

Institutional Sector and Organisation Analysis (ISOA)

One-day Introduction Course

ISOA
1998

ISOA
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Objectives;

At the end of today participants will

- be familiar with ISOA terminology in the context of the Sectoral Approach
- have some tools for the interpretation of annual plans which incorporate ISOA
- understand the importance of a clear and unambiguous ISOA terminology

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Programme of Today:

- Introduction participants and trainers
- Introduction ISOA in the context of SA
- The four P's (Introduction and Questions):
 - The ISOA Product
 - The ISOA Process
 - The ISOA Players } **Exercise 1.**
- From ISOA to Planning ⇒ **Exercise 2**
- Wrap up and evaluation.

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Sectoral Approach (SA)

- SA => long-lasting programmatic and budget support to enable the functioning and development of a (sub-)sector as a whole.

Some key characteristics:

- National Ownership (Control & Accountability)
- Dialogue (GAVIM priorities) and Co-operation,
- Donor Co-ordination
- Focus on **Policy and Capacity**
- Moving away from isolated projects => budget support
- Monitoring & Evaluation

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Practical Implications

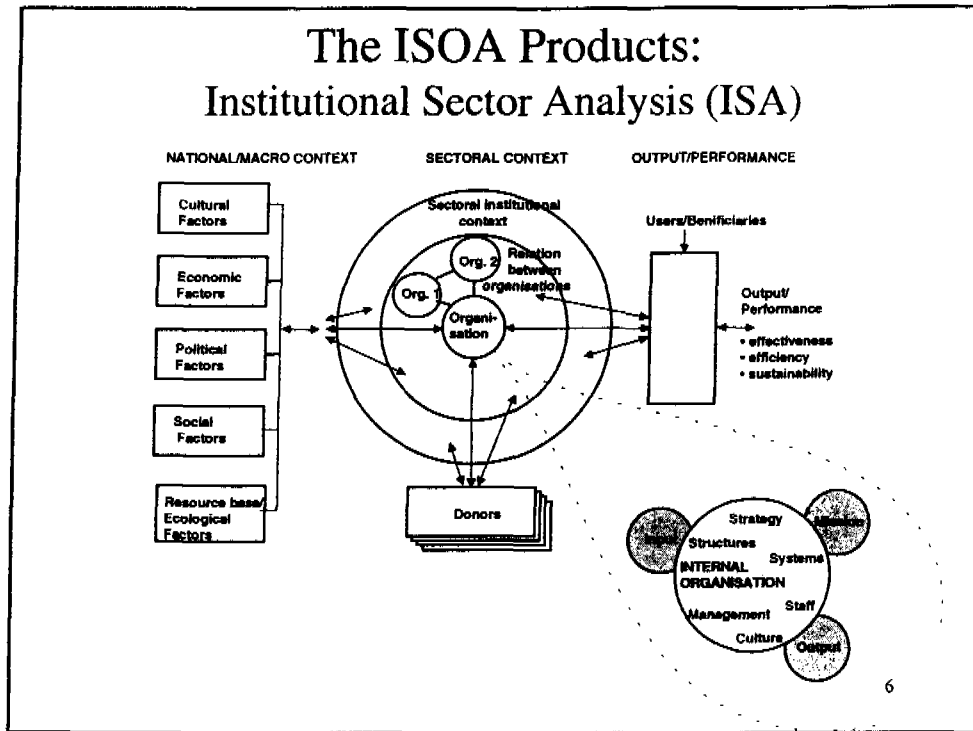
- Sector Selection based on GAVIM priorities
- Institutional Sector Analysis to determine institutional capacity of the sector
- Organisation Analysis to determine organisational capacity of a “central” implementing agency.



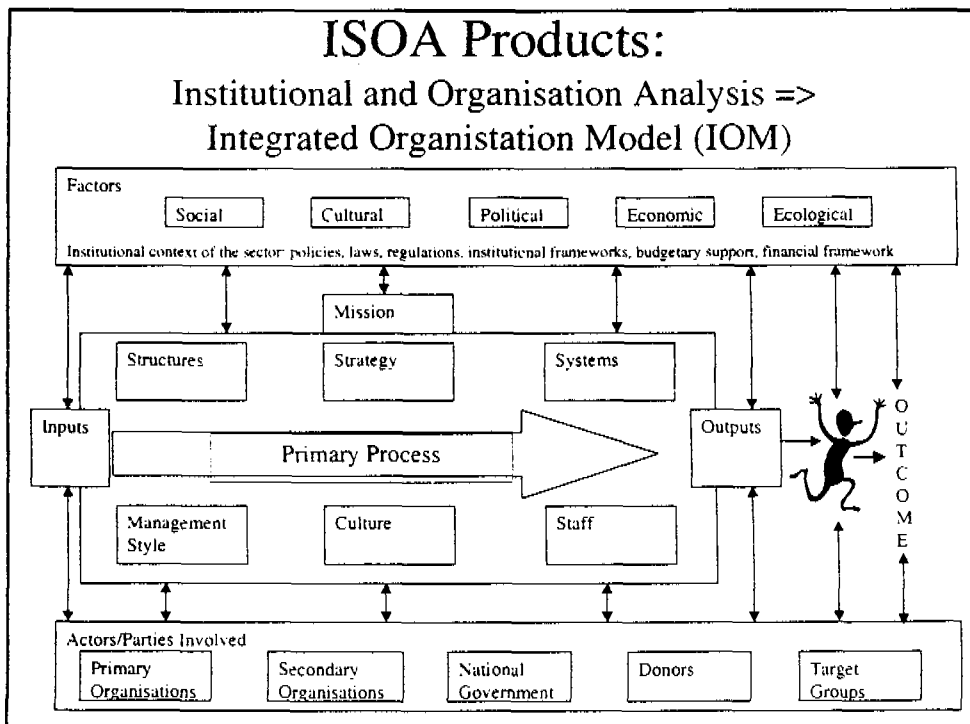
ISOA

methodology to map out and analyse a sector/implementing organisation as one important step within the Sectoral Approach.

The ISOA Products: Institutional Sector Analysis (ISA)



ISOA Products: Institutional and Organisation Analysis => Integrated Organisation Model (IOM)



The ISOA Products

- ISA and IOM are complementary but overlapping.
- ISA and IOM are empty frameworks to be used in a context specific way
- ISOA Tools for data collection/appreciation available
 - (e.g. A so-called IOM checklist with indicative questions. N.B. relevance, adequacy and completeness of the questions remains to be considered)
- Also before using tools => consider specific situation/relevance

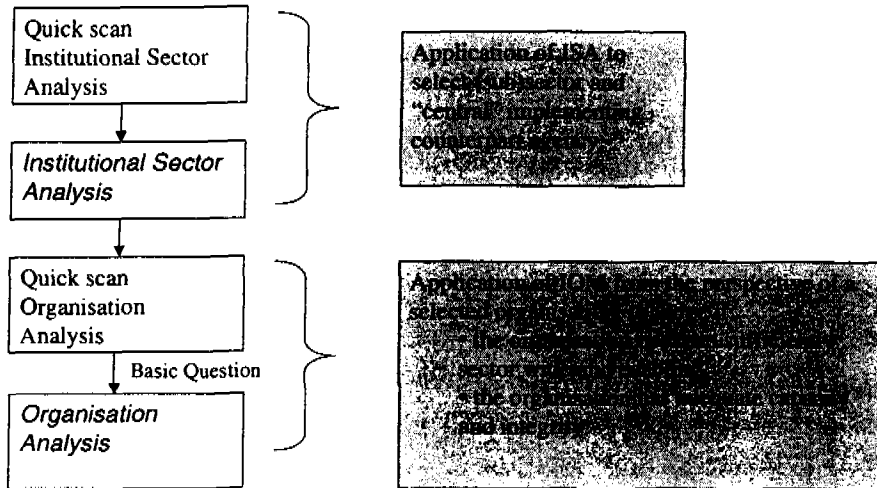
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The ISOA Process: Guiding Principles

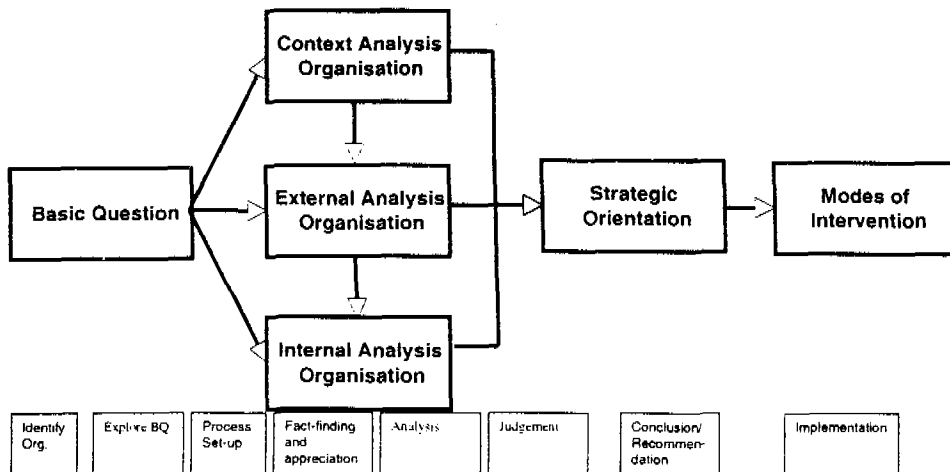
- Reiterative
- Flexibility
- Participative
- Change-oriented

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The ISOA process: Basic Steps



The ISOA Process: Organisation Analysis



Explore Basic Question (BQ)

- BQ needed to direct and focuses the analysis process
- Start broad, narrow down through dialogue
- Reformulate during analysis process
- Consensus on BQ prerequisite for success
- A good BQ:
 - highlights main issues (elements) to be addressed
 - incorporates clear and acceptable criteria
 - limits scope of analysis to manageable proportion without losing relevance

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Process Set-up

- To ensure clarity and agreement among key-players (Counterpart, RNE & ...)
 - Determine:
 - why will it be done (purpose, see BQ)
 - what is to be done (content)
 - how will it be done (approach)
 - when will it be done (time plan)
 - by whom will it be done (distribution of responsibilities)
- => Emphasis on consensus and mutual understanding

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Fact-finding, Appreciation and Analysis

- Collect data about the situation as it is =>
(describe factual situation)
- Compare factual situation with how the situation should be =>
(appreciate in positive or negative terms)
- Investigate why things are the way they are
(analyse causes, effects, interrelations);
 - Identify Opportunities/Threats (external) and
 - Strengths/Weaknesses (internal)

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Financial Risk Assessment (regularity, accountability, transparency,...)

Seven Core Questions:

- Does the organisation avail of financial annual reports, justifying incomes and expenditures, and approved by an independent auditor?
- What are the experiences of others (donors and other officials) with regard to adequate management of funds in their cooperation with this organisation?
- Does the organisation provide information on a regular basis and sufficiently detailed about the activities carried out, especially activities financed by donors?
- Do internal control systems exist that also produce reports of an adequate quality about the activities and the financial results?
- Is there sufficient transparency in the functioning of the organisation?
- Are the supporting processes (financial administration, account management, budget control, liquidity management, financial obligations) efficient?
- Are the procedures for acquisition of goods and services acceptable when comparing them with the Dutch procedures? Are they respected and used in practice?

Registration of assessment in COCA-list to account for choices made.

Judgement

- Assess the organisation based on predetermined criteria as formulated in the Basic Question => decide whether to continue with counterpart.
- Suggested Criteria:
 - GAVIM
 - Regularity ('rechtmatigheid') assesses whether or not the (internal) procedures and other activities are first of all according to the law and secondly according to policy and agreements.
 - Accountability ('rekenschap') deals with the issue to which extent politicians and administrative staff can be held responsible (accountable) for their decisions, actions and more specifically public funds spent.
 - Effectiveness ('doeltreffendheid') can be defined as the extent to which the products and services actually meet the needs of the target groups (customers).
 - Efficiency ('doelmatigheid') refers to the utilisation of resources (inputs) in relation to its outputs (input/output-ratio).

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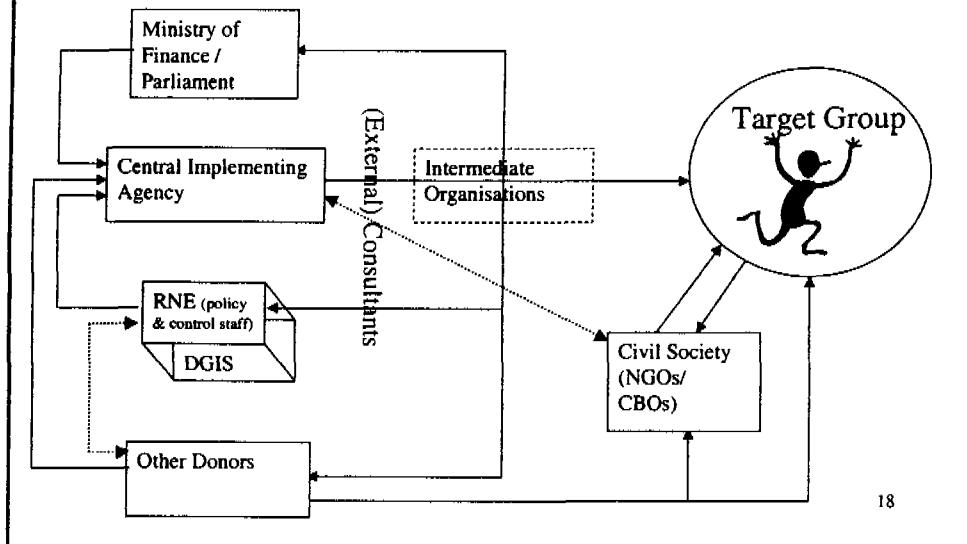
Conclusions/Recommendations and Implementation

- Combine Opportunities/Threats with Strengths/Weaknesses => tentative strategies (= Strategic Orientation)
- Convert tentative strategies in concrete intervention plans
- Start implementation and monitoring of interventions (incl. mitigating strategies)

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The ISOA Players

as identified in first steps of ISOA process:



The ISOA Players: Users

- The final beneficiaries of the sectoral products and services (= target group)
- Starting and focus point for both ISA and OA
- Active involvement in all phases of process essential to ascertain relevance

The ISOA Players: Counterpart

- (Potential) capability to play an enabling and facilitating role in the functioning and development of the (sub-)sector
- (Potential) capability and integrity to manage tasks and responsibilities related to its position
- Prepared to own and manage the ISOA process and accept accountability

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The ISOA Players: the Royal Netherlands Embassy

- Actively involved in quick-scan and formulation of Basic Question
- Embassy steers and stimulates the process instead of owning it. Hence a shift from a supervisory to a supporting/facilitating role
- Policy and Control staff collaborate closely in analysis and monitoring, in particular in case of budget support/basket funding

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The ISOA Players: DGIS

E.g.

- Provide clarity about SA policy framework and tools
- Collect, synthesise and disseminate best practices
- Provide demand-led feedback
- Evaluate and adjust
- Other....

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The ISOA Players: Other Stakeholders

- Donor co-ordination and partnerships to enhance leverage
 - Other government agencies to ensure comprehensive institutional analysis of sector
 - Civil Society (NGOs, CBOs, etc.)
 - Other (Suppliers/Competitors, Public/Private)
- => Involvement context specific.

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The ISOA Players: (Ext.) Consultants

- Provide additional expertise
- Provide additional human resources
- Provide objectivity
- Counterpart & RNE to provide clarity through Terms of Reference

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From ISOA to Plans

Some topics to be tackled:

- Link with Annual Plans of embassies.
- Modes of Intervention
- Management of change/learning

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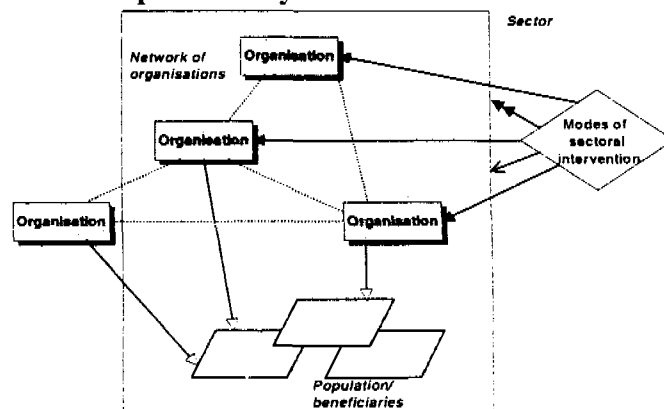
Plans within the context of SA typically consist of the following 5 elements:

- Contribute to the formulation of good sectoral policy
- **Contribute to strengthening capacities of local organisations and to implement the policy**
- Contribute to the implementation and steering of programmes, pilots and innovative activities
- Contribute to the harmonisation of donor policies, procedures and activities
- Monitor the results of the policy on target group (=impact) level

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ISOA primarily contributes to the strengthening of capacities of local organisations to implement the policy =>

Four Complementary Modes of Intervention



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Part 1: Overview of the world of ISOA

1.1 Sectoral Approach and Institutional Sector and Organisation Analysis

The newly adopted 'Sectoral Approach' (SA) is not an end in itself, but the process by which sector-based assistance can be made more effective and sustainable. It is a way of integrating Dutch aid into the sectoral policies of the recipient countries. The Netherlands are therefore working with other donors to define a more cohesive aid and package and ultimately to move towards sectoral budget aid. These efforts are largely guided by the Netherlands' key policy aims of Good governance, Poverty reduction, Gender Equality and Women's Empowerment, Institutional development and Environmental Protection, which can collectively be expressed by the Dutch acronym 'GAVIM'. SA wants to break with a past of project support and stands for a long lasting, programmatic and budget support to the development process in a specific sector. SA focuses not only on the **policy** - what has to be done to improve the situation of the target group-, but also on the **capacity** of implementing organisations.

Before a sector has been selected and budget or programme support is decided and under implementation, it is necessary to know more about the sector, the institutions and organisations, the policy and stakeholders, the law and regulations, the capacity of the implementing organisations, etc.. The question at stake is among others 'what is the feasibility of the sector policy and its intended impact?' A so-called Sector Analysis is to be executed in order to give an answer to this question.

The Institutional Sector and Organisation Analysis (ISOA) is part of this Sector Analysis and specifically focuses on the institutional and organisational capacity within that sector and especially that of the central implementing (counterpart or partner) agency. This is based on the consideration that the institutional - and organisational- capacities are crucial pre-conditions for (sustainable) success in sector wide development.

With the ultimate goal to give budget support in the form of basket funding, the ISOA is one step in the SA aimed at assessing the capacity of the implementing organisations to:

- a) play an enabling role for the functioning and development of a sector;
- b) implement a sector-wide policy in an adequate manner.

Hence a strong relation exists between ISOA and the Sectoral Approach. However also outside the context of the SA the need to assess the capacities of organisations to *implement a policy and deliver the promised services and products* remains valid in any type of support and development.

1.2 GAVIM priorities

The conclusion that 'aid helps but' only when certain objectives are kept in focus and certain criteria and conditions are kept in mind and met, led in the case of DGIS to the adoption of the SA and the 'GAVIM' key-policy aims and criteria.

The DGIS policy document 'GAVIM and the Sectoral Approach (SA)' explains more in detail how the two inter-relate.

"Poverty reduction (A), gender equality (V) and protection of the environment and natural resources and nature conservation (M) are the core aims, to which good governance (G) has recently been added. The GAVIM aims can only be achieved through a process of broad institutional development (ID), and this is the fifth theme. Moreover, good governance and institutional development are also essential prerequisites for effective and sustainable co-operation.

GAVIM is used as a reference framework when analysing the sectors to be assisted and when deciding the methods and objectives, not just to help meet the stated goals but also to boost the effectiveness and sustainability of aid."

Thus selection of the sectors as well as the development of the policies and their implementation should be compatible with the framework provided by these policy priorities. Effective co-operation to reduce poverty through the sectoral approach requires that the responsible government is prepared and able to incorporate the GAVIM objectives in the development of a sector strategy.

1.3 Institutional Sector and Organisation Analysis: a framework

In ISOA a distinction is made between the institutional and organisational analysis. The Institutional Sector Analysis (ISA) provides a framework for analysing the institutional setting and institutional capacity of a sector. **ISA specifically looks at the capacity of the sectoral inter-organisational network as a whole.**

The ISA framework (see figure 1) provides six levels of analysis:

- the individual sectoral organisations;
- their interrelations;
- relations with users/clients;
- the specific sectoral institutional context;
- the macro context (external (inter)national factors);
- involvement of donors.

For organisation analysis use is made of the Integrated Organisation Model. **IOM looks from the perspective of a particular organisation** in an integrated way to its sector wide context considering basically three levels of analysis:

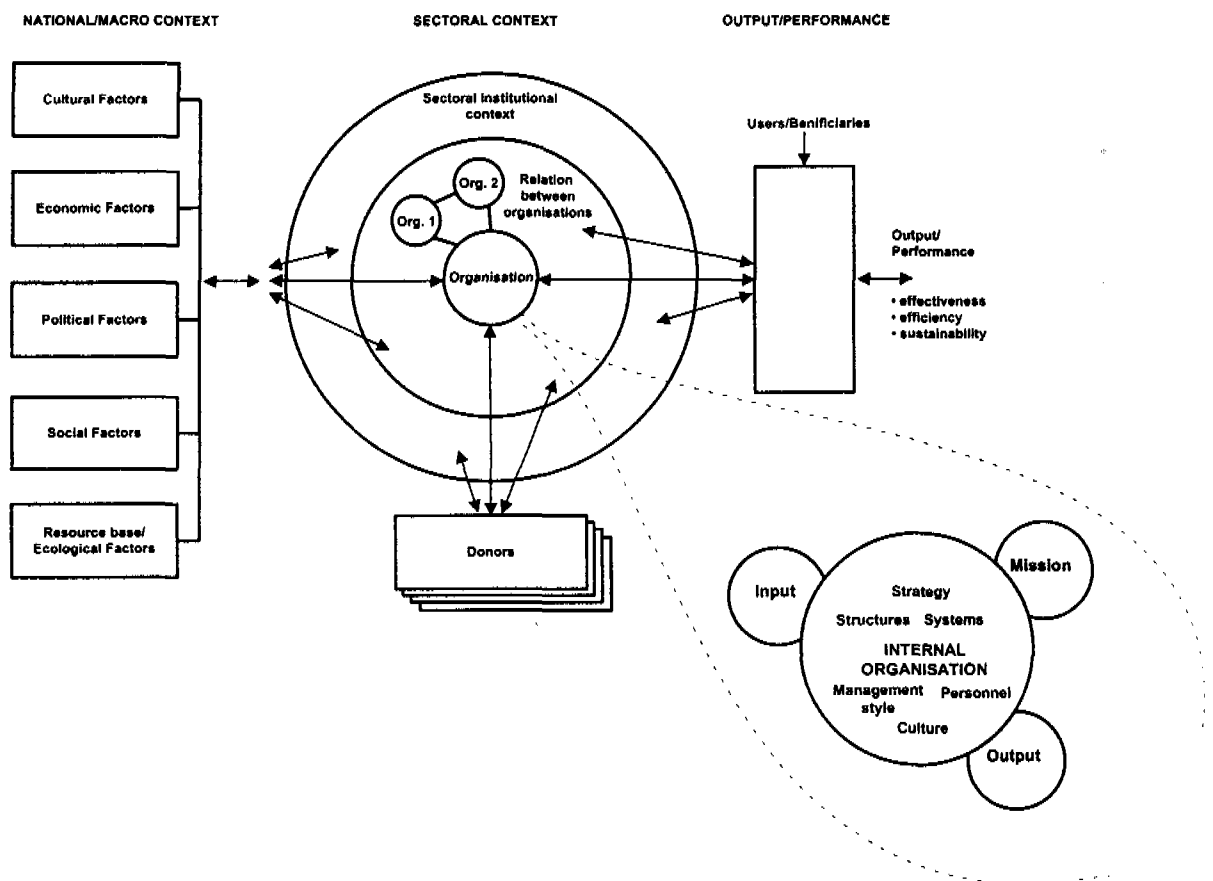
- **context analysis**, looking first at the institutional setting of the sector, considering external (social, cultural, political, economic and ecological) factors on macro level. In addition the sector-wide frameworks and policies are looked at. Furthermore, this analysis looks at the network of interrelations between relevant sectoral institutes (actors). The focus of this level of analysis is largely similar to the ISA framework.

- **external organisational analysis**, looking sector wide at five external organisational elements structured along the lines of the ISA framework and directly related to the organisation itself being: outcome, users, output, inputs and mission;
- **internal organisational analysis**, looking inside the organisation at seven internal organisational elements such as the managerial capacity, the structure, the financial and administrative systems, etc..

As indicated the ISA and IOM are complementary but overlapping as well. On the basis of previous training experiences and discussions the IOM has incorporated specifically some aspects dealt with in the ISA. As a result, in this training focus will be on the IOM covering the description and analysis of external relations, stakeholders and influencing factors.

The Organisation Analysis is not limited to the IOM model only. The process of analysis and planning is dealt with in detail. The description of the process helps to define the roles of each player in the Sectoral Approach, specifically in the analysis stage; the role of the embassy staff, the ministerial staff, the consultants, the other donors, etc..

Fig. 1.1: Institutional and Organisational Analysis in a specific sector



1.4 The ISOA process

The process of ISOA offers:

- a way of *thinking* about a sector through the introduction of a number of frameworks,
- a way of *looking* by introducing a number of tools and models and
- a way of *acting* by offering a logical systematic process towards strategy formulation.

The ISOA process implies working according to a number of guiding principles that form the basis for this approach.

Re-iterative process

ISOA is a process that cannot be accomplished successfully through single short-term interventions. It is more a development spiral: first the analyses and decisions for changes and choices for interventions, then evaluation of these development efforts and results, after which new changes have to be decided, etc..

Flexibility

Furthermore, the process is a dynamic one. The situation, the interests of stakeholders and the conditions change over time. Therefore, the ISOA process requires also a flexible design, on which the different parties agree. Once it is under implementation they regularly consult each other about progress and results.

Participation

The ISOA approach is based on the concept that broad support is needed for successful policy implementation. Sector policy becomes effective when those who are responsible for their implementation and their intended beneficiaries participate in data collection, analysis, planning, management and monitoring. In our view, it is necessary to consult relevant beneficiaries, intermediary organisations and development agencies involved at certain stages of policy formulation and implementation. By doing so, a better and generally accepted understanding of problems and objectives evolves.

Change process

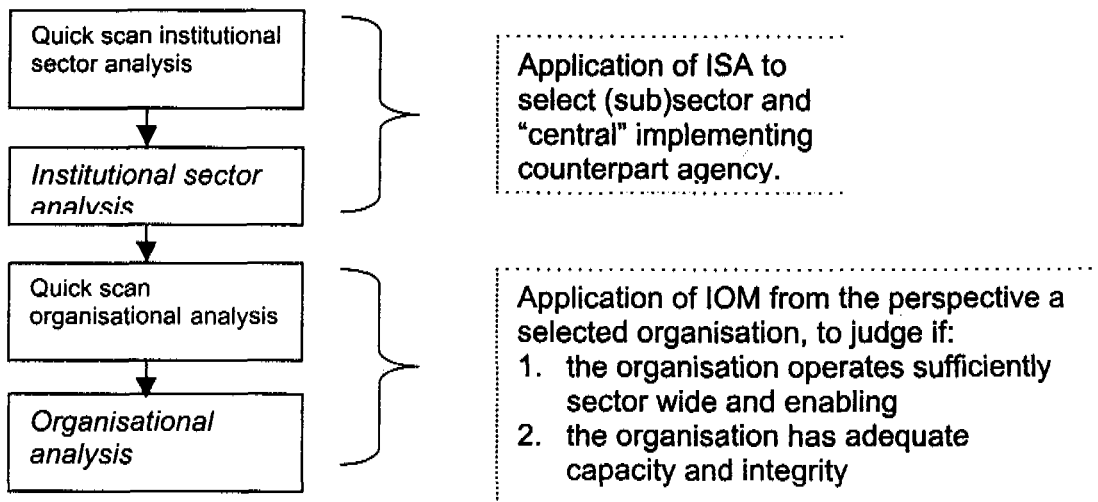
The ISOA process leads to change: sometimes small changes, e.g. adjustments of procedures, sometimes important changes, e.g. restructuring. In all cases people, individuals or groups, will be involved in these changes. Changes, even if commonly perceived as necessary, influence people in different ways. They can imply improvement, better outlook for the future, but also threats, fear of loss of benefits, work, prestige, or in other words give fear for the future. Too often organisational changes consider only the structural point of view, neglecting the importance of change to individuals (learning) and their interaction. If in the design phase the effect of changes on the human factor is not taken into account, the implementation of the necessary changes may lead to opposition of the individuals or groups involved. All stakeholders (staff of ministries, staff of embassies, consultants, etc.) will have to be aware of these complications during the analysis process and when designing interventions.

1.5 Steps in the ISOA process

Based on the above we can say that every ISOA has three levels of analysis: the analysis of the institutional sector and the external and internal analysis of the organisation. In addition a distinction can be made between a quick-scan and a detailed analysis both at the institutional level as well as the organisational level. The quick scan is an activity that is most probably carried out by staff of the main stakeholders in the analysis, i.e. ministry and embassy. The detailed analysis of either the institutional sector or the organisation requires most probably external support, consultants and advisors experienced in this type of assignments.

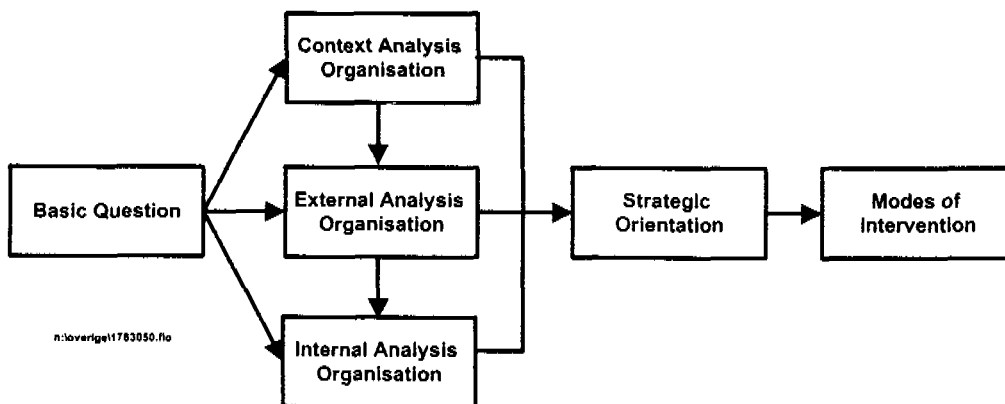
Schematically, these steps can be shown as follows:

Fig. 1.2: ISOA Basic steps



If you are in the process of an **organisation analysis**, either quick scan or detailed analysis, then the next more detailed steps will be: formulation of the Basic Question (BQ), Description and analysis of the external aspects of the organisation followed by the description and analysis of the internal organisation. On the basis of these analysis the strategic choices for change will be made and the modes of intervention defined (see figure below).

Fig. 1.3: The Organisation Analysis process



In reality it appears that in many cases both the sector and 'central' implementing (counterpart) agency have already been determined, though a formal institutional sector analysis has not (yet) taken place. In such cases, it might still be necessary to initiate such a process of analysis in order to justify the choice of sector/counterpart and to gain insight in the risks involved for which a mitigating strategy may need to be developed.

1.6 The changing roles in the sectoral approach

The Sectoral Approach aims at moving away from the project and programme approach by placing the support of sector policy implementation much more strongly in the hands of a 'central' implementing agency. This implies a change in roles and attitudes of both recipient and donor agency (the embassies).

As a general statement one may say that embassy staff will be actively involved in the quick-scan of the institutions within the sector and the quick scan of the organisations mostly concerned. Also in monitoring the staff will play an important role. When it comes to the more in-depth analysis of the institutional sector or the implementing organisations, embassy staff may not have the time, the position or the qualifications to do such analyses. The local authorities may wish to hire external consultants to assess the capacity of the organisation to successfully implement a sector policy.

The contribution and influence of staff members of embassies, e.g. in preparing ToRs for consultants, has to be decided on a case-to-case basis. Nevertheless the Sectoral Approach is based on the principle that the responsible local counterpart organisation owns the process and determines what it wants, from whom etc.. As such it is assumed that the counterpart organisation is able and willing to lead the process in dialogue with the embassy, to assume the accompanying responsibilities and to accept being held accountable.

An important step in the ISOA process for example is the formulation of the Basic Question and deciding what kind of action is required to answer that question. What is the role of the counterpart and embassy in this phase? Ultimately it is up to the local decision-makers to decide how to focus and proceed with the process of analysis and change. However, for the Dutch parliament/Nationale Rekenkamer it is important to judge the risks of funding the organisation and the implementation of sector policy before entering in any kind of formal agreement. As such it will be important that the process is undertaken as a partnership and characterised by a continuous and constructive dialogue among partners.

1.7 Plan: the strategy of Sectoral Approach translated in annual plans

Embassies have the task to translate the policy of Sectoral Approach into a number of strategies with the ultimate goal to support the implementation of a sector policy through basket funding. The central question is how to translate the general concept with key notions such as 'ownership', 'donor-co-ordination' and 'sustainability' into a number of concrete activities and expected results, appropriate in the specific context.

The result of this exploration (Burkina Faso 1999) resulted in a description of a strategy composed of five components:

1. contribution to the formulation of good policy in a specific sector;
2. contribution to the strengthening of capacities of local organisations to implement the policy;
3. contribution to the implementation and steering of programmes, pilot and innovative activities;
4. contribution to harmonising donor policies, -procedures and -co-ordination;
5. monitoring of results and impact of policies on target group level.

The ISOA process particularly will be helpful to formulate the second component of the above-mentioned strategy.

Part 2: A bird's-eye view of the four P's

2.1. The ISOA Products: the Integrated Organisation Model

2.1.1 Introduction

A way of looking at, and dealing with, the complex internal and external reality of an organisation is the use of an Organisation Model.

The Integrated Organisation Model (IOM) is a model that can be applied to describe, to analyse and to judge organisations in its sectoral context. As any model, the IOM is a simplification of the complex reality in which so many different aspects all influence each other. The model should help to pose and answer the relevant (basic) question(s). Furthermore, the usefulness of a model depends to a large extent on the specific situation, the questions and the user's know-how and ability.

The IOM is an integrated model to emphasise the interrelationships of the different elements of an organisation: although the elements can to a certain extent be treated separately, they are all connected to each other and - ideally - in balance. When there is no or no clear balance between the different elements within an organisation or organisational unit, the organisation will not function optimally and the need for organisational change will be or become apparent.

The IOM offers an overall tool to put the various elements of an organisation in their place, be it a government department, a non-government organisation, a local government, a people's organisation or a private enterprise wherever in the world. If one looks at organisations with the help of this model the most important elements will be covered. However, it is an overall model, and instead of seeing it as a tool, one might rather refer to it as an organisational concept. To analyse an organisation in depth, more specific tools may be needed, depending on the exact aim of the analysis. In addition, whether the 'image of the organisation' generated by applying the model is correct, depends of course much on the qualities and experience of the user.

For the specific use of the IOM within the ISOA, the model has been adapted to:

- insert the specific (external) elements of the ISA analytical framework (see ISA guidelines);
- incorporate the assessment of (financial) management and control systems of the implementing organisation.

This adapted IOM model can be used as an overview picture in order to help to determine whether or not the implementing (ministry) organisation:

- operates sufficiently Sector Wide, by facilitating and enabling the functioning and the institutional development of the sector as a whole;
- has the managerial and operational capacity as well as the integrity to perform the tasks related to its position and responsibilities.

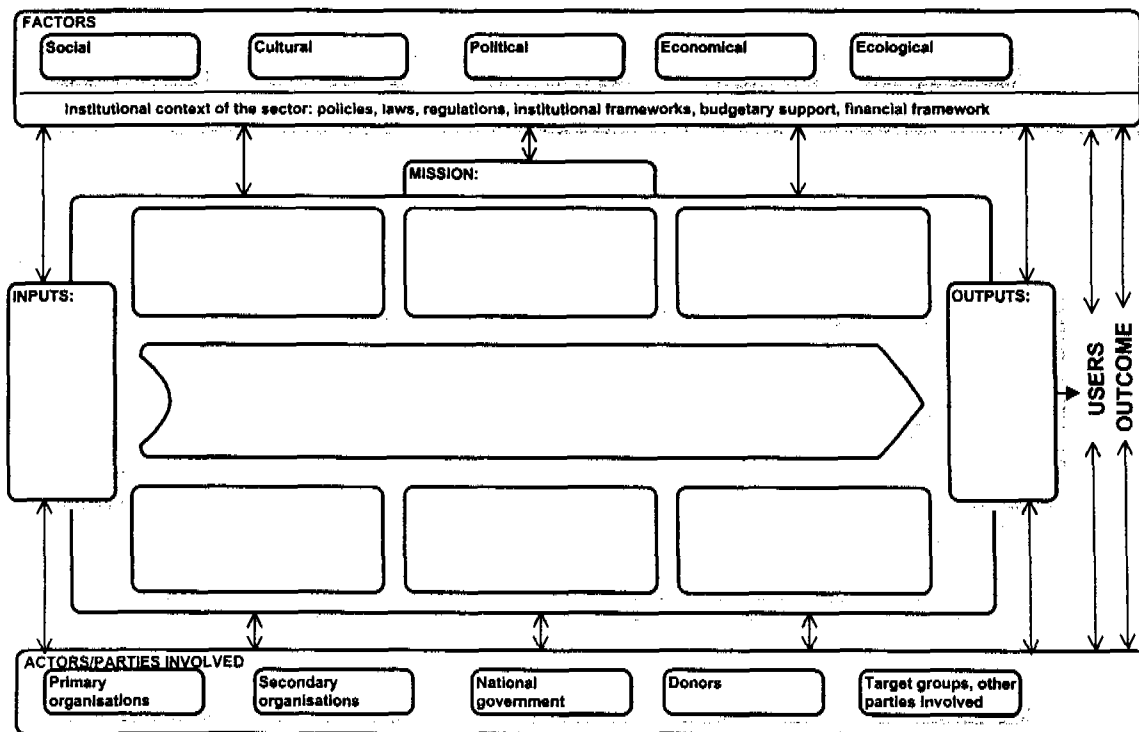
Following the ISA framework, the adapted IOM is used to look at the performance and capacity of the sector and the organisation from the position and perspective of the user and more specifically the final target group. The effect on the user is the starting point and focus point both for ISA and OA.

2.1.2 Description of the elements of the organisation

The Integrated Organisation Model consists of seven external components, divided over two levels of analysis. Firstly the general and sectoral environmental factors and actors, which will be reviewed as part of the context analysis. Secondly, the users, outcome, mission, output, input which will be subject of the external organisation analysis. In addition the IOM consists of seven internal components: primary process strategy, structures, systems, style, culture, staff. The external components describe the environment of the organisation or have strong relations with this environment or are those parts of the organisation 'visible' from the outside. The internal components describe the internal organisational elements. The model is called integrated because there is a relation and there should be a balance between the components, both externally and internally.

The starting point as well as the central reference point for assessment, and focus point for planning is the use of the organisation's outputs by users and its effects (outcome).

Fig.2.1 The external elements of the Integrated Organisation Model



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Elements of the context analysis

The general environment of an organisation (FACTORS):

With general environment is meant the complex set of political, economic, technical, social and cultural factors that influences the organisation.

From the ISA analytical framework the following specific elements are inserted in the IOM model:

- macro level, (both international and national level), with social, cultural, political/institutional, economic and ecological factors;
- sector level, being the sectoral institutional context, with laws and regulations, funding, policies etc. and specifically the donor policies;
- micro level, being the users needs and demands.

The general environment influences the performance, creates opportunities and threats, influences the demand for products/services, the supply of inputs, the internal organisation and the possibilities for collaboration and competition.

Negative external factors that often appear:

- Political climate not being conducive
- High inflation/unstable currency
- Insecurity
- Inadequate rules and regulations
- Insufficient control of rules and regulations
- Inadequate infrastructure
- Social-cultural resistance (e.g. gender)

The specific environment (network of ACTORS in the sector):

The specific environment comprises the relations with those actors that the organisation directly deals with, within and/or outside of the sector.

From the ISA framework the following specific actors are inserted in the IOM model:

- users (customers);
- primary organisations, delivering the actual core products and/or services of the sector to the end-users/target group;
- secondary or support organisations, supplying the primary organisation with (part of) their input;
- (other) government agencies that set the sectoral institutional context;
- donors;
- final target group and other stakeholders.

Some common problems with actors include:

- No competition
- Unreliable suppliers
- No access to financiers
- Insufficient collaboration with others
- Too much influence of politicians on operational level

Elements of the external organisation analysis

Outcome

The outcome is the eventual impact that the output has on the target group and/or user. This outcome depends not only on the quality and quantity of the organisation's products and services, but also on other factors and actors. These factors and actors influence the way in which users use the output.

Users

The users are the direct clients/customers of the organisation; those who receive and use the products and services of the organisation. They can either be directly the (final) target group or intermediary organisations, which at their turn address the needs and demands of the target group.

The Mission of an organisation

The mission of an organisation is its 'raison d'être', or in other words, the overall objective(s) and main approach that explains why the organisation exists and what it wants to achieve with which means.

The Output of an organisation

The output of an organisation comprises all material/immaterial products and services delivered by the organisation to its users (customers).

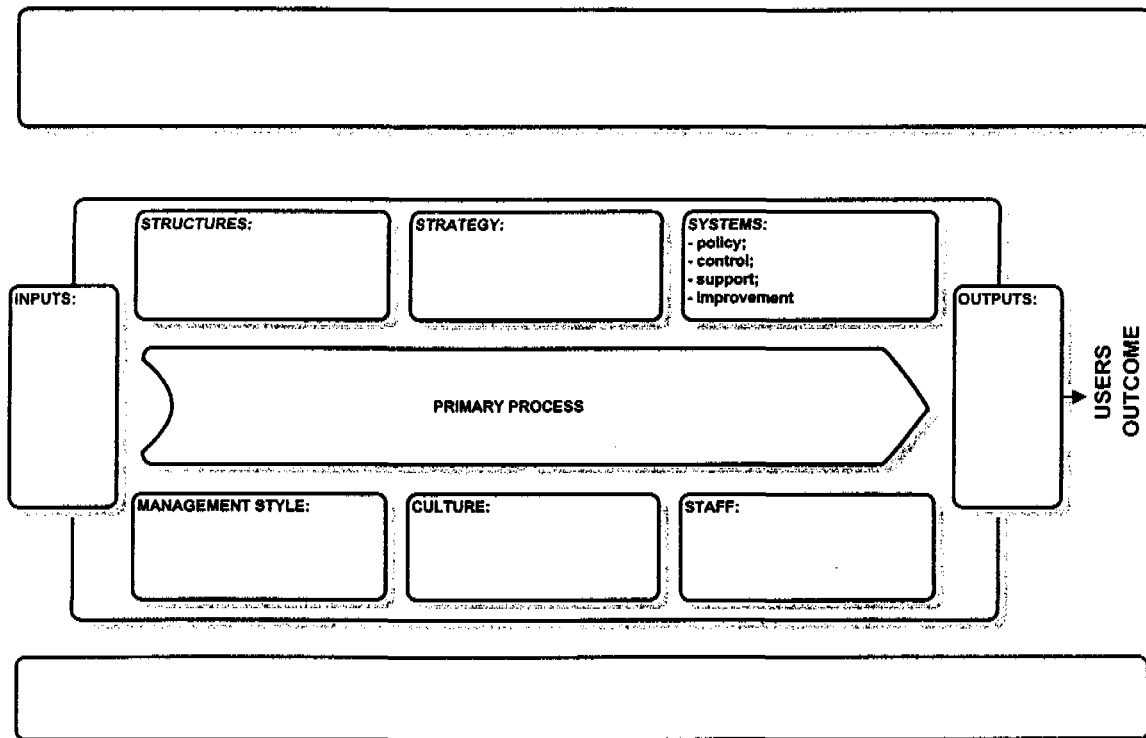
The Inputs of an Organisation

The inputs of the organisation include all the resources available for generating the products and services of the organisation.

The following categories of inputs and resources can be distinguished:

- Staff
- Buildings and installation
- Equipment, tools and materials used
- Services of third parties
- Information
- Finance
- Natural environmental resources

Fig. 2.2 : The internal elements of the IOM



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Elements of the internal organisation analysis

Strategy

Strategy refers to the way the mission is translated into concrete objectives and approaches.

Structure

The structure of an organisation can be defined as the formal and informal division and co-ordination of activities and responsibilities.

Primary Process

Primary processes are the main production processes directly focused on the transformation of inputs into outputs. These include working methods and techniques¹. A clear definition of the organisation's output is essential in order to distinguish the primary process from supporting (secondary) processes.

Systems

Systems comprise the internal (support or secondary) processes that regulate the functioning of the organisation.

A process is a sequence of activities aimed at a certain result. A system is a set of agreements that aims to regulate the activities of management and staff with one or more related organisational processes.

¹ the term 'production' does also refer to delivery of services, policies etc.

As such, systems are agreements about and give direction to the internal processes. Systems can be formally described in procedures or be informal in the shape of practices (which may overrule procedures).

These internal processes can be divided into:

- **Control processes:** focused on control of primary processes specifically. Within ISOA specific attention is given to: (1) administrative organisation, (2) internal monitoring, (3) reporting.
- **Strategy formulation, policy formulation and decision-making processes:** focused on the formulation and adaptation of the organisation's strategies and policies, including the (operational) planning processes.
- **Support processes:** aimed at supporting the primary and other processes. Within ISOA specific attention is given to: (1) financial administration, (2) account management, (3) human resources management (4) procurement.
- **Improvement processes:** aimed at improving the quality of processes. These include research and development, quality care and evaluation activities.
- **Communication processes:** information that flows in a formal and informal way through the organisation. Sometimes there are systems that regulate information and communication. Often the informal way information flows is more important in understanding the functioning of the organisation.

Within the framework of ISOA the most essential processes related to the administrative organisation to screen are:

1. accounting systems
2. financial management systems
3. procurement systems
4. financial reporting systems
5. monitoring and evaluation systems

Specifically the trustworthiness and regularity of the financial administrative and management systems are a matter of special concern within the ISOA approach. This because within the SA large sums are to be transferred to the implementing organisations for the execution SA policy and who will be held accountable for the spending of the funds.

Staff

The component staff refers to all activities, rules and regulations related to staff motivation, utilisation and development of staff capacity, and thus to its performance. Staff as (external) input refers to the quantity and qualifications of human resources entering the organisation, hence largely depending on external factors like the labour market, education system, etc.

Management

The component Management refers to the characteristic pattern of behaviour of the management (in particular in terms of setting priorities and decision-making) related to the style and performance of management.

Organisation Culture

In general, the organisational culture is expressed in the way the organisation is structured, in the relations between management and staff, in the relations among the staff and in the way the organisation deals with external actors (target-groups, suppliers, financiers, etc.).

The aspect 'culture' refers to the reasons (the norms and values) why 'things are done the way they are done'. In this sense culture influences all other aspects of the organisation.

Organisational culture reflects the norms and values of individuals, groups or the organisation as a whole. There may be not just one organisational culture, but a number of different sub-cultures that may be complementary or, on the other hand, conflicting and striving for supremacy.

2.1.3 The IOM-checklist.

In order to find an answer to the Basic Question(s) of the Organisational Analysis various tools can be used. A simple example of these is the IOM-checklist (see below a list of a first level of questions). In order to find more detailed information, sub-questions can be formulated for each of the questions in the list. This checklist cannot be copied automatically without asking which questions, in the light of the Basic Questions, are relevant and what kind of rephrasing is required. When going through the list consider which question to include and which not. If necessary the wording of questions may need to be adapted to ensure a fit with the Basic Questions of the analysis.

First level of questioning

Contextual aspects of an organisation	
01.	EXTERNAL RELATIONS/ACTORS: How adequate are working relations between this organisation and other stakeholders/organisations in the sector?
02.	EXTERNAL FACTORS: How is the functioning of the organisation influenced by the external factors (political, economic, legal framework)?
External aspects of an organisation	
03.	IMPACT: Appreciate the (sustainable) impact on the users(male, female, young,...)
04.	USERS: Are relevant needs and demands of users(male, female, etc..) sufficiently covered by the services delivered by the organisation?
05.	MISSION: Is the mission relevant and legitimate for the satisfaction of the needs of the users?
0.6.	OUTPUTS/RESULTS: Are services and products (for example sector policy) delivered by the organisation relevant and accessible to the users(male, female, etc..)?
07.	INPUTS: Are inputs of sufficient quantity and quality to deliver adequate services/products?
Internal aspects of an organisation	
08.	STRATEGY: Is the strategy comprehensive, transparent and made sufficiently operational in order to achieve the overall goals/mission of the organisation/sector?
09.	PRIMARY PROCESSES: How transparent, flexible and efficient are the core processes in the organisation?
10.	STRUCTURE: Is the division of work in the organisation adequate, taking into account the specific qualities and features of staff and does it contribute to delivery of good services?
11.	SYSTEMS: Are internal control and support systems (including financial management) sufficient and contributing in an effective way to good, accountable performances of the organisation?
12.	STAFF PERFORMANCES AND MOTIVATION: Is the staff performance adequate considering the circumstances?
13.	MANAGEMENT STYLE AND CAPACITY: Is the management style and performance adequate for the type of organisation with its specific culture?
14.	CULTURE: Is 'organisational behaviour' of the different members/clusters of staff conducive for effective service delivery?

2.2. The ISOA Process

2.2.1 Introduction

Organisation analysis in the context of the sectoral approach is undertaken in order to assess the capability of the organisation and to identify the core issues, bottlenecks and hindrances for improvement of the sector as a whole. It implies differentiating among the various organisational aspects to provide insight in the strong and weak points and the cause-effect relationships of the organisational problems. Organisation assessment provides an evaluation of the organisation's performance, giving an answer to the question, for example, 'Is this organisation capable of implementing a specific sector policy?'

Within the framework of ISOA there are two main specific focus points of OA :

1. Looking at sector wide institutional development: those actors and factors in and around the sector, on the different levels, having great influence on the outcome and effectiveness of various types of interventions.
2. Looking at (financial) management capacity of the implementing organisation and the regularity, efficiency and accountability, etc.

These focus points are specific elements to judge within the more general assessment in an OA analysis:

- strengths and weaknesses of all the internal elements of the organisation;
- opportunities and threats for the organisation created by the external factors and actors.

As such an organisation analysis in the context of SA may contribute to:

- making an assessment of the capacity and capability of the organisation to implement or venture into (new) activities;
- identification of causes and relations and formulating solutions for organisational problems which affect the functioning and development of a sector;
- a better understanding of a problem field in and around the organisation relevant to the functioning of a sector;
- improving effectiveness, efficiency, continuity, etc of the organisation in enabling the functioning of a sector;
- improving the insight of parties involved in the enabling functioning of the organisation in a sector;
- developing the learning capability of the organisation;
- formulation of organisational development strategies which are expected to benefit the sector;
- creating a dialogue between parties and stakeholders involved (management, staff, donors, sectoral organisations etc.).

In general it can be said that organisation analysis aims at reformulating an organisational problem or potential to manageable proportions without losing sight of its relevance for the functioning and development of the sector.

2.2.2 Steps in the process

The table below provides an overview of the various steps that can be distinguished in an Organisation Analysis process with some important questions to be asked.

Organisation Analysis process	Important questions
O. Identify the organisation ↓	What kind of organisation is it (NGO, GT, Private ...) In which (sub)sector does it operate? What type of organisation is it according to the ISA framework: primary organisation, secondary or support organisation; institutional framework setting organisation?
1. Exploration of Basic Question(s) ↓	What is the Basic Question? Which aspects to focus on? Which criteria for judgement? Whom will need to be involved and how? Who are the users and (final) target group? What is the expected outcome?
2. Process set-up ↓	What are the expected results of OA? What are the roles of the embassy, the counterpart, and/or possible (process) consultant? What is expected of the consultant and what is his mandate? ToR? What will the embassy and the counterpart organisation contribute? Which are the parties and or stakeholders involved? What steps to be taken in OA process? What methods to be used? What kind of data to be collected, what are the sources? What are the operational aspects involved? (mandates, time, money, personnel, quality, information, communication, decision-making etc)
3. Fact-finding: description and appreciation	What are the relevant external and internal elements of the organisation? Compare the actual state with the one desired by stakeholders (define factual gaps.) How are the actual internal and external elements of the organisation appreciated?
4. Analysis ↓	Why are the elements appreciated that way? Why do gap 1 exist? What are possible causes and/or effects? What are possible influencing internal or external push and pull forces? What crucial internal and/or external elements of the organisations are related and how do they influence each other? and why?
5. Judgement ↓	What are the essential criteria for judgement? What are the ISOA specific criteria for 'sector wide approach' and '(financial) management capacity'? How to make these criteria operational? Does (the description, appreciation and analysis of) the organisation comply with the (minimum) demands, related to the criteria?
6. Conclusions, recommendations and feedback ↓	What conclusions to draw from the analysis? Which are the internal strong and weak points? Which are the external opportunities and threats? What are possible strategic options? What are tentative strategies? What are possible actions to be undertaken ? To whom to give feedback? How to give feedback?
7. Implementation	What are the operational aspects involved in implementation of the strategic, action and operational plans? What are the consequences and for whom? What are the interests involved? How to ensure commitment to change?

Essential in this process is a *logical and systematic approach*, whereby the Basic Question (BQ) to be answered forms the basis of the analysis process. Subsequently this BQ guides data collection (in which actual facts and observations are described) followed by a positive or negative appreciation of the data. Only then the actual analysis can start.

whereby the causes, effects and interrelations of the internal and external findings are examined. This will lead to conclusions, based on the criteria as reflected in the BQ, regarding Strengths, Weaknesses, Opportunities and Threats (SWOT) of the organisation in its sectoral context. Based on this SWOT analysis a so-called 'Strategic Orientation' process can start which aims at formulating tentative strategies for improvement.

Some general guiding principles for designing and executing an organisation analysis are as follows:

- use the impact on the target group both as starting and focus point of the OA process;
- recognize the limitations of the concepts, models and tools. Use them to facilitate discussions, in order to structure the discussions and make the opinions explicit;
- be aware of the different perceptions, perspectives and (hidden) interest of the people and organisation involved;
- and before starting, make clear that all involved agree on what is to be done, why it is to be done, how it will be done, and by whom, where, when, etc.

The subsequent steps of the ISOA process, along with some guiding principles, will be elaborated upon below.

Basic Question and process set-up

A process of organisation analysis starts with basic question(s). This applies also in the case of SA, in which the Royal Netherlands Embassy (RNE) and the implementing organisation(s) together formulate the Basic Question. It is difficult to make a proper analysis without this question being formulated and approved by parties involved. Often it is necessary to reformulate and specify initial questions into a (or more) 'Basic Question' that will guide the process of organisation analysis. A good Basic Question ensures that the diagnosis will be neither too broad nor too limited to make a relevant and meaningful assessment.

Before the actual start of the analysis process, it is important to ensure absolute clarity and agreement has been reached about the way the process will take place, i.e. the Process Set-up. During the process set-up a number of things will have to be clarified:

- the issues to be dealt with and their background and context;
- who are the internal and external stakeholders and what are their expectations;
- the 'principals' of the assignment to whom one should report to;
- the expectations by the organisation towards the embassy, what can the embassy (Dutch Development Co-operation) do and what not;
- the process support and participation that can be expected from the embassy and the implementing organisation.

During the process set-up it is important to verify mutually whether or not the Basic Questions are clear to all directly involved; the embassy, implementing (ministry), key stakeholders, and in case of external assistance the process manager and/or (external) consultant. Consensus must be reached beforehand specifically concerning focus, issues, criteria, and methods. Also special attention must be given to the question how to manage the ISOA process and specifically how to deal with different perceptions in the ISOA process, both from internal as well as external stakeholders.

Guiding principles for Basic Question and Process Set-up

- define the actual issues and state why it is a problem;
- identify who are involved;
- identify the expectations of major stakeholders;
- identify the major aspects related to the issues;
- agree on problem issues and approach, support of the management and involvement of staff;
- agree on roles of all involved stakeholders including the embassy, the advisor, other donors.

Fact-finding; description and appreciation

In the preparation of data collection, organisation models like the Integrated Organisation Model (see chapter 3) may play an important role. The model helps to select the elements of the investigation and to formulate questions. If need be and often at a later stage, this IOM model can be complemented by specific in-depth tools. Such models and tools can serve a number of purposes:

- to help prepare and organise fact-finding;
- to assist in understanding the problem situation;
- to assist in the interpretation of facts;
- to improve communication between the parties involved.

In using a diagnostic model and in-depth tools it has to be realised that each model and tool has its limitations: it focuses on certain aspects of reality, while other aspects are left out. It is therefore very important to be aware of their constraints. In most complex situations the utilisation of different complementary tools will be useful.

BOX 1: Financial risk assessment and the financial management framework

Specific attention has to be paid to the transparency, regularity and accountability of the organisation by gaining insight in its financial management framework. This will form the basis for the compulsory assessment of the financial risks involved in providing the organisation with budget support.

The general framework for the financial management of funds extended under programmatic types of support is contained in the Note on Accountability and Control (*Nota Beheer en Toezicht*). This note was sent to Parliament in 1998. The Note was the outcome of lengthy discussions with the Dutch Auditor General and Parliament on the limits of ministerial accountability for the spending of funds for development co-operation. The Note outlines four main rules that have to be followed by the Minister to avoid being held responsible for possible irregularities. These four 'golden rules' constitute the bottom-line for the financial management of development co-operation funds. These rules can be summarized as follows:

- a. The financial management capacity of the counterpart organisation(s) should be assessed thoroughly before funds are committed;
- b. All agreements between the Embassy and counterpart organisation(s) on co-operation and results to be achieved should be well documented in contracts and/or agreements;
- c. The implementation of agreements as well as the achievement of results must be well monitored and evaluated;
- d. If necessary, sanctions should be applied.

These four rules are the pillars of the financial management framework. They are relevant internally, as well as externally for example in the context of negotiations with the counterpart organisation(s) and/or harmonisation efforts among donors. The Note leaves room for divergence.

The procedure to be followed (bemo, COCA) is imposed as obligatory. At the same time there are only few rigorous norms. This approach has been subscribed to by the Auditor General as well as Parliament. Of course, a number of rigorous rules exist. They are described in the detail in the HBBZ (for example procurement rules, requirements for advance payments and auditing).

The role of organisation analysis in the framework of financial management.

The assessment beforehand of the (financial) management capacity of the counterpart organisation and the context in which this organisation operates is one of the four aspects of the framework for financial management. The IOM model is one of the possible instruments which can be used to analyse relevant aspects of organisations.

Apart from using the IOM model to analyse an organisation a brief assessment of transparency, regularity and accountability of an organisation can be made on the basis of **seven core question:**

1. Does the organisation avail of financial annual reports, justifying incomes and expenditures, and approved by an independent auditor?
2. What are the experiences of others (donors and other officials) with regard to adequate management of funds in their cooperation with this organisation?
3. Does the organisation provide information on a regular basis and sufficiently detailed about the activities carried out, especially activities financed by donors?
4. Do internal control systems exist that also produce reports of an adequate quality about the activities and the financial results?
5. Is there sufficient transparency in the functioning of the organisation?
6. Are the supporting processes (financial administration, account management, budget control, liquidity management, financial obligations) efficient?
7. Are the procedures for acquisition of goods and services acceptable when comparing them with the Dutch procedures? Are they respected and used in practice?

By using these seven core questions it is possible to get an overview of the possible financial risks which could be incurred.

The compulsory procedural aspect of an assessment consists of an assessment of the financial management capacity. An embassy is obliged to carry out an assessment of the financial management capacity of an organisation and is obliged to indicate where possible financial risks could be incurred. The **registration** of this assessment is done with the **COCA-checklist**. The COCA-checklist will thus mainly be used as a registration form, to be used **after** an analysis is made of an organisation with the help of the IOM-model.

The main function of the COCA-checklist is the use of it as an **instrument to account for the choices made**, an instrument used to record which judgement is reached with regard to the (financial) risks, whether these risks are acceptable and if they are not, whether supporting measures have been taken which can make the risks acceptable. The embassy (*budgetholder*) comes to a decision/judgement on the basis of a comprehensive analysis. In this way risks can never be excluded, but they should be agreed and calculated.

The budgetholder makes the analysis of the counterpart organisation(s), makes a risk-assessment and decides. Fez has – within this ISOA process – a more advisory role.

Guiding principles for Fact-finding, description and appreciation.

- if necessary, redefine the Basic Question;
- make a deliberate choice for a model for diagnosing;
- make the model operational: elements, indicators and related questions;
- be aware of the limitations and assumptions in model and system;
- distinguish between facts and interpretations of people;
- check on validity and biases;
- design a process of data collection and assessment;
- involve staff in the fact-finding.

Analysis and assessment/judgement

In the analysis phase one should ask the question why are things the way they are, possibly by using the same models as the ones used for fact-finding. What are the possible causes and effects of certain weaknesses? What are the possible push and pull factors? How is this related to other internal and or external elements? And how do these relations influence each other?

In the analysis not only the reasons behind – and the possible consequences of a problem or potential, but also and specifically the overall situation considering the inter-related influences, relations, forces, etc. should be considered.

To make a proper judgement it is necessary to know the most relevant strengths and weaknesses and compare these with criteria (see BOX 2) and related indicators/norms for each of these criteria. The Basic Question is the starting point. The criteria are the most important conditions to be met. The norms are the quantified and qualified criteria, being the minimum demands.

BOX 2: Criteria for Judgement.

Criteria are used within ISOA in order to help to determine whether the (pre)selected implementing organisation (ministry):

- Operates sufficiently sector wide and enabling;
- Has adequate managerial and operational capacity and integrity.

In other words, the Embassy needs to determine its level of confidence in the implementing organisation (ministry) in terms of its willingness and capability to realise its sectoral policy plans. The most important criteria here is whether or not the organisation achieved or at least contributed to a positive impact on the quality of life of the target group.

The Dutch Ministry of International Development Cooperation uses its so-called **GAVIM** criteria for selection and support of (sub)sectors and subsequently the policy of the government in that particular sector. Based on the above, the GAVIM criteria are also relevant in the judgement phase of the ISOA process.

E.g. Good Governance (G) and Institutional Development (I) are in particular relevant criteria to judge the sector wide enabling capacity of an organisation. Good governance (transparency, regularity, etc) and Institutional development at an organisational level are also relevant in judging the managerial and operational capacity and integrity of an organisation and can be analysed by looking at the strategies, support systems, management etc. Similarly Gender (V) criteria are relevant when reviewing the users, staff, management, systems, etc.

The relevance of each criteria depends on the formulation of the basic question. If these elements are reflected in the basic questions, they will come back as criteria when judging the findings of the analysis.

Traditionally four essential criteria are suggested to judge the capacity and integrity of organisations, which all can be regarded as an operationalisation of Good Governance and Institutional Development:

- Regularity ('rechtmatigheid') assesses whether or not the (internal) procedures and other activities are first of all according to the law and secondly according to policy and agreements.
- Accountability ('rekenschap') deals with the issue to which extent politicians and administrative staff can be held responsible (accountable) for their decisions, actions and more specifically public funds spent.
- Effectiveness ('doeltreffendheid') can be defined as the extent to which the products and services actually meet the needs of the target groups (customers).
- Efficiency ('doelmatigheid') refers to the utilisation of resources (inputs) in relation to its outputs (input/output-ratio).

It is important to involve the organisation's key players in the analysis and judgement process to ensure common understanding and their ownership over the conclusions drawn. This facilitates the acceptance process and as such is crucial for the implementation of future change processes. Such involvement can be realised through participation in task forces, working groups, meetings and workshops. Involvement of key players in the relevant management level is a major pre-requisite.

Guiding principles for Analysis and Assessment/Judgement.

- distinguish facts/observations from interpretations/conclusions;
- analyse and assess before giving solutions;
- develop acceptable criteria and related norms for assessment;
- involve key players in analysing and assessing.

Conclusions, recommendations and feedback

Conclusions, related to the Basic Question, can be drawn from the analysis and judgement of the findings of the OA process, and may refer to:

- the capacity of the organisation to proper administer and manage funds;
- the staff and management performances of the organisation;
- the influence of decentralisation on policy implementation.

The conclusions can be used in a 'Strategic Orientation (see BOX 3)' to formulate recommendations regarding:

- possible (externally oriented) strategic options for the organisation;
- tentative strategies of the organisation;
- programmes for strengthening the organisation and translated in action – and operational plans.

BOX 3: Strategic Orientation (SOR)

Strategic Orientation (SOR) is a specific method to develop strategies based on the analysis of strengths, weaknesses, opportunities and threats (SWOT). It provides a systematic way to combine/match strengths, weaknesses, opportunities and threats in order to arrive at a number of alternative strategies from which prioritized choices can be made.

Referring to the Organisation Analysis Process, SOR is using the results from the analyses and appreciations of the internal (Strengths/Weaknesses) and external elements (Opportunities/Threats) of an implementing organisation in a sector programme. The method then helps in formulating strategies for:

- a) sector wide policy implementation by the most important organisations (networking, co-ordination, etc.);
- b) strengthening of the implementing organisations themselves.

Strategic Orientation can be done individually, but it is much more effective when carried out in a participatory exercise involving all major stakeholders of the organisation. The strategy's rational and consequences can then be understood and accepted by all decision-makers and staff. The proposed procedure therefore aims at reaching consensus among the stakeholders concerning the strategic choices.

Feedback involves providing the RNE, the implementing organisational and all other stakeholders who have contributed with information, ideas and/or support with findings, conclusions and recommendations. However, it is not something that should only take place at the end of the organisation analysis. It is often useful to provide feedback at various stages of the process. This gives the organisation the time to get used to the conclusions and the opportunity to redress misinterpretations of the information.

Guiding Principles for Conclusions, recommendations and feedback

- carefully prepare the feedback sessions;
- describe the different viewpoints;
- indicate how the client should proceed with the problem;
- inform stakeholders about the results of the diagnosis;
- agree on the next step.

Implementation/change

After the decisions are taken to implement the recommendations, hence entering into a change process, it is important to have a concrete intervention plan. Such a plan would besides a clear description of the planned interventions incorporate:

- a precise analysis of the consequences for all units and departments involved;
- an adequate assessment of the interests of actors involved;
- an adequate strategy for involving stakeholders in the implementation stage.

The implementation may generate various new insights. The process must be flexible enough to be adapted and based on these new insights.

Guiding principles for Implementation/Change

- analyse the consequences for different actors involved;
- analyse the different interests of parties involved;
- assess readiness for change;
- design an approach for participation in the implementation;
- be ready to revise recommendations based on new insight.

2.3 The ISOA Players

As indicated earlier, the users (target group) should form the starting and focus point for the ISOA process and as such need to be involved in all phases of the ISOA process. Besides the users a number of key-players, each with their own distinct role, can be distinguished:

- the 'central' implementing (counterpart or partner) agency;
- the Royal Netherlands embassy and DGIS;
- other local stakeholders (Donors, Other relevant Government Agencies, Civil Society, etc.);
- eventual (external) consultants.

The division of tasks and responsibilities usually is decided upon during the process set-up based on an agreement between the "Central" Implementing Agency and the Embassy in the respective programme country. This task/role distribution therefore will be context specific, though some general indication of what role which player will be playing during the subsequent phases of the ISOA process can be given.

The 'Central' implementing (counterpart or partner) agency

The Sectoral Approach incorporates, among others, the following essential elements:

- the Government is responsible for the sectoral policies and the implementation plan;
- national Ownership means that there is a political will and support in society as a whole;
- co-operation, co-ordination between donors, and dialogues.

These elements clearly put the ownership of the process in the hands of the counterpart agency. As such it is assumed that the counterpart organisation is able and willing to lead the process, to assume the accompanying managerial and operational responsibilities and to accept being held accountable for the successful execution of the ISOA process.

The Royal Netherlands Embassy

Staff in the embassy is either involved in the policy side of development co-operation and interventions or involved in control activities. Changes in both functions are necessary in at least two ways:

1. A more close collaboration within the embassy of the staff with functions of policy and control, in the analysis phase as well as in the monitoring phase of interventions;
2. A more supporting/ facilitating role instead of a supervisory and technical role for staff.

This isn't a matter of knowledge only, it is much more skills and attitude that make the difference.

For staff dealing with control it is a matter of separating tasks and functions. In the analysis of the capability of the organisations to handle money in a transparent and accountable way, the controller has a role that is close to the staff responsible for policy; it is preparing ToR's, facilitating and supporting changes in these systems. When budget support or basket funding is the mode of intervention the controller has the duty and the

difficult tasks to check how the funds are spent and whether this is in line with agreements (contracts). In such cases there is a need for a different person than the one who is supporting the organisation to improve its systems and procedures.

These roles have to be discussed and agreed upon at the level of the embassy for the three phases: appraisal, preparation and implementation/monitoring.

Also the role of DGIS is changing and becomes much more one of an expertise supplier and knowledge centre.

Other Local Stakeholders

Besides the target group, a large number of context specific local stakeholders can be identified. With regard to the involvement of such stakeholders in the various process steps of fact-finding, appreciation, analysis, judgement, strategic orientation and implementation, a balance needs to be struck between the need for participation and the practicality of the process. Priorities among stakeholders, whose participation is more or less crucial for the success of the process and the subsequent strategies, need to be set to identify the so-called key-stakeholders. Other considerations which come into play here are: cultural aspects (e.g. does the stratification of society inhibit the joint presence of different stakeholders), gender aspects (should men and women participate jointly or separately), costs and time constraints.

Eventual (external) consultants

An external consultant can play a role in various phases of the analysis process:

- **Process set-up:** consultants can assist in the design of the steps in the analysis, the methods to use, the stakeholders to involve, the responsibilities of the principal, etc;
- **Collecting data:** consultants may contribute to collect data which is often a time consuming activity;
- **Analysis:** consultants can play a useful and neutralising role as facilitator in workshops and meetings in which stakeholders analyse and discuss the issues at stake;
- **Judgement:** consultants can give expert advice and judgement on specific issues;
- **Implementation of strengthening activities:** professional trainers, consultants and advisers can deliver technical inputs in such a process.

To steer the consultant it is important that Terms of References are clear and acceptable for all parties.

2.4 From ISOA to planning

The outcome of the ISOA process is most probably a series of strategies focused on strengthening implementing organisations or the network of organisations, all key players in the sector.

Therefore the ISOA process does specifically lead to one of the 5 components of the Sectoral Approach namely:

- contribution to the strengthening of capacities of local organisations to implement a sector policy.

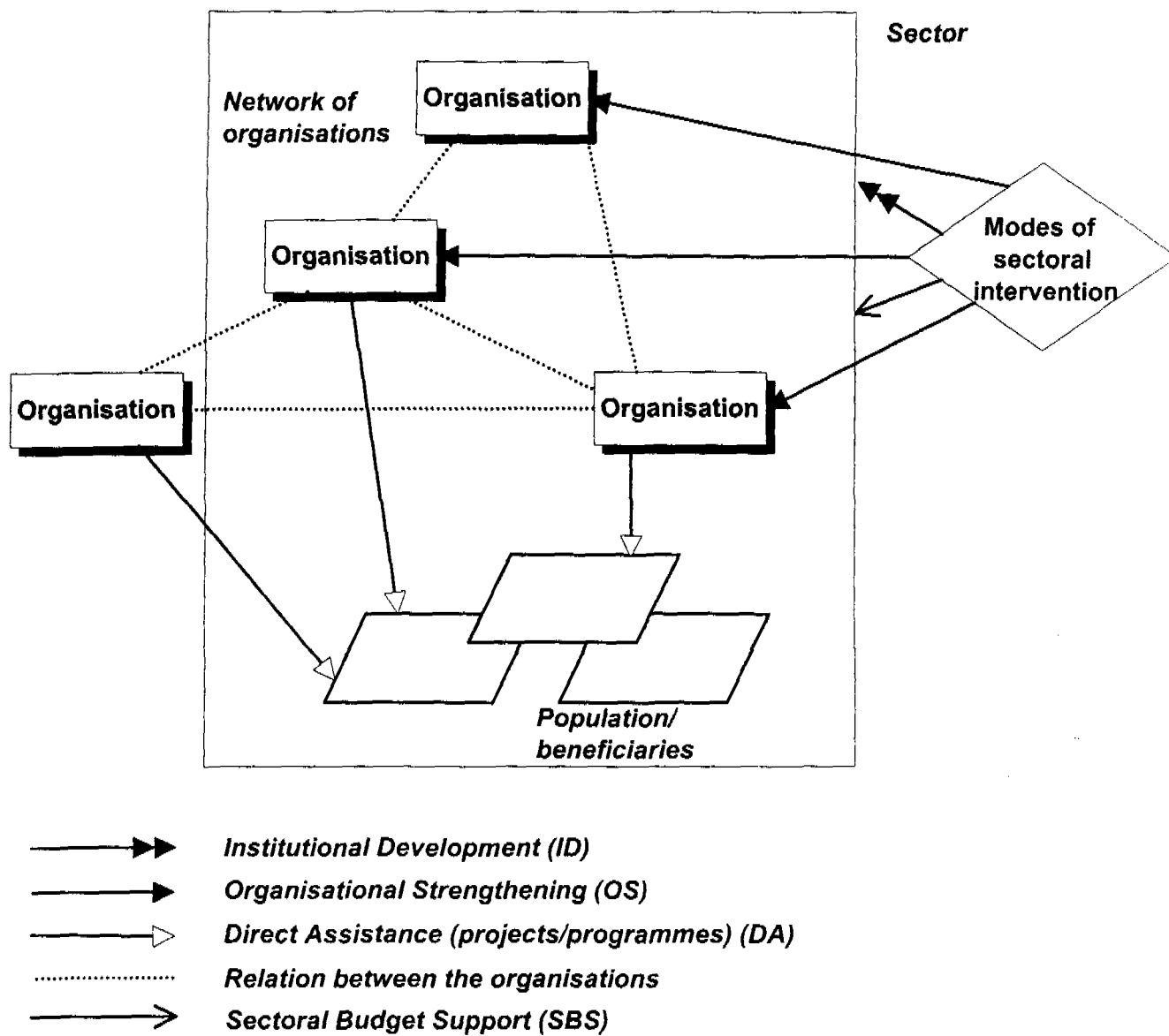
The other components are not, at least in a direct way, the focus of ISOA:

- contribution to the formulation of good policy in a specific sector;
- contribution to the implementation and steering of sectoral programmes, pilot and innovative activities;
- contribution to harmonising donor policies, -procedures and -co-ordination;
- monitoring of results and impact of policies on target group level.

As a result of the ISOA one may expect conclusions such as:

- the context of the main implementing organisation shows many deficiencies, bad relations between various key players, unclear legislation and procedures, etc. In this case it may be more appropriate to support the strengthening of the collaboration between the organisations, departments, the target group, etc. This type of activity is called 'Institutional Development' (see figure 4.1). In the mean time other types of coherent interventions in the sector and for the benefit of the target group should/could continue;
- the capacity of the key implementing agency is insufficient and there is need and willingness to change. Support from the Dutch side is appreciated and a necessary and an organisational strengthening (OS) programme is formulated (see fig below). It is a case of so-called 'flankerend beleid', a support policy as an intermediary step towards sectoral budget support. Also in this case other types of coherent interventions in the sector and for the benefit of the target group should/could continue;
- the capacity of the implementing agency is sufficient although the control systems are not yet functioning in a way to guarantee the correct use of donated funds in the form of budget support. As a consequence one may either decide to fund through another modality or/and to improve the systems before funding;
- the capacity of the implementing agency is good and control systems respond positively to criteria such as accountability, regularity and effectiveness. Then the mode of intervention will most probably be 'sectoral budget support'.

Fig.4.1 : The relation between SBS, ID, OS and DA interventions



The four categories of interventions are complementary. However, in the sectoral approach the aim is to work according the joint sectoral budget support. Institutional development and organisational strengthening remain most probably useful complementary types of interventions. Direct assistance in the form of projects will be more the exception than the rule and should always fit in the framework of the sectoral approach.