in an organisation. Compulsory forces are associated with time clocks and extensive rules and regulations. Material incentives deal with salaries, benefits and stimuli with an economic value. Standardising driving forces include social, moral and non-profit driving forces, involving interpersonal relationships on all levels. But for many people today the strongest driving forces are those that are inherent, related to quality of life and personal development.

As can be seen in Appendix 3 there is good reason to note the great significance of inherent driving forces. Several triggers related to the individual employee's preferences and life are completely independent from the formal structure of management. As we continue to review organisational culture, it is worth taking a closer look at how this is affected by the shift in driving forces among Sida personnel that can arise when a new generation replaces the current one.

4.4 Description of Sida's internal management

Chapter 3 presents forms for internal management within Sida. Below is a short review of some examples showing how Sida chose to present internal management. The review shows Sida's description of policy documents, the presentation of management on Sida's Intranet, and a model used within Sida to describe internal management in one department (SEKA).

J. Hierarchy of policies

The document "*On policies and methods*" (Appendix 2) describes Sida's policy documents and the four-tier hierarchy that applies to these documents. The four tiers for policy documents within Sida are:

1. Main policy documents (*Sida Looks Forward*, PoP, *Sida at Work*)
2. Crosscutting policies (Gender, sustainable development, MR, conflict management, capacity development, HIV/AIDS)
3. Sector policies
5. Other (guidelines, strategies, position papers)

The Policy unit's description only deals with policies and certain other types of policy

documents. As can be seen in Appendix 2 “*About policies and methods*” also includes certain central process-related aspects related to the formulation of these policy documents.

K. Sida's Intranet

The Intranet is structured so that the individual employee can find important information about Sida's internal management. The section headed “Policy Documents” includes the following subheadings:

1. Regulations (Civil service regulations, Sida's guidelines, the Government's annual directives and letter of appropriations, Sida's regulations)
2. Policies (*Sida Looks Forward*, *PoP*, *Sida at Work*)
4. Country and regional strategies
5. Operating plans
6. Quarterly reports.

The information on the Intranet covers several of Sida's internal management processes such as its country and regional strategy processes, VP process and follow-up process. The information is based on policy documents as communicators of management rather than processes.

L. Model used by SEKA

SEKA has carried out a system audit of internal management within the department and used the following ten-tier descriptive model³⁴:

1. Fundamental ideology of SEKA's operation (mission and vision)
2. Changes in the surrounding world (knowledge of, needs for adjustment to, and ability to meet changes)
3. Results-based management
4. Financial management
5. Reports and controls
6. Laws and ordinances
7. SEKA's organisational assumptions
8. SEKA's organisation
9. Standards, values, philosophy and attitudes
10. Current political agenda

A model like this should also be able to be applied to other departments and to Sida as a whole.

4.5 Choice of structure

As can be seen above there is no standard structure or common view of internal management within Sida. The picture of Sida's internal management varies from one interviewee to another. A form of management more suitable for the purpose can be achieved if management becomes clearer.

The choice of structure to describe Sida's internal management is a compromise

between the goal of being comprehensive on the one hand and on the other hand the need to make it easy to understand. Against the background of the examination and analysis in the last chapter and the different models described in this chapter, we would like to submit the following tentative proposal for structure. The appropriateness of this structure could be tested in the main study.

Sida is one of many players in a complex global system. For effective internal management, it is crucial for Sida to adjust to changes in this global system, at the same time that Sida is an important player in the system's development. Therefore, interaction between Sida and the global system should be an area of management on which the description of Sida's management system should be based.

Within the framework of this global system, it is Sida's task to achieve maximum effects for its available resources. Results-based management—and the assumptions created for converting inputs such as internal processes, regulations, and policies—should be another main area for the description of internal management.

The focus of efforts for exploring an appropriate management system should be on the individual employee. One main area should therefore be the individual perspective, including personal driving forces, learning and incentives.

The fourth main area should be the organisational environment in which the individual employee creates the results; in other words, the organisational culture.

Taken together, this means that internal management can be discussed, structured and audited based on four perspectives:

- Context
- Employee
- Results
- Culture

4.6 A few conclusions

Based on the report in this chapter and the review in chapter 3, we can draw the following conclusions:

- Management is a multidimensional phenomenon
- Internal management occurs not just through policy documents; it occurs mainly in different processes, where organisational culture is highly significant for how the different management signals are captured
- Different forms of controls complement one another to achieve an internal management system that is suitable for its purpose
- There is a need to describe this, to create understanding for and increase awareness of how different forms of control can best complement one another.

The main study should focus on a number of problem areas that are considered essential from a development perspective and within which it should be possible to achieve concrete changes. Therefore, they should tie in as far as possible with the

ongoing work to implement change within Sida. The next section analyses a few of these areas. The last chapter lists practical suggestions for audits in the main study. When carrying out these audits Sida could try the proposed methods of structuring the management processes in section 4.5.

5. Analysis of problem areas

Sida's operations have greater breadth and complexity than any other government agency, including areas of operation that require completely different management systems than other government agencies, which are mainly affected by Swedish conditions, and require completely different management systems. Development co-operation is carried out in countries, offering vastly different conditions for internal management. Developing a management system in this governing environment, which in every regard is optimal, is extremely difficult. With the prerequisites for management found within Sida, it is important to find an appropriate balance among the many (all legitimate) requirements and requests.

Moreover, this development co-operation is in a phase of development in which both form and content are changing character, in part because of the proposal "Shared responsibility. Sweden's policy for global development". Implementing a clearer focus on poverty through the *Perspectives on Poverty* (PoP) policy, the programme-based approach, the field vision and other expressions for efforts to decentralise all affect internal management conditions for Sida's operation, which in turn should influence Sida's choice of management system—its blend of controls and their contents.

Perspectives on Poverty have strengthened Sida's standardised unity. The long-term effects and consequences of a new comprehensive approach to poverty obviously cannot be predicted today. However, all experience suggests that implementing a new approach require great patience and consistency.

Shifting from a project to a programme approach affects the entire organisation and internal management in its entirety. The programme-based approach makes the work more integrated with the partner country's own development projects and with other players. It is therefore no longer clear when different considerations should be made – in country strategies, the country plan or during the intervention cycle.

As was noted previously in this report, ownership of the different management processes is scattered. The bond of standardisation within Sida works as a substitute for these inadequacies in the organisational basis for internal management. Sida employees show great commitment, bordering on dedication. Personal interest in aid work is a strong driving force, creating a stable base of shared values. These shared values provide the management conditions, even though the instruments are not so refined in every aspect. The reference group has emphasised the importance of having **a total picture of internal management**. A total picture of internal management means that the different controls are not seen as isolated in relation to each other but as essential parts of a whole. This was also pointed out during the interviews. What effect does the overall internal management have? Do all factors affecting internal management move in the same direction or do they point in different directions? Is the

scope of factors affecting internal management appropriate for the purpose or are they so extensive that no one is able to embrace them? The effects of internal management also deal with the relationship between different controls and how they mutually affect or enhance one another. Is the mix of different factors affecting internal management within Sida appropriate for the purpose?

As can be seen in the examination carried out in this feasibility study, management of Sida's operation occurs in many different forms. The interviewees have pointed out the elements that to varying degrees have inspired their individual pictures of management. These pictures only overlap in part. Management is so broad in scope and occurs in so many different forms that it is hardly likely that any individual employee would perceive all existing factors that affect management. Nor does the presentation of internal management that Sida makes on the Intranet, for example, offer a systematic and comprehensive picture of Sida's internal management, either.

Thus, the pictures described during the interviews are also different. To some extent, this is not surprising; obviously, people view internal management in various ways if they are on different levels of a hierarchy. But there are also several other explanations for the differences in one employee's interpretation of internal management, such as where the person works in the organisation, length of employment, nature of working duties, field experience, age, gender, personal values, or network authorities.

Nor is it remarkable, since individual employees perceive different factors affecting internal management to varying degrees, for opinions to diverge about the way that good or poor management works. Thus, there is no common general problem scenario that everyone shares. Based on the comprehensive examination and the analysis in chapter 3, however, certain problem areas can be identified, where several interviewees share a similar view of a specific control. Other employees do not have the same perception of the problem or do not see the consequences of a change in the same way; they may not even perceive a specific control as important.

When dealing with the mix of different controls, policy documents and other triggers for controls, the majority of interviewees feel that Sida employees have too much faith in the governing effect of the written word. Moreover, according to the interviewees, important obstacles to effective internal management within Sida include an inadequate focus on results, an unclear management organisation, unclear decision-making processes, unclear status of various policy documents and the lack of a collective understanding of internal management.

Each of these problem areas is discussed below. Naturally they overlap and the question of what is the basic problem and what is the result of other problems can always be discussed.

5.1 Consensus culture and unclear decision-making processes

Opinions were most favourable towards leadership, commitment, loyalty to – and motivation for – goals/visions, and a person's ability to influence, develop and structure the job and its operation in the organisational measurements carried out within Sida.

Less favourable values were achieved for workload and stress, roles and allocation of responsibilities between embassies and Sida in Stockholm as well as the ability to follow up and utilise results ³⁵.

Many of the interviewees feel that Sida's internal management is unclear (*“Suddenly, something has been decided – unclear how, when or why”*). This applies in part to the decision-making processes and in part to the distribution of work and responsibilities among different individuals and levels. There are also several important groups whose roles are perceived as unclear – the Management Board, ROV, Sector Forum and Regional Forum.

Deficiencies in the focus on results and the connection between goals on different levels can be compensated for to some extent by a shared value basis. But in contrast, these shared values mean that Sida is perceived as a workplace where it is not obvious to question established thought patterns, working methods and procedures.

Some of the interviewees have described a “cultural collision” between Sida's value-based management (or “cultural management”) and the high degree of freedom that this means and the flora of policies and detailed regulations that apply for purposes including procurement and financial administration, for which compliance is monitored internally by controllers and externally by the Swedish National Audit Office. In an organisation where many employees are driven by higher purposes and ideals, these administrative duties are often perceived as more burdensome than the percentage of working hours these duties occupy de facto. They do not set aside enough time for the (in their opinion) less attractive administrative work, which is why they are often pressed for time.

Usually the employees have an annual goal and performance review, but few have an individual plan with their own operational objectives. Many set up their own objectives for their work, which more often than not tend to be unrealistic. Several interviewees note that measures are needed for the workload, work pace and perceived stress. If correctly designed, internal management can help by providing support and making it easier for people to handle their duties. The risk of burnout and other problems among Sida's personnel rises when demands and expectations placed on people are too high and/or unclear.

5.2 “Sida at Work” and/or “How I Work”?

Within Sida, there is no direct correlation between formal policy documents, documents that serve as the basis for decision-making and results achieved. Causal relationships and chains of cause and effect are more complicated than that. According to the interviewees Sida's working method is shaped mainly on the unit and/or department level (partially depending on size), by new employees informally learning from department heads and experienced colleagues.

Each department and unit within Sida has in this way developed a working method based on practise and experience. In some cases, the forms of development co-operation developed in this way are based on a thirty-year tradition. Employees have no idea why different Sida departments have chosen to use specific methods or

approaches. Previously, Sida's varying working methods and forms of development co-operation were never formalised or documented to any great extent, though Sida's controllers are now doing just that.

Usually the problem in a large organisation is not formulating policy documents, but ensuring systematic compliance with them throughout the organisation. The reasons that a policy is not followed can be many. For example, people may not know about the policy; the programme officer may not have the time or energy to learn about it or comply with it because of too large a workload; people more or less intentionally ignore the policy when setting priorities. Those responsible for formulating policies and methods also accept responsibility for helping to ensure their application. But the interviewees note that it is unclear just who within Sida is responsible for ensuring compliance with a specific policy. What is the responsibility of the programme officer, the officer's department head, and the controller? What role and what responsibility does the policy-generating unit have in relation to other units?

5.3 Common value base and subcultures

A common value basis exists within Sida, though it is not explicitly expressed. The interviewees note you can tell when you make a mistake just how much is unspoken and not recorded on paper anywhere (*"Sida wants creative employees, who don't make mistakes and stay within the occasionally invisible limits"*).

Several interviewees note that it is the culture of the written word that counts within Sida. Some feel that oral skills are also valued at least as much. Most agree that stylistic, written and rhetorical, verbal abilities are valued higher than a focus on results and the ability to make things happen. It is legitimate to prolong advisory and decision-making procedures by requiring consensus or further preparations without needing to take responsibility for the consequences.

Concepts and definitions become particularly important in this culture, creating several problems:

1. Sida uses concepts in different ways than the ordinary. For example, the concept of poverty has an additional definition for Sida than in popular speech. Sustainable development is another example of a concept that has been broadened.
2. Some concepts are used in different ways without clear distinctions, such as "policy" and "strategy".
3. Buzzwords are extremely popular for a while, then more or less disappear.

Sida's framework for a strong shared value basis contains several more or less clear subcultures that are in part a remnant of the previous five government agencies, though they also contain embryos of new subcultures that influence, for example, implementation of the field vision (for more information please see section 5.6).

5.4 Shall or should?

Currently great uncertainty exists about what is mandatory in, for example, policy

documents, and what is a recommendation or advice. The terminology offers no clear distinction, with “*shall*” indicating what shall be done and “*should*” what should be done.

Chapter 3 refers to the inventory of methods and policy documents that we carried out. The Policy unit’s hierarchy of policy documents creates some clarity about the interrelationship of different policies. However, a few questions remain, such as:

- Policies are intended to answer questions about *what* shall be done and *why*, while methodology focuses on answering questions about *how* Sida works. *Sida at Work* is included in the hierarchy as one of three main policies documents (3.2.3). At the same time, *Sida at Work* is referred to as the main methodology document (3.2.7).
- *PoP* is referred to as both the main policy document and one of three main policy documents.
- Sida states that neither policies nor methods are rules. Neither of them contains mandatory requirements. Can we conclude that policy and method documents are in no way mandatory, but rather recommendations (i.e., “optional requirements”), in which circumstances decide what consideration should be taken to the document's contents during implementation?
- Main policy documents, theme policies and sector policies all apply to the agency as a whole. However, it is impossible to tell which elements of these policies apply to **all** development co-operations and which are only relevant for certain types of contributions.

The general impression is that policy documents contain too many vague requirements. Far too often, these documents make no distinction between what is mandatory and what is a recommendation. Everything is presented as equally important. The interviewees would like to see more specific distinctions between rules that must be followed on the one hand and on the other hand advice based on experience about which results are suitable, which methods are more effective in a certain situation, etc.

Greater clarity does not have to mean more rules. However, some of the interviewees would like detailed management through clear rules within certain fields, such as what applies for representation ³⁶, because the lack of clear rules leads to uncertainty, time wasted on unnecessary discussions and employees treated differently, which is perceived as unfair. The suggestions are that Sida's representation shall be alcohol-free and that the amount spent shall not exceed the amount that companies may take as deductions according to the Swedish National Tax Board.

5.5 Inadequate focus on results

One question that both the interviewees and the reference group mention is why Sida does not place a higher value on “results achieved” than on work with plans, strategies and policy-generating documents. General opinion notes that employees who are good at writing are favoured. As part of the “Objectivity Project” Sida has increased the value of advisors and sector positions. Some interviewees believe that in some cases greater weight is placed on academic qualifications during recruitment than on the ability to achieve results. Moreover, they maintain that far more time and energy is devoted to planning projects than on follow-up and evaluation of the outcome – examples of

symptoms of an inadequate focus on results noted by individual interviewees.

The government administrative policy aims to produce intended results and achieve the goals set by the government, and accomplish this cost-effectively. When choosing means, a key factor is what management will focus on; for example, the contents of the operation, ownership, administration, standard setting, or resource allocation. In order for citizens' demands for a well functioning government administration to be met, management has to create conditions for government agencies and their employees to carry out operations in the best way. For example, appropriations should not be structured to constitute a barrier for effective resource utilisation. Together, results-based and financial management shall create conditions for improved information and increased knowledge of the government operations' results and its need for improvement and thus provide a better basis for deciding about issues such as objectives, focus, and resource allocation. Each task should therefore be carried out where the effects of development co-operation become optimal.

The reference group emphasises that it is important that work within Sida is results-based and that everything else actually should be subordinate to results. Does Sida have the most appropriate organisational conditions for its purpose to deliver the intended results? Do employees work in conditions where they can learn to use resources more efficiently through a well functioning feedback system?

One reason for the perceived lack of focus on results is that people feel it is difficult to follow up and evaluate Sida's results. The complexity and scope of the operation complicate this. Associating measurable results of a specific contribution to the overall goal of combating poverty is considered especially difficult. Nor is the culture within Sida aimed at measuring results and providing feedback to the employees.

The review of the organisation and the interviews suggest that many of Sida's employees believe that their workload has grown in recent years and some are constantly stressed. We can expect the need for internal management of the work with a focus on creating clear limitations and setting priorities to continue to grow.

The Budget Act places requirements for government agencies to work to be as efficient and economical as possible in government operations. The development of internal management assumes interventions to ensure

- A clear connection between objectives, results and costs.
- Knowledge of outcome and achievement of objectives.
- A total picture perspective and transparency at all decision levels.

The possibility of following up on the degree of achievement of objectives after the fact presumes that clear goals were formulated beforehand that can be followed up in both development aid and internal work at Sida. Leaders at every level need a better basis to assess the amount and allocation of resources in the budget and planning process. In order to set realistic objectives Sida needs a clear connection between planned resource contributions and the selected level of objective. Greater knowledge of the relationship

between actual use of time and achieved results is necessary for this process.

Ideally, results indicators shall state the final effects that Sida will achieve. Such direct criteria that indicate the extent to which the intended development is achieved are highly valid. But at the same time, the reliability of these measurements tends to be low because such changes are also influenced by a number of other factors. It can also be difficult to obtain reliable information from available statistics and information about the “quality” of the relationships created involving factors such as duration and external conditions. Sida carries out many advanced evaluations that contribute to learning in the organisation. However, it is difficult to aggregate their results on an even more general level in order to relate the outcome to the objectives for poverty reduction (such as in the growth phase). Consequently the person evaluating the results often has to use indirect criteria, which express the achievement of interim targets and can be assumed to be positively related to the final effects that we are actually interested in. Examples of such indirect effect parameters are the implementation of different activities. The reliability of these measurements is usually higher than for those indicators that refer to final effects, but at the same time validity can be much lower. Along side of these effect parameters, Sida can also use structural measurements, which indicate the size and nature of the contributions carried out. These structural measurements are generally easier to measure than the effect parameters, but validity can be low here. The same applies to process-oriented indicators, which express how the planning and decision-making process are designed, which information has been provided and how the organisation is designed to make it possible for the objectives of a contribution to become reality.

5.6 Consequences of implementing the field vision

Sida's organisation includes personnel in Stockholm and stationed with Swedish embassies. Sida has carried out audits, which showed that internal management and controls are satisfactory at the Swedish embassies abroad.³⁷ Sida developed a “field vision” and work is in progress implementing this vision. In practise, the right of disposal for major parts of the appropriation has been moved to several field offices, which enables Sida in Stockholm to assume more of an advisory role. The goal of the field vision is for fifteen embassies to work with full delegations in 2004. During spring 2003, each department within Sida is analysing the consequences of the field vision for its operation.

Funds for the field's basic staff and operating costs have been delegated to the heads of departments for the regional departments. Decisions about how large the basic staff at embassies should be, as well as allocation of resources for fixed and ongoing operating costs, are based on country strategies and country plans, and made in consultation with the Ministry of Foreign Affairs. The available framework for services financed by activity-based appropriations have gradually increased from SEK 140m in 2000 to SEK 160m in 2001 and SEK 180m in 2002. Short-term appointments, long-term appointments and locally employed national programme officers (NPOs) are financed within this framework. To an increasing degree Sida is testing whether locally employed programme personnel can replace or complement dispatched personnel for temporary positions. What effect will this have on Sida's organisational culture? Regulations differ for personnel stationed abroad and for local employees. What does this mean for the

possibilities of creating a common value basis? For programme officers at Swedish embassies abroad, the supervisor's role changes when the national programme officer (NPO) is employed. The expanded delegation places higher demands on the administrative services of the authorities abroad. The programme officer's role has changed from direct operational duties to an emphasis on management and follow-up. Efficient and well functioning procedures for administrative support for aid work are being created. Even if responsibilities and authorities are delegated to the embassies, these will be dependent on the niche specialisation found within Sida or that can be procured. How does the transition to English as the "corporate language" affects the organisational culture and relationship to the Swedish public and resource base?

At the same time that roles at the embassies change with increased delegation, roles for sector department personnel have also changed. If the main duties become policy and methods development, quality assurance and developing and maintaining a knowledge bank in Sweden, it would mean that these departments take on the character of centres of excellence. One important question is what consequences this situation would have for internal management.

In the current system, Sida is limited in its ability to use the activity-based appropriation for a large number of services in the field. However, it should be the duties themselves that control this and not where the work is physically carried out. Appropriations that limit the freedom to choose the most effective options are counterproductive and lead to suboptimisation³⁸. An earlier evaluation presented twelve options for developing the current financing model. The point of departure for internal management should be to answer the questions who, how, where and when a specific duty is carried out most effectively.

5.7 How does decentralisation affect controls?

Decentralisation can lead to a tendency for subcultures within Sida to become stronger, which could make internal management more difficult. Already now, there are geographic subcultures within both Sida and Ministry of Foreign Affairs. For example, there are differences in the vision of MR between the regions that cannot only be attributed to the environment/context in which they work. In situations with little interaction between subcultures, there is a risk for less uniformity in setting priorities and other assessments. Those who currently work with crosscutting topics and generating policy at Sida in Stockholm have an important role bridging differences and creating arenas for building a common knowledge base when assessing which contributions should be given priority. An evaluation of Sida's work needs both pictures of changes over time in a certain country and pictures that address the differences between countries. When contributions no longer deal mainly with the strengths and weaknesses of individual projects but focus on the suitability of the entire programme in relation to a country's policy, new follow-up mechanisms and harmonisation of Sida's assessments are needed. Since these assessments have to be context-dependent, it is not possible to use simple models and templates to create uniformity. The interviewees discussed harmonisation of programme support guidelines to facilitate handling this form of support and considered this an urgent issue. Decentralisation is accompanied by the need to change and strengthen the central governing functions and adapt them to the new

conditions. Sida has initiated such a task, but further work is required.

5.8 A total picture of internal management

As can be seen above, formal internal management of Sida's operation has improved in many ways. For example, the number of formal written policy documents has decreased. To some extent, differences in organisational culture between the five government agencies that became one have been bridged. However, the more informal governing mechanisms within Sida have not received attention nor have they been studied to any great extent.

Despite improvements in internal management, several problems remain – mainly related to not paying sufficient attention to the consequences of changing one component of internal management on other areas of internal management. One contributing factor to the difficulties of co-ordinating internal management is that management issues are scattered among many organisational units on different organisational levels. The organisational assignment of different functions is difficult to understand and appears to be governed more by coincidence than a clear organisational culture. Collaboration between units that are responsible for policy and methods development appears to be good and there is a well functioning distribution of responsibilities and work among them. However, a powerful co-ordination of Sida's internal management based on a total picture appears to be missing.

6. Recommendation for audits and methods in the main study

The aim of this feasibility study is to examine and analyse Sida's internal management, formulate suggestions for descriptions of Sida's internal management, submit recommendations for one or more audits in the field and identify methods appropriate for use with the main studies. In this chapter, we conclude with some recommendations for audits that are more extensively discussed above. Sida may choose one or more of these recommendations for approaches for audits. Whichever approach Sida chooses, it should construct a total picture of its internal management.

6.1 Recommendation for audits

Against the background of the analysis of problem areas in the previous chapter, this section identifies recommendations for audit topics, with a short explanation for why a audit should be carried out based on the proposed approach. As was emphasised previously, the audit should focus on development and on the future. However, the degree of proactivity in the audit approach is up for discussion. Since change processes are constantly in progress within Sida, UTV should not wait until these are completed before carrying out a audit. This could mean a loss of the opportunities for change.

Below are the first two recommendations for approaches to audit strategically significant change processes, which require a high degree of proactivity. This means that Internal Audit would audit the implementation of approved changes of strategic significance for internal management, to help optimally develop total management. After that, we present two proposals for audits that focus on key aspects for existing controls. Finally a

fifth proposal for a contribution audit can be seen as a synthesis of all of the above.

The five most essential approaches are:

1. *Perspectives on Poverty* have the character of a “*mind map*”. The new comprehensive policy should thus not only influence the content of the formal policy documents in general, but also change thinking, values and attitudes and therefore even the approach. A basic project will begin this autumn. One audit area could be to track Sida's organisational culture in greater detail and the conditions for a change in internal management in their entirety through this “*mind map*”. This is closely related to the special learning culture found within Sida. How do we create a common knowledge development that leads to desired changes in the organisational culture and attitudes found within Sida?
2. Most people believe that transforming the field vision into reality will have considerable consequences for Sida's internal management. However, people do not agree on the exact nature of these consequences. One approach could be, using the field vision as a point of departure, to audit how this affects Sida's internal management, based on the following issues: would the different subcultures be strengthened after further decentralisation and if so, what would this mean for Sida's internal management and controls? Which changes are necessary to achieve internal management appropriate for the purpose within Sida during implementation of the field vision?
3. In the feasibility study, a picture emerges with unclear formal decision-making processes and a consensus culture within Sida. A few years ago ROV, Sector Forum and Regional Forum were established to relieve the Management Board of the burden of dealing with certain issues to enable the Board to devote more time to strategic considerations. Within Sida, there are also several important functions for internal management, including financial and human resources, the Policy unit, the Methods Development Unit and various policy functions at the department level. The distribution of roles and responsibilities for Sida's internal management is an important area for audit and development. According to many of the interviewees, achieving change requires not just a decision by the Management Board and other organs; the solution also has to be affirmed in formal and informal networks of other influential employees within Sida. This can be seen as a part of the consensus culture, but what does it mean for the power of formal internal management? Is internal management encouraged or does the consensus culture create a preservative environment, with little ability to adjust to changed assumptions? What are the implications of the impending “generation switch” within Sida for the consensus culture?
4. Organisational structure and organisational culture are two important areas of internal management that often reinforce each other, but that can also cancel each other out. Both have significance for working methods, not least in a decentralised organisation. The feasibility study describes the different scenarios that exist within Sida in terms of the individual's freedom at work (everything from a high level of uniformity within Sida as a whole according to “*Sida at Work*”, to a high level of individualism in – “*How I work*”). However, the collective picture points towards the fact that intermediate levels (such as the department, unit, or

embassy) are most governing for working methods through the subculture that exists there. This subculture can be a greater or shorter distance from the core of Sida's shared organisational culture. One audit area could be to focus on "the middle of the hierarchy" and in an in-depth audit analyse Sida's organisational structure and organisational culture from the perspective of internal management. What significance does the shared organisational culture have in relation to the different sub-cultures? How does the mix of different internal management mechanisms vary in an organisation with different subcultures? How are management processes, policy documents, value bases and attitudes designed to achieve appropriate internal management?

5. The results of the feasibility study indicate that the employees' priorities, working methods and contributions are mainly governed through the formal goal- and results-based management of the operation as well as the prevailing organisational culture. The report notes that there is a common Sida culture, as well as elements of strong subcultures, which to a greater or lesser degree harmonises with the shared culture. These subcultures allow varying degrees of individual freedom for the employees. Their inherent driving forces are sometimes given extra large breathing space, which in turn influences the force with which the formal management by objectives and results impact the priority setting process. Department heads follow up on the results and how policies, methods and regulations apply to form an important area for audit. One approach could be to audit the effects of management by results on different subcultures, as a basis for developing a common organisational culture that further reinforces the focus on results.

6.2 Recommendation for methods

Methods recommended for use in the main study are:

- Questionnaires supplemented by in-depth interviews to examine the current status within the selected audit area.
- Field visits covering different parts of Sida's "field" (embassies, non-government organisations, projects, etc.)
- Focus groups for in-depth discussion related to analysis models and ideas
- Close collaboration with the individual(s) responsible for the relevant development area within Sida in those forms that are most appropriate for a continuous shared knowledge development
- Benchmarking with relevant government agency in Sweden related to a well-defined subarea in which others' experiences are of interest
- Benchmarking with other donors related to the general development of management of development co-operation and its effects on donor co-ordination
- Reference group for continuous reconciliation of contribution to the audit
- Progress report to the organ that has ordered the audit on such forms as are most appropriate to ensure development of appropriate internal management.

It will not be possible to specify how these methods will be used in greater detail in the main study until the audit area has been chosen.

Appendices:

Appendix 1 Project and its implementation

Appendix 2 About policies and methods

Appendix 3 Inventory of factors affecting internal management at Sida

Appendix 1**Project and implementation****The project**

This feasibility study includes a comprehensive examination and analysis of Sida's internal management, with the purpose of identifying problem areas and defining issues in preparation for future audits. The feasibility study focuses on the prerequisites for internal management in Sida including inadequacies in the governing and monitoring environment and problems involving Sida's policy documents. The analysis shall take into account the decentralisation of development co-operation that is currently underway.

The project involves the following:

- A examination of Sida's main policy documents and comprehensive analysis of the most important policy documents as well as a comprehensive examination and analysis of Sida's internal processes as a basis for the descriptions of Sida's internal management.
- An examination of the more formal forms of internal management supplemented by comprehensive analysis of Sida's organisational culture for management and control.
- A report of a few recommendations for descriptions of Sida's internal management.
- An analysis of problem areas, summary of proposals for audits within the field as justification for why audits within these areas should be carried out.
- Identification and analysis of methods in preparation for work with the main study.

Implementation

Sida formulated a work plan for implementing the feasibility study¹, which was carried out jointly by Sida's Internal Audit and Professional Management. The work plan includes three phases: a planning phase, an implementation phase and formulation of the feasibility report. The implementation has included an audit and comprehensive analysis of formal management in the form of Sida's internal policy documents, internal management processes, and other elements.

We interviewed Sida personnel to gather supplementary information about prerequisites for internal management. To obtain a comprehensive view of Sida's internal management from a broader perspective, we also interviewed embassy personnel in

Honduras and South Africa.

As we worked, we conferred regularly with a Sida reference group, which had an important role in the feasibility study. The reference group identified Sida's different controls, served as a partner to analyse Sida's internal management and discussed alternative ways of describing Sida's internal management.

The purpose of these activities has been to gather information about how personnel perceive internal management, to support these observations and conclusions and to make it possible to communicate the descriptions of Sida's internal management.

Schedule and reporting

According to the assignment description, a written final report of no more than 30 pages, excluding appendices, shall be submitted to Internal Audit by 13 June 2003. The review was carried out between 17 March 2003 and 30 June 2003. The results of the work were presented to Internal Audit on an ongoing basis. Interviews were conducted until 28 May 2003. We discussed a first draft of the feasibility report with the reference group on 6 June 2003.

Appendix 2

About policies and methods

About Policies

- *According to the policy unit, the purpose* of policies is to guide the operation towards certain specific objectives which, taken together, will lead to achievement of the main objective of development co-operation – to help to create conditions for poor people to improve their living conditions.
- Policies also fill a supportive function by giving guidance on how the employee should act in different situations.
- Policy documents provide information and help communication in relation to partner countries, international partners and organisations and partners in Sweden
- Finally, policies facilitate follow up of operations results and the individual employees' work. The following criteria apply for policies:
 - Policies govern the operation on a strategic, programme and project level
 - Policies normally have a life span of at least three years
 - The document title shall include the word policy
 - Policy work shall be carried out on a level where expertise in the field is found
 - Policies shall *not* have the character of an operating plan or strategy for a specific sector or country/region
 - Policies are established by decisions made by the Director General or the heads of departments
 - The Policy unit, which also co-ordinates uploading on the Intranet, shall be

consulted

Sida endeavours to have relevant policies for key areas, sectors and aspects in the operation. Moreover, Sida endeavours to achieve a reasonable balance in working with new or updated policies. Therefore each year Sida sets priorities for its policy work. In the priority setting process, the departments recommend the scope and focus of policy work. Using this as a basis, the Policy unit formulates a recommendation for priorities for Sida's Management Board.

Policies shall be written so that they can be read, understood and used. The scope may not be too large and the language shall be comprehensible. Policies shall be available in English. (A Swedish version may also be written.)

Policies are not regulations. Sida's regulation state which regulations are mandatory and should always be obeyed. Policies have a prescriptive role and should guide Sida's actions.

A hierarchy of policies governs the operation:

- Main policy documents
- Crosscutting policies
- Sector policies
- Other policy-related documents (guideline, strategies, position papers)

Main policy documents

The main policy documents are *Sida Looks Forward, Perspectives on Poverty* and *Sida at Work*.

- The main policy document is *Perspectives on Poverty* (PoP), which should influence all operations. All other policy work and the country strategy process should be based on PoP
- The Policy unit is policy owner and is responsible for revision and follow up of this policy. This also involves supporting both the home organisation and the field in applying the policy.
- Sida shall revise PoP in an interactive process involving the entire agency and finishing the process by sending the document to all departments for review and comments. The Director General appoints the ordering party. The entire field will be part of this process. The Ministry of Foreign Affairs shall be kept informed of the process.
- The Director General approved PoP after it was dealt with by the Management Board.
- All employees shall be taught to apply the approach that PoP promotes.
- *Sida Looks Forward* is a document that defines Sida's role in the new Swedish global development policy.
- The Director General's staff (or the Policy unit) owns the document and coordinates updating and revision on behalf of the Director General.

Sida at Work is the document that governs and guides the employees in their work and also governs other methods development work (for more information please see about methods).

Crosscutting policies

- Sida's operation has six crosscutting policies, which affect the agency as a whole. These policies shall use PoP and its focus on poverty as a point of departure. These policies account for important entry points in the implementation and assessment of the analysis of poverty that shall be the starting point for country strategies. One or more of them can thereafter have a key role in the continued formulation of the contributions pointed out in the country strategy. Thus, it is not necessary to apply all crosscutting policies to all contributions, but only to those strategically identified as important.
- Cross-cutting policies shall also be a point of departure for formulating sector policies
- Crosscutting policies can be supplemented with methods development
- The following departments or units “own” the policies and are responsible for updates, revision and follow-up of crosscutting policies and support to the organisation within the policy area:
 - Policy for equality between men and women POLICY
 - Policy for sustainable development NATUR
 - Policy for promoting democracy and human rights DESA
 - Policy for conflict management and peace building SEKA
 - Policy for capacity building METHOD
 - Policy for fighting HIV/AIDS DESO
- Sida shall revise crosscutting policies in an interactive process involving the entire agency and finishing the process with a review process for comments. The Director General appoints the ordering party. The entire field will be part of this process.
- The Director General approves these after they have been processed by the Management Board
- Sida shall develop training modules for all policies and offer them to all employees

Sector policies

- These documents define Sida's approach to specific sectors such as health, education, commerce, energy, or transports. The purpose of these policies is to describe opinions in policy issues such as strategic priorities and conclusions on working methods. The policy in each field relates to the agency as a whole.
- Sector policies are supplemented by guidelines for important methodological areas.
- The level of ambition related to the formulation of the final policy document can vary. In some cases, the documents are kept extremely short and limited to formulation of objectives and strategic areas. In other cases, the document also

describes the considerations that serve as the basis for the sector policy, as well as discussions about working methods and other information.

- The sector unit formulates, updates, revises and follows up these policies upon approval by the Director General. The head of the department named in each document is the policy owner.
- The point of departure for these policies is a focus on poverty as presented in PoP Sida's crosscutting policies shall also be taken into account in sector policies.
- The level of objectives for participation in the process shall be determined during the annual discussion of priorities about policy work. It is essential to listen to the opinions of employees from the field and learn from their experiences during this process.
- Sector policies are presented to the Management Board and approved by a decision of the head of the department.

Guidelines, position papers, etc.

- This is a “policy-like” document that has a more limited effect on the organisation's work and the above criteria do not apply.
- These documents may not contain the word policy.
- Owners of the document can be either the head of the department or the head of the unit within the departments.
- The method owner is responsible for formulation, updates, revisions and support in the implementation of the document. The method owner is also responsible for removing the document from the list when it has outlived its purpose.
- These documents do not become the object of any broader work in the organisation and are not circulated for comment.

About methods and manuals

If policies answer questions about *what* shall be done and *why*, methodology aims to answer questions about *how* Sida works. Guidelines and manuals are available for each policy area listed above; for example, how Sida shall carry out an environmental impact assessment. However, there is no uniform format for how they should be formulated. Nevertheless, as far as possible they should be linked to Sida's two main processes, which are the country strategy process and the intervention cycle.

Methods are not regulations. Their role is to be prescriptive and to guide Sida's actions.

Most cover a crosscutting policy area such as equality, the environment or conflict management. As a rule, decisions concerning these areas are made in the order that applies for the crosscutting policy.

However, a number of method documents apply to the agency as a whole.

- *Sida at Work* is the organisation's main method document that governs how the work should be carried out and its working methods in general. The Methods Development Unit is the method owner and is responsible for formulating,

updating and auditing the document as well as supporting the organisation in applying the document. The entire agency shall work on the revision process together (including employees in the field) and after the document is sent around for comments, the Management Board will treat it. The document is approved by the Director General. All employees will receive training to learn how to apply the working method presented in *Sida at Work*

- *Guidelines for country strategies in Swedish development co-operation*. The “owner” of these guidelines is the Ministry of Foreign Affairs, which together with Sida (POLICY, METOD) formulates, updates and revises them. Method owner for the Appendix to the guidelines is Sida’s Policy unit, which together with the Division of Methods carries out the necessary updates and revisions. The appendix is approved by the head of the department after being dealt with in the Regional Forum. Employees shall be trained in how to use the document
- *Intervention cycle manual*. The Division of Methods is the “owner” of the method and is responsible for formulating, updating and revising the document. The manual is approved by the head of the department
- *Methods for analysing poverty and assessing the poverty analyses as well as follow up; poverty focus*. The Policy unit is the owner of the method and is responsible for formulating, revising and supporting the organisation. The head of the department approves the documents.

Within this framework are several “how-questions” that are not sector-specific (according to the classification of policies). They are gathered in the section headed Main Methods. The owner of these methods (in parentheses) formulates, updates, and revises them and also supports the organisation in its application of these methods. The department head approves the methods. METOD, which also co-ordinates uploading on the intranet, shall be consulted.

New method issues arise with time and vary in importance for Sida's work.

Main policy documents

- *Sida Looks Forward*
- Perspectives on Poverty
- *Sida at Work*

Crosscutting policies

- Promoting Equality between Women and Men in Partner Countries Sida's programme for equality
- Omsorg om miljön. Sida's sustainable development policy
- Rättvisa and peace. Sida's policy for peace, democracy and human rights
- Policy for capacity development
- Policy for conflict management and peace building
- Investing for future generations. Sweden's international response to HIV/aids. Policy for work with HIV/AIDS

Sector policies

- Health is wealth – Policy for support to the health care sector DESO
- Education for all; a Human Right and Basic Need
Policy for support to the education sector DESO
- Policy for Sida's development co-operation within the cultural field
- Sida's policy for the rights of the child in Swedish development co-operation
DESO
- Policy for Sida's work with trade and development INEC
- Sida's policy on financial sector development INEC
- Policy for environmentally viable aid in the energy area INEC
- Policy for private sector development INEC
- Policy for water development and sanitation
- Towards an urban world. Policy for support to the urban sector INEC
- Rural Development. A summary of Sida's
Experiences and Priorities. Policy for support to rural development NATUR
- Research Co-operation An outline of Policy, Programmes and Practise SAREC

Guidelines, position papers, etc. – Other guidelines, strategies etc.

- Education, democracy and human rights DESO
- Teacher education. Teacher's conditions and motivation DESO
- Environmental education and education for sustainability DESO
- Early childhood care and education DESO
- Education in situations of emergency DESO
- Textbooks and learning materials DESO
- Population, Development and Co-operation DESO
- Road safety in Swedish development co-operation INEC
- Urban transport in Swedish development co-operation INEC
- Sustainable forestry – A summary of Sida's Experiences and Priorities NATUR
- Sustainable agriculture – A summary of Sida's Experiences and Priorities NATUR
- Management and use of Water Resources A summary of Sida's Experiences and
Priorities NATUR
- Sida and the convention on biological diversity NATUR
- Sida and the desert convention NATUR
- Sida's guidelines for Green procurement – For co-operating partners NATUR
- Guidelines for higher education and university support SAREC
- Humanitarian aid from the perspective of the rights of child SEKA
- Humanitarian aid that promotes development SEKA
- Sida's focus on support for humanitarian removal of mines SEKA

Main methods/ guidelines

- Guidelines for country strategies in Swedish development co-operation
- Contribution management: analytical schemes

Major methods/ guidelines

- Fattigdomsanalyser (POLICY)
- Kontraktfinansierat tekniskt samarbete (INEC)
- Kreditfinansierat utvecklingssamarbete (INEC)
- The logical framework approach (METOD)
- Sida's policy för sektorprogramstöd (METOD)
- Guidelines for Review of Environmental Impact Assessment (EIA) (NATUR)

Other methods/ guidelines

- Riktlinjer för Sida's utvecklingssamarbete för barn och vuxna med funktionshinder
- Handbook for mainstreaming of gender perspectives in the Health sector
- Soft loans. Guidelines
- Guidelines for Action. Illicit Drugs and Swedish development co-operation
- A guide to Sida's consultants Trust Fund programme
- Start Syd/Start Öst
- Sector programmes. Guidelines for dialogue on Strategic Environmental Assessment (SEA)
- The Country Strategies – Guidelines for Strategic Environment and Sustainability Analysis
- Indicators for Environmental Monitoring in International Development Co-operation
- Riktlinjer för humanitär minhantering
- Guidelines for Humanitarian assistance in the health sector
- Riktlinjer för utbytesverksamhet med Sida bidrag
- Anvisningar för bidrag till enskilda organisationers utvecklingssamarbete med egeninsats
- Anvisningar för enskilda organisationers informationsarbete med bidrag från Sida
- Anvisningar för Sidas bidrag till enskilda organisationer för humanitärt bistånd och konfliktförebyggande
- Guidelines for Sida's contributions to development programmes of Swedish NGOs in Central and Eastern Europe
- Eastern Europe
- DemoEast
- Guidelines for conditional loans
- Guidelines for concessionary credits
- Banking for all – Sida's guidelines for microfinance

Appendix 3 Inventory of factors affecting internal management at Sida

| | |
|---|--|
| External players | Policy documents |
| Taxpayers | Strategies |
| Mass media | Policies |
| Ministry of Foreign Affairs | Country plans |
| Swedish National Audit Office | Perspectives On Poverty |
| Political alliances | Templates (governed by Policies) |
| Research institute | Assessment memo templates |
| Other donors | Evaluations |
| International org. | Manuals |
| NGO | Regulations |
| Lobbying activities | |
| Consultants | Individual driving forces |
| EU | Power needs |
| Resource base | Fear |
| | Pride-independence |
| External factors affecting management | Fear of making mistakes |
| War | Pleasure |
| Natural disasters | Appreciation |
| Disasters | Ideology |
| Allocations | Family |
| “Treats” from government officials | Personality |
| Current politics | Commitment |
| Commercial interests | Desire to achieve something |
| International conventions | Self-fulfilment/input/incentive. |
| Legislation | Thirst for knowledge |
| Government's annual directives and letter of appropriations/Government bill | Incentive |
| | Own network |
| Recipients/target groups | Benefits/salary/employment conditions/security |
| | “This is how I work” |
| Organisational culture | |
| Histories | Resources |
| Culture | |
| Rituals | Organisation |
| Language | Level organisation/not authoritarian |
| Clothing | Recruitment |
| Values | Organisational structures |
| Individual leeway | Leadership |

| | |
|---|---------------------------------|
| Regulations (civil disobedience OK) | Age structure |
| | |
| Soft/informal management | Hard/formal management |
| Spirit of the times | Objectives /results |
| Learning | Goals & Measurement |
| Knowledge | Difficult to measure/complexity |
| Relationships | Order |
| Demand, e.g., from heads of departments | Concept definitions |
| Who did the job previously | Reporting requirements |
| | Vision |

Classifications by Wiveca Holmgren, internal auditor at UTV

Reports from Sida Internal Audit

| | | |
|-------------|--------------------|---|
| 96/1 | Investigation | Sale of ANC's building society flat in Stockholm. Tord Olsson |
| 96/2 | Investigation | Double payments to Lärarhögskolan and Folkens Museum in collaboration with Botswana. Tord Olsson, Mats Sundström |
| 96/3 | Contribution Audit | Recipient report as an instrument for Sida's follow-up and control. Mats Sundström |
| 96/4 | Contribution Audit | Sida's use of the independent audit as an instrument for management and control. Tord Olsson |
| 97/1 | Contribution Audit | Reliability of Sida's IT operations. Arthur Andersen AB |
| 98/1 | Contribution Audit | Sida's assessment work during the preparation process. Mats Sundström |
| 98/2 | Contribution Audit | Sida's disbursement procedures. Tord Olsson |
| 99/1 | Contribution Audit | Sida's work with partners' procurement procedures during preparation and implementation Mats Sundström. Mats Sundström |
| 00/1 | Contribution Audit | Sida's follow up of projects channelled via the UN. Ann-Charlotte Birging, Mats Sundström |
| 00/2 | Contribution Audit | Sida's follow up bilateral projects. Mats Sundström |
| 00/3 | Contribution Audit | Sida's handling of support to Paraguay via the Swedish department of International Commission of Jurists. Mats Sundström |

| | | |
|--------------|--------------------|---|
| 00/4 | Investigation | Exposure of Sida's procurement to competition. Ernst & Young |
| 00/5 | Contribution Audit | Sida's work with humanitarian aid. Wiveca Holmgren |
| 01/01 | Contribution Audit | Sida's research collaboration – a audit of SAREC. Wiveca Holmgren |
| 02/01 | Contribution Audit | Sida's support to the Western Balkan Countries. Mats Alentun |
| 02/02 | Contribution Audit | Audit of Swedish Embassy in Windhoek. Wiveca Holmgren, Thorbjörn Bergman |
| 02/03 | Contribution Audit | Audit of Swedish Embassy in Vientiane. Wiveca Holmgren, Thorbjörn Bergman |
| 03/01 | Contribution Audit | Sida's contract financed technical collaboration – a audit of INEC/contract-financed technical co-operation and Sida-East. Wiveca Holmgren |
| 03/02 | Contribution Audit | Audit of Section for development co-operation in La Paz. Wiveca Holmgren, Thorbjörn Bergman |

SWEDISH INTERNATIONAL DEVELOPMENT CO-OPERATION AGENCY

S-105 25 Stockholm, Sweden

Tel: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64

Telegram: sida stockholm. Postgiro: 1 56 34–9

E-mail: info@sida.se. Homepage: <http://www.sida.se>

COMMENTS

¹ Perspectives on Poverty, Final Daft, October 2002.

² A more detailed description of the background was submitted in the feasibility study plan that serves as the basis of the feasibility study.

³ The audit plan shows that the audit intends to cover internal management from two perspectives: The standards and values that apply within Sida and the nature and status of the policy documents. This has also been the point of departure for the project. During the feasibility study, however, it became clear that there is a need to broaden the view of internal management and also include other perspectives in the considerations made in preparation for the main study. We carried out a review of documents and interviews in compliance with the directive, based on the two perspectives stated for the audit; consequently, those areas of management added during the process were examined with a more general approach.

⁴ The incentive structure within Sida were discussed extensively in the report “Aid, Incentives, and Sustainability”. Sida Studies in Evaluation 02/01.

⁵ Harmonising Donor Practises for Effective Aid Delivery. DAC Guidelines and Reference Series.

⁶ Sida's policy for sector programme support.

⁷ Activity Levels in Sida's Sector Programmes – Principles and experience of silent partnership, 12 November 2002.

⁸ Project description. From word to action. Project for a clearer focus on poverty. 18 June 2003.

⁹ Government bill 2002/2003:122 which was submitted to the Riksdag on 23 May 2003 “Shared responsibility – Sweden's policy for global development.” based on SOU 2001:96 A fairer world without poverty – Findings of the parliamentary committee on Sweden's policy for global development. This will be treated in the Riksdag during the autumn.

¹⁰ About policies and methods, 26 May 2003 (draft). Has not yet been approved. An earlier edition was discussed by the Management Board.

¹¹ A revised version was formulated (draft 27 May 2003); testing was recommended for one year, starting 1 September 2003. It consists of a body, a manual for contribution management and links to other guidelines and policies.

¹² Omsorg om miljön, 1998.

¹³ Template for formulating sector policies within INEC, 29 November 2001.

¹⁴ From presentation of *Sida at Work* 28 May 2003 (Project group/Ingemar Gustafsson).

¹⁵ The audited version of *Sida at Work* recommends including current guidelines for country strategies in the new version of *Sida at Work*.

¹⁶ Implementation of the 1999-2003 Country Strategy for Swedish Development with Vietnam. Sida Evaluation 02/35.

¹⁷ Mind the Middle, Sida Evaluation 02/37.

¹⁸ Guidelines for the Annual Country Programming Process. Memo 16 April 2003. Revised (fifth) draft for discussion.

¹⁹ Implementation of the 1999-2003 Country Strategy for Swedish Development with Laos. Sida Evaluation 02/36.

²⁰ Professional Management AB: Improved system analysing resource consumption, resource needs and Sida's internal effectiveness (10 April 2001).

²¹ Report from programme support group, draft April 2003.

²² Sida Action Plan on Harmonisation and Co-ordination in development Co-operation, Memo 18 June 2003, Director General decision 25 June 2003.

²³ Logical Framework Approach (LFA), January 2003, Methods Development Unit.

²⁴ Sida's Evaluation Policy, 1999.

²⁵ Report on Result Indicators, draft 13 January 2003.

²⁶ There are different definitions of the concepts of control and assurance. The main difference between the concepts is that control is reactive and assurance is proactive. Through assurance, you embed various measures into the process in advance to ensure that the intended results are achieved.

²⁷ Project Committee Annual Report 2002 and Annual Report 2001.

²⁸ The Rating Model, Methods Development Unit, Feb. 2003.

²⁹ Supporting Ownership, Sida Evaluation 02/33.

³⁰ Annual Report 2001 from the department of personnel and organisational development

³¹ Internationally the concepts mainly used are Management by Objectives (MbO), Management by Results (MbR) and Performance Management in Sweden the concept management by objectives was used during the 1980s. When the government decided to implement management by objectives in the government's operation in the early 1990s, they referred to objective- and results-based management. Today Management by results is also used as a synonymous concept. For a more detailed analysis see Svensson & Gustafsson: Public Sector Reform in Sweden (Liber, 1999), Svensson: Målstyrning i praktiken (Liber, 1993 and 1997) and Svensson & Pihlgren: Målstyrning (Liber, 1989)

³² Sida's projects – a “boundless” working method for interaction, flexibility & dynamics.

³³ For a more detailed description of people's driving forces in the work and how these affect internal management see Svensson: Belöningsystem (KFS, 2001).

³⁴ System audit of SEKA. Final report 14 December 2001. Professional Management AB. The same model was also used in system audits of umbrella organisations, PEO/ITP and during Research collaboration.

³⁵ Sida's survey of the organisation in 2000 and 2001, department for personnel and organisational development, Sida

³⁶ Here's what we should do – Here's what we do. Values and approaches for the personnel and organisational development areas, Sida.

³⁷ Audit of Swedish Embassy in Windhoek and Vientiane, respectively. UTV 02/02 and 02/03, respectively. Wiveca Holmgren and Thorbjörn Bergman.

³⁸ Government's project for Sida's capacity: Evaluation of current system for financing of certain services for programme and project personnel in the field. Professional Management's final report 1 March 2002.

Appendices

¹ Work plan for feasibility study for audit of prerequisites for internal management in Sida 22 March 2003

SIDA Acronyms:

| | |
|----------|---|
| SEKA: | Department for Co-operation with NGOs and Humanitarian Assistance and Conflict Prevention |
| EO: | NGO |
| NATUR: | Department for Natural Resources and the Environment |
| METOD: | Methods Development Unit |
| ASIEN: | Department for Asia |
| EVU: | Department for Finance and Corporate Development |
| JUR: | The Division for Legal Services and Procurement Advice |
| HUM: | |
| FINANS: | |
| INEC: | Department for Infrastructure and Economic Co-operation |
| UTV: | Department for Evaluation and Internal Audit |
| INFO: | Department for Information |
| PEO: | Department for Personnel and Organisation Development |
| SAREC: | Department for Research Cooperation |
| SERV: | |
| IT: | |
| UM: | |
| EKONOMI: | |
| ROV: | |