

NORAD2001

GUIDE FOR
INSTITUTIONAL
COOPERATION



NORAD

DIREKTORATET FOR
UTVIKLINGSSAMARBEID
NORWEGIAN AGENCY FOR
DEVELOPMENT COOPERATION

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0 Introduction

Knowledge of and experience gained from Norwegian public administration, civil society and private business and industry are important elements in development cooperation. The active involvement of Norwegian expertise in the public, private and civil domain, including research and culture, has been of great significance and has helped embed development co-operation in Norwegian society. NORAD considers it important to make Norwegian expertise available to our partners in priority countries, and Norwegian professionals will continue to play a key role in development co-operation. The presence of a experienced resource base in Norway is also an important element in NORAD's quality assurance work. The Norwegian resource base will be employed in the context of international undertakings to enhance relations between donors and other stakeholders in the field of co-operation development, various actors in the recipient countries, and the respective national authorities, their priorities and co-ordination work. The work of NORAD in this area is made within the framework of the strategies for poverty reduction in the partner countries and the World Bank's "Comprehensive Development Framework" (CDF).

The cooperation is anchored in the partner countries themselves, and the principle of recipient responsibility means that project responsibility and administration rests with the local partners. The recipient must therefore have a genuine opportunity to select a Norwegian partner, if so wished.

As NORAD's strategy towards the year 2005¹ points out, the principal objective of Norwegian development cooperation is the reduction of poverty. The possibility to reduce poverty in a global context depends on national and international factors. At the national level, policies pursued by authorities in developing countries are decisive for the impact development cooperation can have on poverty reduction. In a country with well-functioning institutions and the political will to promote economic growth and social redistribution, development cooperation can contribute to reduction of poverty. This pro-poverty orientation requires an approach that locates institutional collaboration within an overarching development perspective, a perspective in which the institutional cooperation is an instrument, which should relate to political and social processes in the priority countries. Other important areas are the environment, choice of technology, and socio-cultural factors such as gender equality and respect for human rights. Norwegian development cooperation shall be in line with the poverty reduction strategy of the recipient country.

¹ *NORAD investerer i framtida. NORADs strategi mot år 2005* (NORAD invests in the future. NORAD's strategy towards the year 2005). Oslo, 16 August 1999.

NORAD contributes to the funding of cooperation between Norwegian institutions and their partners in about eighty developing countries in Africa, Asia, Latin America, and Europe (in the former Yugoslavia). About thirty-five Norwegian public institutions are involved in more than one hundred projects which, in various ways, are based on institutional cooperation in developing countries. Over eighty voluntary organisations collaborate on about 1,000 projects. In addition, there is considerable involvement of research and cultural centres in cooperation initiatives with institutions in the South.

This guide is a follow-up to Evaluation Reports nos 1–5 (1998) on institutional development in Norwegian bilateral development cooperation prepared by the Ministry of Foreign Affairs, and Statskonsult's report no 16 (1998) on directorates in institutional cooperation. This latter report recommends the preparation by NORAD of an overall strategy for institutional cooperation and institutional development. As a step in this direction, NORAD has prepared this guide and a handbook in the assessment of institutional sustainability.

The intended readership of this guide is personnel at the partner institutions, at NORAD, and at Norwegian embassies with development cooperation responsibilities.

The guide – which is also available in Norwegian – sets out objectives and guidelines for NORAD-funded institutional cooperation, principally between public institutions. One also hopes that it will help establish a common perception of objectives, substance and organisation of institutional cooperation, and to clarify roles and division of responsibility between the collaborating institutions themselves, and between them and NORAD. The guide is also intended to contribute to the ongoing debate on the topic, and we will be more than happy to hear readers' comments on the guide.



Tove Strand

Tove Strand
Oslo, June 2000

1 Institutional cooperation – objectives and preconditions

1.1 Definition

As used by NORAD, the term ‘institutional cooperation’ means long-term, binding cooperation between two similar institutions, regulated by contract between the parties concerned.

Institutional cooperation is generally not an end in itself, but an instrument of institutional development. This is defined as “enhancing an institution’s capacity to enable it to meet its responsibilities in a sustainable, targeted and efficient manner”.

1.2 Norwegian development cooperation objectives

The aim of government support for development cooperation is to reduce poverty by encouraging:

- social and economic development
- the promotion of peace and human rights through good governance: accountability, transparency and democracy
- sustainable utilisation and management of the environment
- equal rights and opportunities for women and men throughout society
- in addition, Norwegian development cooperation shall work to prevent and reduce suffering in connection with conflicts and natural disasters

1.3 Objectives of Institutional cooperation

Institutional cooperation is an important part of efforts to achieve the principal goals of Norwegian development cooperation. The objectives of institutional cooperation are to:

- strengthen professional, organisational and management capacities of cooperation partners in priority countries
- improve efficiency in the implementation of development activities in priority countries through the development of human resources and organisational capacity
- promote administrative development and good governance
- promote local democracy and popular participation in developmental and decision-making processes
- promote institutions in civil society and the private sector
- strengthen knowledge of, and interest and participation in, development cooperation in the Norwegian society

1.4 Preconditions for successful institutional cooperation²

Experience has taught us that institutional cooperation works well when

- the parties have arrived at a clear understanding of the premises and terms relating to the collaboration already from the start
- the parties are allowed the time to negotiate among themselves to create the requisite degree of trust on which to base the partnership

- the institution’s management takes an active part in the collaboration, and good working relations are established between key personnel at the institutions
- the parties are familiar with each other’s organisations and the political, social, and economic context of the partnership
- cooperation results from an initiative by the partner in the priority country, and the quality of communication between the parties is satisfactory
- the recipient is not given the impression that cooperation with Norwegian institutions is a precondition for Norwegian development cooperation
- clear and long-term development targets are established, and more limited and shorter-term activities and targets are seen in relation to them at all times
- the Norwegian institution tailors its assistance to fit the capacity and resources of the partner institution
- the parties’ mutual responsibilities and obligations are clearly defined and regulated by contract
- the two institutions have similar responsibilities in their respective countries
- the institution in the recipient country has had the freedom to select the partner(s) which it considers most suitable for long-term collaboration
- collaboration with the Norwegian institution is complementary to other forms of cooperation/alliances the institution might be pursuing locally or regionally

- both parties have familiarised themselves with the leading terms and contents of overriding (State-to-State) agreements and the main principles of Norwegian foreign policy and development cooperation

The Norwegian institution in the area in question must be in possession of a sound and comprehensive body of expertise. It must also have a genuine motivation and interest to participate in institutional cooperation and to enhance its competence and capacity in relation to development cooperation.

The Norwegian institutions – as well as institutions in partner countries – must therefore at an early stage establish whether these preconditions are already in place or can potentially be satisfied later. The list is not exhaustive. Other factors and premises may have to be taken into consideration.

Weak leadership, poor financial and target management, and deficient administrative know-how have increasingly come to be seen as stumbling blocks in the way of good development cooperation. To prevent

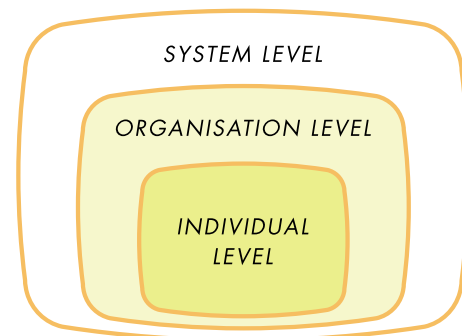
²Since this is a guide in the practical organisation of institutional cooperation, there is insufficient space to address absolutely all associated factors and preconditions. It goes without saying, however, that warfare, social unrest, security, floods and other natural disasters, HIV/AIDS situation, etc. in each of the different countries will have a major impact on the (organisation of the) collaboration between the partners.

corruption and misuse of resources, it is of the utmost importance that personnel involved in institutional collaboration pay particular attention to these areas. Norwegian institutions can help raise awareness of the fact that organisational success depends on good leadership, clear-cut administrative routines, good financial management and management by objectives (cf. NORAD's *Handbook in Assessment of Institutional Sustainability*).

Before entering into a joint working relationship, a thorough assessment should be carried out to determine the most appropriate level for collaboration, i.e., collaboration at the level of the individual (development of human resources); the organisation; or the broader systemic level, that is, network, sector or national level (see *Figure 1*). An assessment of areas in need of strengthening at the institution in the partner country must be included here. It is recommended that Norwegian institutions engage their administrative staff to a greater degree in

development cooperation work, since institutional development in many cases requires the strengthening of organisational and administrative systems and routines.

Figure 1 Institutional levels



Institutional cooperation must be as predictable as possible for all parties involved. This type of cooperation is generally long lasting, often spanning five to ten years. The contract, however, will often cover a shorter period, and cover detailed, short-term objectives, which will be monitored closely by the partners themselves, their respective superiors, and by Norwegian and local financing agencies. This provides a window to gain experience and an opportunity to make adjustments along the way, as well as to renew the contract if the cooperation is developing satisfactorily.

The partners are expected to have knowledge of and act in accordance with the UN Convention on Civil and Political Rights, a Convention most countries have ratified and are therefore required to comply with. The human rights assessment checklist found in NORAD's *Handbook on Human Rights Assessment* contains a summary of the rights of most immediate relevance to development cooperation. In addition, the parties are expected to be familiar with relevant conventions in their particular fields of expertise, such as ILO conventions and conventions on the environment for instance.³

As far as NORAD is concerned, the use of Norwegian expertise in development cooperation means that

- the Norwegian institutions must be able to play a role in the overall Norwegian development cooperation policy *vis-à-vis* the country in question
- if NORAD is to back cooperation with a Norwegian institution, it must be verified that the Norwegian institution is in a position to meet identified recipient needs, and the parties must wish to work together⁴
- NORAD has an obligation to appraise the quality and cost-efficiency of the work of the Norwegian partner engaged in institutional cooperation

- NORAD has an obligation to help particularly suitable Norwegian institutions achieve the required level of expertise relevant for institutional cooperation. This will entail, among other things, personnel training and hands-on experience from a minimum number of collaborative projects
- institutional cooperation generally entails collaboration between institutions in the recipient country and Norway, but (network) cooperation between institutions in the same country, or within and between regions, or tripartite cooperation projects (South–South–North) may also be established

³The texts of UN conventions and treaties can be accessed at UN's web site: <http://www.unhcr.ch/intlinst.htm>

⁴ See *Recipient Responsibility and the Practice of NORAD's Role as Donor*, Oslo, 30 September 1999. This is available in Norwegian. See NORAD 1998, ref.: www.norad.no

2 Organising institutional cooperation

NORAD has prepared special guidelines for business-sector cooperation, assistance to civil societies, cultural cooperation, university/college cooperation, and research. While the following guidelines are aimed specifically at institutional cooperation funded in the form of State-to-State cooperation and institutional cooperation between government agencies, they are also potentially applicable to collaborative ventures in other areas.

The commitment to work together within a nationally led strategy to reduce poverty represents a fundamental transformation of the international development cooperation community's *modus operandi* in the least developed countries. One of important task will be to lessen the heavy administrative burden forced on the authorities in developing countries when they collaborate with the international development cooperation system. This will oblige donors to streamline their respective contributions under national plans and strategies, and co-ordinate approaches to planning, reporting and funding mechanisms.

Norwegian development cooperation with prioritised countries is based on plans and priorities drawn up by the recipient country, hereunder Poverty Reduction Strategy Programs (PRSP) and other poverty reduction strategies, and the

Norwegian development cooperation guidelines. At the political level, it is usual for a Memorandum of Understanding (MoU) to be signed, which outlines the goals of and reasons for the cooperation. For some prioritised countries, a *country agreement* will be concluded. Collaboration on separate programmes and projects takes place within this framework, and Norwegian institutions wishing to engage in institutional cooperation must familiarise themselves with this framework and the said documents.

2.1 Terms and decision-making procedures

Parties to the agreement (agreement partners) are Norway/NORAD and the authorities in the partner country

Parties to the contract (contracting parties) are a Norwegian institution and an institution in a partner country (which can be identical with the agreement partner)

The **Agreement** regulates cooperation between Norway/NORAD and the authorities of the partner country, including the goals and contents of the agreement, the role of the parties, liabilities, decision-making mechanisms (i.e., Annual Meetings), financial transfers and financial management, auditing and control. Before concluding a contract, an agreement must be concluded; an agreement has precedence over a contract.

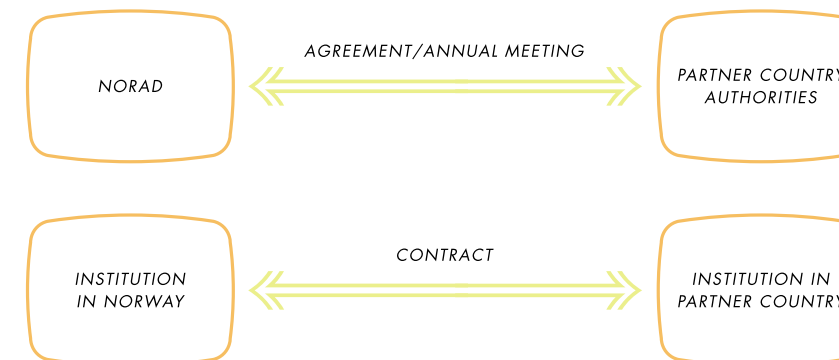
The **Annual Meeting** is a decision-making body for Norway/NORAD and the authorities of the partner country at which progress and achievements are appraised, and reports, accounts, plans and budget are considered and approved. The Annual Meeting can also consider proposals for new, or extensions of, or amendments to ongoing activities and issues about which the contracting parties desire clarification or which the agreement parties themselves feel in need of clarification. In general, the recipient country will bring representatives from the involved institutions to the Annual Meeting. The Norwegian institution may not attend the Annual Meeting on the Norwegian side, but may do so in an advisory capacity for the recipient country, if that country so desires.

The **Contract** regulates the dealings between the contracting parties. It shall set out the focal areas of the collaboration,

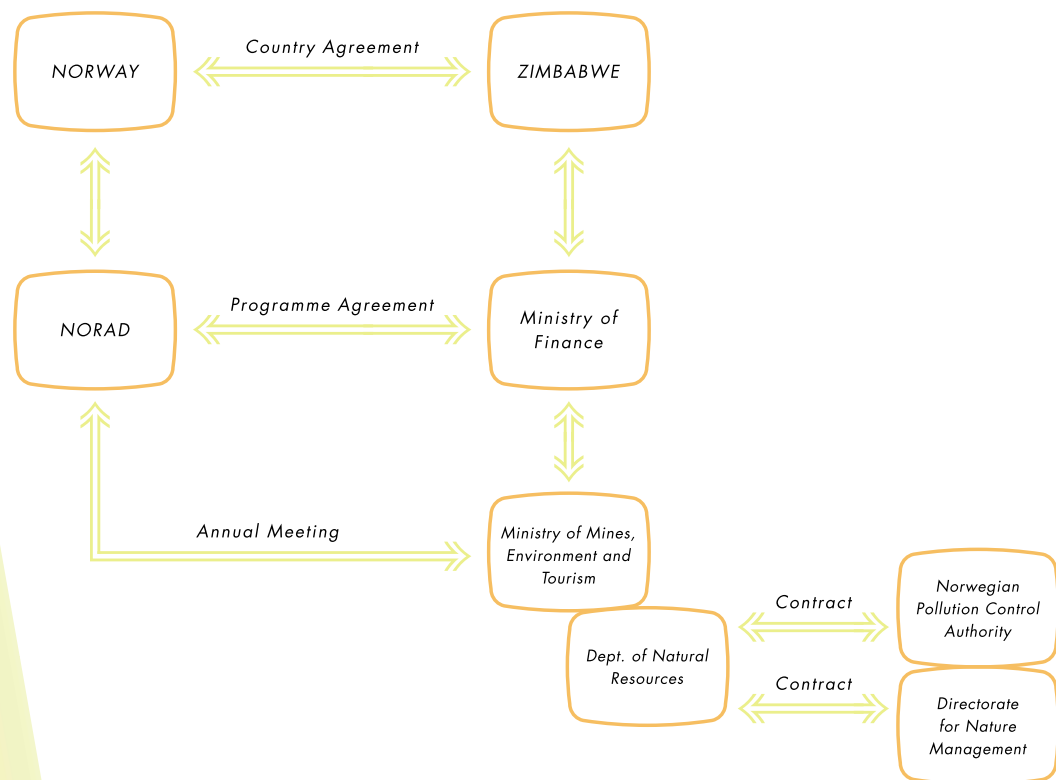
meetings and follow-up routines between the parties, the type of personnel required, prices, travelling provisions and all formalities that affect the two parties. It shall detail the task, including anticipated results and use of indicators. In addition, it shall set out the form in which the annual workplans, budgets, reports and accounts shall be prepared. Final approval shall be given by the agreement partners.

NORAD has prepared a standard institutional cooperation contract. It is intended to serve as a guide when setting up a contract (see Appendix 1).

Figure 2 The building blocks in the parties working relationship



An example of the type of structure that can prevail in institutional cooperation can be seen in *Figure 3* below.



2.2 Roles and division of responsibility between NORAD, the Norwegian and the local institution

2.2.1 Division of responsibility in Norway between government agencies

In line with Statskonsult's report 1998:16 on directorates involved in institutional cooperation, NORAD has a duty to ensure that development cooperation funds are managed and used in compliance with the terms and conditions laid out by the Norwegian Storting (Parliament). Directorates that are involved in institutional cooperation will assume the role of suppliers and advisors *vis-à-vis* partner institutions, and will be responsible for the standard of the services provided.

Norwegian institutions play *one* type of role when employed by NORAD as centres of expertise or as advisors, but when they engage in institutional cooperation with partner institutions in developing countries they play a different role.

2.2.2 NORAD

In addition to its administrative responsibility to oversee that Norwegian funds are managed in compliance with

Norwegian development cooperation policy, NORAD has a duty to ensure that institutional cooperation programmes comply with

- current development cooperation objectives
- the country strategy for the country in question and Norwegian cooperation guidelines
- Norwegian priorities in the relevant sectors
- principles of recipient responsibility and sustainability

In addition, NORAD must verify that funds are used according to established purposes, and that the project develops in accordance with plans and agreements.

The agreement between the parties sets out Norway/NORAD's role and responsibilities.

2.2.3 Agreement partner

As a recipient of Norwegian funds, the agreement partner has a responsibility to make plans and implement steps (including auditing/reporting, giving notice of the Annual Meeting, etc.), and has a duty to ensure that the contracting parties implement the contract in accordance with procedures and criteria set out in the agreement. The agreement partner has an additional obligation to ensure that cooperation proceeds in accordance with national plans and priorities.

2.2.4 Institution in the partner country

The institution in the partner country enters into a contact with a Norwegian institution. The partner institution may be identical with Norway/NORAD's agreement partner (often a department of finance or line department) or freestanding (directorate, research division, etc.). The Norwegian institution shall provide services for specific purposes; the partner institution will therefore act as commissioning party *vis-à-vis* the Norwegian institution.

2.2.5 Norwegian institution

The Norwegian institution shall provide contractual services to the partner institution, and will therefore have overall responsibility for the quality of those services. The nature of the services will be advisory for the most part. The local institution should take steps to assure that the contract only include areas in which the Norwegian institution either alone or together with subcontractors possesses the required expertise.

The use of subcontractors does not exempt the Norwegian contracting party from any part of its responsibility for the services provided. All reports and administrative decisions shall be conveyed to the agreement partner via the partner institution. The agreement partner shall review the reports and decisions and communicate them to the embassy/NORAD where they will form a basis for subsequent review and approval by the agreement partners (preferably at the Annual Meeting).

2.2.6 Approval of the contract

One will often be contractually bound to submit contracts and eventual subcontracts regulating institutional cooperation for approval by the agreement partners.

2.2.7 Other aspects of the relationship between the parties

After entering into the contract, the contracting parties shall relate to NORAD's agreement partner or the specific agency identified in the agreement as representing NORAD's agreement partner, and not to NORAD directly. It is important that institutions follow the administrative routines set out both in the contract and the agreement. The institutions shall co-ordinate with the national agreement partner in accordance with local administrative provisions.

If the project's volume, scope and terms change, the agreement and contract must be amended, for instance by concluding ancillary agreements/contracts.

If conflicts arise that the contracting parties are unable to resolve through their own efforts, they shall be referred to the agreement partners.

In cases in which a Norwegian institution and NORAD have concluded a framework agreement, experiences/problems/special issues connected with the institutional cooperation programme may be raised at the Annual Meeting under the framework agreement.

2.3 Transfer and disbursement procedures

2.3.1 Transfer procedures from NORAD to recipient

The transference of funds from NORAD to the recipient is executed either in advance or takes place on a reimbursement basis, depending on customary practice in development cooperation with the country in question. The transference procedures that apply in each case are regulated by the agreement between Norway/NORAD and the partner country's authorities. To the degree allowed by the partner country's budget system, Norwegian funds shall be visible in the partner country's national budget.

Whether the transfer is carried out in advance or on a reimbursement basis, the presence of an approved budget is important since it constitutes a necessary part of the basis for the transfers.

Below follows a brief description of the most frequently used budgeting approval method for this type of budget.

- The agreement shall contain a budget estimate covering the implementation of the project (as a part of the Project/Programme Summary). The actual institution cooperation contract shall contain a more detailed, though still provisional, budget.
- As a basis for approval by the Annual Meeting, the contracting parties prepare *i.a.* a budget for the period (generally one year) for which decisions shall be made by the Annual Meeting. The budget shall be based on the provisional budget referred to above and workplans for the year. Procedures and deadlines should be included in the contract, (cf. the standard contract Art. 3.1).
- An endorsed budget draft (together with supplementary documentation as required by the agreement/contract) is dispatched from the partner institution in the recipient country to the authority on the recipient

side. In accordance with the agreement, this authority shall send background documentation to NORAD for consideration at the Annual Meeting. Transmission to NORAD takes place after the said authority has handled and approved the budget proposal, including supplementary documentation.

- The budget is given the final approval by NORAD and the said authority (NORAD's agreement partner) at the Annual Meeting.

2.3.2 Procedures regulating disbursement to the Norwegian cooperation partner

The most usual disbursement and invoicing procedures are set out in Art. 8 of the standard contract; disbursements are accordingly made by the said authority in the partner country to the various institutions.

The institution cooperation contract shall specify the accounting procedures to be used. Accounting responsibility usually rests undivided with the institution in the partner country. The contract shall state when and how the Norwegian institution shall report on time use and other expenses that the institution in the partner country must record in the accounts.

The disbursement procedure is stipulated in the agreement, and steps must be taken to verify that the disbursement procedures set out in the contracts conform to those in the agreement.

In exceptional cases, NORAD and the recipient may decide on a direct transference of funds from NORAD/embassy to the Norwegian institution, given that a request has been received in the normal way (i.e., that the above-listed terms are met) and that a mechanism has been found to ensure that the sum is visible in the recipient's (national) budget. Given that these conditions are satisfied, the recipient institution shall approve the invoice before disbursement is made by NORAD/embassy.

2.4 The audit

The recipient institution is generally responsible for carrying out the audit of the accounts. In cases in which disbursements are made by NORAD directly to the Norwegian institution, accounts will generally be audited by the Office of the Auditor General in Norway. The contract between the parties must specify the manner in which the audit shall be done.

2.5 Reporting to NORAD

As stated in section 2.2 above, the collaborating institutions shall report to NORAD through NORAD's agreement partner.

Norwegian institutions that have also concluded framework agreements covering the provision of professional/technical advice to NORAD, must include an assessment in their annual reports to NORAD of results attained in the collaboration (NORAD has prepared a standard report form for the framework agreements). They can also use this opportunity to discuss issues they feel NORAD should be made aware of.

If NORAD is given cause to believe by way of programme reports or reviews that the professional/technical level of the services provided by the Norwegian institution are not up to standard, or that one of the partner institutions is not meeting its contractual obligations, NORAD, in compliance with its administrative responsibilities, must take action.

3 Competence-building at Norwegian institutions

3.1 Norwegian institutions are responsible for their own competence

Norwegian institutions engaged in institutional cooperation must meet the particular professional/technical, administrative and staff-related qualifications required for the project. This is a responsibility of the institution as a whole, and it is up to the Norwegian institutions to see that they are met when recruiting staff for development cooperation work, and through competence-building efforts. The institutions are expected to draw on the totality of their expertise when engaging in institutional cooperation projects. The advice they provide shall maintain high professional standards and be adequate relative to the financial framework, goals and technical requirements of the project.

The Norwegian institutions are responsible for overall level of competence of their staff. This includes general competence as well as specific development cooperation expertise. NORAD will make efforts to make explicit the qualifications required for development cooperation work, and encourage competence building by providing training opportunities at the Norwegian Foreign Service Institute (UKS).

Partner institutions and their staff members must be prepared to face a wide range of personal and work-related challenges due to the spread of HIV/AIDS. The Norwegian participants must also have an understanding of ways to prevent and fight corruption.

3.2 What do we mean by “development cooperation expertise”?

In 1999 NORAD and the Ministry of Foreign Affairs (MFA) jointly addressed the question of what expertise in the area of development cooperation actually consisted of and the type of qualifications that people and organisations engaged in development cooperation activities should have. In what follows, the term “development cooperation expertise” is given a specific content related to development cooperation and its administration.⁵ Leadership qualifications are not discussed at this point.

⁵Report: *Fremtidig bistandsfaglig opplring via UKS*. UD/NORAD 1999.

Development cooperation expertise can be defined as:

The knowledge, skills and attitudes that enable one to achieve the best possible results in development cooperation in accordance with set objectives

Development cooperation expertise includes:

Knowledge of

- 1) Norwegian foreign and development policy, including the role of donor and recipient responsibilities as well as key commitment areas and strategies
- 2) The MFA and NORAD; their organisation, roles and responsibilities
- 3) The roles of other stakeholders in development cooperation: international organisations, other donors and centres of expertise in Norway
- 4) Development cooperation methodology and quality assurance, including LFA (Logical Framework Approach), management by objectives, and sustainability assessment (commissioning capability)
- 5) Development cooperation administration (country strategies, operations planning, project cycle, contract preparation and follow-up, and ability to check accounts and auditors' reports)
- 6) Development theory and processes, including national, regional and international operating frameworks
- 7) Country and regional knowledge (history, culture, political structure, administration systems, development plans and partner country priorities)

Skills in

- 1) Cross-cultural communication: dialogue, interaction and negotiations
- 2) Relevant foreign languages

Attitudes

- 1) Conscientiousness and loyalty in the implementation of Norway's foreign and development policies
- 2) Realistic expectations with regard to the effect of development cooperation and the role of the MFA and NORAD
- 3) Respect for other cultures and mind-sets
- 4) Respect for other people's personal integrity and equality

3.3 Development cooperation qualification requirements in Norwegian institutions

The type of qualifications required at any one moment will vary according to the category of personnel in question and the work they are expected to carry out. With regard to personnel at institutions engaged in institutional cooperation, requirements will vary for institution leaders, on the one hand, and staff involved in direct development cooperation activities, on the other.

NORAD expects all leaders at partner institutions to be acquainted with Norwegian development policy and priority areas and MFA/NORAD's role and objectives. Staff with development cooperation responsibilities need in addition to be familiar with the main principles of development cooperation, the country or countries involved and prevailing operating conditions, and institutional cooperation. Skills in cross-cultural communication and relevant languages, methods used in development cooperation work and quality assurance such as management by objectives and sustainability assessments are also important, as is knowledge of NORAD's current undertakings, such as NORAD's *Plan of Action Against Corruption*.

Elements of the training of both groups (management and staff) can take place under the auspices of the Norwegian Foreign Service Institute or at the institutions themselves in collaboration with the partner institution in the priority country.

A feasible alternative could be to establish a trainee scheme to help institutions build up future capacity and expertise in a systematic manner. A trainee scheme like this could give the local and the Norwegian institution an opportunity to exchange staff. The new Peace Corps will provide new opportunities for exchanging junior staff between the partner institutions.

Funding of training is discussed in the next chapter.

4 Financial terms and cost basis

NORAD aim at standardised costing method for institutional cooperation programmes. It is hoped that by instituting a coherent and uniform practice for the financial and other aspects of personnel-related activity, it will be possible to achieve greater understanding and predictability for the partners in priority countries. In addition, a common costing method will facilitate clearer communication between Norwegian institutions and NORAD. The costing method is set out in the standard contract (see Appendix 1). In cases where a framework agreement exists between the institution and NORAD, the scope/terms applicable to the costing of services carried out for NORAD will be determined separately. When the full costing method is used, the same terms apply in theory to the costing of services provided within the framework of the institutional cooperation programme.

When new projects/initiatives are initiated, the Norwegian cooperation partner's *first* visit can be funded over the framework agreement with the organisation in question, but only upon approval by NORAD and the relevant embassy. The embassy/NORAD's Regional Department will be in charge of assessing whether the cooperation programme should be continued and, if so, how it can be funded.

Institutions/organisations, which do not have a framework agreement, can contact NORAD or the authorities in the recipient country for advice about how the cooperation programme may be funded in its initial phase.

4.1 Rates

Full costing performed by the institutions must be based on average wages and administrative expenses. A method for calculating hourly rates is included in the standard contract. A standardised hourly rate of 1,725 hours per annum (so-called gross person-year) is applied. Research institutions may base their calculations on the Research Council of Norway's model, which is based on 1.6% of gross wages for the staff member in question.

Since the hourly rate is determined by each individual partner institution on the basis of wage levels, among other things, the rate may vary from institution to institution in Norway (and between contracts within the same institution cooperation project). Likewise, administrative expenses (overheads) will vary among Norwegian institutions, depending on the institutions' various guidelines/practices, cost bases, methods, etc.

Calculations performed by Statskonsult on a sample of government bodies show that internal administrative expenses

amount to about 30 per cent of total operating costs. This percentage shall therefore be used as a basis when determining the administrative expenses of institutional cooperation programmes. Increases beyond the 40 per cent mark for internal administrative expenses will require separate documentation and explanations, and will be approved only in exceptional circumstances.

To avoid the recipient having to cover the costs of relevant competence-building work, training expenses should preferably be left out of the institution cooperation programme's cost framework.

Expenses in the Norwegian institution connected with competence-building efforts related to development cooperation, might be refunded by NORAD outside the budget of the institutional cooperation programme. When a framework agreement exists between NORAD and the individual institution, expenses for relevant training shall preferably be covered in the framework agreement. This should be done irrespective of whether the main focus of the training is to enhance the advisory capacity of the institution *vis-à-vis* NORAD or the provision of services to the local partner. If no framework agreement has been concluded, the institution and NORAD may negotiate a separate agreement, which sets out the qualification requirements and plans (including

actual initiatives and funding arrangements). In this event, the institution may be refunded costs incurred by the training. When a trainee scheme involves junior staff, NORAD can accept a lower rate based on presumptively lower average wage levels of the personnel in question.

4.2 Payment

The contract between the Norwegian and local institution shall set out clearly the procedures to be used for the payment of projects. As a basic requirement time sheets must be kept (both for work done in Norway and for work abroad). Necessary specifications must be included to enable identification of the project in question. We refer the reader to the sections in the standard contract on payment related to fieldwork (Art. 7.1), and invoicing procedures (Art. 8).

4.3 Travelling expenses

Compensation for travelling expenses incurred on official business is covered by the *Regulativ for reiser i utlandet på statens regning* (Government Expense Scale for Overseas Travel) and the *Regulativ for reiser innenlands for statens regning* (Government Expense Scale for Domestic Travel). Whenever possible, when travelling by air, tourist, economy class, excursion or Euro tickets should be bought.

For international journeys made by staff from institutions in partner countries, national per diem allowance is recommended to cover expenses. The Norwegian travelling expense scale can be used when dictated by circumstances.

4.4 Longer-term assignments

Salary and employment terms for assignments abroad of a more permanent nature (at least six months), must be negotiated separately between the Norwegian institution and the person in question, and may be based on a locally negotiated special agreement. Salary and employment terms shall be based on NORAD's terms for specialist personnel.

Expenses (and practical matters) associated with long-term overseas assignments shall be reflected in the contract between the Norwegian institution and the institution in the priority country and shall be financed within the margin of expenditure of the institutional cooperation programme, cf. the standard contract Art. 7.2.

Format Contract for institutional cooperation

Remember that this is a Format Contract and not a Final Contract.

Pls. check all references in the final Draft Contract.

C O N T R A C T

(Pls. use the term stated in the bilateral Agreement referred to the Preamble below)

between

..... *(Norwegian Institution)*

and

..... *(Recipient Institution)*

regarding

.....

1 Preamble

Whereas the Government of the Kingdom of Norway (*Norway*) alt. the Norwegian Agency for Development Cooperation (*NORAD*) and the Government of the or the Ministry of have entered into an agreement (the *Agreement*) dated regarding (the *Project* or the *Programme*);

Whereas Norway (*NORAD*), on the terms and conditions of the Agreement, will provide a grant (the *Grant*) to be used exclusively to (part-)finance the Project/Programme;

Whereas representatives of Norway (alt. *NORAD*) and (*Recipient Country*) or Ministry of shall meet annually alt. semi-annually (the *Annual/Semi-annual Meeting*) to review the implementation of the Project/Programme, assess the priorities, approve the financial requirements for the coming year and other tasks/activities to be included in the Project/Programme;

(The purpose of including this reference is to make clear for the Parties the role and function related to these meetings).

Whereas the (*Recipient Institution*) will represent the Ministry of and be responsible for the implementation of the Project/Programme (or the activities referred to in the Agreement);

Whereas the (*Norwegian Institution*) and (*Recipient Institution*), as stated in Article of the Agreement, will enter into a contract (the *Contract*), regarding institutional cooperation on the implementation of the Project/Programme (or the above-mentioned activities);

Whereas the Agreement will take precedence over this Contract;

Now therefore the (*Recipient Institution*) and the (*Norwegian Institution*) have agreed as follows:

2 Scope and Objectives

2.1 The Goal of the Project/(*main*) Programme is

2.2 The Objective of the Project/(*main*) Programme is

(Clause 2.1 and 2.2 are normally quotations from Article I in the Agreement and may therefore be deleted).

2.3 The following tasks, as further outlined in Annex I attached hereto, will be implemented by both Parties under this Contract:

Other tasks/activities of co-operation may be agreed upon in the Annual/Semi-annual Meeting referred to in the Agreement.

(Annex I should be formulated as a Terms of Reference (ToR) for the tasks to be performed under this Contract and should be more elaborated than the description included in Annex I to the Agreement. The ToR shall clearly state the responsibilities of the Parties and the expected results of the institutional cooperation.)

2.4 The Grant, which is subject to appropriations from the Norwegian Parliament, will not exceed NOK (Norwegian Kroner). The tentative budget allocations for the tasks referred to in Clause 2.3 above to be covered by the Grant (including allocations to be provided by the (*Recipient Institution/Ministry*)) are outlined in Annex II to this Contract.

2.5 The following documents, listed in order of precedence, shall be deemed to form and be read and construed as part of this Contract:

3 Project Management and Co-ordination (if applicable)

3.1 (*Recipient Institution*) and (*Norwegian Institution*) shall meet (*dates/frequency*) to:

(This Clause refers only to meetings between the Parties and thus, these meetings are not the same as the Annual/Semi-Annual Meetings referred to in the Agreement.)

(The meeting purposes should be listed here.)

(Reference to the documentation required and the responsibility and deadline for submitting the documents should either be stated here or in Clause 6 below, as well as who is obligated to call and chair the meetings.

The meetings to be included here may for example be those required before the annual/semi-annual meeting referred to in the Agreement. Other meeting structures may also be applied and the frequency and set up of these will depend on the activities/tasks to be implemented.

In addition various committees, management groups etc. might be required. These should be listed in subsequent sub-clauses stating the purpose (mandate) and the members of these. The ranking, co-ordination, between these should also be made clear here as well as the reporting requirements)

An organisational and management chart may be included in Annex I.

4 Obligations and Responsibilities of the Parties

4.1 Information

The Parties shall keep each other currently informed about all matters of importance relevant to the overall cooperation and the implementation of the tasks to be performed under this Contract.

4.2 Personnel

..... *(Norwegian Institution)* shall make available sufficient and qualified personnel and shall carry out their obligations in accordance with the highest professional standards. If any problem arise or is expected to arise, *(Recipient Institution)* shall be notified immediately in writing.

..... *(Recipient Institution)* shall make available sufficient and qualified personnel to cooperate with *(Norwegian Institution)* and its personnel on the activities to be implemented under this Contract, and shall facilitate and make sure that the personnel is available for carrying out necessary preparations and follow-up tasks in connection with the cooperation. If any problem arise or is expected to arise in this respect, *(Norwegian Institution)* shall be notified immediately in writing.

Should it become necessary to replace *(Norwegian or Recipient personnel)*, the Party concerned shall forthwith arrange for replacement with a person with comparable experience.

The Party requesting the replacement shall be responsible for the financial consequences thereof, except in cases when such personnel are replaced for reasons of misconduct, incapability to perform or violation of instructions and local laws and regulations in which case the Party concerned shall be responsible.

4.3 (Recipient Institution)

4.3.1 *(Recipient Institution)* is responsible for the planning, administration and implementation of the Project and for the adherence and implementation of the decisions taken and budget allocations approved at the Annual/Semi-annual Meetings referred to in Article of the Agreement.

4.3.2 *(Recipient Institution)* shall:

- Provide *(Norwegian Institution)* with access to all available and relevant reports and data required to undertake its tasks. Data and information available only in *(language of the Recipient Country)* will be translated into English.
- Assist *(Norwegian Institution)* in obtaining all necessary permits, licences and permissions referred to in Article of the Agreement.
- Provide, free of charge adequately sized, furnished, services, and heated/air. conditioned office accommodation for the personnel of *(Norwegian Institution)*. The office facilities shall be equipped with or have easy access to telephone and telefax facilities for overseas communication, relevant IT-equipment and photocopying facilities.
- Provide housing facilities for long-term personnel.
(The definition of long-term personnel is stated in Clause 7.2.)
- Provide transport facilities.

(The above listed requirements are only examples and this Clause has to be adjusted to fit the individual requirements relevant for the specific Projects/Programmes.)

4.4 (Norwegian Institution)

4.4.1 *(Norwegian Institution)* shall:

- *(Norwegian Institution)* shall cooperate fully with *(Recipient Institution)* to ensure that the Goal and Objective of the Project/Programme (alt. tasks referred to in Clause 2.3 above) are successfully accomplished and co-ordinate the services to be performed by the Norwegian Institution.
- Provide and furnish to the Recipient Institution the reports specified in Clause 6 below.
- Assist *(Recipient Institution)* personnel in obtaining accommodation facilities when visiting Norway, including visa and other permissions necessary for their stay in Norway.

(The above listed requirements are only examples and this Clause has to be adjusted to fit the individual requirements in the specific Projects/Programmes.)

4.5 International travels

All international travels shall be agreed upon between the Parties (and shall be formalised through a Terms of Reference (TOR) which shall include a work plan and budget. A copy of the agreed TOR shall be submitted to NORAD and *(Recipient Ministry)* for information.

5 Procurement (if applicable)

(This Clause must be drafted in accordance with the rules and procedures for procurement set out in the Agreement and will often e.g. as regards procurement of goods, require a more detailed description related to the responsibility for shipment/transport of goods, delivery site, transfer of ownership etc.

Which procurement rules to be applied for goods and services are usually stated in the Agreement.)

6 Reporting

(In this Clause the relevant reporting requirements between the Parties should be outlined. The reporting requirements for the various types of meetings, committees etc. referred to in Clause 3 shall be included.

The main points of what shall be included in the reports shall also be stated in this Clause.

Deadlines for submitting the reports should also be included here if not already mentioned in Clause 3.

Sometimes it may also be relevant to have a special reporting schedule containing the reporting requirements attached as Annex III to this contract.)

7 Remuneration

..... *(Norwegian Institution)* shall be paid for the services performed and the costs incurred in conformity with the procedure set out in Clause 8 below and at the rates set out or referred to in the Clauses 7.1 and 7.2 below.

7.1 Short term personnel

(For those Norwegian Institutions who have entered into a Frame Agreement with NORAD the same rates shall apply for short term personnel under this Contract and shall thus be stated in this Clause.)

(For other Norwegian Institutions hourly rates based on the category of personnel to be involved in the Project shall be stated in this Clause.)

(Method and formula of calculating the rates are stated in the Appendix attached to this format Contract.)

The services carried out in Norway by the personnel *(Norwegian Institution)* will be remunerated on the basis of the following hourly rates:

Name/Position Rate

Fieldwork will be paid on a weekly basis based on 42 hours and the above rate(s).

There will be no payment for overtime.

In addition two travel days á 7 hours per intercontinental return flight will be remunerated.

(The rates applied may be adjusted annually in accordance the annual Norwegian consumer price index adjustments).

7.2 Long term personnel

(Long term personnel means personnel posted minimum 6 months continuously in the Recipient Country.

The Norwegian Government Regulations rates for per diem and night allowances applicable for travels abroad are not meant to be used on Long Term Personnel.

It is assumed that salary and working conditions (including expenses such as salary, allowances, travels, housing facilities, insurance) will be covered in accordance with contracts to be entered into between the Norwegian Institution and the employee.

Facilities to be provided by the Recipient Institution/Ministry (e.g. housing facilities) should be included in Clause 8.5 below and listed in Clause 4.3.2 above which deals with the obligations and responsibilities of the Recipient Institution).

7.3 Travels and subsistence allowance

Travel expenses, per diem and night allowances in connection with international travels will be covered in accordance with the applicable Norwegian Government Regulations and Tourist/Economy Class, preferably "Excursion" or "Euro" tickets, shall be used when possible.

7.4 Miscellaneous costs

Other expenses up to the limits set forth in the budget in Annex II (referred to in Clause 2.4 above) or included in annual (Semi-annual) budgets approved at the Annual-(Semi-annual) Meetings) will be reimbursed at cost, upon documentation.

Unforeseeable expenses can only be utilised in agreement with the *(Recipient Institution)*.

8 Invoicing

(This Clause must be drafted in accordance with the procedure set out in the Agreement. The procedure set out below must therefore only be regarded as an example.)

8.1 (Norwegian Institution) will, in accordance with Article in the Agreement, submit invoices (e.g. quarterly) to the Recipient Institution for approval and payment.

The invoices shall be certified by the person responsible for the Project/Programme in (Norwegian Institution) stating that the invoiced expenses are in accordance with this Contract.

8.2 The time sheets and the original documentation will remain at (Norwegian Institution), but copies will be submitted to (Recipient Institution). For travels the invoices shall, in addition to the total cost, provide name of person, duration and purpose for each trip.

8.3 (Recipient Institution) shall effect payments to (Norwegian Institution) within days after (Norwegian Institution) has submitted the invoices (or after the (Recipient Institution) has received the invoices).

8.4 All payments shall be made directly to the bank account designated by (Norwegian Institution)

8.5 If any item or part of an invoice rendered by (Norwegian Institution) is disputed or subject to question by (Recipient Institution), the payment by (Recipient Institution) of the remainder of that invoice shall not be withheld on these grounds.

8.6 All costs with regard to (state areas and/or items) in connection with this Contract shall be covered by (Recipient Institution).

(This Clause refers to expenditures to be covered by the Recipient and which shall be included in the budget in Annex II).

9 Contracts with entities outside (Norwegian and/or Recipient Institution) ("Sub-contracts")

9.1 Any Sub-contracts to be entered into by (Norwegian and/or Recipient Institution) shall be made with duly qualified entities and shall retain full responsibility for all services it is committed to render under this Contract.

All Sub-contracts shall be submitted to NORAD and/or (Recipient Ministry) for approval/information.

alternative

All Sub-contracts shall be approved by (Recipient Institution) in writing.

10 Liability

10.1 (Recipient Institution) shall not be liable – economically or in other ways – to firms or individuals engaged by (Norwegian Institution) and its sub-contractors.

11 Copyright

11.1 The copyright of all documents etc. prepared by the (Norwegian Institution) under this Contract stays with (Recipient Institution or Ministry). However, (Norwegian Institution) and NORAD shall not be liable to pay any royalties for the use of any documents. *(Additional provisions to be included if required.)*

12 Compliance with local laws

12.1 While carrying out the assignment under this Contract the personnel and entities engaged by (Norwegian Institution) shall comply with the laws of (Recipient Country) and (Norwegian Institution) will take prompt corrective action with regard to any violation by such personnel and entities. The same applies to the personnel and sub-contractors of (Recipient Institution) when carrying out assignments in Norway.

13 Execution of the Contract

13.1 The Parties declare their commitment to counteract corrupt practices in the execution of the Contract. Further, the Parties commit themselves not to accept, either direct or indirectly, as an inducement or reward in relation to the execution of the Contract, any kind of offer, gift, payments or benefits, which would or could be construed as illegal or corrupt practice.

14 Amendments

14.1 No amendments of this Contract shall be made unless by written agreement signed by the parties. Such amendments will become effective when approved in writing by NORAD and (Recipient Ministry).

15 Entry into force and Duration

15.1 This Contract shall enter into force when signed by both Parties and (if applicable) approved in writing by NORAD and/or (Recipient Ministry).

15.2 This Contract shall remain in force until the expiration or termination of the Agreement, or as agreed between the Parties.

16 Termination

- 16.1** Each Party may terminate this Contract by giving three months' written notice to the other Party, with copy to NORAD and (*Recipient Ministry*).
- 16.2** Upon receipt of such notice of termination, both Parties shall exert their best efforts to bring the work to an end in a rapid, orderly and economical manner, and will deliver to each other any plans or documents completed as part of this Contract.
- 16.3** In the event of termination (*Norwegian Institution*) shall be entitled to payment for services satisfactorily performed and expenses properly incurred prior to the date of termination.

17 Settlement of Disputes

- 17.1** If any dispute arises relating to the implementation or interpretation of this Contract, there shall be mutual consultations between the Parties with a view to secure a successful implementation of (*the Project/Programme or the activities referred to in this Contract*).
- 17.2** Any disputes in connection with this Contract which cannot be solved amicably, shall be referred to the Annual (Semi-Annual) Meeting referred to in Article in the Agreement. The Parties shall accept the decisions taken at the meeting.

In witness whereof, the undersigned, acting on behalf of their respective institutions, have signed this Contract in two originals in the English language.

.....
(*place and date*)

For
(*Norwegian Institution*)

.....
(*Recipient Institution*)

+ Appendix to Format Contract

Calculation of full cost per man-labour-year

- A Average pay scale salary
- + B Other salary related benefits
- + C Social costs (especially employer's contributions and pension)
- + D Costs associated with use of premises, work place equipment and running of office per man-labour-year in the Institution
- + E Training costs per man-labour-year in the Institution
- = F Personnel dependent costs (can be expressed as a percentage of the pay scale salary)
- + G Administrative overhead (covers costs related to management, administration and service functions in the operation, divided by the number of man-labour-years in direct production)
- = H Full cost per man-labour-year for direct production (can be expressed as a percentage of pay scale salary)

Re A

This is the average salary for the professionals of the Institution within a job category or limited to the relevant group of people involved in the development work.

Re B¹

Other benefits include fixed and variable salary supplements such as salary scale B, fixed overtime pay, ordinary (variable) overtime, field supplements, etc. Benefits may or may not earn pension.

Re C¹

Social costs include employer's contributions to the National Insurance Scheme and the employer's share of contributions to the Pension Fund. (In private enterprises the social costs may include insurance schemes).

¹ Benefits apply to the same personnel group as under A.

Re D²

This is the Institution's indirect costs related to the operations. It includes use of office premises (rent, or alternatively interest/ depreciation of capitalised assets), office equipment and various operating costs such as electricity, cleaning, consumables, etc.

Re E²³

Training costs are understood as the general training budget.

Re F

Sections B-E in sum represent the personnel dependent costs that can be expressed as a percentage and supplement to the pay scale salary (section A).

Re G

Any institution may roughly speaking divide its operations into: direct target fulfilling services (direct production) and various internal auxiliary services (indirect production).

When calculating the administrative overhead a distinction is made between direct production on the one hand and on the other hand the activity supporting and enabling such production. The administrative overhead is calculated by dividing the total personnel dependent costs for positions related to general management, administration and service functions by the total personnel dependent costs for positions related to direct production.

Re H

Full cost is thus obtained as a percentage (salary plus a supplement).

When calculating hourly rates the gross man-labour-year of 1725 hours per year is used. The calculation is based on 1950 hours per year (52 weeks at 37.5 hours each) less vacation and public holidays, altogether 225 hours (30 days at 7.5 hours each).

² Applies per capita for the entire Institution.

³ Training in development work may be covered separately by NORAD by arrangement with NORAD.

++ Appendix 2

NORAD publications

- NORAD – The Logical Framework Approach (LFA) – Handbook for objectives-oriented planning – Third Edition – 1996 – ISBN 82-7548-160-0
- NORAD – Programme and Project Cycle Management – Manual for Government-to-Government Cooperation – 1998
- NORAD – Handbook in Gender and Empowerment Assessment – 1999
- NORAD – Handbook in Economic and Financial Assessment – 1998
- NORAD – Juridisk håndbok for NORAD – 1999
- NORAD investerer i framtida. NORADs strategi mot år 2005
- NORAD – mottakeransvar og giverrollen – 1998
- NORAD – Recipient responsibility and the practice of NORAD's role as donor – 1999
- NORAD/UD: Fremtidig bistandsfaglig opplæring via UKS – 1999

Other relevant literature

- Andante-tools for thinking AB – Institutional development promoted by Norwegian private companies and consulting firms – Development through institutions? – Sub-study 3
- Bjørn Johannessen, Dag Leraand – Bistandsleksikon – Aktører og begreper i norsk bistand – 1997 – ISBN 82-91149-07-0
- COWI – Institutional cooperation between Sokoine and Norwegian agricultural universities – Development through institutions? – Sub-study 2
- Christian Michelsen Institute – “Twinning for development” Institutional cooperation between public institutions in Norway and the South – Development through institutions? Sub-study 1 – MFA Evaluation report 1.98 – ISBN 82-7177-505-7
- Mick Moore – Institution building as a development assistance method – A review of literature and ideas – SIDA Evaluation report 1995/1 – ISBN 9158672168
- North-South Institute – Institutional development promoted by Norwegian Non-Governmental Organisations – Development through institutions? – Sub-study 4
- Statskonsult – Direktoratere i institusjonelt samarbeid – Forvaltningsmessige sider ved bruk av norske direktorater i institusjonelt bistandssamarbeid – Rapport 1998:16
- United Nations Development Programme (UNDP) – Capacity assessment and development in a systems and strategic management context – Technical Advisory paper no. 3, Management Development and Governance Division Bureau for Development Policy – 1998
- UD – Evaluering og resultatvurdering i bistanden – Håndbok for utøvere og beslutningstakere – 1993 – Utarbeidet av Knut Samset, Scanteam Int.
- UD Evaluation report 2.98 – ISBN 82-7177-506-5
- UD Evaluation report 3.98 – ISBN 82-7177-507-3
- UD Evaluation report 4.98 – ISBN 82-7177-508-1
- UD Evaluation Report 5.98 – Institutional development in Norwegian bilateral assistance – Development through institutions? Synthesis report – Centre for Partnership in Development (DIS) with Nordic Consulting Group – ISBN 82-7177-510-3



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