PROMOTING GOOD GOVERNMENT BY SUPPORTING INSTITUTIONAL DEVELOPMENT?

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1 INTRODUCTION

Aid to support good government in principle has two faces. The less attractive face is that of political conditionality: the tying of aid commitments to the behaviour of recipient governments in relation to such issues as holding elections, respecting human rights or tackling corruption. The more benign face is that of 'positive support': donor funding for projects and programmes expressly designed to promote better governance. The prospect of such 'positive' aid is one factor that makes the good government agenda tolerable to aid recipients.

I argue here that, even if donors can find the money, the prospects for large scale 'positive' support for good government are less good than many would hope, because aid agencies will find it difficult to implement good government projects effectively. The general reasons are that:

(i) Positive support to better government requires aid agencies mainly to engage in what are conventionally called 'institutional development', or 'institution building' activities.

(ii) As a great deal of experience shows, institution building activities are problematic for aid agencies.

I identify and discuss four distinct sets of problems with aid projects for institution building:

(i) Aid agencies have a long experience of supporting institutional development activities. According to their own evaluations, their records of achievement are not very impressive. The causes of mediocre performance are not easily remedied. Aid agencies may become better institution builders in the future than they have in the past, but it seems unlikely that they will become paragons in the art.

(ii) Institution building activities have in the past been heavily supported with technical assistance. Yet there is something of a crisis in the technical assistance field: conventional methods of delivering technical assistance have recently been authoritatively discredited, yet alternatives are not readily available.

(iii) There has always been considerably uncertainty and disagreement about the meaning of 'institutional development'. This has not been a major problem, but now threatens to be because some (multilateral) aid agencies are beginning to replace it with an even more vague term – capacity building – in such an undiscriminating and confusing way as to stimulate debate and dissent. Ideas matter. It is difficult to obtain the commitment of professional staff to a set of activities if they are not reasonably clear about what it is they are asked to do, and confident that there is a defensible intellectual justification for it.

(iv) The successful promotion of institution building may require aid agency staff to intervene directly in the internal affairs of recipient nations. This is quite consistent with the good government agenda in general, which at its broadest symbolizes and institutionalizes a greater and more transparent exercise of influence by aid donors over the 'internal' affairs of recipient nations. The problem for aid agencies themselves is whether they have the capacity to intervene effectively.

2 POSITIVE AID FOR GOOD GOVERNMENT

Positive support for good government could involve a very wide range of types of projects, intended to develop or improve the capacity of any of the following kinds of institutions or organizations: state administrative machinery in general; state policymaking units; political parties; human rights organizations; civil society organizations; legislative institutions; electoral institutions; judicial institutions; the police; the mass media.

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1 The ideas in this paper derive largely from work on aid and institutional development for the Swedish International Aid Agency (SIDA), and are explored in more detail in SIDA (1994).
In some cases, aid may take the form of the supply of equipment and other physical facilities. Customs officials may need fast patrol boats to intercept narcotics smugglers, and Elections Commissioners may need buildings and computers. In a few cases, aid may be of a short term nature: such as emergency assistance to organize polling in a country with no tradition of holding free elections. But in most cases, positive assistance will be of a long term nature, and intended to help improve the general capacity of particular organizations or institutions. It will be what is generally termed 'institution building'.

Perverse as it may seem, it is less confusing if I postpone discussion of the meaning of ‘institution building’, and begin by discussing aid agencies’ experiences in the field.

3 THE EXPERIENCE OF INSTITUTION BUILDING IN AID PROJECTS

A recurrent theme in the literature on aid and institution building is that aid agencies are not very good at this particular job, and certainly less good at it than projects with larger hardware components. There is, in fact, some rather convincing evidence in support of these arguments from aid agencies themselves:

(i) The World Bank’s reviews of its own projects, divided into ‘institutional development’ and ‘physical’ activities, ‘have consistently arrived at the conclusion that the physical components of programs have been successful about twice as often as have institutional development components’ (Israel 1987: 2).

(ii) A study of evaluations of recent USAID projects completed in 1985 and 1986 found that 40 per cent of projects had received a strongly negative rating in relation to their contribution to improving institutional capacity (Kean et al. 1988).

(iii) A study of recent British aid projects with institution building components involved looking at five projects in depth, 15 Evaluation Summaries, and 50 Project Completion Reports. Each data set indicated that the institution building components had been less successful than the other components (Austin 1993: 11-27).

There is a conventional argument for these findings that has two main components, each relating to the character of the aid agencies themselves. One component is that aid agencies operate as bureaucracies in the pejorative sense of the term: they are relatively rigid and inflexible in approach, operate in a ‘blueprint’ rather than a ‘process’ mode, prefer standard formulas and approaches, are focused on achieving the main goals by which they are judged, i.e. spending large quantities of money in the short term, and therefore only pay serious attention to large scale activities. All these characteristics are inimical to effective institution (and organization) building, which requires a different approach: patience and a long time horizon; experimentation and willingness to admit and learn from mistakes; human skills and sensitivity rather than expensive hardware; and sensitivity to the particular cultural and political environment into which the institution is to fit (Van Reenen and Waisfisz 1988). The second component of the conventional argument is that aid agencies perform all the worse in these respects because they are not only bureaucracies, but foreign bureaucracies with limited understanding of, communication with, or empathy for the environment in which they operate – and often handicapped by high staff turnover rates of field staff (Diallo 1991; Edgcomb and Cawley 1991).

There is certainly some truth in these conventional arguments. But it is unlikely that they provide an adequate explanation for the facts. There are two further reasons, stemming not from the character of aid agencies, but from the nature of institution building itself:

(i) Institution building is a ‘low specificity activity’ in Israel’s terms (1987). Low specificity activities are relatively imprecisely defined, and lack the feedback mechanisms that help identify or reverse poor task performance in a quasi-automatic way: relatively intense and immediate adverse effects that affect a wide range of influential people in a direct fashion. Everything else being equal, low specificity activities tend to be performed poorly.

2 Leonard, 1987) classifies managerial functions into four categories in terms of their contribution to project success – public policymaking, organizational leadership, internal administration and ‘bureaucratic hygiene’ – and argues that the latter, which is the least important, is the one of greatest concern to aid agencies in relation to the projects that they fund.

3 Israel uses as a paradigm of a high specificity task the maintenance of aircraft engines. The work process is specified in great detail, and, should the job be done badly and the aircraft develop a fault or crash, there are powerful, quasi-automatic feedback mechanisms for detecting the source of the problem.
Institution building is a low specificity activity because we have no very well developed idea of how institution building is best achieved, no standard work plans that those responsible for projects should follow, no precise techniques for measuring progress, and no automatic mechanisms through which failures or poor performance will have a major, intense or immediate impact, and stimulate investigation and corrective action. Agents charged with achieving institution building who are doing a poor job, whether knowingly or unknowingly, will tend not to be held responsible; excuses can always be found for poor results.

(ii) The 'hardware' components of aid projects tend to be completed with relative speed and enthusiasm because there are either suppliers or contractors who have a clear interest in progress and capacity to bring influence to bear. Such influences may not always have a benign effect on the quality of work, but they do tend to encourage completion. By contrast, projects lacking major 'hardware' components – i.e. most institution building projects – tend not to enjoy this kind of political support, and are less likely to be given attention and priority by decision makers (Tendler 1982).

Institution building is doubly difficult for aid agencies: first because they are aid agencies, and second because the task itself is difficult. Unfortunately, there are no clear or simple solutions.

4 TECHNICAL COOPERATION AND INSTITUTION BUILDING

Technical cooperation is in principle distinct from institution building. Yet the two have often been treated as near-equivalents in the discourse of aid agencies: the prime purpose of technical cooperation is believed to be institution building, and the aid donors' main contribution to institution building is believed to be through financing technical cooperation. The futures of technical cooperation and institution building are linked; and the future of technical cooperation is currently seen as very problematic.

The dominant and most expensive component of conventional technical cooperation is the 'individual expert-counterpart relationship': the arrangements by which individually-recruited 'experts', mainly from the donor countries, occupied posts in developing countries at international salary levels for fixed periods of a few years, during which they were required both to do a particular job and train the local 'counterparts' to whom they were attached. The expert-counterpart model, has come in for a great deal of authoritative criticism lately. Recent reports have placed the official stamp of approval on what has been widely known for years: that such arrangements are extremely expensive; that there is little evidence that they are generally effective in the training function; and that they generate adverse effects as a result of the enormous differences in remuneration levels between the experts and the local people with whom they are expected to work.5

The fundamental criticism of the expert-counterpart model has led to increased attention on the only alternative general model of technical cooperation: long-term 'twinning' arrangements between organizations in developing countries and 'counterpart' organizations in donor countries. The idea is far from new: it has long been practised in commercial activities, notably in arrangements between established and new or weak airline companies. This is however a new activity for aid agencies; experience is therefore very limited. It is questionable whether 'twinning' can meet the expectations which it is now generating (Berg 1993: 116-120; Cooper 1984).

In principle the arrangement has several advantages: the greater credibility and acceptance of the 'donor-side' personnel in the recipient country because they come as fellow professionals with similar problems; flexibility in the type of assistance to be provided and in the timing; the scope for a variety of types of inter-personal interaction; and the possibility of long-term relationships. There are, dimensions and (b) involve the transfer of scientific and engineering knowledge, especially the kinds of knowledge, like most mechanical engineering, which is robust over a wide range of physical environments (Muscat 1986). Unfortunately however, the growth in technical cooperation in the region that is most deeply problematic – sub-Saharan Africa – has been concentrated precisely in the 'softer' areas – institution building and project-related training – in which the record is poor (Havnevik 1992).

4 It does no harm to repeat the old definition of 'expert': an 'ex' is a 'has been'; and a 'spert' (spurt) is a drip under pressure.

5 The most influential critique is likely to be (Berg 1993) partly because it emanates from the UN agency with the strongest vested interests in 'old-style' technical cooperation, the United Nations Development Programme (UNDP). Not all expert-counterpart relationships have failed. In general, they have been relatively successful in activities which (a) have limited institution building
however, a number of actual and potential problems with such arrangements: potential donor-side supplier organizations may be limited in number, especially in small donor nations; they may be inappropriate, especially if they engage in a diverse range of activities in addition to those performed by the recipient organization. It is difficult to draw up a contract to regulate the relationship, and disagreements and misunderstandings may easily arise; and the costs, in time and effort, as well as finance, in establishing twinning arrangements are often high. Successful twinning may require the skills of a matchmaker.

New potential First World twinning partners will emerge. In particular, local governments in several aid donor countries see the potential, and are offering ‘technical twinning’ arrangements with local governments in recipient countries to supplement the established ‘cultural twinning’ arrangements between towns and cities across national frontiers. The usefulness of this ‘technical twinning’ system has, however, yet to be proven. More generally, the dominant problems are that the supply of effective counterpart institutions in donor countries is very small and cannot be expanded rapidly; and the demand for such relationships is growing fast in Eastern Europe and the former Soviet Union as well as in the ‘traditional’ aid receiving countries. The institutional capacity in donor countries to deliver institution building services effectively through any technical cooperation mechanism appears very limited.

5 WHAT IS INSTITUTION BUILDING? MEANING AND MORALE

If the definition of ‘institution building’ (or ‘institutional development’) is problematic, why not deal with this at the beginning of the article, before going into detail? The short answer is that definitional issues are only now becoming problematic in practice. Although there has always been debate and wide disagreement among academics about definitions, this has not impeded practitioners: they have gone ahead with an implicit definition of ‘institution building’ that has proved quite serviceable. Definitional disputes have not impeded action. This fortunate circumstance is however now under threat: the process of re-equipping the aid bureaucracies with a new jargon to deal with the good government agenda has generated a new term, ‘capacity building’, that is likely to spawn confusing controversy and undermine the morale of aid agency staff concerned with institution building by weakening their sense of working to a clear mission. The purpose of this section is briefly to explain this argument.

Let us take first the definitional question. There is a large academic literature, much disagreement, and no sign of greater convergence than there was when the issues were first debated in a major way in the 1950s. It is conventional to begin by trying to define ‘institution’. Here the English language and sociological theory combine to provide a wealth of alternative definitions, most of them so abstract that few of us would be able confidently to recognize an ‘institution’ in the street. For example, some recent definitions of ‘institution’ include: ‘routines or standardized solutions to collective problems’ (Goldsmith 1992: 582), and ‘sets of formal and informal rules’ (Schiavo-Campo 1994), while some of the original theorists of Third World institution building have seen institutions as organizations that are ‘change-inducing, change-protecting, and formal’ (Esman, quoted in Blase 1973: 1/5-1/6).

I have no expectations of resolving these disputes, here or elsewhere. Goldsmith points out that there are two very different academic traditions using different definitions and talking past each other:

Behind the confusion is the fact that the term institution has two principal meanings in social science. In management and organization theory, an institution usually refers to a role or organization; in economic and sociology, an institution is a rule or a convention. There are major divergences between these two definitions …… The first type of institution resides in deliberately constructed human groupings, the second is diffused among a multitude of people. Roles have concrete reality, rules are mental conceptions. (Goldsmith 1992: 582)

According to the first definition, a court system is an institution; according to the second, it is the ‘rule of law’ that qualifies for the title.

This disagreement is not purely intellectual: different definitions suit different purposes. The ‘role’ definition has been appropriate to justify the great bulk of the aid activities that have actually been conducted under the ‘institution building’ label: support to specific organizations – government offices, universities, training colleges – to build
them up and make them more effective. By contrast, the 'rule' definition is very attractive to economists (and others) whose main concerns are with the ex-socialist countries. They define the problem in terms of patterns of behaviour, and the lack of ('rules') institutions of law, contract, property rights and similar issues. They are more concerned to change behaviour than to build specific organizations. It is their definition that at present has the upper hand in academia.

What about the aid agencies? They have fed this debate by commissioning many studies of institution building, but appear not to have been too much affected by the intellectual confusion that these studies have revealed and stimulated. The most cynical definition may be the most useful: in aid agency practice, institution building is 'a leftover category for everything in foreign assistance that is neither financial nor economic' (Goldsmith 1992: 584). Put in a more positive light, institution building has mainly comprised attempts to develop and improve the functioning of specific organizations – government agencies, education and training institutions, NGOs, etc. – by providing finance, buildings, equipment, staff training, or the services of technical assistance personnel. It also comprises a range of other miscellaneous activities that are directly oriented to human behaviour and interaction, rather than to finance or material provision (e.g. support for workshops and meetings of various kinds).

If the story were complete at this point, there would be no great cause for concern. One could certainly poke a little fun at aid agencies for their inability to produce a very coherent analysis of what they were intending to achieve under the label of institution building. But they could carry on doing it without worrying overmuch about whether they were not completely at sea. This may cease to be the case as a result of the attempt by a number of (mainly UN and multilateral) agencies to 're-position' themselves to take advantage of the good government agenda by claiming competence in 'capacity building'. What is 'capacity building'? That is the problem. It includes everything that was covered by the different definitions of 'institution building', and much more besides. Compared with 'capacity building', the concept of 'institution building' is highly precise. 'Capacity building' is used 'to describe the capacities of nations, communities, groups, and citizens to promote development objectives and solve their own problems' (Cohen 1993: 1). In other words, the term becomes practically and analytically useless, because it tries to include everything:

.... a 1992 UNDP study illustrates the analytical confusion that typifies current use of the concept. Specifically, after distinguishing three ill-defined components of capacity (education and training, organizations, and development culture), the study proceeds to specify six diverse and inconsistent types of capacity building:
(1) macroeconomic policy management (a specific managerial or professional skill);
(2) professional education (a training task);
(3) public services reform (a structural and legal change);
(4) private sector (an untargeted sector wide focus);
(5) popular participation in choice of national goals and means (a political objective); and
(6) national development culture (a vague and social system wide focus).

(Cohen 1993: 2)

The concept of 'capacity building' may serve to refinance some development bureaucracies whose existence is otherwise in question, and to advance the careers of some bureaucratic entrepreneurs. It will not help those responsible for making good use of aid money, and may indeed make their task more difficult. For ideas do matter, especially to professional people. And effective aid agencies – as opposed to large swathes of the multilateral aid bureaucracies – depend on committed professionals to define and implement their programmes. It is hard to see how commitment can be forthcoming from people working in institution building if the latest fashion for 'capacity building' leads to endless debate and dispute, and succeeds in making clear and public an aspect of the good government agenda that has hitherto remained latent: the fact that talk of 'institutional failure' in developing countries comes perilously close to an admission that there is some fundamental problem that we

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4 Aid agencies could of course admit to such pragmatism; it would amount to a confession of uncertainty about objectives that is not tolerable in publicly-funded organizations that are in principle highly mission-driven.
can neither understand nor effectively confront, but simply label.

6 INTERVENTIONISM AND INSTITUTION BUILDING

Intervention by wealthy and poorer countries in the internal affairs of poorer and weaker countries is not new. It has taken place as long as states have existed. Neither is the use of development aid as a tool and justification for intervention a new experience: the fundamental motivation for development aid as we now understand the term was Cold War competition for political support in the Third World. Aid often became very political. There was however always a basic tension between the power inequality embedded in the aid relationship and the language in which this relationship was publicly presented: the parties generally adhered to the fiction that aid recipients were full and equal members of the international system of states, and that the giving and receiving of aid was a voluntary and equal transaction between sovereign states, equivalent to a cultural exchange agreement or a trade treaty (Jackson 1990).

The latter fiction has been considerably weakened since the emergence of the good government agenda around 1990, and for non-coincidental reasons. At the ideological level, the emphasis placed by donors on the inadequacy of the governance arrangements of aid recipients comes close to a denial of the assumption of the fundamentally equal status of all states in the international state system. The notion of the inferior political status of the governments of aid recipient countries may be expressed in terms of lack of political legitimacy, poor management of public and aid resources, or inability to meet what used to be a key criterion of stateness – capacity to rule the population over which control is claimed. However articulated in particular cases, it has now become acceptable, within donor nations, to talk and justify direct interventions in terms of the political inadequacy of Third World states. Direct interventions range from explicit political conditionality – tying aid to changes in the constitution of governments – to actual military intervention, as in Somalia, Bosnia, Rwanda and Haiti. Interventionism and the push by aid donors for ‘good government’ in recipient countries go together.

What does all this have to do with ‘positive aid for good government’? Surely the whole point of that is to find ways of directly supporting the emergence of better government that are separate from, and not tied up with, the ‘conditionality agenda’? That is certainly a laudable objective for those of us who still believe in the humanitarian ideals that motivate publics in rich countries to support aid giving. Unfortunately, it may be very difficult for aid agencies effectively to support institution building in developing countries without engaging in a more vigorous interventionism of their own that is not easily separable from the more general interventionism that characterizes the relationship between rich and poor nations. To explain that point, we have to step back a little and look at the evolution of ideas about the causes of good organizational performance, especially but not only in developing countries.

7 UNDERSTANDING THE CAUSES OF ORGANIZATIONAL PERFORMANCE

There is a simple but very useful dichotomy between two basic approaches to the issue of improving the performance of organizations. This can be expressed in terms of the economists’ distinction between supply and demand. ‘Supply’ approaches focus on the adequacy of resources: does the Department of X have enough money, (qualified and experienced) staff, buildings, equipment, and knowledge to do its job? If not, the answer is to provide the missing resources. The ‘supply’ approach has dominated aid agencies’ attempts to promote institution building in developing countries. ‘Demand’ approaches focus less on the organization itself than its environment: what are the features of this environment that will encourage the (management and staff of) the organization to strive to do a good job, and make good use of the resources they have available?

‘Demand’ approaches are diverse. They are also increasingly popular. There is a widespread view, well reflected in a range of academic literature, that ‘supply’ approaches have in the past been given too much emphasis, and that more attention needs to be paid to ‘demand’ approaches. If one were to attempt to market this idea, an appropriate slogan would be: ‘Encouraging organizations to help themselves’.
In the industrialized countries, demand-based approaches have been institutionalized in the public sector through the introduction, especially in the Anglophone countries during the 1980s, of a set of practices conventionally labelled the New Public Management (NPM). The central feature of NPM is the attempt to introduce or simulate, within those sections of the public service that are not privatized, the performance incentives and disciplines which exist in a market environment: clear separation between ‘implementing agencies’ and policymaking and supervisory Ministries, as the organizational basis for the rigorous calculation of service delivery costs and enforcement of ‘value-for-money’ principles; contracting out of service delivery to the private sector; competitive tendering for service delivery contracts among implementing agencies, public or private; devolution of power on budgetary and personnel matters to managers of units; budgetary flexibility to create incentives for economizing at the unit level; remuneration and promotion of public servants more on the basis of assessed individual performance; termination of central agreements with public service tradesunion and of standard, national employment conditions; the introduction of quantifiable performance indicators for public organizations; and the publication of performance achievements.

NPM ideas have only spread to developing countries to a limited extent, and there are major questions about their applicability (Nunberg 1992). There is however a range of research looking at the causes of organizational performance in developing countries that points to the importance of a range of other factors that can be classified as ‘demand’ side. Arturo Israel’s much-cited work (Israel 1987) draws attention to the incentives to good performance that can contained in – or crafted into – the nature of tasks. Tasks that are highly ‘specific’ – clearly defined in terms of content and process, clearly allocated to particular people and offices, and involve quasi-automatic feedback such that poor performance is quickly and easily detected and publicized – tend to be performed more effectively. More generally, there is now a large literature that points to what may be termed ‘political commitment’ as a key cause of levels of organizational performance in developing countries (Brinkerhoff and Goldsmith 1992; Goldsmith 1991; Paul 1991; Paul 1992; Tendler 1993a; Tendler 1993b). In essence, these authors conclude that (public sector) organizations need political support if they are to obtain resources, be listened to, and generally be effective. Aid agencies have been too naive in supporting institution building in that they have tended to ignore this issue, ending up financially supporting organizations that may have little clout within government (Meyer 1992).

The lesson for aid agencies is quite clear. If they want to support organizations and institutions in developing countries, they have to get more deeply involved. It is not enough to supply the resources needed. Two other things are required. One is to pay more attention to the environment in which institutions operate, enquiring whether there are adequate disciplines or demands to ensure that the organization is likely to work effectively. This implies more local knowledge, which is difficult for aid agencies given the high rate of mobility of staff among postings. The other is simply to be more political at all stages of the aid process: to enquire more carefully about the likely political position of organizations it is wishing to develop or support, and to be willing to intervene to provide or generate that political support where necessary.

It is for these reasons that giving aid for institution building can become as interventionist as the political conditionality to which it is at first sight a more attractive alternative. Aid donors face two distinct questions: do they wish to become interventionist in this way? And do they have the capacity to intervene effectively?

9 CONCLUSIONS FOR AID DONORS

Nothing said above constitutes an argument for aid agencies to decline to become involved in institution building activities in support of better government. There are many things that aid agencies might try to do to avert or minimize the problems they face. Three in particular emerge from this article:

(i) Aid agencies would be wise to have no truck with the new jargon of ‘capacity building’, and to insist on using language and terms that have identifiable and precise meanings.

(ii) Effective support for institution building may require aid agencies to be relatively political: to pay more attention to political analysis in project design, and to be prepared to become interventionist in support of the projects they fund. This underlines a point that has been made many times for a wide range of reasons: that aid agency in-country staff need a great deal of local knowledge and experience.
(iii) New methods of delivering technical assistance are urgently needed. Although the conventional 'individual expert-counterpart' model has been found seriously wanting, it will be with us for a long time yet because of the lack of alternatives. It is important to develop as rapidly as possible the only substantial alternative currently available: long-term 'twinning' relationships between organizations.

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