Support for Institutional Development

Definitions

"Institution" means the norms, rules, roles, and structures that people develop to organize and guide their individual or joint activities. Institutional development creates or reinforces an organization's capacity to generate, allocate, and use human resources effectively to attain development objectives, both public and private. ID aims to improve or strengthen internal organizational structures and management systems; financial management; personnel management; staff development, and training; interinstitutional relationships; institutional structures of subsectors or sectors; legal frameworks; and government regulations and procedures.

"Institution" and "organization" are often used interchangeably, and their purposes often converge, but they are distinct from one another. Organizations (e.g., government departments, parastatal bodies, private businesses) are a large part of the institutional framework. They perform specific functions. When an organization's utility or efficiency is questioned, it may be restructured, replaced, or eliminated. Institutions are more deep-rooted and enduring. The norms and rules of behavior they embody cannot be sustained without a network of organizations that promote, codify, enforce, and defend them.

At first, the Bank channeled its support for institutional development (ID) through components within investment projects that helped to build up the capacity of particular organizations. Support for broadly based ID with countrywide implications, particularly for policy development and capacity building, increased sharply in the 1980s, when it became clear that adjustment policy reforms often fell prey to institutional constraints, lack of skills for policy analysis, and inadequate commitment from borrowers. Many adjustment operations were thus accompanied by technical assistance (TA) loans to enhance borrowers' implementation capacity.

Today, a growing share of Bank support for ID is organized through freestanding operations to improve public sector management. Typically these aim to facilitate changes in the role of the state, through increased transparency and accountability, civil service reform, restructuring public enterprises, and encouraging a larger role for the private sector. To succeed, this type of assistance requires in-depth policy dialogue and a long-standing relationship with borrowers.

Performance

Most Bank-financed operations have an institutional development dimension. Of the operations approved in the 1970s and early 1980s, those that achieved their ID objectives also tended to be those that performed satisfactorily overall and yielded sustainable benefits. Of the operations that had "substantial" ID achievements, 94 percent were rated "satisfactory" overall. Of the operations with "partial" ID achievements, 66 percent were rated satisfactory; of those with "negligible" ID achievements, only 21 percent were rated satisfactory.

Of the 1,170 operations evaluated in 1989-92, only a third have realized substantial ID achievements. This reflects the fact that operations and technical assistance components have become more complex and ambitious. More and more operations escape the purview of a single or dominant organization. Many do not pursue measurable end results. Both these characteristics make operations more difficult to design, implement, monitor, and evaluate.

Issues, recommendations

Looking to the future, the Bank needs to sustain and strengthen its support for ID. First, most operations supporting poverty reduction, better envi-
rnonmental management, and an enhanced role for the private sector require organizational and policy development. Second, evaluation data confirm that organizations must be competent, and institutions supportive, if the flow of benefits from physical investments is to be sustained.

Sector work

Past operations in support of ID have rarely been built on adequate sector work and have often lacked a strategic context. While 90 percent of the operations evaluated in 1992 were preceded by sector work, the quality of the institutional analysis was uneven, and often ID issues received only cursory treatment.

- Pay more attention to ID issues and institutional analysis in work programs for ESW.

Borrower commitment

Participation by borrowers, and especially beneficiaries, in identifying problems and proposing corrective measures is critical for the attainment of ID goals. Successful ID operations are those where the borrower recognizes unequivocally that ID is needed to meet an existing deficiency and to serve an important goal, and that local capabilities will be supplemented, not displaced, by outside expertise. Borrowers view many ID initiatives as an "add on," or part of Bank conditionality. The resulting exchanges are neither free nor frank, and collaboration between borrowers and lenders becomes too rigid and formalistic to be productive. (See Precis No. 40.)

- Let the initiative for seeking the Bank's assistance rest clearly with the borrower.
- Seek the borrower's fullest possible involvement at all stages of project processing. Promote an active role for the borrower in upstream diagnostic work, allowing the borrower's consensus-building mechanisms to produce understanding and popular endorsement rather than pressing ahead prematurely to suit the Bank's schedules.

- Social, political, and economic factors may weaken a borrower's commitment during project implementation. Continually assessing performance against definite targets, using monitorable indicators, will help signal whether commitment needs to be buttressed.
- Give particular attention to consultation with beneficiaries; involve local people in the design of training programs to the extent possible.

Design

Project design must be consistent with borrowers' implementation capacity, with efforts already under way, and with initiatives supported by others.

The "blueprint" approach, known for clarity of objectives, may not always suit projects and components whose main focus is capacity building. When flexibility to respond to changing situations and priorities is important, the "process" approach may be more appropriate. However, the two approaches may sometimes complement one another.

- On balance, experience shows the Bank should be more flexible, allowing ID components to be adjusted or redesigned after project approval in light of evolving circumstances.

Staffing

In large physical investment projects, technical, managerial, and financial matters receive most of the attention, at the expense of ID-related aspects. Evidence shows that at the project preparation stage, ID strategies and monitoring plans are often given short shrift.

- Particularly where ID components have received too little attention during preparation and appraisal, cursory supervision may fail to identify problems promptly and to propose appropriate solutions. Common shortcomings in the supervision of ID are lack of appropriate skills to address complex and difficult issues promptly, and delays in reformulating project components that are doing poorly.
- Budget for enough contributions from staff with ID expertise—with a judicious balance between the pre-approval and implementation phases.

Performance indicators

Few ID projects or components have provided for monitoring progress against explicit performance criteria or dated targets. This makes it difficult to judge whether goals are being reached or modifications are needed. As a result, ID issues repeatedly identified in successive projects often remain unresolved. In Paraguay's highway sector, for example, despite seven Bank-supported projects over 30 years, many of the key issues repeatedly identified in appraisal reports remain essentially unresolved. Experience in agricultural credit in Pakistan, and in power in Turkey, has been similar.

- Use performance indicators in ID projects and components, to measure progress in achieving goals, while recognizing that the indicators may be less precise than those used in physical investment projects.

Looking ahead

Growth in the number of staff with ID skills, and in staff awareness of ID issues, is still inadequate relative to the need for ID assistance. But the documentation on proposed new operations shows improvements in the treatment of institutional issues, and several new instruments—the Institutional Development Fund, a revised operational directive, and the Handbook on Technical Assistance—are now in place. Deliberate use of these instruments along with progress in research and training should help to make the Bank's ID assistance more effective.

OED Précis is produced by the Operations Evaluation Department of the World Bank to help disseminate recent evaluation findings to development professionals within and outside the World Bank. The views here are those of the Operations Evaluation staff and should not be attributed to the World Bank or its affiliated organizations. Please address comments and enquiries to the managing editor, Rachel Weaving, F-9037, World Bank, telephone 473-1719.

December 1993