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INSTITUTIONAL DEVELOPMENT IN USAID MISSION PROGRAMS

A REPORT TO AID/S&T/MD

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Introduction

This report presents the findings of a review of twenty-nine USAID mission Country Development Strategy Statements (CDSS) for fiscal year 1985.[1] These statements range in nature from relatively simple program descriptions to comprehensive multi-year strategic plans. They all respond, in part, to direction from AID/Washington as to content. For the FY '85 statements, this guidance included a request that missions specifically address the institutional development issue. Three points of approach were suggested:

1. Identify key development-related institutions.

2. Analyze critical tasks to be performed by these institutions and the problems encountered in addressing these tasks.

3. Present the mission strategy to address identified institutional constraints.

Washington guidance is capped with the request that missions "show how planned interventions will work together in a mutually reinforcing way to improve institutional performance in the host country."

For many missions, these appear to be relatively new concerns. For a few, institutional development is a demonstrated priority, though usually at the level of particular projects. Strictly speaking, no mission has articulated a workable

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1. The regional distribution of these CDSS documents was Africa (11), Asia (8), Latin America and Caribbean (5), and Mideast (5).

program-level strategy for institutional development. Notably absent, for example, are specification of goals, stated criteria for assessing institutional change, and discussion of the trade-offs between institution-building and achievement of shorter-term project outputs. With few exceptions, mission treatment of the institutional development issue is less satisfactory than is the case with the other three major areas for which Washington requested response. (private sector development, policy dialog, and technology transfer).

These gaps may be the consequence of a tendency to treat institutional development as a "common theme" (Indonesia) or "primary instrument" (Senegal) instead of as a specific program. It is easy enough to tell Washington that institutional concerns undergird all mission activity. But such assurances do not represent a strategy nor do they guarantee performance.[2]

It seems clear, therefore, that S&T/MD can assist missions in developing and carrying out more effective institutional development strategies in the context of overall program management. This report discusses specific possibilities for such assistance. It is organized into three sections. The first section summarizes findings from the CDSSes in terms of constraints to institutional development and mission strategies to overcome these constraints. The second section presents several major issues in institutional development which grow out of the country program review. The final section suggests an agenda for action by S&T/MD in response to these issues.

Section One

Findings from the CDSS Review

Although each mission presents its strategy in its own way, material relating to institutional development is summarized here in terms of identified constraints and mission strategies. This summary is based, in part, on the discussion of institutional development contained in virtually every CDSS as a response to

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2. It should be noted that in some missions there may be more than meets the eye in a CDSS. My own familiarity with the Indonesia program suggests that the Jakarta CDSS understates the consideration given to institutional issues in such projects as the Provincial Development Program.

central guidance. But, in many cases, important insights appear elsewhere such as in discussions of policy, reviews of sectoral strategies, or analysis of specific projects.

At the cost of some repetition, the material in this section is also organized by region since variations in context clearly affect institutional constraints and strategies. Where a point is highlighted by a particular mission, this is noted. Otherwise it can be inferred that the issue is widely noted in the region.

Africa

Constraints to Institutional Development

- low levels of education and skill (technical and managerial) among government employees;
- rigid bureaucratic procedures;
- widely dispersed rural populations and lack of rural infrastructure;
- limited resource base (human and financial);
- excessive growth in public sector employment (Liberia);
- hierarchical tribal societal organization (Liberia, Upper Volta, Botswana);
- overly centralized decision making (Liberia, Upper Volta);
- limited institutional absorptive capacities;
- inadequate policy formulation and execution;
- underdeveloped educational institutions;
- weak extension institutions for promoting local change (Upper Volta);
- farmer distrust of development organizations (Mali);
- weak private sector organizations, especially in the rural enterprise sector (Kenya, Lesotho, Mali).

Institutional Development Strategies

- provide staff training and participant training (technical and management);
- upgrade management systems (e.g. finance, administration, planning);
- strengthen agriculture-related organizations (e.g. in planning, research, extension);
- strengthen private sector institutions (e.g. credit sources) or government agencies supporting the private sector;
- upgrade or create national institutions capable of operating at the sector level (Zaire);
- assist policy analysis and promote "administrative reform" (Upper Volta, Zaire);
- use technical assistance management teams in projects (Mali);
- support PVO activities, especially in the private enterprise sector (Niger, Senegal);
- work with indigenous training institutions (Senegal).

Asia

Constraints to Institutional Development

- complexity of governmental bureaucracy (India);
- shortages in professional managerial class (Sri Lanka);
- lack of effective and cohesive governmental support institutions (Pakistan);
- traditional societal patterns which retard devolution of decision making authority (Nepal);
- shortage of scientific and technical manpower (Indonesia);
- imbalances in provincial government capabilities (Indonesia);

- a direct service as distinct from support orientation in national agencies (Philippines).

Institutional Development Strategies

- improve public sector efficiency and effectiveness (i.e. planning, budgeting, management);
- reorient key ministries to be more client-responsive;
- perform organizational diagnostic studies (India);
- gain entry into key ministries, gain credibility, and highlight needed institutional changes (India);
- link institutions into key networks (India, Sri Lanka);
- provide advocacy for policy changes which permit local institutions to "fulfill their development potential" (Philippines);
- provide technical assistance and financial resources to lower levels of government (Philippines, Indonesia, Thailand);
- build institutional capacity to conduct analysis of programs, policies, and procedures (Philippines, Bangladesh);
- strengthen national government capacity to analyze needs and constraints of local institutions and provide support to them;
- enhance local capabilities and initiatives in the private sector - PVOs, rural banks, small enterprises (Thailand);
- develop alternate governmental approaches to development management which permit greater dispersal of decision making;
- Link agricultural research and extension organizations to achieve improved diffusion of research results (Bangladesh, Sri Lanka, Pakistan);
- Increase role of government in planning, implementing, and evaluating training programs (Bangladesh, Indonesia);
- Strengthen technical and managerial skills (especially in context of support to decentralization.

Latin America and Caribbean

Constraints to Institutional Development

- loss of qualified staff from public sector to private sector or emigration (Jamaica, Bolivia);
- lack of investment in support programs such as research and extension;
- lack of technical capacity;
- lack of coordination and agreement on objectives among development related organizations (Panama);
- high staff turnover due to low salaries and political instability (Bolivia);
- complex and disruptive government regulations (Bolivia);
- inability of institutions to effectively assume new roles (Dominican Republic).

Institutional Development Strategies

- policy dialog, especially to encourage investment in human resource development (Jamaica);
- funding to assist private sector support institutions (Jamaica);
- skills training (technical and managerial;
- strengthen regional and national technical institutions;
- change training strategies to be more flexible and oriented to private sector needs - e.g. in-place training (Panama);
- establish private - public sector linkages (Panama);
- improve delivery of agricultural inputs by streamlining organizational structures;
- strengthen private sector institutions through information system and management development (Bolivia);

- provide training to PVOs and agricultural cooperatives in leadership development, bargaining, and other management skills (Bolivia).

Mideast

Constraints to Institutional Development

- newness of governmental institutions (Yemen, Oman);
- weak government control in many areas (Yemen);
- lack of trained leadership and effective management procedures;
- problems with interministerial coordination;
- inadequate coordination between government, AID, and contractors;
- overcentralized government procedures and related bureaucratic constraints (Egypt).

Institutional Development Strategies

- provide training in planning and management to managerial and technical personnel in public and private sectors;
- establish a planning and management unit in the Ministry of Health (Jordan);
- Develop indigenous training capacity (Yemen);
- provide assistance to line ministries in institutional management and policy formulation;
- improve data collection and analysis capability of government agencies;
- change perception of government subsidies from project-specific funding to block grants (Egypt);
- build self-reliance and self-motivation among government staff (Egypt);
- Provide on-the-job training to staff of decentralized units supporting development activities (Egypt).

The lists above largely speak for themselves, but a few highlights should be emphasized as a basis for the discussion of issues to follow.

1. In Africa, where technical and managerial skills are particularly deficient, that reality tends to dominate perceptions of institutional constraints and training is the primary strategy to address the problem.

2. Where manpower and institutions are more developed, varied responses are evident. The focus in Asia is on decentralization and direct assistance to lower levels of government. In Latin America, policy change and private sector solutions are emphasized.

3. Asian USAID missions generally focus less on constraints and more on possible strategies than do missions elsewhere. Moreover, the strategy discussions are more specific and sophisticated. This is a reflection of the fact that institutional development is a stated goal in several USAID-supported programs in Asia.

4. Missions in Latin America and the Caribbean generally stress technical and political constraints as barriers to institutional development. Therefore, there is less emphasis on organizational and management issues in discussion of strategy, especially in addressing the needs of public sector institutions.

5. While terms such as "strengthen", "upgrade", "improve", "restructure", and other similar expressions are commonly used in connection with building the capacities of various organizations or streamlining their procedures, there is little definition in the CDSSes of what <u>processes</u> those terms imply. Apart from the common solutions of training and technical assistance, there is virtually no analysis of organizational incentives or appropriate organizational interventions. Some noteworthy exceptions: Yemen and Egypt provide more than the usual analysis of organizational problems. Panama and Bolivia address training strategy with an awareness of distinctions between individual skills and organizational performance. India and the Philippines address strategies for organizational intervention. Zambia analyzes the decision process as a basis for some relatively specific management training recommendations. Generally, however, the CDSSes reveal a limited awareness of organizational process.

Section Two

Issues in Institutional Development

Section One provided a review of specific CDSS content related to institutional development. This section takes a cross-cutting perspective and presents a set of unanswered questions which were suggested by a reading of the twenty-nine strategy statements. These issues are presented under three headings: organizational analysis, strategies for institutional development, and the place of institutional development in overall AID programming.

Issues in Organizational Analysis

- How important is environmental context to understanding organizational performance and to developing strategies for organizational change? How can context be assessed as a basis for planning institutional development interventions? What are the implications of this issue for tailoring central support to mission and project level institutional development strategies?

- What are the appropriate links between training strategy and factors in organizational change such as incentives, team building, communication, and the capacity to assume new tasks?

- What strategies and what indicators should be used for measuring institutional performance and change in that performance?

- What are the implications of organizational change for the types of leadership skills required and how can such leadership be identified and/or developed?

- What are the relative roles of skill level and incentive structure for determining the performance of individuals in organizations?

- How is organizational change manifested and what side affects can be anticipated?

Strategies for Institutional Development

- What is the appropriate trade-off between short term output or performance goals and longer term institutional development issues (results versus process)?

- What organizational interventions are appropriate to groups of persons with limited formal education?

- How can training and manpower development activities be used as a base for broader organizational development?

- On what basis should USAID missions be held accountable for institutional development priorities?

- What are the tradeoffs between strengthening government institutions (including local government) and stimulating the private sector and/or popular participation?

- How aggressive should USAID missions be in facilitating change in bureaucratic institutions which resist such change? Under what circumstances should ill-suited institutions be replaced?

- When is building capacity to manage the performance of others (i.e. consultants, research institutions, etc.) an appropriate substitute for the capacity to perform directly? For example:

  * policy analysis contracted to a university;

  * evaluation contracted to a contract team; or

  * agricultural extension contracted to a private firm.

- Should the management discipline of organizational development be given more weight in the determination of training content or technical assistance input than is now typical?

- What is the appropriate sequence of inputs to strengthen technical, outreach, or management capabilities in a particular agency such as an extension unit? Are these separate concerns or should they be integrated in training and technical assistance strategies?

The Place of Institutional Development in AID programming

- Are institutional development objectives best served by multi-sectoral or single-sector approaches?
- What are the implications of institution building concerns for AID's own processes of project design, implementation, and evaluation?
- How does AID balance a private sector emphasis with institutional development in countries where public sector institutions play a dominant role in development matters?
- Should institutional development be treated as an overall strategy or approach or as a program component in itself?
- How can information and lessons from experience be shared more effectively among USAID country programs?

Section Three

Agenda for Further Action

This review of institutional development activities at the mission level demonstrates a clear need for AID central level support to field missions in conceptualizing, planning and implementing institutional strategies. Mission activities to date are characterized by a lack of clearly defined objectives, inadequate cognizance of organizational dynamics, and the use of a limited set of tools to deal with the problem. Moreover, the range of expertise represented in most AID missions does not include specialists in organizational diagnosis or techniques of intervening for organizational change. These gaps are exacerbated by AID project schedules and procedures which often work against the demands of effective institutional development.

Possible central action is discussed under the categories of research, program support, and procedural change. These categories overlap in practice and attempts to address them should be interactive.

Research

Issues of institutional context and organizational dynamics dominate the agenda for research. It is clear that factors of history, culture, ideology, politics, and the legal structure of a society all influence how institutions function. Efforts to build institutional capacity must attend to enormous complexities in the interaction of collective human behavior with these factors in the environment. Present project design studies, including social and institutional profiles, fail to address these questions in a satisfactory way. These studies are usually academic exercises, detached in time and in process from the realities of project implementation. The dearth of solid analysis in this area is reflected in the CDSSes, none of which contains a comprehensive analysis of how environmental factors affect organizational performance or how adaptable organizations are in a particular country setting.

Improving understanding of the dynamics of organizational change is another important research agenda. What supporting factors facilitate organizational change? What features internal to the organization affect ability and willingness to undertake change processes? What are the relative roles of authority, resources, skill levels, incentives, and information in organizational performance? Present strategies focus on resources and individual skill levels to the virtual exclusion of other factors which may be as or more important.

Linking these concerns is the need for an improved theoretical basis for intervention strategies. At present, there is no satisfactory body of knowledge nor proven approach for linking organization and management strategies to the cultural and political analysis which is part of most major AID project designs.

Research into these issues could take the form of special studies but a changed approach to project design studies should also be a part of the research agenda. At a minimum, these studies should focus more closely on how context affects organizational status and function and the implications of this for project strategies.

Program Support

Improving the knowledge base for institutional development creates important opportunities for program support from AID to field missions. Among the forms this support could take are the following:

- assist missions to build learning components into projects to improve monitoring of organizational change and links between analysis and action;

- structure interchange among missions to share insights regarding organizational intervention strategies and other management issues related to institutional development;

- develop processes for managing organizational change including identification of forces for innovation, support of sources of external pressure, and mobilization of possible change coalitions; and

- provide technical assistance (via staff or contractors) to

  * broaden training concepts to include organizational skills such as team building, negotiation, scheduling, staff motivation, and joint planning;

  * link training to improvements in organizational performance within the specific job context where those skills will be applied;

  * assist missions and host counterparts to assess existing institutions and determine reasonable objectives for changed performance; and

  * suit institutional strategies and procedures to the local socio-cultural environment, administrative and political traditions, and available technologies.

Procedural Change

AID's own procedures, developed to serve a variety of

legitimate bureaucratic or political needs, often work against the requirements of effective institutional development. In other cases, understanding of what approaches are most effective remains elusive. For example, as noted above, institutional development is generally treated by missions as a general approach rather than specific project objective. This strategy seems to be supported in central guidance. However, the reality in the field is that the most significant progress in institutional development is taking place in circumstances where institution building is an explicit project level goal, supported by specification of objectives, measurement indicators, and implementation plans.

Choice of technical assistance personnel to advise host country counterparts in planning, management, or organizational development is rarely based on proven management experience or organizational intervention skills. Priority is usually given to past country experience and academic training. The consequence is that technicians promoted to management positions in host country bureaucracies are advised by technicians who also have little or no management experience. The results are usually unsatisfactory. Given the current AID focus on institution-building, an increase in the number of organizational development specialists in both AID staff and technical assistance teams would seem to be appropriate.

Since inducing organizational change usually requires a process of coalition building that combines internal change agents with sources of external pressure, it is counterproductive to separate project design from implementation as commonly occurs under current procedures for project development and implementation contracting. The loss of continuity seriously constrains effective facilitation of improved institutional performance. The problem is compounded by the usual turnover in AID staff during the life of a project. AID documents reveal strong recognition of the fact that institutional development takes time. But AID procedures do not yet reflect this understanding.

Certain other AID policies and procedures may merit review in connection with institutional development objectives. These include, for example, recurrent cost financing, fixed amount reimbursement, external evaluation, and the use of contractors to manage projects. At the very least, the institutional trade-offs in implementing these policies need reexamination.

This agenda represents a large and complex mandate for action by S&T/MD. Addressing the agenda will require substantial resources, staff attention, and mission cooperation. It will be necessary to place qualified personnel at at least the regional level to work with missions in beginning the process of developing more effective institutional development strategies.

Various approaches will have to be tested, probably first within particular mission programs. Systems for learning and knowledge sharing will be important elements in the process.

A long term commitment will be required. But the benefits in improved development performance by AID and its country-level counterparts should more than justify the cost.