

---

## CIDA's Experience with Institutional Development in Asia

**Jan Loubser**

Director General

Social and Human Resources Development Division  
Canadian International Development Agency (CIDA)

With assistance from Joe Bolger and Heather Baser, and inputs from Paul McGinnis,  
Norm Macdonnell, Ginette Lachance and Fernand Marcoux.

---

### 1) Introduction

During the course of the 1980's, the international development community—both donors and developing country governments—became increasingly concerned about the quantity of resources—both people and money—going into technical assistance. Of particular concern were the meager results in the development of sustainable institutions and in capacity building.

Over the past decade, a number of donor reviews and evaluations pointed to institutional constraints as the main impediment to achievement of development objectives. It also became obvious over this period that successful implementation of economic and policy reform depends on the existence and effective management of appropriate institutions. Reflecting these views, the Development Assistance Committee (DAC) of the OECD asserted in its annual report of 1989 that “sustained and self-reliant development depends on the strength and quality of a country's institutions.”

These realizations have served to elevate institutional development (ID) to a priority status in most development agencies. This recent focus on ID represents a shift away from earlier approaches to development with their emphasis on technology transfer and the development of human capital, largely through technical assistance and training. Under these earlier approaches, institutional strengthening or development was generally secondary.

In Canada, the government's strategy for development assistance, *Sharing our Future* (1987), reflects the international concern for the importance of institutions in the development process by emphasizing “strengthening human and institutional capacities of developing countries and the fostering of partnerships.”

CIDA recently adopted the mission of supporting sustainable development in developing countries<sup>1)</sup>. Sustainable development is seen as an integrative, holistic goal that requires recognition of the interdependence and synergy of five elements, namely economic, environmental, political, social and cultural. It also recognizes that this can best be done through building the capacities of developing countries to define and achieve their own sustainable development.

---

<sup>1)</sup> This concept should not be confused with the sustainability of institutions or development projects.

This orientation is reflected in the objectives of the Asia program, one of which is:

to strengthen the institutional capacity of Asian countries to develop and implement policies conducive to sustainable development <sup>2)</sup>.

This paper will review CIDA's experience in institutional development in Asia and attempt to draw out some of the lessons learned. The final section of this document will provide more detail on current thinking within the Agency on approaches to institutional development and more broadly to capacity building.

## **2) Evolution of Terminology and CIDA's Approach to ID**

The past two to three decades have witnessed an evolution in donor approaches from an initial focus on institution building to later emphases on institutional strengthening and development. The term 'institution building' was commonly used in the 1950s and early 1960s to refer to the idea of equipping developing countries with public sector institutions such as public service commissions and audit bureaus.

'Institutional strengthening' became the term of choice in the 1960s and 1970s as the emphasis shifted to the improvement of existing organizations. The term 'development management' followed in the 1970s and reflected a focus on management of development programs rather than the improvement of individual institutions.

In the 1980s, the term 'institutional development' came into widespread use. It added new emphases including: 1) involvement of private and non-public institutions; 2) the view of ID as a long term 'process' of restructuring and organizational change rather than a 'blueprint' or 'transfer' of skills'; 3) the linking of organizational effectiveness to the interaction of internal management and the external environment; and 4) movement beyond framework of individual institutions and making the connection to the concept of macro sustainability.

CIDA's programming has reflected some of these transformations. Trends within the agency include a shift away from supporting the establishment of new institutions, such as engineering faculties, to assistance aimed at strengthening existing ones. There has also been a move away from physical inputs (e.g. equipment) and a reliance on technical cooperation as a tool for ID to other mechanisms such as linkages and partnerships.

The range of partner institutions has also increased with greater focus on networks, non-governmental institutions, policy/research institutes and other groups outside of government. These changes reflect, in part, broader CIDA concerns such as community empowerment, participatory development and contributing to the democratic process.

ID projects with individual institutions in Asia are becoming increasingly specific in their focus and tend to be geared more towards the development of core capacities such as strategic planning and policy formulation.

---

<sup>2)</sup> CIDA Programs in Asia, An Overview, June 1992, Page 7.

Throughout the paper, we will use the terms institutional development and institutional strengthening or support interchangeably.

### 3) The Scope of CIDA's ID Work in Asia

CIDA provides major bilateral assistance to nine countries in Asia: Bangladesh, China, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka and Thailand. The Agency also has a regional program involving ASEAN and a variety of other institutions throughout Asia.

Projects and programs in the region reflect the priority themes of CIDA's Asia program: good governance, private sector development, the environment and community empowerment. CIDA's work in these areas is with Asian institutions associated with economic and social policy, community development, public administration and governance. The Asia program has supported development of human resources for key institutions through skills upgrading, especially in managerial and technical areas. This training has taken place in Canada, in the host country and in third countries.

The orientation of CIDA's Asia program is evolving from more traditional programs of assistance to broader cooperation focusing on sustainable development and the building of partnerships between Asian countries and Canada.

CIDA involvement in ID in Asia is at various levels and represents a variety of approaches. This section of the paper highlights a small number of examples associated with the following categories: central ministries, sectoral ministries, regional/local governments, policy/research institutes, educational institutions, non-governmental organizations and institutions and regional organizations.

CIDA's institutional development projects with central ministries focus on strengthening capacity to plan and manage social and economic development. One such example is CIDA's project with the **National Economic and Social Development Board (NESDB)** in Thailand. The project involves technical assistance, policy research support, workshops, seminars and training.

CIDA is also supporting a number of policy and research institutes which carry out research on key development issues and provide governments with an independent source of policy advice. An example is the **Thailand Development Research Institute (TDRI)**.

An example of CIDA's institutional development work at the sectoral ministry level is the **Environmental Management Development in Indonesia Project (EMDI)**. This project has focused on upgrading the environmental management capabilities of Indonesia's Ministry of State for Population and the Environment (KLH).

CIDA recognizes the importance of effective local and regional governments in the development process and has supported a number of ID projects at this level. Examples include the **Sulawesi Regional Development Project (SRDP)** in Indonesia and the **Karnali-Bheri Integrated Rural Development (K-BIRD) Project** in Nepal.

Educational institutions have been an important focus for CIDA's institutional development work in Asia. This is particularly true in China where CIDA has made a substantial commitment to management education. One example is the **Canada/China Management Education Project (CCMEP)** which fo-

cuses on strengthening MBA programs at 8 universities.

In supporting Asian NGOS, CIDA aims to strengthen their institutional base and their sustainability as organizations. Examples of support include the **Philippines Cooperative Development Assistance Program (P-CODAP)** and the **All China Women's Federation (ACWF): Women In Development Fund**<sup>3)</sup>.

CIDA also works with a variety of inter-governmental and regional organizations and institutions throughout the region, such as the **Asian Institute of Technology (AIT)**, the **Asian Institute of Management (AIM)** and the **South-East Asian Ministers of Education Organization (SEAMEO)**.

Annex A provides more detailed information on these and other ID projects in the region.

#### 4) Characteristics of CIDA's Institutional Development Work

CIDA's ID projects can be characterized according to their components (e.g. technical assistance), the capacities addressed (e.g. strategic planning), the approach followed in the project, or the mechanism used, such as linkages. This section highlights some of these characteristics.

##### Components

CIDA's ID projects involve a number of different components. Most projects, for example, rely on the use of **technical assistance** personnel, either on a short or long term basis. These personnel have traditionally been Canadian but there is now an increasing tendency to draw on regional expertise.

In many instances, the core of institutional development support is **training** on-site, in the region or in Canada. As noted, the 'Canada/China Management Education' project has focused on training of faculty members from 8 key Chinese universities. It has also involved support to Chinese administrators through work/study tours in Canada as well as helping with curriculum development and upgrading of libraries, as additional components.

Other components of many ID Projects are **equipment, facilities and financial support**.

##### Mechanisms

The bulk of CIDA's ID initiatives are channeled through the Agency's '**country to country**' or bilateral programs which respond directly to requests from developing countries. However, ID activities are also supported by CIDA Partnership Branch which works with various **non-governmental organizations, educational institutions and private sector** interests.

The traditional mechanism for implementation of CIDA's ID projects has been through **Canadian Executing Agencies (CEAs)** which can include universities, community colleges, private firms, national associations and non-governmental organizations. However, there has been a trend in some countries towards use of **Local Executing Agencies (LEAs)**, organizations based in the developing country concerned or in the region. For example, NESDB in Thailand is responsible for implementing the 'Thailand

---

<sup>3)</sup> ACWF is not an NGO in the strict sense of the term.

Development Research Institute Project’.

**Institutional Linkages** are another mechanism used in ID projects. Their nature varies from one situation to another. Some are based on exchange of personnel, study tours or joint research while others may have more explicit institutional objectives.

While the developmental impact of some linkages may be somewhat difficult to measure in the short term, CIDA’s experience suggests that linkages are valuable for broadening contacts and enhancing the confidence of staff in their research, teaching or other endeavors. Examples are given in Annex A and include linkages between Indonesian and Canadian universities associated with the EMDI project and the institutional linkages program in Thailand (ILP). ILP, which was CIDA’s first bilateral linkage, brings together universities from the two countries in programs which address Thailand’s development priorities.

#### Capacities Addressed

CIDA ID projects are designed to address a variety of institutional issues and capacities. They do so either independently or in conjunction with one another. The Thailand Development Research Institute project, for example, has been concerned with developing Thai capacity in **policy development**. At the same time, TDRI has received support in **organizational development** and **systems development**. Other capacities addressed in ID projects include **strategic planning, management** and **administration**.

The capacities addressed in ID projects depend, among other things, on the type of organization involved, the nature of the organization’s weaknesses, and the skills of its personnel. They also depend, in part, on whether the ID project is supporting ‘development’ of a new institution (e.g. TDRI) or ‘strengthening’ of an existing one. In the former case, the institutional development needs may be more fundamental and broad. On the other hand, ‘institutional strengthening’ projects may have more specific and limited sets of objectives, e.g. staff upgrading or installation of new computer systems.

#### CIDA’s Approach

CIDA’s approach to ID projects is largely shaped by the overall orientation of its program in Asia. Several key trends are particularly important.

- 1) The concept of ‘partnership’ is central to CIDA’s Asia program. With this comes a recognition that benefits must be realized by all parties involved in order to maintain their commitment. Partnership also implies a relationship of trust and a long-term commitment by all parties.
- 2) ‘Local ownership’ is another important concept related to partnership. CIDA’s projects or programs are responsive to needs expressed by local partners rather than being supply driven. Typically, CIDA supports a project or program, through institutions or the government. The resulting sense of local control or ownership contributes to long-term sustainability.
- 3) Finally, CIDA’s approach to programming in the region emphasizes ‘participatory development’ and strengthening organizations in the civil society, e.g. the ‘Philippines Cooperative Development Assistance Program’ (P-CODAP) and the ‘Assistance to Local Development Foundation’ in

Thailand. An important part of participatory development is the trend towards local execution which is reflected in a number of examples presented in Annex A, such as the 'NESDB Institutional Support Project' in Thailand. Even when a Canadian Executing Agency plays a prominent role, the project proceeds under the authority of a locally constituted Board or government body.

## 5) Lessons Learned

The following section of the paper outlines some of the lessons learned by CIDA from its activities in institutional development. The categories used reflect key factors identified in the ID literature as important to determining institutional effectiveness.

### Design

The design of an ID project or program can have a significant influence on eventual outcomes.

#### 1. ID projects should be flexible and iterative.

A blueprint approach to ID is neither practical nor feasible. Objectives, strategies and resource demands will emerge and change as the process of institutional development proceeds. There must be adequate opportunity for participants to learn from experience and for the program to be modified on the basis of lessons learned.

#### 2. Institutional assessments should precede the design of the project.

Projects and programs are rarely planned from the perspective of the broad societal and institutional capacities. An assessment of these should start from the fundamental question of which organization is the most appropriate to undertake a given activity. It would discern, among other things, the role of institutions concerned with a given issue within the larger national development context and the support systems available which will ensure sustainability after the end of the project.

Once the appropriate institution has been chosen, there should be an assessment of its needs and the nature of the support required. Donors should avoid approving new projects for organizations already reeling under the weight of on-going activities.

#### 3. The concept of institutional development is not always clearly articulated in projects nor fully understood.

Because the concept is still evolving, the implications are unclear. Project participants often struggle with the definition of objectives and the criteria to measure success. The result is difficulties in monitoring

and evaluating ID projects and in developing a sense of 'what works' and what does not.

4. Project objectives need to be appropriate to the level and degree of intervention.

Some projects suffer from overly complex designs or excessively ambitious objectives. In some cases, this can be attributed to inadequate assessment of the institution's capacity. Consequences which may follow include the inability of the local institution to absorb project inputs, frustration on the part of all parties, a need to modify project objectives and methods, and extension of support beyond the original project period.

5. Strengthening of institutions should accompany the upgrading of skills and knowledge of individuals within the organization.

A number of CIDA ID projects have focused on training with limited explicit attention to long term institutional objectives. Individual training should fit into an institutional plan with appropriate follow-up activities to ensure utilization of skills, deployment of necessary support mechanisms, etc.

6. Support for ID should address issues of management and administrative systems.

In some CIDA projects, training has focused exclusively on operational staff within the organization. Evidence often points to a need for training in management, administration and systems development as well to address the 'structural' needs of the organization. Such training helps to ensure that new skills are managed properly for the benefit of the institution and its client groups.

ID initiatives should also include an assessment of broader working conditions in the institutions concerned, including salaries, management systems and practices, secretarial services and the state of the organization's equipment.

7. Decentralized project planning and management can help ensure the success of ID projects.

An example of this is the Local Development Assistance Program (LDAP) in Thailand. LDAP, which was the predecessor of LDF (see Annex) provided funds to Thai NGO, for rural development activities. Although CUSO was responsible as executing agency for this project, decisions with respect to distribution and use of funds were made locally by Thai partners.

8. Networking with regional organizations can lead to a wider distribution of project benefits.

At the same time, working with regional organizations can present its own challenges in terms of coordination and ensuring equitable distribution of benefits and broad sense of 'ownership'.

9. Well designed and focused ID project increase the potential for dissemination of concepts and approaches, and possibly replication.

The State Education Commission in China, for example, has directed nine universities to offer MBAs, and others may be accredited in the future. The program of cooperation between Chinese and Canadian Faculties of Management (CCMEP) is seen as being partly responsible for this decision. The success of CCMEP can also attributed to the support it received over a long period of time.

#### Process

The processes used in development projects can determine their success or failure. For example, the nature of collaboration, the commitment of project/program partners, the degree of flexibility demonstrated and the continuity of personnel and approaches can affect relationships between donors and developing countries and either contribute to sustainability or undermine it.

10. Close collaboration is essential to ensure that the expectations and objectives of all participants are clear, understood and shared, including the nature of donor, executing agency and local institution involvement.

A number of CIDA evaluations underline the need for a longer planning or 'getting to know period' between Canadian and partner institutions. This period of familiarization helps to determine appropriate roles and approaches.

11. ID is a long-term undertaking which must be reflected in project time frames and stakeholder commitment.

Institutional development takes many years, probably a minimum of ten. A difficulty for agencies such as CIDA has been how to marry the requirement for long-term involvement with the limitations imposed by the project cycle (generally 5 years for CIDA). This generic difficulty is now being addressed in CIDA's strategic management review exercise.

12. ID projects and programs require considerable on-going management time on behalf of donor organization staff.



A recent CIDA report on a project in Pakistan emphasizes the need for CIDA to support project partners, to help in achieving a consensus when necessary and, if need be, to broker agreements. Management requirements such as these are often underestimated at the project design stage. Failure to provide such supports can delay project activities or diminish the overall effectiveness of the initiative.

#### External Environment

A number of authors (see Israel 1989, Brinkerhoff, 1992, among others) highlight the importance of the external environment as a determinant of institutional effectiveness. External factors which may influence institutional development or effectiveness include networks, linkages, the role of stakeholders, laws and regulations, the policy environment, the economy, stability (the rate of external change) and the demand for an institution's goods and services.

13. ID projects have a greater likelihood of success if they are compatible with national legal and regulatory frameworks as well as with macro and sector-level development policies and plans.

The success of the EMDI project in Indonesia illustrates the importance of this point. The Indonesian government committed itself to the project at an early stage and the involvement of NGOs has helped to ensure a broad base of support. The management education projects in China can also attribute some of their success to the priority the Chinese government has attached to management education.

14. Stakeholder involvement and a strong level of commitment by the local institution and local community is an important pre-requisite to the success of ID projects.

Lack of involvement by the local people in the initial stages of the K-Bird project in Nepal frustrated the attainment of ID objectives.

15. A secure revenue base is a pre-requisite to sustainability of ID projects.

The difficulties faced by local institutions in covering recurrent costs often result in requests for extensions of financial support beyond the initial project period. This sometimes leads to recommendations from the donor for introduction of user charges, securement of endowments etc.

#### Internal Environment

The internal environment refers to such factors as leadership, decision-making processes, structure, strategies and capacities (e.g. financial and human) which give shape to an institution.

16. Deficiencies in strategic planning abilities can affect sustainability of LDC institutions and prolong dependency on donors.

Strategic planning skills include such abilities and characteristics as policy analysis, systems thinking, openness and flexibility. The shortage of such skills has frustrated the attainment of institutional objectives in some organizations. Strategic planning ability is also increasingly seen as an important core capacity associated with sustainability and self sufficient development.

17. Problems in the internal governance of local institutions can detract from the sustainability of ID initiatives.

Leadership problems, lack of continuity, poor management skills and wavering commitment can undermine institutional development. The nature of the relationship between national and regional level governing structures can also affect organizational viability (e.g. the effectiveness of coordinative mechanisms and clarity with respect to mandate or division of responsibilities).

#### Implementation Issues

Implementation issues discussed below refer to the roles of executing agencies and/or advisors.

18. The abilities of the executing agency or advisor in training/HRD is important to the success of ID projects.

Consistent with much of the literature on technical assistance, a number of CIDA evaluations point to shortcomings in the abilities of Canadians as trainers/teachers in an LDC context. This can be attributed to a variety of factors including difficulties in adapting to different teaching traditions and inadequate understanding of the local culture.

Trainees coming to Canada as part of an ID project can also experience problems, usually in the form of culture shock or in language difficulties. For Canadian teaching institutions, the challenge is to provide programs that match the diverse professional and institutional needs of trainees and offer adequate initial orientation.

19. Technical assistance personnel should provide support to local personnel on ID projects rather than 'doing the job' themselves (i.e. 'non-substitution approach').

Substitution of local personnel with expatriate advisors can be costly and counterproductive developmentally. It can also reinforce a sense of dependency on the part of LDC institutions.

20. 'Linkages' create relationships based on mutually shared interests but frequently have poorly defined ID objectives.

While linkages between 'like-minded' institutions have value, their long-term institutional development objectives can sometimes be vague. This lack of clarity with respect to ID objectives is sometimes attributed to the internal culture of the institutions involved. Universities, for example, are seen as centres for learning and research, but they tend not to pay as much attention to institutional management. Increasingly in linkages, CIDA's orientation will be to look at specific outputs or benefits to be provided.

21. Institutional development work can be sensitive and threatening in nature.

ID can be threatening to established values, procedures, priorities, leadership styles and administrative practices. This concern reinforces the need for dialogue and mutual understanding between partner institutions at all levels.

ID work also requires cross-cultural sensitivity and communication skills. The extensive literature on the effectiveness of technical assistance indicates that not enough attention is paid to these skills and sensitivities in general and particularly in the context of ID projects and programs.

## **6) Some Future Orientations**

CIDA is now in a period of serious reflection about its future, a review which includes its mandate, its structure and its processes. Because this reflection is not yet complete, I cannot define how the Agency will address institutional development in the future and how some of the lessons described above will be applied. The following thoughts are thus the reflections of the division. I head within the organization and should not be construed as official CIDA policy.

- i) We foresee a more systematic approach to institutional development, an approach which includes not only a better assessment of the broad institutional environment and the conditions prevailing in a given organization but also a shift in emphasis away from supply, usually in the form of expatriate personnel, to demand.

The satisfaction of the needs identified through the analysis of demand, in turn, implies the adoption of new tools, different from those used in traditional aid programs. These might include incentives for employee productivity through higher salaries and improved working conditions. Donors are unlikely to consider these without more emphasis on policy issues and especially questions of governance. Hence, Institutional development projects in the future will probably have a much stronger emphasis on policy dialogue at both institutional and national levels.

- ii) We are hopeful that the current reflection will result in a structure which allows the organization to more easily incorporate the lessons of experience in ID. One of the objectives of the reflection is to move CIDA towards becoming a 'learning organization' with greater reliance on the ability to assess past experience and its implications for the future in an integrative way. Part of this will entail the establishment of mechanisms to feed lessons learned back into the operational side of the organization and ensuring that changes over time are accurately reflected. The operationalization of lessons requires, in turn, flexible mechanisms to allow redefinition of intended outcomes or results as conditions change, in keeping with the iterative planning approach.
  
- iii) We foresee a move towards a contracting mode whereby more emphasis will be placed on the achievement of pre-defined objectives, rather than on supplying inputs. This orientation will help the Agency shift towards greater emphasis on results as opposed to procedures. It also reflects the international concern that the present system of development assistance, and particularly technical cooperation, has stressed inputs without adequate attention to the longer term issues of sustainability. This change presents a particular challenge in the social sectors where measurable indicators are more difficult to define than in economic areas.
  
- iv) We hope that CIDA will put more emphasis in the future on the abilities of Canadian partners to work in a cross-cultural milieu. In an iterative planning process, such skills will be critical to ensuring that consultations between Canadian organizations and the organization in the host country are effective and mutually beneficial.
  
- v) It seems likely that there will be an increased emphasis on ensuring a balance of benefits to Canadian and developing country partners. This recognizes the reality that an imbalance leads to declining levels of commitment and to a strained partnership.
  
- vi) We foresee greater priority in future institutional development activities to such skills as leadership, participatory management, addressing stakeholder needs and community involvement. The continued viability and relevance of organizations depend to a large extent on their abilities to evaluate environmental conditions realistically and to plan the activities of the organization strategically. Thus strategic management skills such as environmental scanning, strategic planning and policy formulation will also need to be strengthened.

These trends reflect CIDA's efforts to try to operationalize the mission of sustainable development mentioned earlier in this paper. While recognizing the importance of individual institutions and organizations, the interaction and the interdependence implied by the sustainable development paradigm has very recently led my division to take a broader view of developing capacity throughout a society. We see

“capacity building” used in this context as a holistic concept similar to sustainable development.

Capacity building would appear to be a more integrative, more substantive and less technical concept than institutional development. To us, it implies reshaping the relationships between donors and recipients and making indigenous capacities the central focus of attention. It is based on the assumption that improved development performance comes from the simultaneous improvement of a host of interconnected factors including altering social and cultural understandings, improving policy formulation, creating more effective linkages among organizations, upgrading of the performance of functions across governments, strengthening the civil and the private sectors, etc.

The concept attempts to take into account the need to develop an enabling environment—the values, social institutions and supportive behavior that allow a country to make progress in areas such as good governance and democratic development.

Capacity building implies the need to build capacity at all levels and in all sectors and thus subsumes human resource development, institutional development empowerment and participation. In our conceptualization, which is still incomplete, it goes beyond techniques and beyond projects to a cross-sectorial and interdisciplinary systems approach with emphasis on fostering links among groups through collaborative efforts or partnerships.

We feel that capacity building is almost a metaphor for the end of aid, for the self-sufficiency which has been the elusive goal for most stakeholders in development. It could also be seen as a necessary first step not only for developing countries but for the developed ones in their efforts to adapt to our rapidly changing world. It is thus an integrating concept for North and South.

The ultimate results will, of course be determined by effective capacity utilization. My division is currently exploring these and other dimensions of capacity building in the hope that it will provide an effective tool for cooperation in sustainable development.

## SELECTED EXAMPLES OF CIDA INSTITUTIONAL DEVELOPMENT PROJECTS IN ASIA

### Central Ministries

- **Department of Technical and Economic Cooperation (DTEC)**  
**Institutional Development Project**—\$2.9 million (Cdn.) contribution, 1985-1994 (Phase I and II)

DTEC operates under the auspices of the Prime Minister's Office and is responsible for administering technical cooperation programmes between Thailand and its cooperating partners.

CIDA's ID project with DTEC has 5 main components: human resource development (HRD), organizational development, monitoring and evaluation, technical cooperation planning and equipment.

Local training in the project has focused on project management (e.g. planning, proposal preparation, project analysis, monitoring and evaluation). Training provided in Canada has combined Master's level training in areas such as public administration and economics and short term training in public sector management. The latter was provided by a Canadian partner institution (the Banff Management Centre) with input from DTEC. Project funding provides for Thai consulting services as well as Canadian technical assistance.

The project has, among other things, enhanced DTEC's coordination role in technical cooperation in Thailand and has helped to strengthen its relationships with donors as well as implementing agencies within the country. DTEC has been both the 'recipient' and the 'executing agency' for this project.

- **National Economic and Social Development Board (NESDB)**  
**Institutional Support Project (Thailand)** —\$5.0 million contribution, 1989-1994

The purpose of this project is to increase the technical and institutional capacity of the Board which serves as a central planning agency and economic policy advisor to the Thai cabinet. The project involves technical assistance, policy research, workshops, seminars and training. As with the DTEC project, NESDB serves as executing agency while receiving advisory support from Canadian experts.

- **Policy, Training and Technical Assistance Facility (PTTAF) (Philippines)**—\$10 million contribution, 1992-1997

CIDA has just embarked on this 5 year project, the purpose of which is to assist key public sector institutions in their efforts to improve their capacity to formulate, plan, implement, monitor and evaluate socio-economic policies and administrative reform programs. Three agencies, the National Economic and Development Authority, the Department of Budget and Management and the Civil Service Commission

will receive technical assistance from Canadian, Filipino and Asian sources. The Philippine Institute for Development Studies is implementing the project.

### **Policy and Research Institutes**

- **Thailand Development Research Institute (TDRI) Project**—\$14 million contribution, 1992-1996 (Phase II)

The key objective of this project from the beginning in 1984 has been to assist in the development of a new policy research institute capable of providing systematic policy research, and development of relevant planning models. Canada has provided technical assistance and equipment. The National Economic and Social Development Board (NESDB) has served as the Local Executing Agency (LEA) and the Thai government has contributed \$30 million to the project.

Assistance from Canada in quality control, evaluation and reporting has been provided by the Institute for Research on Public Policy (IRPP). TDRI has also established a linkage with the Conference Board of Canada.

- **Malaysian Institute of Economic Research (MIER)**— \$1.2 million contribution, 1987-1992

MIER is a public policy research organization which was established to assist the Malaysian Government in the development of national economic policy. Canadian support is in the form of attachments of MIER personnel to relevant Canadian institutions and exchange programs involving macro-economic policy researchers from Canada and Malaysia.

- **Khon Kaen University Regional Development Institute (KKU-RDI) (Thailand)**—\$5.5 million contribution, 1984-1994

CIDA's involvement with the Khon Kaen University Regional Development Institute has focused on improvement of RDI's capacity to promote, support and coordinate rural development activities in northeast Thailand. CIDA funds have been dedicated to construction and equipment costs, operating expenses and selected program activities of the institute.

### **Sectorial Ministries**

- **Environmental Management Development in Indonesia Project (EMDI)**—\$ 34 million contribution, 1989-1994 (Phase III)

The EMDI project, which is presently in its third phase, has focused on upgrading the environmental

management capabilities of Indonesia's Ministry of State for Population and the Environment (KLH).

Activities undertaken within the project have included training of Indonesian professionals in environmental impact assessment, seminars, workshops, fellowships as well as linkages involving Indonesian and Canadian institutions, governmental bodies and environmental study centres. Dalhousie University has served as CEA for the project while several other Canadian and Indonesian universities, NGOs and private firms have also participated.

Although the primary focus of the project has been on KLH, the project has also sought to promote institutional development with Indonesian NGOs. These initiatives have been aimed at strengthening the ability of indigenous NGOs to identify and diagnose environmental problems.

### **Regional/Local Governments**

- **Sulawesi Regional Development Project (SRDP) (Indonesia)**—\$53.5 million, 1992-1996 (Phases I and II)

The purpose of SRDP has been to improve the planning, monitoring, evaluation and implementation systems for development projects in several provinces of Sulawesi. Towards that end, the project has focused on training planners in provincial and district planning agencies and improving planning, management and implementation systems.

As CEA, the University of Guelph has provided technical assistance support, training and equipment. The Indonesian executing agency is the 'Directorate of Area Planning' in the Ministry of Home Affairs.

- **Karnali-Bheri Integrated Rural Development (K-BIRD) Project**—\$19.7 million contribution, 1985-1993 (Phase II)

The purpose of the K-BIRD project is to assist the Government of Nepal in implementing its integrated rural development strategy in three districts of the Karnali and Bheri zones in western Nepal. Objectives of the project are: increased capacity within the government to plan and implement its IRD strategy in the project area; development of plans prepared at the village and district level; and training of local personnel in appropriate skills. Responsibility for project implementation rests with the Government of Nepal with Canadian partners providing technical assistance.

- **Assistance to the 14 Cities and Open Areas (China)**—\$7.9 million contribution, 1986-1992

The Federation of Canadian Municipalities (FCM) is the executing agency for this project which aims to upgrade the municipal planning and management skills as well as the foreign investment and trade skills of leading officials from the 14 open cities, 4 special economic zones, and 3 delta areas. The Canada/China Trade Council has assisted the FCM as a sub-contractor for the project.



## **Educational Institutions**

- **Canada/China Management Education Project (CCMEP)**—\$38.4 million contribution, 1983-1994 (Phase I and II)

CCMEP is an example of CIDA's substantial commitment to management education in China. The project supports the State Education Commission's aim of introducing modern western management theory and methods of management teaching in order to strengthen management programs in key Chinese universities.

Under Phase I, each of eight Chinese universities was linked with a Canadian partner and received assistance with curriculum upgrading and faculty training. In Phase II, two other universities from each country became involved and several new elements were added including two new Phd programs in China, in engineering management and economic management, and introduction of two national executive training programs as well as the development of MBA programs in all universities.

Outcomes from the project to date include over 100 post-graduate degrees granted to Chinese students by Canadian universities, the development of new programs and courses, upgrading of libraries, publication of research papers by returning trainees and scholars and the development of a number of linkages with Canadian universities.

- **Canada/China Enterprise Management Training Centre**—\$12.9 million contribution, 1983-1996 (Phases I, II and III)

This project has sought to upgrade the professional skills of faculty, administration and support staff at the 'China Enterprise Management Training Centre' (CMTCC) in Chengdu. The Chengdu Centre is one of 20 key management education centres established by the Chinese government which receives international assistance for teaching western style management theory and practice to Chinese managers. The centre primarily serves the province of Sichuan and its more than 40,000 enterprises and government cadre managers.

Expertise for the project has been provided through the CEA, the Association of Community Colleges of Canada (ACCC).

- **Philippines Non-Formal Education Project**—\$4.8 million contribution, 1988-1993

This project has assisted in the development of the Association for Non-Traditional Education in the Philippines (ANTEP). ANTEP provides non-formal education to the very poor in urban and rural settings as well as to unemployed youths and special interest groups. The Association of Community Colleges of Canada (ACCC) is the CEA and is responsible for providing training and expertise for the project. Besides assisting in the development of ANTEP, the project has sought to create a continuing education program

and a model community outreach program.

- **Institutional Linkages Program (ILP) (Thailand)**—\$8 million contribution, 1985-1994

Under the ILP, institutional linkages have been established between Thai and Canadian universities to contribute to improved mutual understanding and awareness of opportunities for cooperation and partnership. The program focuses on areas of common interest addressing development priorities of Thailand such as rural development, business management, energy and natural resource development.

- **Eastern Indonesia University Development Project (EIUDP)**—\$23 million contribution, 1988-1993 (Phase I)

This project aims to strengthen the capacity of Indonesia's eastern islands universities, particularly in the area of basic sciences. Technical assistance and training has been provided by Canadian university personnel as well as personnel from two of the more established Indonesian universities. Institutional strengthening activities have included: faculty upgrading, curriculum development, equipment and facilities, management support and library management training. Simon Fraser University is the CEA for the project.

#### **Non-Governmental Organizations / Other Institutions**

- **Philippines Cooperative Development Assistance Program (P-CODAP)**—\$5 million contribution, 1987-1992

This program seeks to strengthen the ability of members of the Philippines National Confederation of Cooperatives (NATCCO) and to strengthen international linkages. The Canadian Cooperative Association (CCA) has contributed human resources and expertise to NATCCO, which has overall responsibility for implementation of the project.

- **All China Women's Federation (ACWF): Women in Development Fund**—\$5 million contribution, 1990-1994

This project assists the ACWF to increase its capacity to sponsor large-scale economic projects, giving women access to training and experience in growth areas of the economy, and helping to increase cooperation with multilateral and bilateral donors. The project also offers direct support for income-generating and training projects for women, as well as strengthening ACWF institutionally through training at various levels of the organization and staff colleges spread across China.

The project is being implemented by the Association of Canadian Community Colleges (ACCC).

- **Assistance to the Local Development Foundation (LDF) (Thailand)**—\$9 million contribution, 1990-1995

This CIDA project provides support to the LDF in order to strengthen the effectiveness of Thai NGOs. LDF provides support in the form of grants, loans and linkages to development-oriented income generation initiatives. The project not only strengthens LDF as a national organization, it also helps to sustain linkages between LDF and non-Thai NGOs. The Foundation was established on the basis of an earlier project called the Local Development Administered Program, an early attempt by CIDA to deliver small amounts of money to indigenous NGOs.

### **Regional Organizations**

The goals and objectives of CIDA's regional program in Asia are:

- \* To increase the effectiveness of Asian regional institutions in achieving their own goals, and
- \* To contribute, through regional institutions, to Asian self-sufficiency and to the stability of the region

In support of these goals and objectives, CIDA works with a wide variety of inter-governmental and non-governmental organizations throughout the region. Canada's encouragement for the development of regional institutions in Asia was first articulated at the beginning of Canada's aid program in the early 1950's. Following are three examples of CIDA's work with regional organizations:

- **Asian Institute of Technology (AIT) Partnership Program**—\$14.2 million contribution, 1988-1993

CIDA's regional programming in Asia began in 1969 with AIT. The objective of CIDA's current program with AIT is to train post-graduate professionals in the fields of urban and rural planning and development, and environmental planning and management.

Implementation responsibilities for the program are shared by AIT and a consortium of four Canadian universities.

- **Asian Institute of Management (AIM)**—\$2.3 million contribution, 1987-1991

This project with AIM has been used for training in 'Women in Management' and 'Gender Analysis'. WID training modules have been developed for program managers and training materials and methodologies have been developed for women managers in government and non-profit organizations in the ASEAN region.

- **South-East Asian Ministers of Education Organization (SEAMEO)—Canada Cooperation Project—\$8 million contribution, 1990-1995**

The emphasis in this ID project has been on building the capacity of SEAMEO's Regional Centres to deliver HRD programs in areas such as: tropical medicine, biology and agriculture; science and mathematics; language education; and non-formal education. Support has also been provided to develop the Secretariat's strategic planning capacity. SEAMEO is responsible for sub-contracting with Canadian tertiary institutions to be linkage partners with the Regional Centres.

### **List of References**

- Bezanson, K., "Capacity Building for Change", A statement prepared for the Eco-ED conference in Toronto, October 20, 1992
- Brinkerhoff, D., "The Evolution of Current Perspectives on Institutional Development: An Organizational Focus" in Brinkerhoff D. and Jean-Claude Zamor, *Politics, Projects and People: Institutional Development in Haiti*, 1986
- Brinkerhoff, D. and Goldsmith, A., "Promoting the Sustainability of Development Institutions: A framework for Strategy", *World Development*, Vol. 20, No. 3, pp. 369-383, 1992
- CIDA, Asia Branch, "Human Resource Development/Institution Building (HRD/IB), Lessons Learned—Planning Checklist", March, 1989
- CIDA, Asia Branch (China Program), "Retrospective Analysis of the HRD Activities of the China Program: 1982-1992", October, 1992
- CIDA, "Institutional Development: Key to Sustainable Development", October, prepared by the Social and Human Resources Development Division, October, 1992
- Doucet Paul, "Institutional Development: Definition and Key Features", prepared for the Social and Human Resources Development Division, CIDA, May, 1992
- Israel, A., *Institutional Development, Incentives to Performance*, 1989
- Morgan, Peter, "A Framework for Capacity Building—What, Why and How", November, 1992 (draft)
- Morgan, Peter and Baser, Heather, "Making Technical Cooperation More Effective, New Approaches by the International Development Community", July, 1992
- Morgan, Peter, "Moving to Partnership, An Organizational Design for the Pakistan Nursing Improvement Program, September, 1992
- SIRTEC, "Institutional Development Support and Management, Key Issues", prepared for the Social and Human Resources Development Division, CIDA, 1992
- World Bank, *Work on Institutional Development in Sectors; Emerging Tasks and Challenges*, May, 1991

---

## **Institutional Pluralism**

### **Focus of German Technical Cooperation**

**Hinrich Eylers**

Director of Middle East, Asia Department, GTZ

**Rolf Sulzer**

Head of Division 403, Organization, Communication and Management Consultancy

---

#### **Preface**

Although brevity is the soul of wit, a short paper about a complex and sensitive issue runs the risk of being too general, too pointed and not doing justice to those who concentrate their efforts on shaping new trends in Technical Cooperation. None the less, to bring about changes in Technical Cooperation, the authors feel that past experience has to be examined thoughtfully and disclosed for discussion, and that records of new approaches should be carefully rated, because the visions of emerging trends are of equal importance in creating new realities. Hence, we will not labour the point of project details but rather develop on the setting and the guiding principles for Institutional Development, supported by a number of examples. The issue of international cooperation is widely debated as to its adequacy to cope with the growing problems of poverty, environment, social, economical and political issues. However, the critical review of development cooperation and its limitations at the global scale encourages us to seek improvement at the practical level. We do not, of course, advocate neo-colonialism but on the contrary subscribe to the DAC-principles that programmes and projects are owned by the respective partner countries who did develop their own structures or transformed imported ones into which GTZ places its concepts. These concepts are guided by the DAC-principles and promote participation, democratic decision-making, respect for individual and cultural differences, and self-determination.

#### **1. Institutional Development—The Framework**

When talking about institutional development there seems to be a basic confusion. Sometimes the institution in mind is an organization for example a bank, sometimes a pattern of behaviour is meant, or the “rules” or framework in which people and organizations operate, such as “banking” (Osborne). Even the state itself is an institution, guiding the emergence of structures, organizations, cooperation and competition.

From our practical experience and in order to counter this confusion we have developed over recent years a distinction between three levels—equally important, closely related, and asking for support:

1. Micro-level: improving a particular organization, i.e. its efficiency, management and services, products or—in general outputs to meet the demands of clients or users.
2. Meso-level: stimulating cooperation between different types of organizations in society, whether horizontally, vertically or laterally to form a network or institutional arrangement and provide mutually complementary services for a bigger, often transsectoral task like poverty alleviation or environmental protection.
3. Macro-level: advising at the national level on reforms in central administration, devolution, decentralisation, deregulation, transfer of government functions to non-governmental institutions, privatization of public enterprises or on the transformation of grass-root-level movements into national associations under new laws.

Linked to these three levels, basically, four different types of institutions are being supported:

- a. Particular organizations or agencies of the government like ministries, departments, provincial and communal administrations or sectoral service institutions like forestry, fishery,
- b. Para-statal organizations like publically owned enterprises, development corporations, national authorities or boards,
- c. Private enterprises such as family-owned small scale enterprises, cottage industries, industrial plants, national associations of employers, chambers of commerce,
- d. Organizations of the “Third Sector” such as non-governmental organizations, cooperatives, interest groups, welfare organizations, grass-roots organizations, user organizations.

The three different levels and the four types of organizations form a network (matrix) that allows the focussing of accompanying measures of institutional strengthening and organizational development within technical cooperation programmes (Figure 3).

The crucial issue for understanding institutional development in this context is that we have learned not to strengthen institutions for the sake of having strong institutions but to strengthen institutions in the light of the tasks, functions and services they perform for society and its members, thereby contributing to economic and social development.

Thus, decisions on institutional strengthening and negotiations on entering into partnership contracts are based on a previous discussion of well-defined tasks and services that a particular organization or a network of organizations provide to society, e. g.

- \* poverty alleviation
- \* environmental protection
- \* human resources management and development
- \* agricultural production
- \* pollution control

- \* labour-intensive infrastructure programmes
- \* urban or regional development

Increasingly, these negotiations and the resultant planning of programmes and projects are supported by on-the-spot investigations in our partner countries and solutions evolve over time—rather than being blue-print approaches.

This procedure has resulted from GTZ's experience that one-time planning cannot anticipate the dynamics of change, newly emerging trends and the fact that planned interventions themselves create non-anticipated consequences. Hence, in our programmes we are increasingly encountering the up-coming emergence of a healthy "agency-mix", i.e. institutional cooperation at different levels and between different types of organizations, rather than a monistic solution to tackle complex problems.

## **2. Experienced-based Approach: Institutional Pluralism**

### **2.1 Viewing TC-Projects from an Organizational Perspective**

Each and every technical cooperation project or programme also houses several organization projects. The members of the project team must (a) organize their own (co)-operations, (b) become integrated into the overall organization and "follow" its rules or create their own scope for action, (c) design their relationships with complimentary and parallel organizations and perhaps with other "competitor projects, (d) they must cooperate with upstream and downstream agencies, (e) provide local service organizations with incentives for cooperation and participation, (f) organize cooperation with the population and finally, (g) gradually handover projects tasks to other organizations for them to carry on these activities once the time-limited "project" has been terminated. This task is a challenge in the European context, and all the more so on the interface of different organizational cultures.

### **2.2 Institutional Conditions for Development**

The micro-perspective described above illustrates that the issue in question has more the qualities of a pulsar, oscillating constantly from micro - to meso - and macro-topics depending on the "zoom" used to view at institutional development.

Development organizations can belong to the public sector and hence provide the requisite organizational infrastructure for development steps or they may stem from the private sector or non-profit sector providing goods and services for the community. Without a network of functional organizations and a framework of legal and political "rules of the game" development cannot take place or it will be inadequate. Institutional multiplicity is a hallmark of a socially and politically developed society, particularly when the individual organizations are acknowledged in society as autonomous agents making their cultural and economic contribution to the common good. Institutional multiplicity in this sense means that social agents participate, share and act autonomously in society. For government it means withdrawal and rolling back "bureaucratic planning and paternalism from above". A new notion of the role of

government emerges: a departure from one-sided centralized bureaucracy and a shift instead towards generating impulses for a participatory development.

### 2.3 TC in the Past: Tied to the Project Idea

For various reasons the preconditions for institutional multiplicity are not met to an adequate degree, which is why institutional development impulses are required.

All too often, institutional issues have been ignored in planning and implementing TC projects. Four problems need pointing out in this connection:

- a) Generally, the technical-sectoral component of the project (promotion of agriculture, health) were in the forefront of attention, while the institutional component was seriously neglected in comparison. The development objective of sustainability—through establishing or promoting autonomous organizations capable of maintaining their efficiency in the long term—was accorded only rarely the status it deserves.
- b) When institutional aspects were catered for, this was done in a technocratic way: technical-instrumental deficits (e.g. lack of material and equipment, unsuitable methods, knowledge deficits) were diagnosed and suitable solutions proposed. Political or socio-cultural aspects and causes were largely ignored.
- c) Development cooperation as practised by the large (governmental) donor organizations was largely performed with (central) governmental partner organizations. Until recently, private or non-profit organizations usually only played a marginal role.
- d) Conceptually at least, TC projects often focussed one single organization, to which they were “attached” and with which they cooperated. In the majority of cases this was a government institution that had already been selected by the partner country to implement the project and was specified in the project agreement. Such monistic approaches failed to perceive that in many cases a project can only be implemented on the basis of cooperation amongst several, mutually supporting institutions.

Where development cooperation took any account at all of institutional factors it only did so with a view to single government organizations that are generally favoured by the donors as cooperation partners. A (project) organization was then established which met western standards of efficiency, but often tended to weaken rather than strengthen the entire partner institution. While neglecting the existing, albeit inefficient institutions, new, parallel, better-equipped institutions were set up in different ways as part of the project and these usually proved unsustainable in the long run. This state of affairs was certainly partly due to the technical bias of the professionals in the donor organizations and the pronounced statal bias of these organizations.

### 2.4 The Multiplicity of Organizations in the Development Process

The various types of organizations in a developing country are not always fully developed. This is



less a question of the potential efficiency of these forms of organizations, but rather the result of many years of regimented practice of central government. There is therefore often a need to instigate and promote the establishment or dissemination of suitable types of organizations. GTZ's partners in development processes in bilateral TC-projects are in the meantime:

a. The Government Sector

There is a comparatively well developed government sector in nearly all countries whose institutions have been moulded by western, often colonial influences and encompass not only national sovereignty and public order but to a large degree also economic activity. Common forms are:

- \* Central government institutions (ministries or authorities at a similar or directly subordinate level)
- \* Government institutions at regional level (regional "branches" of the central administration, partly autonomous regional administrations such as boards of governors, districts)
- \* Institutions of local administration (dependent on central or regional government, less commonly, town or village administrations that are independent)
- \* Para-governmental organizations (as private organizations under heavy government influence, e.g. in the health or transport sector).

b. Private-Commercial Sector

This sector comprises private enterprises engaged in various branches, with various scales of operation and organized in different legal forms. The decisive demarcation line is the dominance of the profit-making goal and the relative autonomy of the management. This category also includes mixed enterprises where government does not have a controlling interest. Small trading and crafts businesses in the so-called informal sector, which is often extensive in developing countries are also included. The borderline separating these from subsistence economies in (large) families is blurred and difficult to define.

c. "Third Sector"

In addition to the traditional sectors "government" and "market", there is an intermediate zone of non-governmental, non-profit organizations often classed under the collective term "third sector". Although the demarcation lines in this sector are rather blurred and its structure and size differ widely according to the historical and political background of the various states, "third sector" organizations can be found in all societies (see Figure 1).

### 3. The Power of Conceptual Tools: Task Analysis

We have realized that the question of what organization or combination of skills and capacities from several organizations (best fit) are required to optimally carry out specific tasks is a vital one—it is directly linked to questions of sustainability, the role of the state, to participation "giving the people a Voice", to

accountability and to the economy.

The decision to cooperate with a single organization or a network (see Figure 2) of organizations is also a major investment decision, which will subsequently lead to the establishment of competences, power, decision-making structures, communication and information processes.

The “organizational” field approach that leads to networks, institutional arrangements and institutional pluralism is a powerful approach:

- a. It is a major approach to encouraging participation, social change and democratization—which does not necessarily mean the “Westminster model” of democracy.
- b. It is a major approach to including in negotiations a discussion on a smaller role of the state (minarchy) and a dispersal of power in civil society.
- c. It is an economic approach to easing the burden on the government budget by mobilizing resources through other organizations in society.
- d. It is an approach which can create greater cost-efficiency, higher flexibility and improved relations with beneficiaries and user groups.
- e. It is an innovative approach since it systematically investigates the methods and solutions found elsewhere in society.
- f. It is a sustainable approach, since the development of institutions and the development of institutional cooperation will create new impulses which go beyond the initial interventions.

We are slowly beginning to realize that institutional pluralism will be a question of survival for many societies. One of the chief processes is to systematically analyse and critically review the tasks to be carried out and the subsequent distribution of tasks and sub-tasks over different organizations. An overview, breakdown and allocation of tasks and corresponding services is essential before being able to pinpoint the demands on organizational design, organizational adjustment or organizational changes in and together with the participating organizations.

Task analysis and task evaluation can, however, only be successful if accepted and supported by the partner organizations involved—if they are willing to critically reflect on the situation. Fortunately, this is becoming more and more the case. For reasons ranging from external pressure through to internal legitimation crises and objective difficulties in satisfying basic needs.

A task analysis requires professionals who view the situation from a critical distance and possess the tools, not only once but constantly, to tackle institutional and organizational questions. Some simple, but basic questions that can reveal many inconsistencies are:

#### Task analysis

- (1) What exact tasks are involved?
- (2) What sub-tasks (and sub-functions) can the task be broken down into?
- (3) What different functions must be carried out in order to implement the task?

#### Critical evaluation of tasks

- (1) How have the tasks been carried out to date - and by what organizations/institutions/groups?
- (2) Why is the task considered urgent at the present time?
- (3) Why should the task be carried out by the organizations submitting the application?
- (4) Does this task fall under the present mandate of the organization submitting the application for a project?
- (5) Can the organization submitting the application ensure that the tasks will be performed efficiently and economically?

#### Allocation of tasks

- (1) What social (legal, political, economic etc.) framework conditions define the different organizations' scope to assume tasks and sub-tasks?
- (2) What organizations and organized groups
  - \* already exist at different levels in society and already assume these functions?
  - \* are presently being formed at different levels of society and can assume these functions in future?
  - \* must be developed in order to assume functions which cannot be carried out by any existing organization?
- (3) How can these organizations/groups be networked in an organizationally stable, institutional arrangement (best fit) in order to efficiently solve the overall task?

#### 4. A Closer Look into GTZ's Asian Experience

In Asia GTZ together with its clients has developed over time a wide variety of new types of institutional development and institutional cooperation as a result of technical cooperation.

- \* In Indonesia, support is being given to the process of decentralization of central government administration. The establishment of a new post-graduate programme for regional planners at the University of Bandung which emphasises the particulars of decentralized planning with different partially autonomous bodies is linked to this process.
- \* In Indonesia, Philippines and Thailand self-help groups, based on traditional concepts of savings and credit, are linked to local commercial banks through NGO-intermediaries, the state not being involved as implementing agency but to set the legal framework.
- \* In Thailand, the financing of health systems through district health projects involving contributions from the local population is under way and the distribution of contraceptives and medicines is being organized at the communal level. This is also applied to organize village-based basic veterinary services.
- \* An appraisal mission of BMZ, KfW and GTZ has been scheduled to systematically investigate the potential for involving non-governmental institutions and local self-help groups in the

development process of Vietnam.

- \* Private sector development is being promoted in India through export promotion activities which links the Ministry of Commerce, the Export Promotion Councils, the India Trade Promotion Organization, and the enterprises and their associations to the Chambers of Commerce in Germany, the Business Forum of the European Community and to Associations in Germany, thus forming a highly complex network.
- \* In Sri Lanka, communal groups are organizing the construction operation and maintenance of wells, sanitary measures and water supply systems are being implemented through user group associations at hospitals and schools, bringing together teachers, parents, physicians and nurses linked to the Ministry of Housing and Construction, Engineering Consultants, District Offices, Communities, the Ministry of Education, the Ministry of Health and external agencies such as GTZ, FINIDA and DANIDA.
- \* Training Centers are being established that combine vocational training and production in Malaysia, Sri Lanka, and Singapore as parastatal organizations and in India "toolrooms" and quality test centres registered under the Societies Act, are gradually gaining in autonomy providing formal training as well as adult education programmes.
- \* Former complex, integrated rural and urban development programmes are practically divested. Programme elements are hiving off into autonomous but cooperating organizations, for example in Indonesia (range of follow-up projects as a result of the Area Development Project West-Pasaman), in Nepal (the Small Industries Development Programme as an off-spring of the Bhaktapur Urban Development), in the Philippines (resulting in the division of labour, tasks and power between governmental and non-governmental organizations in the CEBU-Upland Project); similarly in Indonesia, a cooperation set-up between government agencies, local banks, manufacturing industries and peasant movements and cooperatives has been established (OPHIR).
- \* The often-encountered split responsibilities for one task—for example education and vocational training—is now coordinated below the cabinet level through institutional cooperation in the People's Republic of China (ZIBB/RIBB). Uniform guidelines for vocational training and education are being developed in India at the Central Instructional Media Institute, CIMI in Madras.
- \* Direct institutional development and strengthening of governmental agencies to fulfill their primary tasks as agencies supervising the investments in the infrastructure sector, is being implemented in Pakistan (WAPDA, SHYDO) and Sri Lanka (Mahaweli Watershed Management).
- \* Divestiture or poverty alleviation programmes from the local Government Department to a company registered under the Company Act in Pakistan has taken place, the government supporting the foundation of the Balochistan Rural Support Programme Ltd. through handing over the assets of the former government project.

## 5. A New Notion of Institutional Development

The approaches, samples of GTZ's Asian experience, describe the multiplicity we have developed in putting institutional development into practice.

The solutions that we have found—or rather that evolved in the process of conceptual discussions, political dialogue and experiencing failures—have lead to brace-up our energies to further

- \* support institutional pluralism and cooperation with and between autonomous organizations,
- \* gear the development concept to the efficiency of the organization concerned, which often means lowering output expectations (according to western standards),
- \* feature loosely-coupled networks rather than rigid bureaucracies,
- \* work on joint-venture concepts of North-South and South-South-Cooperation, especially in human resource development,
- \* think in programme terms, involving different types of organizations which can contribute complementary elements to the overall task,
- \* reconsider project management and familiarize project managers with new roles and functions: along with the technical sectoral functions, the key is now the ability to manage networks, inter-organizational communication and interface management,
- \* *shift from the project to the programme manager, thus shifting from being a sectoral expert to an initiator, facilitator, animator and strategic controller of programme-related activities of various institutions or agents (change agent),*
- \* develop new forms of systems management, based on concepts of group management in business or approaches to inter-company networking where interventions can be worked out by a small group of persons—i.e. a team which
  - only exists for a limited term and will definitely be dissolved,
  - does not detract from the responsibility or competences of existing organizations,
  - concentrates on exchanging “ideas” and favourising the dialogue between organizations and groups (Round Table in the South-South-Dialogue),
  - analyses the economic advantages and practical barriers to cooperation arrangements and makes them transparent,
  - draws up structural measures and submits them to the macro level for consultation,
  - carries out public relations work for the participating organizations and also arranges “financing” and funding,
  - mobilises training institutions to develop the necessary upgrading programs.

*As part of GTZ's network approach new demands will also be made on the instrument of institution analysis making it more of a system analysis.*

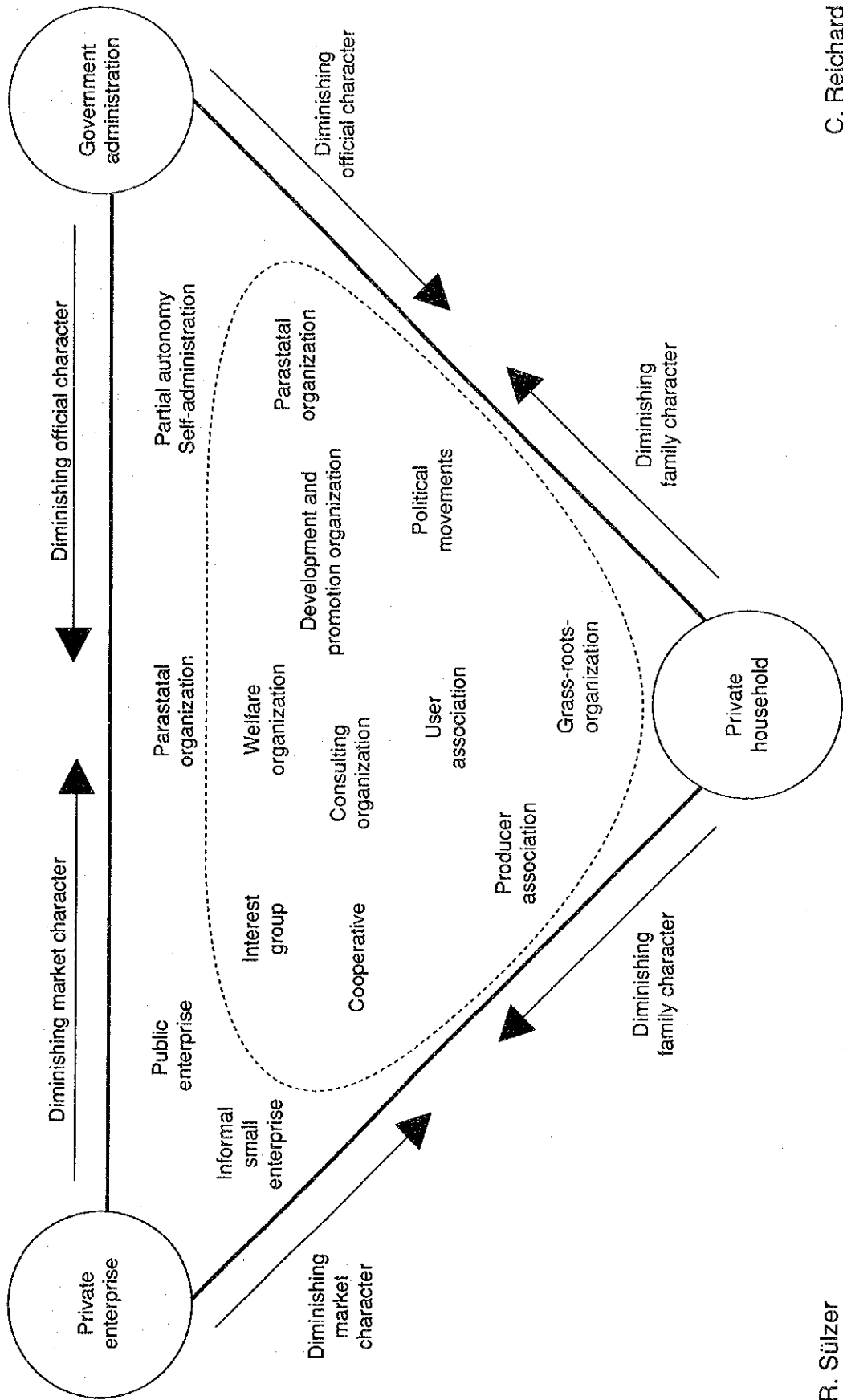
The instruments of institutional development have been adjusted to the new needs, the primary

instruments being organization consultancy, organizational development and human resources management. To address the new demands, a new division was created in 1991—Organization, Communication and Management Consultancy (403)—which is directly linked to the related divisions Macroeconomic Management (401) and Industrial Consultancy (404)—providing consultancy services worldwide. Hence, networking is also becoming a major issue within development cooperation agencies like GTZ.

Figure 1

# Organizational Field Approach

"Third Sector"

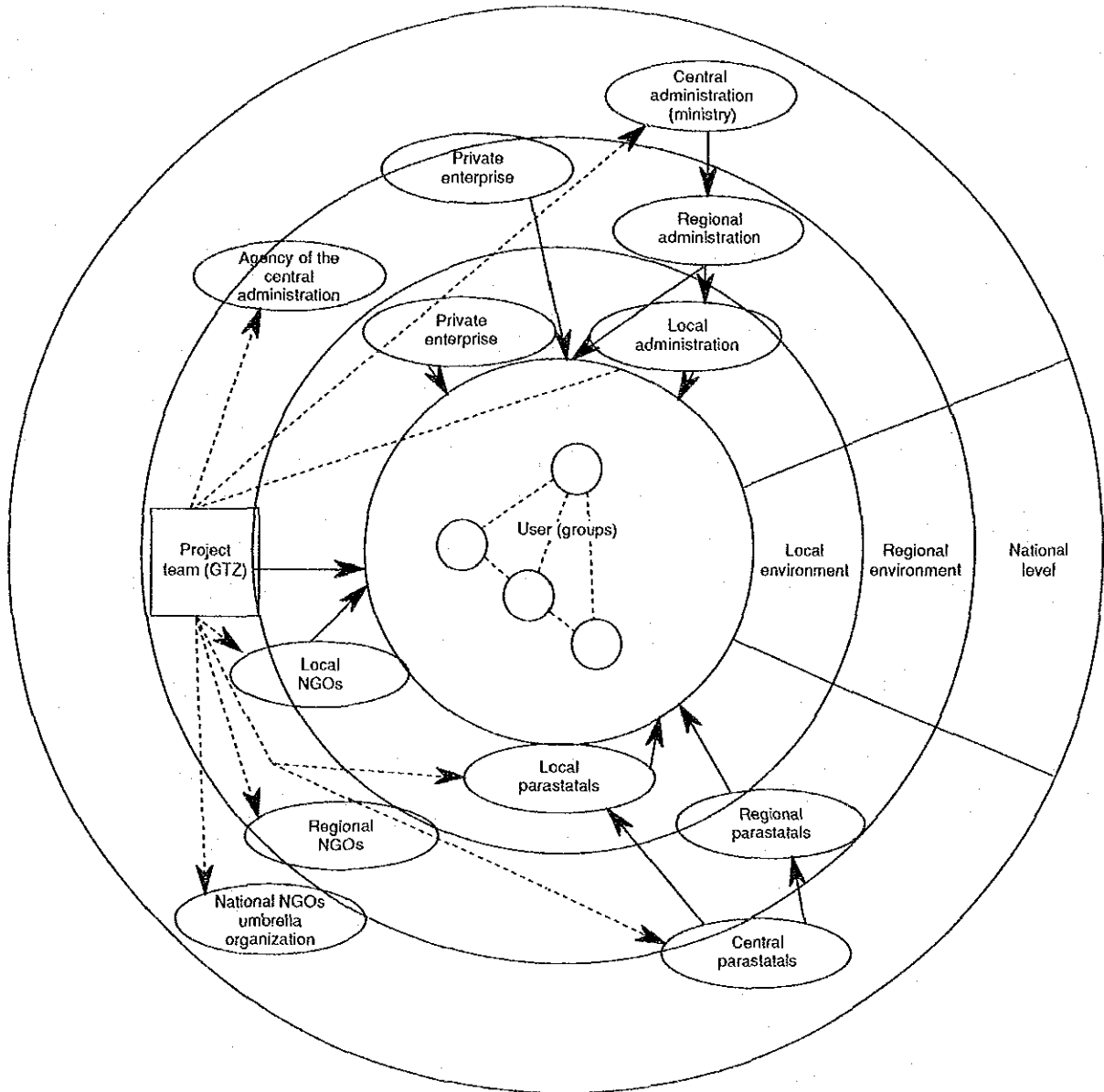


R. Sülzer

C. Reichard

Figure 2

Example of a Network Structure of Development Organizations



----- Mobilization of organizations by project team  
 ————— Inputs (consultancy, promotion, training, etc.)

R. Sülzar

C. Reichard



Figure 3 Matrix of selected Organizational and Institutional Development Tasks

SELECTED TASKS	a. Government agencies, sectoral service organizations	b. Para-statal organizations	c. Private enterprises	d. "Third Sector" Organizations
1. <u>Micro-level</u> Efficiency of a particular organization	e.g. financial management, retrenchment, restructuring, staff development...	e.g. restructuring, corporate planning, controlling, financial management, staff development, efficiency performance...	e.g. marketing, product development, quality control, export promotion...	e.g. mobilization of resources, programme development, financial management, restructuring staff development...
2. <u>Meso-level</u> Cooperation of different organizations, interface management	e.g. task allocation, revenue allocation, programme, management, cooperation with private and "third sector" organizations...	e.g. divestiture, cooperation with communal agencies, cooperation with users associations, assisting regions, subsidizing consumer groups...	e.g. trade associations, chambers of commerce, export promotion boards...	e.g. cooperation with financing agencies, umbrella organizations, cooperation with government agencies...
3. <u>Macro-level</u> Institutional reform, legislation, economic reform	e.g. administrative reform, devolution, decentralisation...	e.g. deregulation, privatization, employment creation, distributional questions, subsidies measures...	e.g. economic reform, promotion of industrial laws, tax reform	e.g. new legislation, financing systems, empowerment...

---

## ODA Experience in Asia

John Hoy

Economic Advisor in ODA's Regional Office in Thailand

---

### Introduction

1. The British Government, through the Overseas Development Administration (ODA), attaches considerable importance to promoting institutional development in developing countries. We see the building of effective institutions as a key element in the process of economic and social development, and the achievement of good government and structural adjustment. Overall about a third of ODA's direct assistance for country programmes is provided in the form of technical cooperation. In Asia our annual expenditure on technical cooperation amounts to over £100 million (\$160 million), although not all of this is specifically for institutional development.

2. Since it is ODA policy to direct most of our assistance towards the poorest countries, our main experience of institutional development in Asia is in South Asia. It is important to bear in mind that institutional structures in these countries are generally less effective than in the rapidly growing economies of South East Asia, and that the capacity of governments to intervene positively in the economy is more limited. Consequently, the lessons outlined below are not necessarily of relevance throughout Asia. Given, however, the difficulty of promoting institutional development in low income countries, the need to share experience in these countries is of great importance. Full account also needs to be taken of their particular problems and cultural situations, when looking at the replicability of some of the major success stories in Asia.

3. In common with many other donors, ODA experience of institutional development has been mixed. Work to date has highlighted the difficulties and the complexities of the issues involved, but has not provided ready solutions. Until fairly recently most of our technical cooperation was used to strengthen project implementation and to provide specific training. It is only since the mid 1980s that we have paid major attention to the wider issue of improving institutional capacity. In line with this change in approach, we have gradually been building up our in-house institutional expertise. We have also been providing internal training to create greater understanding of institutional issues amongst ODA staff from all disciplines.

4. It is useful to illustrate some of the important issues raised in institutional development with specific reference to ODA experience in a few projects. These issues are discussed below.

## Examples of ODA experience

### Power Sector in Bangladesh

5. ODA has been assisting the Power Development Board in Bangladesh since 1976. Under three major projects infrastructure has been provided to expand the power distribution system in Dhaka. Whilst there has been provision of specific technical training throughout the projects, it is only in recent years that ODA, like other donors, has become directly concerned about the deep seated institutional weaknesses in the Power Board, and the need for wide ranging reforms.

6. Many of the problems have arisen because the organisation has grown very rapidly, in line with the rise in electricity demand, but there have not been comparable changes in organisational structure and management systems. The Power Board is barely able to generate sufficient revenue to cover its operating costs, since revenue is only received for half the electricity generated. This is partly because of technical losses, but mainly due to inadequate billing, illegal connections and unpaid bills. Quality of service is also poor, due to an overcentralized management structure, with overlapping responsibilities, lack of accountability and inadequate systems for performance measurement.

7. In 1987 ODA financed a major diagnostic study of the problems. The study recommendations were implemented under an 'Action Plan for Performance Improvement' project, which started in 1990. A key element of the Plan was the setting up of an independent parastatal responsible for power distribution in Dhaka. The Plan also covered other aspects of organisational structure, financial and management information systems, personnel management and engineering practices. The project originally had a time scale of 18 months and involved the setting up of internal task forces, supported by ODA-financed expatriate and local consultants. The project has had mixed success. Whilst the Dhaka Electric Supply Authority has been set up, in many other areas detailed working papers have been produced, but no action has been taken on them. There have also been only modest improvements in the overall performance of organisations.

8. In retrospect, the project was overambitious, both in terms of its short time scale and its wide scope. Although there were many interrelated problems in the Power Board, trying to tackle a large number of them simultaneously proved counter productive. There was a lack of capacity in the organisation to manage change on the scale envisaged, particularly given the slow decision making processes in the country, the frequent staff changes that took place at the senior level, and the scarcity of experienced staff available to form the task forces. In general the Power Board did not welcome the reforms and there was insufficient time to build up a consensus on recommendations. There was overdependence on the consultants and little sense of 'ownership' of the reform programme on the part of the Power Board.

9. The project would have been more effective if it had been more focussed and had been implemented

over a longer period of time. This was not possible since donors in the power sector wanted to see rapid improvements and had attached tight conditions to their capital projects. Some donor pressure was important, since the performance of the Power Board was very poor and there were strong vested interests opposing change, including amongst the trade unions. Moreover, whilst higher levels of Government recognized the need for improvement, tackling the problems was seen to be politically difficult, so little action had been taken previously. Donors, however, were not realistic enough in their expectations, given the institutional weaknesses in the Power Board and in the country more generally. The project also highlighted the difficulty of obtaining genuine government commitment to institutional reform through donor conditionality.

### **Gas Sector in Indonesia**

10. It is worth contrasting ODA experience with the Power Board in Bangladesh with that in Indonesia. There we are providing support to Perum Gas Negara (PGN), the public corporation responsible for supplying gas to all consumers other than large scale industry. Since 1986, in conjunction with a series of major World Bank projects, ODA has been financing a long-term twinning arrangement between PGN and British Gas aimed at institution building. This involves assistance in developing engineering skills, and also with financial management, investment appraisal and planning.

11. Since the first project started the gas supplied by PGN has increased more than three fold, whilst PGN's profitability has also increased substantially. The company has matured considerably and its capability has improved in all areas of operation, although not all British Gas recommendations have been accepted. A large British Gas team have been able to gain the confidence of PGN senior management. There has been flexibility in the work programme, in line with project needs and staff capabilities. PGN staff have remained responsible for project execution, whilst British Gas consultants have worked alongside them, rather than covering discrete tasks on their own.

12. The project shows the potential benefits that can result from long term support through a twinning arrangement. In comparing the two projects, however, it needs to be borne in mind that PGN is a much smaller organisation than the Bangladesh Power Development Board, with fewer vested interests. Moreover, ODA's experience of institutional projects in Indonesia has generally been positive, which probably reflects greater capacity in Indonesia to manage change and make effective use of advice, than in many poorer countries. Twinning is also only likely to be successful where the developed country organisation has sufficient experience to be able to adapt its approach to the situation in the host country.

### **Road Sector in Nepal**

13. ODA has had a long association with the road sector in Nepal. In the past we mainly funded specific road construction and improvement projects. More recently we have been trying to strengthen the capacity of the Department of Roads to maintain roads, since improved maintenance would reduce the need for

costly reconstruction. Together with Swiss Development Cooperation, we helped establish a Maintenance and Rehabilitation Coordination Unit in 1991. The aim of the unit is to develop a maintenance capability, through the assessment of maintenance requirements, the identification of priorities and key issues, the drawing up of maintenance norms, and the introduction of appropriate techniques and systems within regional directorates of the Department of Roads.

14. The project is following process approach, whereby emphasis is being placed on trying to develop the understanding and commitment of the Department in a participative way. This has proved more difficult and time consuming than expected. Intensive monitoring is required to provide flexibility, whilst ensuring that consultancy inputs are appropriately directed and there is some pressure on the Department to address difficult issues. Intermediate objectives need to be set and then periodically reviewed.

15. Our involvement has highlighted conflicts that need to be resolved by better donor coordination. The Department's commitment to improved maintenance has been partly undermined by the ready availability of donor funds for reconstruction projects, despite the latter being far more costly in the long term than improved maintenance. In a similar way, efforts to help the Department develop plant hire units, to utilize existing heavy machinery for construction work, have been weakened when donors have preferred to bring in new equipment. There is also a need to ensure that maintenance approaches developed with the help of donors in the regions of Nepal are consistent with the national approach, including in terms of institutional structure, and manpower and financial resources.

16. Lack of progress on maintenance issues is also due to general institutional weaknesses within the Department. These are a reflection of lack of resources, poor pay and motivation, and cumbersome and slow decision making processes, related to a general reluctance to take responsibility for decisions. This raises the general question about how much progress can be made in countries such as Nepal, without wider civil service reform to address these problems.

### **Forestry in Nepal**

17. In certain situations there may be little scope for improving government institutions which prove ineffective. This might be because the shortage of financial or manpower resources is so acute or because bureaucratic practices or vested interests opposing change are very deeply entrenched. In these circumstances alternative institutional arrangements need to be considered. These might mean greater involvement of community groups, NGOs or the private sector.

18. One such case is forestry in Nepal. In the past the state had formal control over access to forests, but lacked the resources to manage these forests effectively. Individuals illegally exploited forest products on an unsustainable basis, since they had no long term stake in the forests. Over the past five years there has been a change in thinking and it is now recognised that local communities have both the resources with

which to manage forests, which the Government does not, and communities also have an incentive to invest in and actively manage forests, provided they have a legal right to the use of forest products.

19. ODA has been supporting a project in East Nepal where responsibility for forest management is being passed to user groups. We are now discussing a new project with the Government to build on this, based on 'forest user groups'. This would involve the provision of experts to help the Department of Forestry develop a capability to identify areas of forest suitable for transfer, identify users and establish groups, assist groups draw up development plans for management, provide follow up support and monitor performance. The approach is likely to evolve over time, but should be of relevance elsewhere, as a means of encouraging better management of national resources and greater participation by local communities.

### Conclusions

20. The projects above illustrate the complexity of institutional development and some of the issues that need to be considered. In particular they highlight:

- i) the potential dangers of overambitious design and lack of local ownership of institutional development projects;
- ii) the balance that needs to be struck in terms of donor conditionality;
- iii) the importance of flexibility during implementation;
- iv) the potential conflicts between individual donor projects and wider institutional objectives;
- v) the difficulty of addressing problems in specific government institutions without general civil service reform;
- vi) the need to consider alternative institutional approaches, involving community groups, NGOs or the private sector, when there is little scope for improving traditional government structures.

There are many other important issues to take account of as well. The mixed success to date, of ODA and other donors, reinforces the need for careful evaluation of existing efforts. Sharing of experience amongst donors and developing countries is equally important in this respect, so that lessons learnt can influence the appraisal and design of future assistance.

The Symposium represents an important way of sharing such experience.

---

## **Sharing Experiences of Technical Cooperation Institutional Development in Asia**

**John N. Gunning**  
Senior Program Officer  
Office of South Asian Affairs, USAID

---

The Asian region is made up of countries at every stage in development. It has over half of the world's poor, and the most rapidly growing economies in the world. There is no single development model which could hope to encompass this variety.

Yet institutions are essential at every stage of development, and must evolve as development occurs.

Institutions have to be seen in the broadest context. A government agency is an institution as is a private voluntary organization, a private company or a non-profit school.

Institutions are also capital markets and social and legal frameworks within which specific organizations must operate. A new consensus is optimistic about the capacity of markets in industry, agriculture and, to a lesser degree, finance to perform well on a private basis given the proper policy and institutional framework. Given the massive constraints on resources, governments are increasingly being urged to invest in areas where direct public interventions are clearly essential (such as health, education, natural resources, infrastructure and policy and institutional reforms that support private markets), and to rely on the private sector to provide services in many traditional public sector areas.

A.I.D. believes that institutional development should be addressed as an issue in all projects. It is not a separate activity. Nor is the institution necessarily the major constraint for a given situation. If the necessary policies are not in place, even a strong institution can be stymied.

Nonetheless, effective public and private institutions are essential to marshal human and financial resources, and to solve critical development problems.

### **An illustrative country program**

The project portfolio of just one of our country programs, Sri Lanka, illustrates a variety of institution building components which The Government of Sri Lanka and A.I.D. have agreed will significantly enhance growth and development.

- An Irrigation Systems Management Project is working to provide the organizational structures, and policy and legal framework to enable user associations to manage their own affairs.
- An A.I.D. commitment almost fifteen years ago to finance the overall environmental assessment

of the Mahaweli Basin Program led to a long term commitment to establish new national parks in the basin, and strengthen the national park service in order to help manage the interface between new settlers and animals in this major wildlife habitat. This environmental focus also led to a Sri Lankan Government commitment to develop a comprehensive approach to environmental regulation. A.I.D. has assisted the Government to establish an Environmental Ministry and regulatory mechanisms to help manage, and mitigate to the extent possible, the negatives environmental impacts of economic development and population growth.

- In just one more Sri Lankan example, A.I.D. has helped to make the Colombo Stock Exchange one of the most modern in Asia and a critical part of the overall Sri Lanka financial market. This is just one part of a massive effort to open the Sri Lankan economy through regulatory reform and privatization.

### **Non-government organizations**

A.I.D. has worked for many years with non-governmental organizations (NGO's), reflecting American support for democratic pluralism and decentralization. The U.S. Congress is convinced that NGO's are an effective means of providing support, particularly at the grass-roots level, and requires that twenty-five percent of our development assistance be provided through private voluntary agencies (PVO's). (PVO and NGO are used interchangeably for the purpose of this paper.) A recent A.I.D. assessment of programs in Indonesia and the Philippines with finance NGO Activities supports this positive view of the role of NGO's.<sup>1)</sup> The study concludes that "PVO co-financing projects in the Philippines and Indonesia have proved effective in building local institutions, encouraging self-reliant community development, and supporting private sector growth." Under the co-financing concept, A.I.D. requires that PVO's provide a minimum amount of a project's cost from other sources.

NGO's are a unique means of reaching the grassroots and effectively organizing self-help development activities. They can provide diverse interventions, reaching remote and difficult-to-reach areas. Small organizations can tailor their approaches to populations which are geographically dispersed and socio-culturally diverse. Successful programs can be replicated more broadly through government support or imitation. In effect, these NGO's are institution builders at the local level.

However, NGO's often are managerially weak and poorly financed, and need help in institution strengthening themselves. Their support can be very labor intensive. A.I.D. has experimented successfully with making larger grants to intermediary institutions which in turn, work with the "front line" NGO's who actually carry out programs at the local level. Two examples of intermediary organizations cited in the study are the Foundation for Educational Evolution and Development (FEED) in the Philippines, and Yayasan Indonesia Sejahtera in Indonesia. These organizations provide training in planning, Implemen-

---

<sup>1)</sup> "Achieving Local Institutional Development: PVO Co-Financing Projects in Indonesia and the Philippines," Innovative Development Approaches, No. 2, January 1990, A.I.D.



tation and evaluation as well as grants to a variety of NGO's.

The large majority of NGO's providing services which are difficult to impossible to make financially self-sustaining. These organizations thus must spend a great deal of their time simply raising the funds which permit them to operate their programs.

A.I.D. only recently was given legislative authority to fund endowments which can strengthen and sustain the financial base of a non-governmental institution. A.I.D. has used this authority primarily in Latin America to date, and has helped institutions performing a range of development roles in agriculture research, natural resource management, and trade and investment promotion. There are many potential pitfalls in this approach: duplication of government services, the dangers of organizational inertia over a longer period, mismanagement, or currency devaluation. However, the attractiveness of the idea is strong for those who value diversity and the entrepreneurial spirit as a means to encourage more models of development. A recent A.I.D. study, available at the symposium, describes many of the considerations which should be taken into account in deciding whether and how to establish an endowment.<sup>2)</sup>

### **Institution-Building checklist**

An A.I.D. study examined 659 country-specific projects active during the 1974 to 1981 period which had institution building as a specific and significant objective. The vast majority of these projects involved public or parastatal institutions, 122 were in Asian countries. Although a list of current projects would be less weighted toward the public sector, the key lessons learned in the course of this study remain valid as factors which should be incorporated in the analysis, design and implementation of institutional development projects. These lessons are summarized as follows:

#### **During Project Design**

##### Lessons learned regarding program planning factors:

- Undertake in-depth pre-design studies.
- Tailor the project to host-country capabilities.
- Set realistic time frames.
- Develop a clear and attainable project design.
- Establish strong institutional linkages with the organizations essential for the project's success.
- Formulate clear lines of authority and/or relationships among project participants and sponsors.

---

<sup>2)</sup> "Terms of Endowment: A New A.I.D. Approach to Institutional Development," Innovative Development Approaches, No.3, December 1990, A.I.D.

Lessons learned regarding host country factors:

- Obtain government commitment to support the project, a prerequisite to its success.
- Design the project to further the government's development plan.
- Select a politically strong and technically competent counterpart agency.
- Thoroughly investigate the availability and experience of required local personnel.
- Identify and compensate for potential problems that may result from the host government's bureaucratic process.

Lessons learned regarding project inputs:

- Investigate the financial viability of the target institution and its ability to retain personnel through payment of reasonable/competitive salary levels.
- Provide in design for adverse impacts of inflation.
- Specify compatible project equipment.
- Specify realistic project staffing levels.
- Insist on local-language fluency when required of TA personnel.

Lessons learned regarding training:

- Specify sufficient lead time for staff being trained for roles in the project.
- Pave the way for reintegration of returned trainees in the institution.

Lessons learned regarding the target institution:

- Anticipate potential management problems, especially in the case of new entities.
- Provide for attraction of competent leaders.
- Remember that indigenization is a key aim of institutionalization.
- Obtain agreement that formal legal status will be accorded the target entity.
- For NGO's:
  - focus design attention on overcoming organization inexperience;
  - investigate the entity's past operations and grass roots support;
  - avoid over-identification of the institution with the donor.

Problems Encountered during Program Delivery

Attributable to A.I.D.: Lack of sustained support to the technical assistance personnel; inconsistent project monitoring; inflexibility during implementation, including failure to update project design.

Attributable to the technical assistance personnel:

Inadequate/improper staffing, project management, leadership and/or communication with host-country personnel.

Attributable to the host government: Delays caused by the bureaucratic process, and too-rapid transfer of government personnel from the target institutions.

Attributable to the target institution: Weak management, organization and/or leadership.<sup>3)</sup>

Implicit in the lessons listed above is the theme of sustainability, both organizational and financial. No one can afford what Americans call "white elephants," that is costly institutions which cannot accomplish their missions because of the lack of competence or funding. Donors and developing countries must coordinate to assure that our investments are those that strengthen institutions and encourage effective and financially sustainable programs. Otherwise we will be a part of the problem, not the solution.

### **Current research**

A.I.D. has sponsored research on institution-building for many years. Dr. Norman Uphoff, a participant in this symposium, contributed to this research program with his 1986 volume, "Local Institutional Development: an Analytical Source Book with Cases." A.I.D.'s Office of Economic and Institutional Development is currently sponsoring a project called Decentralization: Finance and Management. This project is concerned with institutions and the governance of local public economies. The central questions addressed under the project's research agenda are as follows:

How can institutional arrangements be improved to:

- \* strengthen incentives for individuals to more effectively govern and manage:
  - natural resources,
  - infrastructures,
  - other local public goods and services,
  - emergent market structures;
  
- \* strengthen and sustain appropriate cooperative behavior among individuals, local groups, and larger entities (governmental and non-governmental) to:
  - mobilize and use resources more efficiently and equitably,
  - rely on local as well as scientific information,

---

<sup>3)</sup> The checklist was taken from "Effective Institution Building: A Guide for Project Designers and Project Managers Based on Lessons Learned from the A.I.D. Portfolio." A.I.D.,1982

- resolve conflicts and enforce agreements and rules,  
and
- adapt to changing circumstances.

Several products of this research and development project are available and may be of interest to the symposium participants:

- The project's progress report dated August 1992.
- A Project Newsletter dated Winter 1991 which focuses on "governance" and reports on project research and reporting. One report is about an evaluation of the maintenance and rehabilitation of district roads in Indonesia.
- a methodological paper, "A Framework for Institutional Analysis," by Elinor Ostrom of Indiana University.

Two copies are available of "An Institutional Analysis of the Production, Processing, and Marketing of Arabica Coffee in the West and North West Provinces of Cameroon." Although not an Asian study, this is a good example of an institutional analysis which may be helpful to some of you.

I appreciate the opportunity to participate in this symposium.

---

## World Bank Experience

Charlotte Jones-Carroll  
Chief Administrative Officer  
East Asia and Pacific Region, The World Bank

---

### I. The Role of Technical Assistance for Institutional Development

1. The role of institutions in development is well-known. In the World Bank, several working papers, the 1983 World Development Report, portfolio implementation reviews and a host of special studies examined this issue over the past 15 years.<sup>1)</sup> Positive correlations between project sustainability and institutional development have been established. Yet, the gap between this knowledge and donor practice remains a wide one.

2. The concept of institutional development has been evolving. Twenty years ago, we were more focused on the capacity of individual agencies which were implementing projects, and sometimes just on the project implementation units. A decade of attention to structural adjustment and the heightened country focus in the Bank has led us to agree with the emerging school of institutional economists<sup>2)</sup> that the concept of institutions includes systems and rules which structure human interaction as well as specific government agencies. This broader concept underlies the purpose of this symposium. Legal and regulatory systems, judicial and financial systems and property rights are just as likely to be the target of Bank assistance today as a state enterprise or ministry. We recognize that isolating capacity building in a project unit can be counterproductive. Once project implementation is over, the unit cannot easily be reabsorbed and sustainability suffers.

3. Technical assistance, TA<sup>3)</sup>, has become a major Bank instrument to support country institutional development objectives. The World Bank provides over US \$2 billion a year in TA in support of project development, project implementation and institutional development. Of this, US \$1.5 billion is in the form of components of our loans and IDA credits (\$330 million of which flows to East Asia), \$200 million is in freestanding TA loans or credits and the remainder is a mix of Bank-executed trust-funded TA and

---

<sup>1)</sup> See bibliography at the end of this paper.

<sup>2)</sup> See Douglass North, "Institutions and Economic Growth: An Historical Introduction." *World Development*, Vol. 17, No. 9, 1989.

<sup>3)</sup> We accept that the term "technical cooperation" is more correct and reflects the partnership between external agency and country, but still use technical assistance internally.

assistance directly provided by Bank staff. Until recently, the World Bank has not had any significant grant resources for TA. We have thus relied largely on our loans and credits to provide the funding for such purposes, leaving grant funding of TA to the UNDP and others. Free standing TA loans grew rapidly from their introduction in the 1970s. However, reflecting the general level of country institutions, our East Asia programs have made only limited use of this type TA loan—\$20-30 million p.a.

4. Loan-funded TA is still a mix of investment support (such as feasibility studies or engineering services) and the institutional development and capacity building objectives we are concerned about here. But the shift from the former to the latter objective is very clear. Twenty years ago, feasibility studies and engineering services were virtually the only kind of TA the World Bank funded; today, two-thirds of all the loan-funded TA is for training and consultant services aimed at institutional strengthening. Even within institutional development, the Bank has now crossed the relatively easier terrain of funding central ministry-controlled infrastructure projects to move to more institution-intensive project objectives that combine policy improvements, decentralization of service provision, incentive systems and private sector involvement, all politically sensitive and organizationally complex.

5. The way the Bank funds TA has evolved along with this shift in objectives. We have always provided what we call “embedded” technical advice through Bank staff participation in project preparation, analytical work on economic or sector topics, and supervision of project implementation, as well as training through EDI. Indeed, such non-lending work has grown dramatically in the last ten years, perhaps to the extent that we are taking on more of the work legitimately corresponding to our borrowers.

6. Another major change has occurred in the extent to which we have sought to mobilize external funding to accomplish country institutional development objectives. Bank-administered trust funds for technical assistance, studies and training (along with preinvestment work) have doubled in the last five years to over \$200 million in disbursements. Today, Japan and UNDP are the main suppliers of this source of TA for East Asia. The increased use of trust funds for institutional development arose in part because loan-funded TA was sometimes less amenable to supporting small pilot initiatives, strengthening institutions of member countries who were not active borrowers (such as Vietnam or Cambodia) or very upstream analytical work which was needed prior to project identification. More importantly though, country attitudes towards using loan funds for expatriate consultants were not always positive. These factors led the Bank to establish this year a small, pilot grant fund (\$25 million a year) for funding upstream institutional development work or TA management.

7. A World Bank Task Force completed a review of all technical assistance last year, to better understand our changing role and address the perception of lower effectiveness of institutional development-oriented TA. We also drew on the analyses of technical cooperation for institutional strengthening done by other development agencies, such as the DAC and Nordic UN studies. Two other internal bank

reviews have turned up related findings: the popular participation learning exercise has examined the impact of more participatory and consultative processes on project sustainability and the Portfolio Management Task Force has analyzed country “ownership” of Bank-financed operations, the need to build local capacity for project preparation and implementation and the importance of appraising country institutional frameworks as part of project preparation. Let me turn now to some of the lessons of these and other key studies regarding TA for institutional development, before turning to some Asia-specific examples.

## **II. World Bank Technical Assistance for Institutional Development**

8. Comprehensive studies by our independent evaluation arm, OED, found that institutional development objectives (as described at project initiation) were substantially achieved in only one-quarter of the projects, and partially achieved in half of them, with one-quarter not achieving institutional development objectives (See Table 1). Among sectors, industry and public utility projects experienced more effective institutional development, while agriculture and health were least successful. Asia projects rated somewhat better than the Bank-wide averages, but Asia has had fewer and less ambitious institutional development components in general. Some seasoned development experts suggest that a 1 out of 3 batting average is quite a realistic expectation for the innately complex task of institutional development, but at the World Bank, these kind of performance results ring alarm bells.

9. The numerous conclusions of World Bank studies about the sources of performance problems in technical assistance for institutional development and the keys to success can be summarized by two key factors: (i) the need for a longer-term vision or strategy regarding institutional development objectives and (ii) the importance of recipient participation in identifying and planning the technical assistance to meet these objectives.

Institutional development is a long term issue: Isolated projects are usually not able to address systematic problems underlying institutional weaknesses, such as civil service issues or regulatory environments, which create disincentives for public sector agencies or which require adjustment of the relationship between the government and the general public. Changing institutional culture is often difficult to compress into the time period allowed for disbursement of a loan, even where this is 6-7 years. Attention to institutional development issues with the Bank’s project cycle is less front-loaded than other tasks. Towards the end of the cycle—that is, at negotiations, and during implementation—when institutional issues may become more apparent, there is relatively little chance to influence outcomes or to tackle some of the broader issues that affect institutional performance. However, where the Bank and a country jointly develop a strategy for addressing institutional issues consistently across projects and over time, based on a good preliminary analysis of the institutional problems, the likelihood of success is much greater. Ideally, such a strategy also has inputs from other donors, so that the approach of all TA providers

can be a coordinated one.

Ownership of institutional objectives: We have all seen a last-minute TA component thrown into the project design to address institutional deficiencies identified during project preparation. Lack of earlier analytical work on the sectorial or national institutional environment often leads to inadequate diagnosis of both institutional problems and the country's capacity to absorb TA to address these problems. More Bank attention to upstream institutional analysis is part of the answer. But, more crucially, the use of a process approach will bring the country officials into the diagnostic and design stages of individual TA activities, as well as into developing the longer term strategy. Full participation, in other words, should result in both country commitment to institutional objectives and better implementation of the TA, to which the borrower must commit staff time and resources.

10. A Bank working paper by Samuel Paul <sup>4)</sup> suggests that the Bank's success at technical assistance for institutional development could be increased by several means. Issues of sustainability and country institutional frameworks are increasingly being dealt with more explicitly, and our work on sector institutional issues is striving to clarify focus and use staff and consultants with specific expertise in organization and management. The long time span needed to support institutional development goals inevitably exceeds the assignment of Bank staff to work on a country, although many countries consider that the Bank's earlier efforts, despite our own somewhat critical self-assessment, have been useful. Building on what has worked, more innovative approaches are being tried with modest success. These include twinning arrangements (a "mature" institution helps a less experienced one develop its capacity), use of local consultants (who may be more attuned to the social and cultural aspects of institutional development), and international seminars for sharing relevant experience. And consultative processes are used more frequently during design stages. The dilemma we all face, though, is that the countries most needing TA for institutional development are those least able to define and absorb it.

### **III. Where does the World Bank go from here?**

11. The Technical Assistance Review Task Force sought to pull together the lessons from ten years of studies and generate a change in our own organizational behavior. During the past year, each Region developed its own technical assistance action plans for strengthening internal management, including institutional development and technical assistance goals in country strategies, designing and supervising TA with the same diligence that we apply to other components and types of projects (with special attention to getting inputs from our field offices), and strengthening staff skills to assess institutional needs.

---

<sup>4)</sup> Paul, Samuel. "Institutional Development in World Bank Projects." World Bank Working Paper #392. April 1990.



12. The new Institutional Development grant fund was initiated to fill the gap in our tool kit mentioned earlier. In East Asia, grants have been made to Papua New Guinea for a diagnostic of its auditing system and to develop its trade and industrial policy-making capacity, to Cambodia to help formulate its budgetary norms and procurement systems and to establish an operational treasury. Other grants under consideration to countries in the region are aimed at environmental policy-making capacity.

13. We are revisiting our relationship with other donors, particularly the UNDP, where a long-standing joint agreement was not taking full account of the Bank's experience with structural adjustment advice and the UNDP's work on national capacities for managing TA (NatCAP). In the Bank's Asia Regions, we have established an institutional development unit this year to bring focus and specialized management skills to our work in this area. Finally, the Bank is just about to issue a technical assistance handbook to provide its staff with specific guidance about how to work with countries in the design and supervision of TA for institutional development.

14. The following factors critical to success of technical assistance for institutional development were highlighted by the TA Task Force, and some of them were further emphasized by the internal participation learning exercise and the Portfolio Management Review:

1. A high degree of country commitment to institutional development objectives and to TA vehicles, resulting either from the country originating the demand or serving as co-designer.
2. Well-defined objectives in line with country absorptive capacity.
3. Project design based on accurate assessments of needs, drawing on institutional development or public sector specialists from Bank or country.
4. Rigorous supervision of TA components or activities by country and Bank staff.

Our challenge is to incorporate these into our management culture and to see that our advice to countries is consistent with these changes.

#### **IV. Illustrations from World Bank East Asian Experience**

15. To give more concreteness to this so-far rather conceptual discussion, I want to cite the key East Asian experiences that confirm our conclusions. I will use country, purpose and instrument examples.

##### Indonesia

16. The long-standing relationship at the field level between the Bank and Indonesia is almost unique. We have had a large field presence in the country for over two decades which has allowed us to respond to Indonesian requests for economic and sector analysis on a scale unreplicated in many other country programs. This feature has provided both the government and the Bank with a deep understanding of

management and institutional issues.

17. The Indonesian government has had a high degree of willingness to use loan funds for technical assistance to meet its objectives (rapid economic development despite skill shortages to capitalize on increased earnings from oil exports). Indonesia now absorbs half of all our East Asia regional loan-funded TA, and 12% of all the Bank's resources provided for TA through loans. The first free-standing TA loan in the Bank (for pre-investment work) was made to Indonesia in 1968.

18. The use of these resources reflects the same gradual shift from mainly funding pre-investment studies to providing advice and capacity building training that we saw occurring Bankwide. Of five free-standing TA credits provided between 1968 and 1979, the first two were preinvestment funds with unspecified subprojects. Successive credits began to add studies and advisory services for building local planning and management capabilities, but continued to include large injections of preinvestment funding. This series of projects culminated in a high degree (87%) of viable investments being designed, while the studies funded engendered improved institutional self-reliance in central policy-making agencies, thus helping Indonesia increase its control over its public investment program. However, the Bank and the country concluded that the continued financing of feasibility studies on that scale was no longer justified, in view of the availability of increased resources for this from other donors.<sup>9)</sup>

19. The power sector in Indonesia illustrates the importance of having a long-term institutional development strategy supported by a sequence of projects. The Bank has made 20 loans for power development in the 21 years, underpinned by some 10 sector analyses. Over the period, a shared long term vision evolving through three related yet distinct phases was developed between the Government, the implementing agency (PLN) and the Bank. That vision was resolutely pursued over two decades, with funding reasonably balanced between straight investment and institutional development objectives. The first phase focused on the creation and organizational strengthening of PLN, the second on expanding the infrastructure for power generation, and the third on consolidating gains by strengthening the financial status and strategic planning capacity of PLN, as well as enhancing private sector participation in a conducive regulatory framework. The results are an impressive growth in electricity supply and in efficiency of its delivery combined with a growing share of private sector participation in generation and distribution.

#### China

20. China has been an active borrower from the Bank for a decade, and it plays a strong role in identifying areas for Bank analytical work and controlling project design. The country was reluctant to

---

<sup>9)</sup> World Bank, "A Review of Bank Assisted Free-Standing Technical Assistance Credits in Indonesia." OED, March 1988.

use loan funds for expatriate experts, particularly long term advisors, viewing them as very high cost relative to Chinese professionals. Thus, the approach agreed on was more training than consultant-based.

21. The first years of Bank lending supported China's objective of re-establishing its links with the "outside world" after a period of isolation. Projects had distinct capacity-building content (e.g. modernizing higher education). As the decade progressed, institutional development and infrastructure expansion in the power, road and rail sectors evolved. Capacity for planning of investment was added, e.g. modelling and water allocation mechanisms for the development of the Yellow River basin and computer-based project management techniques. To build China's own training capacity for economic management, a special arrangement was developed with UNDP funding to link the World Bank training institute, EDI, with Chinese institutions. The impact of this approach was probably more cost-effective than the external graduate training of individual Chinese, where issues of candidate selection and attrition emerged. Today, the emphasis includes preparing the financial sector as well as state enterprises and public regulatory bodies to undertake enterprise reform. The strengthening of the central bank as a regulatory agency, and the introduction of the corporate concept to what were essentially just state-owned factories are key elements in the current long-term strategy.

22. The overall experience has been broadly positive, given China's highly developed, centuries-old public administration culture and traditions. However, China's recent use of traditional TA instruments, material support and indirect exposure to international experience has not tended to focus on specific institutional goals as effectively as has its use of TA to improve the engineering and technical quality of investments.

#### Twinning

23. Looking at modalities rather than countries, twinning is an area in the Bank's experience with institutional development in East Asia with a number of successes. The relationship between Indonesia's gas company (PGN) and British Gas in the last half of the 1980s resulted in PGN's gas losses dropping from 30% to 3%, with sales and profits up significantly. Similar linkages have been established between Thailand's power company, EGAT, and that of Laos, from which Thailand eventually hopes to buy power. In the telecommunications sector, Malaysia's modern company has provided technical assistance to both Fiji and Laos, with Bank loan financing.

#### Sectors

24. To close with a sectorial out, environment has been the focus of an intensive combination of Bank-funded and trust-funded technical assistance to carry out diagnoses, develop action plans, establish and strengthen institutions and define regulatory frameworks. In China, the Bank undertook environmental sector work and arranged for Japanese grant-funded studies on environmental issues including biodiversity, greenhouse gases and other pollution factors. The follow-up will be an environmental technical assistance

project under preparation. In Indonesia, building on 1989 environment sector work, a technical assistance loan was approved last year to strengthen BAPEDAL, the country's new environmental management agency. A number of donors, including Japan and UNDP, were also involved in trust funding earlier stages of the Bank's support to BAPEDAL. But what can we say about all of these efforts? Little yet. The experience is limited, the precedents are few, the parties are numerous. But the issues are critical. If any development objective depended on the interplay of the public and private sector institutions, it is that of environmental protection.

## V. Conclusion

25. Drawing on the World Bank's recent deliberations regarding the limitations and advantages inherent in delivering or funding technical assistance for institutional development, let me close summarizing some key messages and by mentioning some of the new initiatives in Asia that, we hope, will draw on the mixed experience of the past. The main lessons we have learned are: institution development is a continuum, from the policy framework to the project context. Institutional development takes a long time, and therefore needs consistent, long term attention through coordinated, sequential projects. The diagnostic base must exist so that both the strategy and the design of projects to achieve that strategy are realistic. Given the links between participation, commitment and achievement of results, the institutional framework must, most importantly, recognize that countries are the owners of their institutions. The diagnosis of the problem and the roadmap to sustainable results must allow for intensive national and local participation in problem identification and development of solutions for institutional development. Sustainability is also well served if part of the solution is increasing local capacity to address future institutional issues, through training, developing the local consultant profession and including mechanisms to strengthen local management of technical assistance.

26. We formally look mainly at government organization in these areas, but it is important to recognize the debate in many countries over the role of the state, and that the relationship between the government and the private sector—and citizens more broadly—is an issue that is clearly relevant to sustainable efforts to improve the management of the development process. How government organizes itself to carry out these tasks, how these staff are managed and compensated, procurement and accounting practices, and how public sector functions are distributed among levels of government lead to several new areas for investigation and analysis. Concern about accountability and participation of beneficiaries calls for more attention to how public and private sectors interact with communities and citizens groups as well as who delivers the services. Finally, further work is needed on the measurement of service levels for public infrastructure and social services, to provide objective indicators about how efficiently these services are being delivered.

Table 1: 1991 and 1989-90 : Achievement of Institutional Objectives in Evaluated Operations,  
by Sector and Region

	Operations for which Achievement was Judged to be							
	1991				1989-90/b			
	No. of Projects	Substantial (%)	Partial (%)	Negligible (%)	No. of Projects	Substantial (%)	Partial (%)	Negligible (%)
<b>Sector</b>								
Agriculture and rural development	87	18	53	29	176	23	55	23
Industry	12	42	33	25	25	32	36	32
Development finance corporations	22	32	41	27	65	31	51	18
Transport	23	22	52	26	63	19	48	33
Tourism	3	67	33	0	5	20	40	40
Telecommunications	7	14	29	57	13	38	54	8
Energy	25	56	40	4	39	46	44	10
Power	16	13	50	38	42	43	40	17
Water supply and sanitation	15	53	13	33	26	38	54	8
Urban development	10	40	20	40	29	28	45	28
Education	21	24	52	24	45	29	49	22
Population, health and nutrition	2	0	50	50	11	18	55	27
Technical evaluation	9	22	56	22	16	25	38	38
Program and policy	10	0	90	10	26	35	38	27
<b>Region</b>								
Africa	100	21	48	31	171	22	49	30
East Asia and Pacific	40	45	35	20	125	36	51	13
South Asia	27	22	56	22	89	24	54	22
Europe and Central Asia	21	33	52	14	32	38	44	19
Middle East and North Africa	28	25	50	25	53	36	47	17
Latin America and Caribbean	46	26	43	30	111	31	43	26
<b>Total</b>	<b>262</b>	<b>27</b>	<b>47</b>	<b>26</b>	<b>581</b>	<b>29</b>	<b>45</b>	<b>23</b>

/a Some operations for which institutional development was not considered an issue were excluded.

/b The data for this variable are not available prior to 1989.

Source: Annual Review of Evaluation Results 1991, Report No. 11062

## Bibliography

### The World Bank

- Buyck, Beatrice. 1991. "The bank's Use of Technical Assistance for Institutional development," WBSWP No. 578.
- Gray, Cheryl W., Lynn S. Khadiagala and Richard J. Moore. 1990. "Institutional Development Work in the Bank: A Review of 84 Bank Projects," WBSWP No. 437.
- Israel, A. 1987. "Institutional Development, Incentives to Performance," World Bank.
- Nellis, John. 1991. "The Reform of Public Sector Management: Lessons of Experience."
- North, Douglass C. 1989. "Institutions and Economic Growth: An Historical Introduction." World Development, Vol 17, No. 9.
- Paul, Samuel. 1989. "Institutional Analyses in World Bank Projects," CECPS.
- Paul, Samuel. 1990. "Institutional Development in World Bank Projects: A Cross Sectoral Review," PRE WPS No. 392.
- Paul, Samuel, David Steedman, and Francis X. Sutton. 1989. "Building capacity for Policy Analysis: Lessons of International Experience," PPR WP No. 220.
- 1980. "The World Bank and Institutional Development—Experience and Directions for Future Work," Projects Advisory Staff.
- 1983. "World Development Report—1983."
- World Bank. 1985. "Indonesia—Management Development," Report No. 4965.
- World Bank. 1988. "A Review of Bank Assisted Free-Standing Technical Assistance Credits in Indonesia," Report No. 7156.
- World Bank. 1989. "Annual Review of Evaluation Results," OED.
- World Bank. 1989. "Indonesia—Power Sector Institutional Development Review," Report No. 7927.
- World Bank. 1989. "Report on a Review of Technical Assistance Activities in the Asia Region.
- World Bank. 1990. "A Study of Technical Assistance Components of Bank Assisted Projects in Indonesia."
- World Bank. 1992. "Staff Appraisal Report—Indonesia Suralaya Thermal Power Project," Report No. 10550.

---

## **Technical Cooperation**

### **The UNDP Approach and Experience in Institutional Development**

**Bayani Aguirre**  
Deputy Chief

South East Asia Division, Regional Bureau for Asia & Pacific, UNDP

---

#### **Introduction**

As the world's largest multilateral organization providing technical cooperation to developing countries, UNDP has accumulated a wealth of experience in institutional development. In partnership with the governments of recipient countries, other UN agencies and donor organizations, this experience has been gained through the practice of development cooperation, in a variety of settings and circumstances, in different fields and disciplines, all in the service of human development. By investing in people and enlarging their choices, UNDP is of the view that the great human potential can be unleashed to improve the quality of life and ensure its sustainability.

The diversity of UNDP's experience has always been its source of growth. For it provides useful lessons for the continuous improvement of technical cooperation concepts and processes. In the practice of institutional development, UNDP technical cooperation has had its own measure of shortfalls just as much as successes. Either way, the challenge is to continue moving ahead, innovating, piloting, and persevering, convinced that only through a development vision and a constancy of purpose that the needs of our clients—both donors and recipients alike—would be best served.

In this Symposium, allow me to share with you some of UNDP's concerns, approaches and experiences in institutional development in the hope that such an exposition would lead to an expansion of knowledge, an exchange of views, and a common understanding and appreciation of the problems and complexities that distinguishes technical cooperation in institutional development from other forms of technical assistance. Hereunder is a synthesized account of some of the main issues which UNDP currently face.

#### **Capacity building**

Although UNDP has been involved in "capacity building for self-reliance" as its core activity for many years, it is only quite recently that it has been able to develop a common understanding of the term. Various terms have been used to describe such activities in the past, the most common of which is "institution building". As there is a whale of difference between these two terms, there is also overlap. Thus, in UNDP, we refer to institution building as the development of particular institutions, their human resources, equipment, organization, management and administration. Capacity building, on the other

hand, pertains to a broader set of activities, involving support for human resource development, organizational strengthening and the emergence of an overall policy environment which is conducive to development.

Capacity building has three essential components: the education and training of managers, professional, administrative and technical personnel; the use of these trained people in public and private sector organizations which are aimed at achieving a development impact; and the 'development culture', i.e., the rules, norms and expectations governing the transactions and relations among people and among organizations.

While UNDP's global experience has shown that valuable capacities have been built in areas such as infrastructure (including research), vocational training, health, statistics, civil aviation and meteorology, the organization's efforts in a variety of other areas have not been successful. There are a number of reasons for this which has caused great a deal of concern:

- although governments have been supported in building capacity, many activities of UNDP projects have not had a major impact on development;
- the capacities which have been built have not been sustained in all cases;
- the focus has been on development of human skills and the establishment or strengthening of institutions, with insufficient attention given to building capacity to formulate and analyse policy alternatives, or, to the creation of a supporting environment;
- support has been concentrated on governments, with little, if any, for non-governmental institutions, the private sector, or for civil society in its broadest sense;
- it has not led to the establishment of the capacity to develop a coherent framework for technical cooperation in recipient countries; and
- technical cooperation as an instrument of capacity building has been flawed, not because particular projects did not succeed, but because large sums of money have been spent without reference to priority development goals and without reference to related programmes.

These concerns have raised a number of interrelated issues which need to be addressed, such as:

- the relevance of programme activities to core national development objectives;
- the national policy context within which programme activities are undertaken;
- the extent to which capacity of non-governmental as well as government institutions are built;
- the coordinating mechanism for capacity building activities;
- sustainability of the capacity; and
- the extent to which the modes of delivery of technical cooperation in support of capacity building have incorporated the lessons of the past.

With a view to enhance UNDP's effectiveness in building national capacity in developing coun-



tries, a pilot study, covering 6 countries world-wide, will soon be undertaken jointly with the World Bank to look into the circumstances for sustainable capacity building and to recommend more effective design of technical cooperation in support of capacity building. The study will focus on the following aspects: definitions and perceptions; priority processes and policies; outcomes and success indicators; use of capacity; balance covering both public and private sector institutions; sustainability factors over the long term; and elements of success or failure.

We expect to see the results of this pilot study, a year from now.

UNDP also gives emphasis to a strategic, coordinated approach to capacity building. The means through which UNDP can support governments in formulating and implementing national strategies for capacity building can be seen on the basis of the following phases of the programme cycle:

- the capacity to develop a long-term vision and perspective;
- the capacity to formulate policies and substantive orientations for the short and medium-term;
- the capacity to implement national programmes by public and non-government institutions; and
- the capacity to monitor and evaluate the impact of national programmes.

#### **New approaches to UNDP cooperation**

More than 40 years of experience and many lessons learned in the provision of technical cooperation have spurred UNDP to search for “better ways of doing business”. At the onset of the 1990s, against the backdrop of fast-changing realities, UNDP has begun to dismantle old paradigms and usher in the new. Let me cite three main pillars of the new ways by which UNDP does its business.

First, experience has shown that UNDP’s main instrument in the delivery of technical cooperation, i.e., via a project, has a number of major limitations. Not only are project objectives narrow and its impacts obscured, it also leads to heavy administrative burdens as projects multiply. Particularly for institution and capacity building projects, it is not uncommon to find projects which are able to produce expected outputs and meet objectives but fall short in building institutions and fostering sustainability. Hence, the “programme approach” was born. Initially a loose concept, UNDP is now much closer to defining its principles, its elements and its requirements. Essentially, the programme approach emphasizes the existence of a government development programme as the basis for UNDP technical cooperation. If no such programme exists, then assistance could be provided in developing the programme. Therefore, UNDP intervention(s) may respond to the specific needs of a component or a number of components in the programme. Among the very few proposals which have recently been approved is the Thailand programme on Basic Education and Vocational Training.

Second, alongside the programme approach, UNDP is encouraging national execution of projects. This modality not only gives the recipient government greater ownership but also enhances its capability to develop and manage technical cooperation projects. The percentage of nationally-executed projects is still small (for institution-building projects in Asia/Pacific, it accounts for only 3% of total UNDP financial commitments in the 4th Cycle) but the trend is on the rise.

The third pillar in UNDP's new approach is the successor arrangements for agency support costs. This is a more complicated way of compensating UN agencies for executing technical cooperation projects funded by UNDP. Simply stated, instead of the 13% overhead charges which agencies used to charge under the old regime, a new set of formulas and arrangements for support costs are followed for projects executed by the big UN agencies such as FAO, ILO, DTCD, UNIDO and UNESCO. These new arrangements are intended to encourage these agencies to sharpen their respective technical competences rather than concentrating on project development.

At this point, it is also worth noting that for the first time, the UNDP Governing Council in decision 90/34 has called for greater focus in the formulation and implementation of technical cooperation programmes during the 5th Cycle. In furthering national capacity building, the six thematic areas prescribed by the Council are as follows:

- poverty eradication and grassroots participation in development;
- environmental problems and natural resource management;
- the management of development;
- technical cooperation among developing countries (TCDC);
- transfer and adaptation of technology and development; and
- women in development.

### **Country programmes**

UNDP technical cooperation in a given country operates under the framework of what we refer to as country programmes (CPs). The country programme indicates the themes and areas of concentration for utilization of available UNDP resources. It will be seen from the following brief descriptions of the CPs of countries represented in the Symposium that a great deal of emphasis is given to capacity building and institutional development in meeting the countries' priority needs for UNDP technical cooperation.

During the 4th Cycle (1987-1991), three themes were adopted in the UNDP CP for Malaysia: strengthening the planning and implementation capabilities of the government; human resources development; and development of science and technology. However, on account of the fast-changing socio-economic developments in the country, the initial project pipeline had to be adjusted during the course of CP implementation. These developments and the futuristic vision of the government have influenced the formulation of UNDP's thematic thrusts in the 5th Cycle (1992-96) as follows: human skills in the 1990s; technology for the 1990s; and management of the environment in the 1990s. Although available UNDP resources is relatively small, Malaysia continues to attach importance to the CP by providing it with government resources. In the 5th CP, of the \$15.3 million allocated for the programme, 53% is cost-shared by the Government.

UNDP's contributions to institutional development in Singapore during the 1960s are widely recognized as part of the "Singapore-UNDP success story." The results of these initiatives have led to the establishment of: the Economic Development Board (EDB), the Development Bank of Singapore (DBS),

Jurong New Town Authority and several other institutions which have played important roles in the country's development. Singapore's industrial competitiveness is also greatly enhanced by the quality and productivity work carried out by SISIR (Singapore Institute of Standards and Industrial Research) which has been continuously assisted by UNDP since its infancy. Since Singapore has now graduated into the ranks of a net contributor country, it does not have a specific UNDP country programme in the same manner as for other developing countries. However, this does not prevent Singapore from availing of UNDP's comparative advantages in technical cooperation through participation in regional projects, and/or, by providing its own resources to finance UNDP projects.

From a gap-filling role, the UNDP CP in Thailand is moving towards a highly-focused and programme-oriented approach to technical cooperation in key development areas. During the 4th Cycle, the four themes were: economic management and institutional reform; human resources and social development; production, marketing and research and development of new technologies; and natural resources and environment. These have now been focussed to three themes in the 5th Cycle: income distribution and regional prosperity; environment and natural resources management; and human resources development. IPF/programmable resources have also been reduced from \$31 million to \$27 million in the 5th Cycle.

It would be interesting to note that in a DANIDA-commissioned study (April 1990) on the effectiveness of UNDP field activities, it pointed out that there were design weaknesses in the institution-building/operational projects in Thailand. These weaknesses, particularly with respect to the relationship between objectives and institutional arrangements, came from a combination of factors such as: the choice of narrow implementing agencies and project formulation procedures which were able to address identified problems but unable to fully grasp quite different and strong public sector institutional traditions. UNDP expects that such weaknesses would no longer occur under the programme approach which our Bangkok field office zealously pursues in the implementation of the 5th CP.

The Philippine 4th CP was characterized with numerous projects in pursuit of 4 sector-oriented programme priorities; agricultural development; industrial development; energy development; and general/regional development. The CP was extended until end 1992 to coincide with the country's development planning cycle. The 5th CP, with IPF resources of \$39 million is currently being formulated. Based on discussions between the government and our field office in Manila, the promotion of sustainable human development would be the over-riding goal in the CP. Thematic priorities would cover the following areas: economic reform; improvement of the country's competitiveness through technology transfer; poverty alleviation and basic social services; and environmental management. The CP is expected to be finalized in the next few weeks in time for presentation and approval at the June 1993 session of the UNDP Governing Council.

The UNDP-CP in Indonesia is the largest in the ASEAN countries in terms of programmable resources. The 4th CP covers the period 1991-94 with resources of \$74 million. Early this year, agreement was reached between the government and our field office to consolidate and streamline the programme's 11 priorities and concentrate on the following: poverty alleviation; promotion of non-oil exports;

infrastructure development; environmental protection and natural resources management; managing development; employment promotion; technology development; and regional development. A mid-term review of the programme is scheduled before the middle of next year.

UNDP resources made available to the Republic of Korea to support the 4th CP (1987-91) amounted to only \$10.7 million. These were directed towards the following main thrusts: reorganization of industrial structure; strengthening of the science and technology base; environmental management and protection; and human resource development. The 5th CP, with IPF resources of \$4.2 million is under formulation. It would focus on the following areas: environmental management; industrial restructuring; tumen river development; social development; and TCDC.

### **Regional development institutions**

There is a wealth of developmental expertise which resides in the region. With their competence and familiarity with local conditions, development and research institutions can provide the needed services in programme/project formulation and implementation of project activities. UNDP has tapped these institutions in a number of ways. To cite a few examples, the Thailand Development and Research Institute (TDRI) has provided UNDP with studies leading to the preparation of the Thailand country programme. It has also been active in implementing project activities through subcontract arrangements. The Philippine Institute of Development Studies (PIDS) has undertaken a number of studies for UNDP projects in the Philippines and for ASEAN. We have also utilized the services of the Malaysian Institute for Strategic and International Studies (ISIS) for UNDP-assisted studies in the restructuring of the ASEAN. The Korean Development Institute (KDI) has also done quite a lot of assignments for UNDP both in the country and around the region.

### **Institution-building / strengthening projects**

To give the Symposium an idea of the number and the magnitude of resources devoted by UNDP for institution-building and strengthening projects during the 4th Cycle (1987-91), hereunder are some interesting data and information.

During the 4th Cycle, there were 706 projects (country and regional) in the Asia and Pacific region categorized under the heading of institution building and institutional strengthening with a total budget of \$854 million. Of these projects, 290 were of the institution building-type (with total budget of \$324) while the remaining 416 were for institutional strengthening (with a total budget of \$530).

Of the countries represented in the Symposium, it is interesting to note the following information:-

For Indonesia, there were 13 institution-building projects with a budget of \$21.8 million. Of these projects, 6 have been completed and 7 are in progress. One example of an on-going project is titled "Community Water and Sanitation Project". In addition, there were 35 projects classified as institutional strengthening (with a budget of \$45.6 million); 16 of which are on-going such as "Promotion of TCDC: Phase II".

For Malaysia, there were 10 projects, two of which were institution building with a total budget of

\$1.4 million. Of the 8 strengthening projects (\$2.8 million budget), one example is titled "Strengthening Computer Audit Capability".

In the Philippines, there were 6 institution-building projects with a total budget of \$5.5 million and 13 institutional strengthening projects with a budget of \$12.4 million during the 4th Cycle. One example of an institution building project is titled "Establishment of Animal Products and By-Products Training Center."

In Singapore, there were 4 projects, now all completed, 3 of which were classified as institution building with a budget of \$1.1 million. One project is titled "Development of Materials Technology & Applications Centre of the SISIR."

In Thailand, there were 3 institution-building projects with a total budget of \$2.4 million and 9 institution-strengthening projects with a budget of \$4.8 million. One example is titled "Improving Food and Agricultural Production with Nuclear and Related Technology".

In the Republic of Korea, UNDP had 8 projects, 4 of which were for institution-building (all completed) with a budget of \$2 million. One example is titled "Development of Civil Aviation Training Center."

At the regional level, there were 15 institution building projects with a total budget of \$14 million and 26 institution strengthening projects with a budget of \$33.9 million. One example of a regional project is titled "Advisory Services on Foreign Direct Investment: Phase II."

At the sub-regional level, UNDP has been quite active in providing technical cooperation to the Association of South East Asian Nations (ASEAN). In the process, UNDP has become the only international organization designated "Dialogue Partner" by the ASEAN. In the last two years, UNDP provided assistance in a number of major studies which led to recommendations that were adopted during the ASEAN Summit Meeting of January 1992. These include: the Framework Agreement for Economic Cooperation as recommended in the report "ASEAN Economic Cooperation in the 1990s; and the restructuring of the ASEAN institutional framework with particular reference to the ASEAN Secretariat. Continued assistance is being given by UNDP in the reorganization and professionalization of the ASEAN Secretariat.

Similarly, UNDP has been providing institutional support to the Mekong Committee ever since its inception. Under the South Pacific sub-regional programme, a number of institutions have been assisted such as the South Pacific Regional Environmental Programme (SPREP) and the Forum Secretariat. Other subregional programmes are under development for the South Asia Association for Regional Cooperation (SAARC), for Indo-China, and for North East Asia, including the Tumen River Basin Development Project.

### **The expert-counterpart system**

A review of the UNDP institution building/strengthening projects in the the Asia-Pacific region shows that, on average, 43% of project budgets are devoted to project personnel and a sizable portion of these are accounted for by long-term resident experts. There has already been a great deal of debate on the

effectiveness of the expert-counterpart system which often characterizes the principal vehicle by which technical assistance is transferred. Consequently, alternative arrangements are often sought to come up with more cost-effective ways such as short-term missions, the use of national consultants, and twinning arrangements. Without adding further to the debate, suffice it to point out here that for institutional development projects, the use of long-term resident experts who are able to get to know the country and the people better and become more sensitive to the local culture and the political context, may have its advantages particular if effectively combined with available national expertise.

In Indonesia, for example, the breakdown by project components of 64 on-going projects indicates the following distribution: personnel-58%; training-18.3%; subcontracts-12.5%; equipment-6.5%; and miscellaneous-4.6%. In view of expertise available in the country, there has been a trend to shift from long-term resident international experts to short-term specialized consultants. Another trend is the increasing use of national expertise, where available. The experience with national experts has been positive; in combination with short-term international expertise, it has proven to be effective in many cases.

### **The NATCAP process**

In an effort to improve the effectiveness of technical cooperation in building national institutional capacity and creating sustainable forms of development, UNDP initiated in the African region in 1986, what has come to be known as NATCAP—National Technical Cooperation Assessment and Programmes. Since then, more than 20 NATCAP exercises have been undertaken.

Essentially, NATCAP is a process, led by the government, for systematically reviewing the effectiveness of, and programming the priority needs for, technical cooperation from all sources. It is meant to be a long term process to help strengthen the institutions, develop the methodologies and establish the mechanisms for a more systematic programming and coordination of technical cooperation in support of the recipient Government's development policies and programme management.

The NATCAP methodology has undergone a number of refinements over time. It now consists of a number of phases. The preparatory phase involves the definition of the scope to be covered in the exercise and identification of relevant institutions. The studies and analyses in the succeeding Phase I lead to the production of a data base on technical cooperation and a Technical Cooperation Policy Framework Paper (TCPFP). The main activity during Phase II is the identification and prioritization of TC needs resulting in a Technical Cooperation Programme (TCP). And, the follow-up phase aims to strengthen government management and planning capacity, improve donor coordination and internalization of the process in the government's planning and budgeting procedures.

Although NATCAPs may not be of particular relevance to countries participating in this Symposium because of the relative sophistication in the development and management of their technical cooperation programmes, it is worth mentioning here in the Symposium as it exemplifies a process and a well-defined methodology for improving the effectiveness of technical cooperation programmes.

## **The MDP approach**

In 1988, UNDP established the Management Development Programme (MDP) with an allocation of \$60 million through 1992 and a further \$40 million for the period 1992-96. This allocation came from UNDP's Special Programme Resources (SPR), established specifically for use in developing and mainstreaming new concepts and approaches in areas essential for building national capacity in Human Development. MDP's main objective is to help developing countries improve the efficiency and effectiveness of their public sectors through the enhancement of public management capacity and the promotion of a more strategic approach to public management improvements. Particular attention is given to countries which request support for carrying out comprehensive programmes aimed at strengthening public management on a long-term basis.

The principal areas covered by MDP-assisted programmes are: streamlining of government machinery; civil service reforms; human resource management; financial management; strengthening of policy analysis capability; decentralization; and enhancing public sector linkages with the private sector. The programme is available to all developing countries with priority given to poor developing countries. Since funds are limited, proposals for MDP assistance must be innovative and have the potential for widespread application if proven viable. The programme emphasizes capacity building in the service of long-term institutional change. Accordingly, it focuses on appropriate individual and institutional incentives and the systems needed to maintain such incentives over time. The development of skills, organizational strengthening and procedural change are seen in the context of the larger, systemic changes needed to make specific improvements meaningful.

The specific methodology followed in programme formulation relies heavily on the participatory approach or process consulting which underscores local and national ownership and leadership in the management of the change process. This approach is critical to the success of the programme.

Of the countries represented in this Symposium, UNDP is in the process of developing MDP-assisted projects in Indonesia and the Philippines. The focus of the Indonesian project is administrative reform with particular emphasis on performance improvement in the public service. It is expected that MDP would provide seed funding; the main bulk of the required resources would come from the UNDP-IPF allocation to Indonesia.

Parenthetically, in Thailand, IPF resources were utilized to finance a project (THA/87/011) on improving the management of government programmes. Executed by the Civil Service Commission, the expertise of the Thailand Development Research Institute (TDRI) was utilized in carrying out the studies conducted by the project.

For some time now, UNDP has been having discussions with the Philippine Government on an MDP project for the improvement of public sector management and the budgeting process, particularly in light of recent legislation on increased decentralization and autonomy at provincial and local levels. An MDP mission (comprising one international expert and two national consultants) was in Manila only two weeks ago to formulate the project document.

Through its work, the MDP has accumulated a lot of experience in the programming of technical

cooperation and the implementation of projects on public sector reforms and institutional development. It has also carried out brief case studies on the successful experiences of a number of countries, such as Malaysia and the Republic of Korea, in managing the process of public sector reform. In both cases, the importance of strong Government leadership and commitment to the reform process have been highlighted.

### **Capacity 21**

One of the key issues that kept surfacing during the UNCED Earth Summit in Rio this year is the lack of endogenous capacity in developing countries for sustainable development. Consequently, UNDP has recently launched Capacity 21, in support of Agenda 21, to assist countries in the formulation and implementation of sustainable development strategies and of required national capacity building programmes. Through Capacity 21, assistance would be provided to enable developing countries to integrate environment and natural resources consideration into the development planning process and build capacity to manage these effectively in the context of economic and social development.

UNDP intervention(s) may be requested in any of the following steps for implementation of the programme:

- review of development plans
- formulation of national Agenda 21
- strategy for implementation of national Agenda 21 in light of the development plans
- assessment of capacity required for effective implementation of Agenda 21 and development plans
- formulation of capacity building programmes
- implementation of capacity building programmes.

For purposes of this programme, "capacity building" is understood to include the process and means through which national governments and local communities develop necessary skills and expertise to manage their environment and natural resources in a sustainable manner within their daily activities. The term "capacity" includes three components: human resources, institutions and an enabling environment. Thus, a legal framework, enforcement mechanisms, technical skills and basic knowledge of the individual regarding the natural environment are all essential elements of "capacity".

The amount of \$100 million is being targeted to support the pilot programme of activities. Discussions with donor countries have been initiated to obtain the necessary funding; the amount of \$10 million from the UNDP-SPR has already been earmarked to start-off the Capacity-21 programme. Already now, a number of inquiries and project ideas have been received from interested developing countries, some of which are represented in this Symposium.

### **Evaluation of institution-building projects**

Since UNDP has long been involved in institution-building projects, it has been able to develop and



test a specific methodology for the evaluation of such projects. For instance, in order to provide a better understanding of the process of institutional development, the evaluation asks three basic questions:

- What is the present status of institutions assisted?
- Is it possible to evaluate their contributions to national development?
- Are there relevant characteristics shared by these institutions in the course of their development?

A number of elements are considered in the evaluation, such as: the performance of the institutions, their efficiency, effectiveness, potential for development, impact, and sustainability.

The involvement of governments is essential. In a number of cases, evaluations are conducted as joint exercises with the participation of national consultants in the expectation that the nationals would be able to conduct similar evaluations in the future without external aid.

Occasionally, UNDP's comparative advantages in providing the assistance are looked into during the evaluation of institution building projects. In one example, the evaluation noted UNDP's unique capabilities in the following areas: obtaining access to private sources of technology; building institutional linkages between developing and developed country institutions; providing integrated access to high technology; and the use of TCDC modalities.

## **Conclusion**

In conclusion, the UNDP approach and experience to technical cooperation in institutional development has evolved to embrace the wider concept of capacity building which is no less difficult to formulate, implement and assess. To support this concept, a number of new approaches have been developed which provide greater opportunities to developing countries for ownership in the development and management of technical cooperation programmes—the programme approach, national execution modality and the new agency support cost arrangements.

The countries represented in the Symposium comprise among the fastest growing countries in the world today. Accordingly, UNDP technical cooperation in these countries, as shown in the country programmes and projects implemented, reflects a higher level of development needs. This is equally true for institutional development projects where more advanced know-how and technologies are sought. Through its international network, UNDP would be able to access these technologies; it could also provide support to further encouraging and building-up the capacity of development and research institutions in the countries of the region. The combination of international and national expertise is quite formidable in addressing development problems and priorities.

In addition to capacity building programmes at the country and regional levels, certain processes and methodologies have been developed by UNDP which not only enrich the discipline but, more importantly, geared to serve more effectively the needs of the countries that UNDP serves: the NATCAP process, the MDP, the newly-created Capacity 21, and a coherent assessment and evaluation system for capacity building and institutional development programmes and projects.

The UNDP's lessons and experience in the provision of technical cooperation for capacity building and institutional development is a rich reserve available to all our development partners.