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THE DESIGN OF ORGANIZATIONS FOR RURAL DEVELOPMENT PROJECTS –
A PROGRESS REPORT

This paper takes the first steps in developing a systematic approach to solving the problems of organization and management encountered in rural development projects. It develops a framework for analysis and design of organizations, and suggests ways of using the framework at the various stages of the project cycle. It leaves for future development detailed application and testing of this approach.

The authors review the problems of organization encountered in a number of rural development projects. They trace the roots of the problems to the traditional model of organization design that has evolved from successful implementation of physical infrastructure projects, but has less relevance to projects aiming at broader development objectives. The authors propose a new conceptual framework based on successful approaches they observed in practice and on new ideas emerging in the field of organization theory. This framework focuses on:

- (a) assessing power and commitment of the project participants as a basis for organizational design;
- (b) designing inter-organizational relationships (i.e., Organizing the environment itself towards the project purposes) as well as relationships within a single organization; and
- (c) building a learning process (i.e., monitoring and evaluation) into the organization.

The authors then relate their findings and recommendations to the project cycle as it applies to rural development projects.

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THE DESIGN OF ORGANIZATIONS FOR RURAL DEVELOPMENT PROJECTS - A

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THE DESIGN OF ORGANIZATIONS FOR RURAL DEVELOPMENT PROJECTS - A PROGRESS REPORT

Organization theory, as we know it, deals with how best to structure an enterprise and to link its component parts, including its people to achieve the organization's purpose. There exist a number of organization models: most of these are the result of adaptation, over time, of a particular type of enterprise or institution or some of its subunits to the economic, socio-cultural or technical environment it had to deal with. 1 /Paul Lawrence and Jay Lorsch, Organization and Environment. Irwin, Illinois, 1969.

This paper originated from two seemingly innocuous questions: (a) To what extent are the recent advances in organization theory reflected in the World Bank's operations? and (b) What could the Bank's worldwide experience contribute to improve the organization and management of its future projects?

William E. Smith of the Wharton School at the University of Pennsylvania agreed to take up the challenge about a year ago and concluded, after a number of interviews and project reviews, that many of the difficulties facing Bank-financed projects, currently labeled management problems, were in fact problems of organization design. Thus, many of the factors causing problems during project implementation were beyond the control of project management. He concluded further that many of the questions raised by the Bank staff and much of the experience gained under Bank projects had not been touched upon yet by conventional organization theory. In other words, in its work with developing countries, and especially in its more comprehensive projects dealing with rural and urban development, the Bank had entered a new frontier in organization design. Organization theory had been focused on the design of structures and processes within the boundaries controlled by a particular enterprise or institution, that aims at limited, well-defined objectives. Bank projects, on the other hand, were increasingly concerned with ways to organize relationships among a number of individual agencies, each with its own purposes, to achieve jointly the project's broader developmental objectives. Hence, Bank staff had to go beyond the classical consideration of how best to relate an organization to its environment: it had to deal with the environment itself.

This paper represents a first step in meeting these Bank needs. It is addressed to practitioners, i.e., to those who are confronted with operational issues of organization and management, and who will hopefully both recognize some of their own experiences and find suggestions for improvement of their own approaches to organization design. With this purpose in mind, the report is divided into three parts: first, it analyzes organization design issues raised by the Bank staff and relates these to existing methodology; second, it proposes a more systematic approach for the organization of the Bank's more comprehensive projects; third, it suggests how to use the approach during the preappraisal and appraisal stages of the project cycle. Throughout, the paper draws most of its insights from the rural development sector, and in particular, from the experience of the rural development division of the Bank's Central Projects Staff (CPS), which agreed early on to use its staff and their experience to test the initial hypotheses and to collaborate toward their further development. It is hoped that additional consultations among practitioners inside and outside the Bank will further refine some of these findings and recommendations.

Summary of Principal Findings

1. Before designing an organization, it is necessary to identify and understand the environment in which the project will operate. This requirement is increasingly recognized as the emphasis of Bank lending moves from classical infrastructure projects to more comprehensive projects with broader developmental objectives such as rural and urban development projects. For the first type of projects, clear boundaries are set around the problem to be solved: the implementing agency operates as autonomously as possible and attempts to **control** all necessary resources for project completion. In the newer projects, success is determined not only by the most logical or efficient arrangement of internal component parts under the control of the implementing agency, but also by (a) skillful handling of entities outside the control of the agency, that it must **influence** (other government agencies, professional groups, input suppliers, etc.); and (b) correct **appreciation** of those entities in the environment that affect organizational performance but are not subject to either the control or influence of the project management (e.g., political, legal, economic, social institutions).

2. A related, preliminary task is to clarify the project objectives, to identify participants (target groups, implementing agencies), and to sketch out for each participating group or agency its purposes and its contribution to the broader project objectives. The design of the project organization will follow from this by: (a) determining the power center, i.e., the agency with the strongest commitment to project objectives; (b) radiating project organization from this power center towards the other administrative levels — national, regional, local; and (c) creating strong coordination mechanisms at each administrative level to influence what cannot be directly controlled.

3. The design of organizational structures will then commence by considering various alternative ways in which the purposes of the several agencies involved (power centers) can be linked to achieve the project objectives, account being taken of the country's state of institutional development. At one extreme, decisions and resources may need to be controlled by a project unit; at the other extreme, project activities are merely coordinated (or influenced) by planning and policy-making bodies, with the line agencies retaining control over their activities. In general:

- (a) there must be a balanced relationship between the strength of coordination and of control at a particular organizational level: there would be little use in having a very influential coordinating committee if the line agencies at that level are unable to implement the agreements reached;
- (b) systems with balanced power at the various levels of the organization tend to be more effective and better able to adapt to change than those with the power concentrated at the top. Those rural development projects that exhibit relatively strong patterns of control and coordination at the local level seem to be among the most successful;
- (c) the most promising area for improving organization design, particularly in the case of existing organizations, is the use of more and improved coordination mechanisms — from ad hoc meetings (weak), to the creation of liaison positions (moderate strength), to the establishment of dual reporting mechanisms' or "matrix" structures (strong

coordination). At the national level, to influence policy decisions and the formulation of strategic or normative plans relating to the development of the sector, project management may consider tools such as national conferences, establishing committees to which it acts as Secretariat or establishing professional advisory groups. At the regional level, project management may create task forces, establish operational plans and translate these into written agreements (Brazil's "convenios"). At the local level, project management may encourage communication among field workers and linkages with existing organizations or the setting up of new ones, such as user associations, learning groups, or farmers' clubs.

4. The time dimension should be considered a variable in the design of an organization and should result in making structural design more dynamic and flexible. A regional project unit might be designed to evolve into a component part of a national framework, or an organization based on national and local commitment may need to develop a "pincer-like" strategy to build up the necessary intermediate linking structure over time. Organization design should be concerned not only with what happens during the project implementation period, but also with the entire development period which, for example, in rural development projects typically extends over ten or more years. For project management to grasp the evolving situation, it needs effective information (learning or evaluation) processes. The concern of each managerial level is whether the activities agreed to as part of the operational plan are actually carried out, have the expected results, or lead to unanticipated consequences. The ideal information system would be an "integrated" planning cum learning process whereby the outputs (objectives, goals, action plans) would inform rather than direct adjacent levels. In this manner each organizational level would actually set its own goals — hence increase its staff's commitment to their achievement — while its unique knowledge, experience, and creative potential is tapped for the benefit of the whole organization (which could be achieved neither by the "top down" nor "bottom up" approach). Effective monitoring and evaluation systems cannot be designed in isolation from the rest of the organization; they must be an integral part of it.

5. This approach to organization design has major implications for the project cycle. Whereas for traditional projects the cycle comprises several discrete stages, the newer projects require a continuum where each of the stages is part of an iterative process that may repeat the cycle several times during the project life. Organization design activities should be scheduled to coincide with various stages of this modified project cycle as follows:

- (a) during project identification (or sector work), Bank staff might make a more extensive effort to ensure clarification of the project (or sector) long-term objectives (e.g., through a series of conferences at national, regional, and local levels), which would reflect the ideals and values of those affected by, and involved in, implementation of the project or program objectives. Identification could thus help the policy planning process and assist in appreciating and/or influencing the "environment" to benefit the project.
- (b) during project preparation, the choice of organizational structure, as well as control and coordination patterns, should be made after consideration of more alternatives than is current practice (including the range of possible organization strategies that could be developed over time). It should reflect the strength of commitment to the project by the various organization levels and the country's state of institutional development. Special attention should be given to the design of coordination mechanisms, including the planning-cum-learning process, since these may be of greatest help to project managers in practice.

- (c) provided that during preparation enough attention is given to exploring alternatives and their suitability to the environment and the project goals, project appraisal can focus on specifying the detailed organizational arrangements — also called operational plans (what will be done, when, and by whom, etc.) — and specifying the learning processes (monitoring, evaluation, and control systems), the success of which depends on the ability of the organization to process negative information both upwards and downwards.

Part I: THE PROBLEM

Chapter 1; Major Problems Encountered

Based on a series of interviews and project reviews, this chapter presents the major problems encountered in designing organizations for Bank-financed projects.

Purpose

1.01 The most frequently mentioned obstacle to organization design was the accommodation of the differing purposes of the Bank, the Borrower, Intermediary Organizations, and the Beneficiary. The conflict often surfaces in the choice of organizational means for project implementation. Officials from an East African country, for instance, complained that the Bank/IDA "had obliged the Government against its wishes, to create a special authority to implement the project."

1.02 In the case of rural development projects the problem of conflict of purpose is often exacerbated by differences within the Government itself. In the above mentioned project, different individuals and agencies were promoting at the same time:

development through basic Government services;

the creation of a new parastatal authority;

decentralization to local, or regional development authorities.

Other projects have run into difficulties because the purposes or wishes of the ultimate beneficiaries were not considered or even not known. Land settlement programs are particularly vulnerable to this weakness.

Personal Role/Style

1.03 Coping with personal style and preference of government officials and project staff posed problems for designers. A review of Indonesian Agricultural projects emphasized, for instance, how much project success or failure tends to depend on personality factors, most of which the Bank could not be expected to predict accurately. In the case of Thailand, the autonomy enjoyed by individual Departments proved to be a major impediment to organizing the rural development effort. In another country, the addition of a real estate investment to the portfolio of a Land Bank looked dubious until it was discovered that the retiring President had a personal stake in it. The investment was intended to provide the President with retirement income.

- 1.04 Bank staff were also concerned about the effectiveness of expatriates in management positions. Logically the expatriate with his special expertise and experience should be a boon to most projects. However, more and more projects seemed to be having problems accommodating them. For the most part, it seemed that the perspective of an expatriate manager encouraged the isolation of projects from integration into host organizations.!! The problems were partly cultural, partly language difficulties, and sometimes attributable to "colonial" attitudes, not entirely discarded in the post-colonial era. Status and reward differentials also entered the equation.

Coordination

- 1.05 The newer multisectoral projects, in particular, suffered from problems of coordination among participating agencies and their project-related activities. In a South Asian country, for instance, it was found that "the proliferation of ministers and agencies directly involved both in planning and execution of rural development activities results in a lack of focused, well-structured and coordinated efforts to deal with the problem." At times the lack of coordination appears intentional; for example, when local officials resent the special attention given to Project Management Units. In other cases, the problems of coordination are so great that project designers seek ways to avoid the need for such coordination.

Time

- 1.06 A fourth cluster of comments from the interviews identified the time horizon as problematic to project design. Projects may attempt to effect institutional changes too quickly, and without providing for the

1/ For instance, a report dealing with a project in an African country raised the question as to whether the Bank in its project should limit the services of expatriates to advisory functions during the initial stages of execution and institution building and have projects managed by national staff from the onset. The report concluded that local management seems to facilitate both the integration of the project into national programs and the interaction between the project and the intended beneficiaries.

2_ / An agricultural mission to an Eastern African country, for example, reported "... the expatriates generally have not integrated well and identified themselves with the country to the extent that others have, who have remained in independent Africa. Expatriates appear to want too much of the cake " necessary training of local staff that would benefit future projects.!! They may not sufficiently differentiate the various participants' time horizon and resulting motivation toward their involvement in the project and their attitude toward expected project benefits and risks.2J In addition, it is felt that the short-term urgency of operational issues seems to reduce the amount of effort spent on long-term strategic issues.^./

Control and Evaluation

- 1.07 The final theme covered control procedures and evaluation criteria for projects. The two major points were that:

- (a) precise quantitative evaluation of the newer projects was difficult and possibly inappropriate; and

- (b) target expectations for the newer projects, especially rural development, seemed overly ambitious.

The problem of measurement of results is particularly acute with unsophisticated small farmers. Since they tend not to deal with explicit numerical quantifications, they often do not realize the significance of improvements they have made. It has been estimated that such farmers may need to see

- 1/ According to the 1977 Annual Review of Project Performance Audit Results (July 20, 1977), "the institutional disappointments in this present review might have been avoided or mitigated if they had been approached more gradually. This would have provided the larger time framework needed to carry out necessary training of local people and lay a data base for subsequent projects." In its summary the report further notes that, because 75% of projects are repeaters, the time horizon over which project objectives are viewed is of paramount importance.*
- 2/ In a draft memorandum on Borrowers' View of Rural Credit, J. Brown deals with this issue as follows: "At first blush there would seem to be an inconsistency between two prevalent attitudes toward time in subsistence communities. Time preference is very high and individuals tend to sharply discount future benefit streams. Yet subsistence entrepreneurs take a very long-term view of their activities and their lives. But the inconsistency vanishes if events are seen as violent fluctuations around a constant, flat trend line. In weighing the prospects of any innovation, downside risk is much more important than average outcome, because of the lack of a resource buffer. An attempt at quick changes from outside the community may breed not only its own demise, but that of future efforts by fortifying this preoccupation with downside risk."*
- 3/ A review Mission of the Bangladesh Rural Development Project (October 1976) notes that improvements in organization and procedures which were intended to expedite decision making "... are currently absorbing so much attention that little time is available for long-term planning or overview of trends "huge improvements in the magnitude of 100 - 200% before they become motivated to change; 15 - 20% returns may not be sufficient. Hence, not surprisingly, one interviewee commented that the most successful projects he knew were those in which the local bank official helped the borrowers keep their books.*

1.07 Even for the Bank, with the most sophisticated of evaluation methods available to it, the problems of evaluating the results and consequences of rural development activities seem insurmountable. The complexities are illustrated in the evaluation of the Bank's oldest and best known rural development project, Lilongwe Land Development Program (LLDP) in Malawi: on the one hand, its objective, quantifiable outcomes seem to have fallen short of expectations; on the other hand, the project seems to have made unanticipated, intangible contributions toward development of the area.

1 / A project performance audit of Phase II conjectures: "It is easily conceivable that a dynamic development process has been generated in the LLDP area, presumably induced by LLDP, but that it is not dependent on the maize and groundnut packages per se. The implications are intriguing.... In ways that have not yet been explained, the growth process may be attributable to the roads, to the dynamization of ex-

tension activities, to the backward and forward influences exerted by the new market facilities, to the jobs and incomes created in the construction period, etc. The new maize and groundnut technologies undoubtedly play some role in the process, but may not form the leading edge except as resource mobilize."

Chapter 2: Some Principles for Designing Organizations for Rural Development Projects

- 2.01 Our task now is to relate the design problems encountered in the interviews within the Bank to the emerging theories and experiences of the design specialists. We will attempt to produce a conceptual framework that will enable us to develop a more systematic approach to organization design. Finally we will try to draw out implications for the Bank and Borrowers.

Conceptualization of Organizations

- 2.02 A first problem lies in the models we use to understand organizations. Ackoff- 1/ has pointed out how our concepts of organization have shifted from machine models, through models of organisms and now to more complex social systems models. The Machine Age was characterized by an explosion of knowledge in the physical sciences. Its enormously successful application of science and technology, from the Industrial Revolution to the placement of the first man on the moon, has given us tremendous confidence in the analytical paradigm at the core of Machine Age thinking. In the physical sciences all relationships were potentially knowable and measurable. We could take any problem, break it down into its component parts, understand each part and its structural relationship to all other parts and we could understand the whole. This is how we design machines and solve the problems we have with them.
- 2.03 We have extended this thinking to the design of our social organizations. Humans are the parts, their interrelationship is standardized through routinization, job descriptions and bureaucratic rules and regulations. However, the variable human being somehow resists or defies such programming. But the Machine Age analysts continue their refrain: "If only we could find the right structure for the right situation and mix of personalities, knowledge and skills, then how much more effective we would be."
- 2.04 Ackoff argues that the Machine Age has given way to the Systems Age and analytical thinking is no longer enough to tackle the major problems: we need more "synthetic" thinking. Our problems do not come in simple unitary entities; they come in huge clusters or "messes." The solution of any problem tends to give rise to whole new sets of problems to be solved. Synthetic thinking demands that we take an "expansionist" view of problem solving and systems design. We must begin looking for solutions outside the boundaries of the problem or system and bring the environment into equal predominance with the organization. Synthetic thinking attempts to understand the problem or organization as a whole operating in complex interrelationship with its environment. Analytic thinking tends to concentrate on the internal environment to the exclusion of the external the community. 1/ I/ R. L. Ackoff, *Redesigning the Future*. John Wiley, 1974. Under these conditions productivity has risen in places where older approaches have failed.
- 2.05 Organization design that stresses human resources and community capability finds ways to increase the control of all participants over their environments and gives them greater choice of action consistent with their own motivations, perceptions,- and skills. Knowledge rather

than resources becomes the key to development. Ackoff 1/ has pointed out that development is more a matter of competency than wealth. A man can build a better house if good tools are available to him. On the other hand, a fully competent man with a wide range of skills can build a better house with whatever tools are available to him.

Inter-organizational Relations

2.11 The third major problem is that organization design practitioners have tended to focus their attention on the single organization (as opposed to groups of them which may be mutually dependent). Much of the criticism of bureaucratic systems stems from their inability to adapt to changing environments. Perhaps the failure lies as much in our social structure that expects too much of the single organization. We have not found ways to link single organizations to others into supportive structures that direct their energies toward commonly shared goals.

2.12 That such inter-organizational support structures can be generated has been amply demonstrated by Trist and others.!/ In Jamestown, New York, in an economically declining community, institutions (i.e., private businesses, labor unions, and the municipality) which have been traditionally regarded as inimically opposed to each other were brought together in cooperative approaches. Labor-Management Committees were formed, companies in difficulties have been salvaged and new industry attracted.

Conclusion and Diagnosis

2.13 The design of new organizations or' redesign of existing ones for the achievement of rural development goals is a difficult matter. Indeed, the Bank seems to be operating at the leading edge of knowledge of organization and management theory. The problem is not so much one of application of known management techniques, but the development of new ones, or the recombination of known elements into new approaches. The task entails no less than the development of a new conceptual framework that would encompass the major dimensions of the World Bank's learnings. The framework would provide practitioners with reference points against which they could chart their own experience and would provide a common base and language upon which to build new knowledge as it was gained from experience with new projects. This is the objective of the second part of this paper.

! / E. L. Trist, *"A New Approach to Economic Development: an American Experience."* Linkage TWO. Tavistock Institute, London, 1978.

Part II: A NEW FRAMEWORK FOR ORGANIZATION DESIGN

Chapter 3.: Organizing the Project Environments

- 3.01 One of the major findings of this study was that many of the problems labeled "management" are really problems of design. Many of the factors that influenced management performance were not in fact subject to management control. This finding supports those of "The East African Problem Projects Review, fall 1978" which noted:

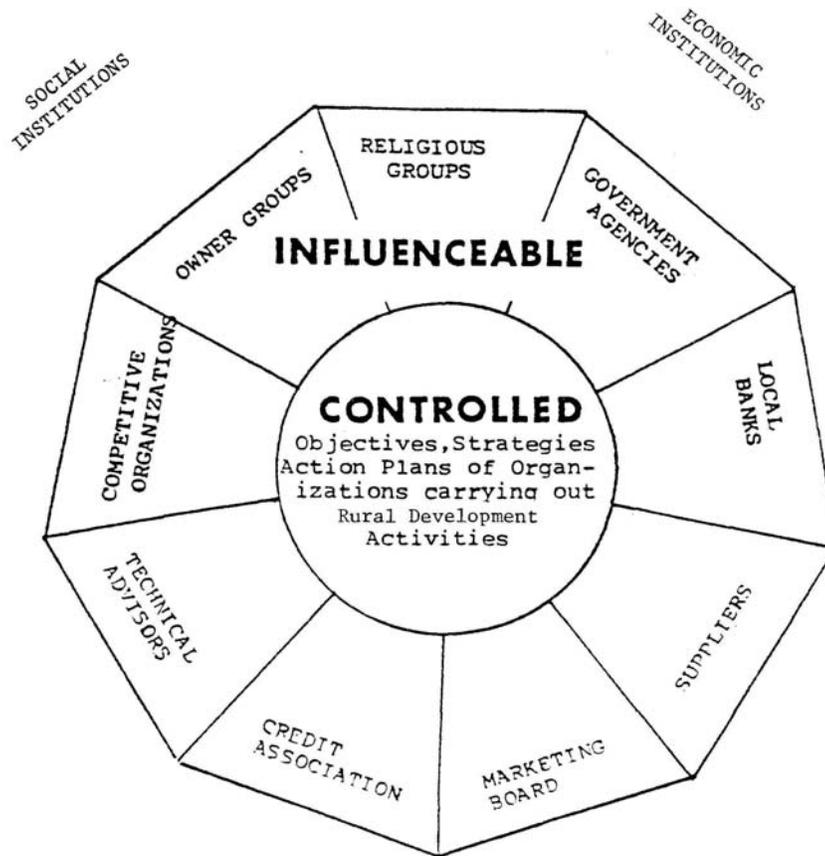
"It has become evident with experience that 'management' has various dimensions. At one level it can mean the ability to organize and plan project activities efficiently, get the inputs to the farmers on time, deploy staff resources well.... Increasingly, however, one is aware that the broader environment in which management functions is also a factor.... The socio/ cultural environment of the project area determines how rapidly innovations will be accepted, how much cooperation is given to project personnel, how project objectives will be perceived by the intended beneficiaries."

Considering that a surprisingly low percentage (10%) of rural development managers are rated low in competence, the report concludes that the source of the problem may not be so much a lack of management ability as it is the environmental aspects cited above.

- 3.02 Part of the problem lies in our concept of environment. We tend to think of the environment as "everything out there," i.e., all those elements outside the organization that we cannot control. Thus our organizational world consists of those elements we can control (i.e., those within the boundaries of the organization) -and those we cannot (i.e., everything else out there, the environment). Viewed this way the problem of organization design is one of defining boundaries around a number of elements and designing the interrelationship between them so that they remain under control (choice of project components, staffing, job responsibilities, resource allocation, review mechanisms). The organization thus conceived is summed up by a two dimensional chart showing the allocation of job responsibilities through job descriptions and their relationship to each other through hierarchical reporting relationships. The design, then, essentially ignores the environment as uncontrollable.
- 3.03 Management's job is to look inwards towards the organizational elements that can be controlled. Such implicit thinking is reflected in the early designs for rural development projects which tended to stress the use of project management units that "controlled" all key resources for the implementation of project activities. Project units were virtually autonomous with minimal connections to their environments.

PROJECT ORGANIZATION AND ENVIRONMENTS IN
RURAL DEVELOPMENT PROJECTS

APPRECIATED



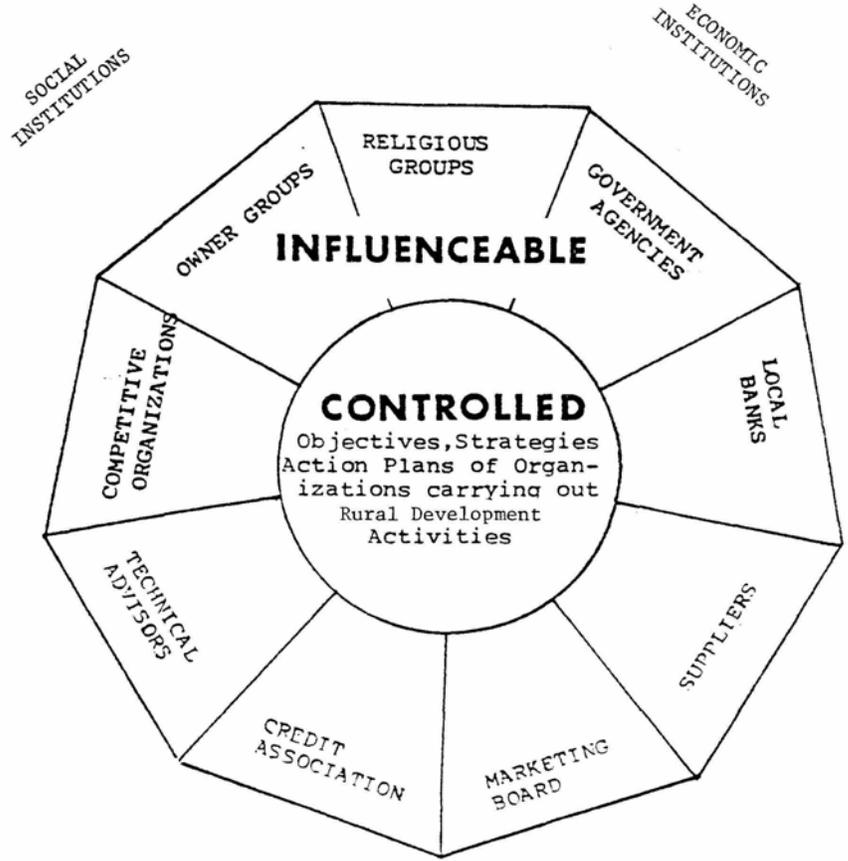
POLITICAL TECHNOLOGICAL CULTURAL
-----I N S T I T U T I O N S-----

The Organization
responds to the
impact of these
elements but has no
direct influence.

- (i) The boundaries around the controlled elements define the organization's own boundaries, its internal environment. In Chart 1, we describe this as the "controlled" environment. It consists of the baseline activities that produce the results intended (the selection of objectives, strategies, and actions; for example, construction of a road, planting of seed, construction of a well).
- (ii) The second consists of the entities external to the organization whose activities can influence organizational and management performance. Such entities have ongoing relationships with the focal organization; for example, they provide inputs, or receive outputs. The basis of the relationship is a source of mutual influence between the focal organization and the external entity. We will call this the "**influenceable**" environment; for example, for an implementing agency, these might be marketing boards, credit associations, government agencies, and so on. See Chart 2.

PROJECT ORGANIZATION AND ENVIRONMENTS IN
RURAL DEVELOPMENT PROJECTS

APPRECIATED



POLITICAL TECHNOLOGICAL CULTURAL
-----I N S T I T U T I O N S-----

iii) The third level includes institutions that, produce activities affecting organizational performance, but that can neither be controlled nor influenced by its management. We have labeled this environment "appreciated" because the two components of the meaning of the word, understanding and valuing, convey exactly what we expect of management in relation to this environment

1/ The existence of these three environments has been recognized in the literature. They are referred to as internal, transactional, and contextual. See Emery, F. E., and Trist, E. L., Towards a Social Ecology. Plenum Press, 1975.

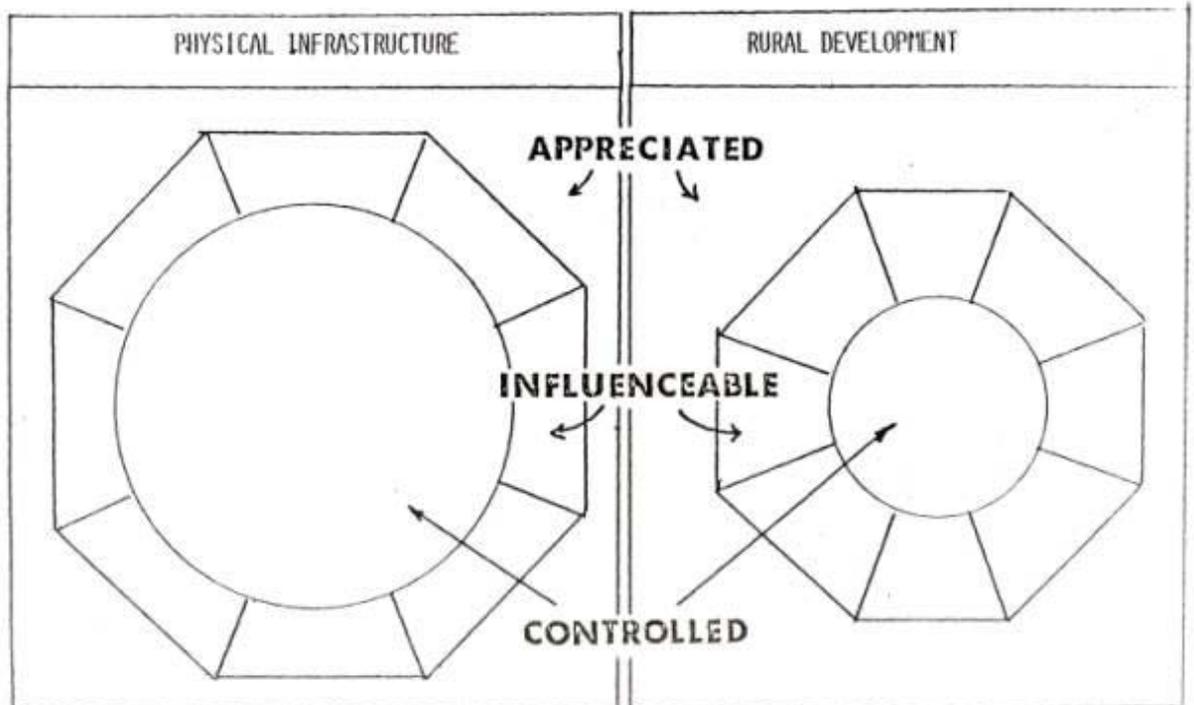
3.05 A clear distinction has to be made at this point between the general concept of the environment and our concept of the appreciated environment. The appreciated environment is not "everything out there." It is much more precise in meaning. It includes only those entities whose actions affect organizational performance directly or indirectly, and are not subject to control or influence of organizational members. In effect the appreciated environment becomes the starting point for organization design. It specifies the givens that will facilitate or hinder the design effort. The projects studied show, however, that it is never possible to completely specify the elements of the appreciated environment in advance of project or organizational design. The very act of design and implementation uncovers new sources of influence and adds to knowledge about the appreciated environment. A sample of elements produced by such entities or institutions are: (a) price policies affecting incentive to produce; (b) overvalued currency and balance of payments difficulties; (c) finance, budgeting and procurement procedures affecting inputs to projects; (d) centralized nature of administration; (e) Government hiring policy; (f) land tenure systems and impact on farmer motivation; (g) research and technological breakthroughs and limitations; and (h) cultural attitudes, e.g., to credit risk.

3.06 For any project, the relative importance of each environment differs. For example, in a single-sector, physical-infrastructure project (building a dam), mainly concerned with inputs and outputs, the relative importance of the controlled

environment would be high. However, in an integrated, multisectoral rural development project, concerned also with effects and impact, the activities under direct control of project designers would be relatively fewer (Charts 3 and 4). In addition, as a project evolves from its design phase, through its construction period, into an operational phase, it is achieving certain results. The very results obtained from the project alter the pre-existing patterns of control, influence, and appreciation. Hence, there is a need for an organization design that is sufficiently flexible for adaptation to environments that are likely to change.

- 3.07 In sum, the first dimension of our conceptual framework is a more precise definition of the organization in relation to its environment. The key insight is the addition of an intermediate level of environment consisting of external elements subject to management influence. The practical implication for organization design lies in the need to identify these entities that produce them as part of the organization design process. The implications for management are profound. The management role can no longer be seen as primarily inward looking. The manager must focus not only on those internal elements subject to his control, but equally — and often even more — on those external elements of the environment that are subject to his influence and that he has to appreciate.

COMPARISON OF EMPHASIS ON PROJECT ENVIRONMENTS
IN INFRASTRUCTURE AND RURAL DEVELOPMENT



Chapter 4; Project and Participants' Purposes as a Basis for Organization Design

4.01 Clearly, it is impossible to design a project or organization unless we know its purpose. In this sense, clarifying the purpose is the springboard for organizational design. What people want, and how strongly they want it, determines how much energy and commitment they put into activities that allow them to achieve their purposes. Organizations are instruments for bringing together people who see their involvement as a means of achieving their purposes. Participation in organization is always partial and conditional. It is partial to the extent that what the individual achieves through the organization is only a part of his total purpose. It is conditional on the organization being able to continue to supply the inducements necessary to his continued contribution.

4.02 If we take this argument one stage further we can develop the second link in the conceptual framework. The process of organizing is a political one. The relationship between the organization and its environments has a political base. The key steps in the organizing process are:

- (a) the establishment of a purpose, which gives direction for the exercise of power;
- (b) the development of an appreciation, i.e., an understanding and valuing, of the opportunities and risks involved in moving in the selected direction;
- (c) the development of a network of influence, that is, joining with others whose own purposes suggest the possibility of mutual transactions that will aid in the achievement of the selected purpose; and
- (d) the choice of actions and resources that can be controlled to achieve the purpose.

4.03 Each of these steps represents an increase in the degree of power. In this sense we use power as an umbrella concept. Appreciation, influence, and control can be seen as successively increasing degrees of power.' (The perception of appreciation as a source of power may seem strange, but it is already acknowledged in the saying "knowledge is power.") The steps can readily be traced in project design. For example, at the identification and

preparation stage of a project, the World Bank, in pursuit of its purposes, negotiates with member governments, in pursuit of theirs. They attempt to find a set of project components and a means for implementing them that will satisfy the purposes they share. But in the negotiations that ensue, the relationship may not always remain equal. If the government is very dependent on World Bank funds to achieve its purposes and the Bank is not under strong pressure to increase its lending in that country, then the Bank will be more powerful. And reciprocally, if the government felt that its purposes were not being adequately served by the ensuing agreement, then its degree of commitment and its energy invested in the project are likely to be diminished. During this process both sides have to understand and value the other's situation. This includes appreciation of personal variables and technical ones. It includes the personal skills, perceptions, and motivations of the negotiators as well as the technical, legal, economic, and cultural factors relevant to the selected project components.

4.04 An agreement on the project components having been reached at the identification stage, a decision has to be made about which ministry or agency should be responsible for the project. Depending on how each ministry sees the potential of control of the project for the achievement of its purposes, it will vie for its ownership. The problem with rural development is that it requires the involvement of so many ministries (Agriculture, Health, Irrigation, Public Works, etc.) that control of rural development projects by a single ministry is problematic. The art of designing rural development projects becomes that of devising a network of influence among organizations and individuals that will ultimately lead to a set of controlled activities producing the desired outputs. For example, in the Philippines Land Settlement project, control of rural development was housed in the Department of Agrarian Reform (DAR). However, a countervailing source of influence was created through an Interagency Project Coordinating Committee (IPCC). The committee, though chaired by the Assistant Secretary of the DAR, was composed of senior staff from agencies involved in the project. They could exercise influence over DAR through work plans, approval of programs, and settlement of interagency disputes.

4.05 At the individual level, the power process is not less evident. Individuals can be seen as power centers exerting their own degrees of control, influence and appreciation in pursuit of their purposes. Project designers, for example, who fail to take into account the career-seeking motivation of bureaucrats, are likely to be surprised when bureaucrats choose behaviors more designed to increase their own visibility to superiors than behaviors that might be more conducive to improved project performance. Because such political maneuverings are based on personal desires, motivations, and perceptions, we tend to dismiss them as a part of the formal design effort. We even declare them to be impossible to deal

with because they are somehow "irrational." Many cultures, particularly non-Western ones, wish to avoid conflict and confrontation and so find it difficult to obtain resolution to problems of design that are based on differences of purpose and motivation.

4.06 This way of looking at organizing as a political process is equally applicable to the beneficiary, and is helpful in evaluating the performance of a rural development program. Development has taken place if the beneficiary achieves any one or combination of the following:

(a) He has more control over activities that contribute to his purpose. (He has more equipment, a marketable surplus that allows him to take risks.)

(b) He has more influence over the external environment. (He can bargain for supplies, has influence on the price he gets for his goods or where and how he markets them, he can join forces with others to increase his influence.)

(c) He has more awareness of the external environment he cannot control or influence, and how it affects the achievement of his purpose. (He is informed about the legal, economic, technological factors relevant to his work and way of life.)

4.07. If development is defined in this way it is clear that development itself has a political dimension. Through development the beneficiary increases his control and influence over, and his appreciation of, his environment.

4.08 The practical implication of this viewpoint for organization and management of more complex projects is that design cannot proceed without an understanding of the "political" field as it relates to the project. This entails an understanding of the purposes of the project or organization in terms of who is promoting it and why; an understanding of how the purposes of those involved in implementing the project, including beneficiaries, will be affected by any proposals. These are the organization's stakeholders. In designing or redesigning organizations we must examine their existing sources of power and how they would be changed by project proposals. We must also accept that any design is subject to changes in the political base on which it is built.

Chapter 5: Organization Structure and the Mechanisms to Coordinate its Internal and External Component Parts

5.01 The previous section described the power relationships upon which the structure of the organization has to be built. The problem of structural design is one of linking the purposes of the power centers in a way that will ensure progress towards the consensus of objectives.

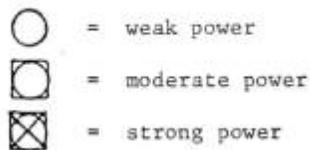
5.02 All projects have to face the questions: "Which agency (power center) will control which activities for the implementation of rural development goals?" "How will those activities that cannot be left to the control of a single agency be coordinated?" Early projects as we have seen solved this problem by establishing project units that controlled decisions and resources necessary for completion of project activities. They minimized the need for coordination. However, *the* inherent interdependence and complexity of multisectoral rural development projects forced a rapid evolution of coordination mechanisms.

5.03 Lilongwe very consciously evolved through several phases of development, from a limited, highly controlled Regional perspective, to what is now a National Program for Rural Development (NRDP). In Phase I, the primary project resources were under the control of the project manager. Project funding covered all necessary equipment, Buildings, materials, services, and salaries. As early as ten months after implementation, the need for coordinating future directions arose and a Liaison Committee was established under the Secretary of Agriculture at the national level.

5.04 The district level solved the problem of coordination by creating a dual reporting relationship (called a matrix in organization theory) whereby drilling and survey teams continued to work for their respective ministries, but their schedules were approved by the project manager. Coordinative links were initially weak. The District Development Committee had a strong base of power and influence. It was chaired by the District Commissioner and was attended by key party members and the heads of line agencies. It had the power to allocate land and build houses. It was also the primary vehicle for coordination of line agencies. The Committee initially functioned as a learning center where members discussed the program and its effect. Later its role developed to become the primary vehicle for use of influence on line agencies, setting priorities, and planning activities.

5.05 At the local level, a good deal of effort went into the formation and support of unit committees (unit = 20 villages). The committees themselves were the highest level of a series of committees that reached down to encompass work sections. A development officer supported each unit. In the progression through subsequent phases, the regional program increasingly influenced national policy direction. The requirement for stronger coordination and more influence at the national level became evident. The result of this learning led eventually to the evolution of a national rural development system.

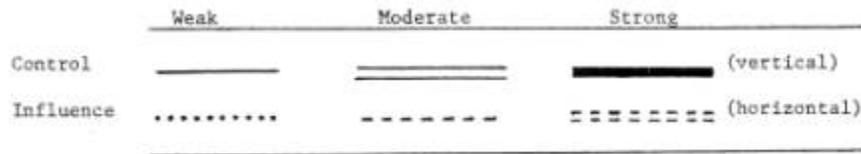
5.06 We can now begin to show the relationship between the major dimensions of the framework for understanding organizations and management visually. The first step, based on the analysis of the political process, is to identify the key power centers relating to the project. Chart 5 identifies the major centers for the Lilongwe project, i.e., the Project Unit and district level. A subjective estimate is made of the relative power of each agency in terms of its influence on rural development activities. The components that go into this assessment are those discussed in Chapter 3 (i.e., status, control of resources, knowledge). The following symbols are used:



Power in this sense is an umbrella concept. It entails the sum of all sources of control, influence, and appreciation (knowledge).

5.07 - The structural arrangements linking power centers are expressed as vertical reporting links, and horizontal coordination links. The vertical links, or reporting relationships, are expressed as degrees of "control." Control meaning that one level can cause another level to do what it wants. A national line agency can give orders to its corresponding state agency and cause it to carry out activities it desires. In this sense it has control over the state agency. This is not true for a coordinating body; it does not control its members, it can only influence them. Thus the horizontal linking relationships between line agency and coordinating committees are expressed as lines of "influence."

5.08 To simplify the charts, we have used the following symbols to represent degrees of control (vertical) and degrees of influence (horizontal)



5.09 The following notes and charts describe and illustrate this process using two other projects, PIDER and Kigoma (Charts 6 and 7), with FIBER illustrating a strategy of improving links between existing organizations, while Kigoma illustrates the creation of a new organization. We can see then that the relative power of each center is a function of the control and coordination pattern. Each center derives a good deal of its power from its position in the control and coordinating structure. However, not all of its power is so derived. Residual power is derived from informal, social, and political influence, differences in knowledge, competence, and performance. The charts now give a single means to compare visually patterns of power, control, and coordination that are very complex to describe verbally. They appear complicated to someone not familiar with the project. Those working on particular projects, however, are rapidly able to communicate the most complex sets of interrelationships. We can now compare the pattern within a project over time, and compare the patterns between projects.

5.10 Mexico's PIPER program solved the problem of coordination structurally by setting up a special agency in the President's office. PIDER was conceived from the beginning as a coordinating body. It was never expected to control the activities involved in rural development. It was clear from the beginning that control of such activities was to lie in the line agencies. At the federal level, the highest policy-making body of PIDER was a coordinating committee of senior officials from participating agencies. The committee met monthly to review policy, approve micro-region programs, and discuss interagency problems. It was supported by a technical working group consisting of agency representatives who supported the committee with methodology and by screening micro-region plans. A similar committee chaired by the Governor was set up at the state level. Village level participation was encouraged but no uniform organizational arrangement was developed in view of the country's socio-logical diversity. 1//1

5.11 A major learning from the PIDER project is the use of planning as a vehicle for coordination. Involvement in a planning process provides a way for influencing activities that cannot be controlled. The process began as early as the project appraisal stage. For the first project, the Bank did not require detailed appraisal of every micro-region (30 were involved). It agreed with the Mexican Government on broad criteria for funding (e.g., 70% as the lower limit for productive oriented investment in any micro-region). Initially (1973-75), the federal level of PIDER drew up micro-region development plans. Eventually, the state level took over full responsibility for programming, execution, supervision, and financing. While

the state agencies were directly responsible for project execution, PIDER was able to exercise influence through approval of plans, disbursement of funds, and supervision of projects. The process is summarized in Table 5-1 and illustrated in Chart 6.

- 5.12 In 1973-75 the line agencies at each level were relatively more powerful than PIDER and the coordinating committees that were in an embryonic learning phase. The reorganization in 1976 strengthened both of the line agencies and PIDER at the state level. The coordinating committees began to work more effectively through the improve planning and review processes described earlier. The moderate power rating at the local level for the line agency indicates successful local impact; however, the weak rating for PIDER and the villages indicates the lack of coordination at the local level. The 1979 pattern shows further strengthening of the state level. It shows improvements in PIDER at the local level, mainly where PIDER coordinators are resident in the micro-regions, but still indicates a lack of coordination at that level.

/ Jorge Echenique, Notes on Farmer Participation in Rural Development Planning. CIDER, July 1979. (Translated by the World Bank)

Table 5-1

PIDER: SYSTEM OF CONTROL AND COORDINATION

	<u>Line Agencies</u>	<u>Coordinating Committees</u>	<u>PIDER</u>
F E D E R A L	Prepare budget proposals by micro-region. Receive budget allocation to carry out agreed programs.	Final approval of micro-region plans.	Review micro-region plans. Attend state coordinating meetings. Selected field visits. Maintain accounts of expenditures by each agency. Monitor expenditures.
S T A T E	Execution of authorized investment. Prepare budget proposals for submission to PIDER and federal agencies.	Programming for individual years. Committee staff trained to prepare village/ejido budgets. Submit final plans to federal coordinating committee.	Review of plans proposal before submission to state coordinating committee. Supervision of projects through field visits. Monitor progress in each micro-region through monthly reports.
V I L L A G E	Modification of budget during the year through transfer within the same program only. Little participation in planning process. Villages petition for investments to agencies. More participation during implementation.		Suggestions for improvement of budget preparation. Resident PIDER staff in only 15% of micro-regions. Insist on proper maintenance and operation of completed investments by beneficiaries. Operates as local change agent.

- 5.13 KIGOMA. The Kigoma Rural Development project in Tanzania (Chart 7) illustrates three states of institutional development: (i) pre-project; (ii) *as envisaged at appraisal, 1974/75*; and (iii) 1975-78. The pre-project pattern shows rural development activities controlled through a typical centralized government structure; power is greatest at the national level and successively weaker toward the local level. The coordination network is relatively limited and weak. It consists of links to cooperative unions at the regional and district levels (the Kigoma Cooperative Union, KCU) and to the parastatal organizations at the regional level (the Milling Corporations, Cotton Authority, and the Tanzanian Rural Development Bank).
- 5.14 The organization strategy, outlined in the appraisal report (Table 5-2), called for the restructuring and development of the KCU to give it considerably more control of rural development activities. The Union would be responsible for all commercial activities related to farm and crop development, including input delivery, collection of marketed surpluses, credit assessment and collections, as well as supervision of village societies. The relationship with the parastatals was to remain the same (i.e., to provide inputs and market surpluses at the regional level). Coordination between ministries was to be achieved through the creation of Regional and District Development Directors. All civil service staff would report to these officers instead of to their respective ministries in Dar-es-Salaam. In effect they had a dual reporting relationship, to their Development Director for administrative matters regarding work priorities, scheduling, salaries, etc., and to their ministries for technical matters. Coordination between the communities and the government was to be achieved through the creation of Village Development Councils. Local views and support for approved programs would be sought through the political process, working through the District and Regional Development Committees. Links would be forged at each level, from the ten-family cell and Village Council, through the Ward and District level party hierarchy, and ultimately to the Regional Commissioner
- 5.15 In practice (phase three, 1975-78) the KCU did not have time to develop. Within months of the project being approved the Government decided to abandon the KCU as a result of large losses "due to negligence or stealing." The heart of the project's proposed implementation machinery was torn out. A project unit was substituted (PKE) whose major task was to coordinate and supervise all project activities in the region, including developing detailed operational plans for the parastatals. The PME proved relatively ineffective and it was eventually proposed to incorporate its functions fully into the Regional Development Directorate. The Regional Development Director was not able to exercise the degree of power anticipated. The chief difficulty arose from the shortage of managerial talent available to run the approximately 20 regional offices, and almost 80 district offices. By default the district offices became more influential as each was able to exercise a considerable amount of discretion. The parastatals took on the

role originally envisaged for the KCU, but their activities were only weakly coordinated at all levels. As a result, services and inputs to villages were often untimely or duplicated.

5.16 Summary. For purposes of this review, a total of six rural development projects were studied in detail: in addition to the three presented above, a similar analysis was done for the Rio Grande do Norte (RGN) project in Northeast Brazil, the Land Settlement project in the Philippines (PLS), and the ZAPI project in Cameroon. A comparison of the patterns developed in this manner for all six projects indicates the following tentative findings:

1. At least moderate power is required at all levels of the rural development system. Among the systems that are unbalanced, however, those with top-heavy power appear to work less effectively than those with power concentrated at the local and intermediate levels (Lilongwe and ZAPI). Top-heavy power systems tend to stifle motivation and commitment and have difficulty in obtaining valid information from lower levels, especially of a negative nature. Systems with balanced power or more power at the lower levels tend to be more highly motivated and have better flows of information from the lower levels, and so are better able to adapt to change. The pattern of the PIDER project has come full circle in this respect. The states now wield considerable power, and there is such a rapid change of personnel at the federal level that the state level has more influence on project activities.

2. Rural development requires relatively strong patterns of control and coordination at the local level. Those rural development projects with relatively strong patterns at the local level seem to be the most successful. This involves strong local leadership, use of mechanisms to generate local commitment for project purposes, local ability to influence decisions affecting them, agency representatives who are sensitive to local needs, but able as well to command the resources necessary to get things done and at the appropriate time. Most likely, there will be a match between traditional managerial modes and those required for the implementation of the project works at the local level - and their maintenance thereafter. I'

3. There must be a balanced relationship between the strength of coordination and control at the same level. For example, there is little use in having a very influential coordinating committee if the line agencies at that level have weak control and are unable to implement the agreements reached by the coordinating committee (Chart 8).

4. The most promising area for organizational design improvements is in the use of more and improved coordinative mechanisms. This is particularly true for projects that are implemented through existing governmental organizations. Changes in structure are liable to be resisted because they have a major effect on the distribution of power (they affect "control" relationships, the highest degree of power). Addition of coordinative mechanisms to existing structures is much less likely to be resisted because their effect on the power structure is much more subtle (they affect "influence" relationships). There are also many more mechanisms to choose from, thus increasing the likelihood of finding a solution acceptable to the personalities involved. Table 5-3 lists a range of such mechanisms with a rough indication of their relative strength. Obviously, the actual strength of a mechanism depends on how it is used and the circumstances in which it is used.

Table 5-3

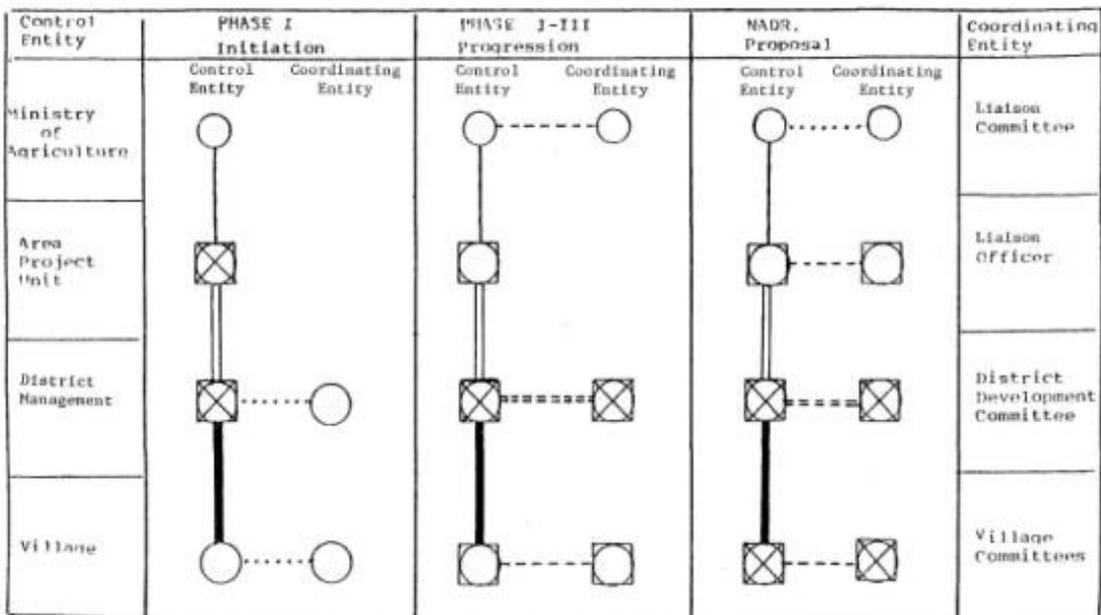
COORDINATION MECHANISMS

Ad hoc meetings
(To coordinate as problems arise)

WEAK

LILONGWE

Evolution of Control and Coordination Patterns

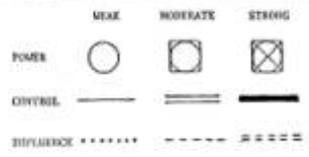


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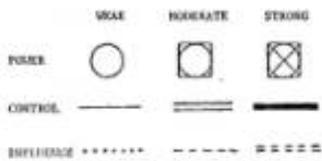
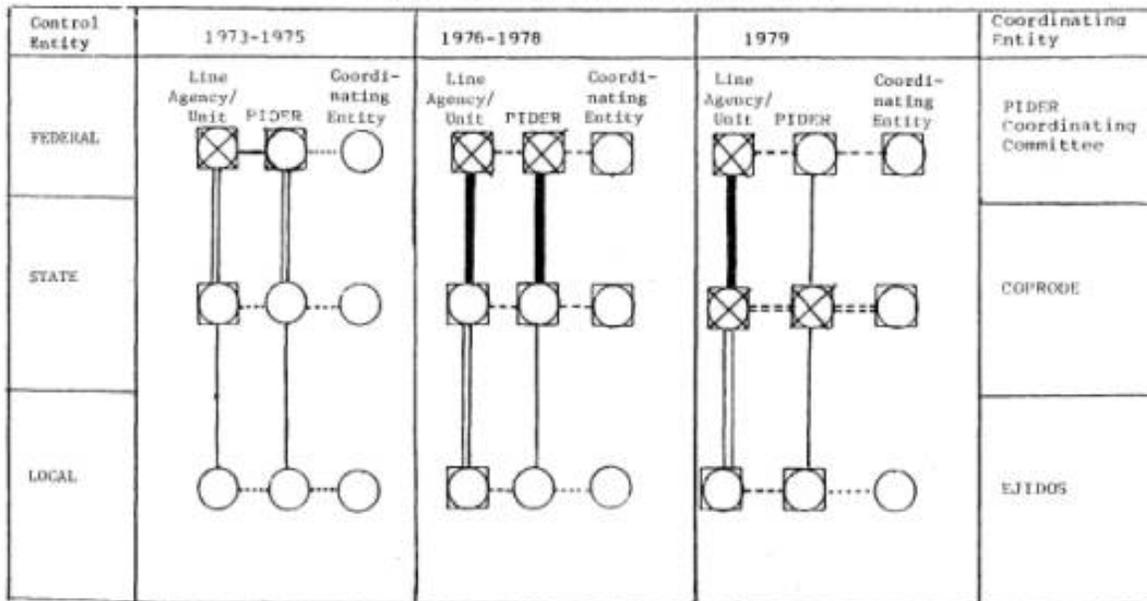
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Chart 5



PIDER

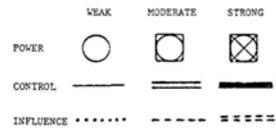
Evolution of Control and Coordination Patterns



KIGOMA

EVOLUTION OF CONTROL AND COORDINATION PATTERNS

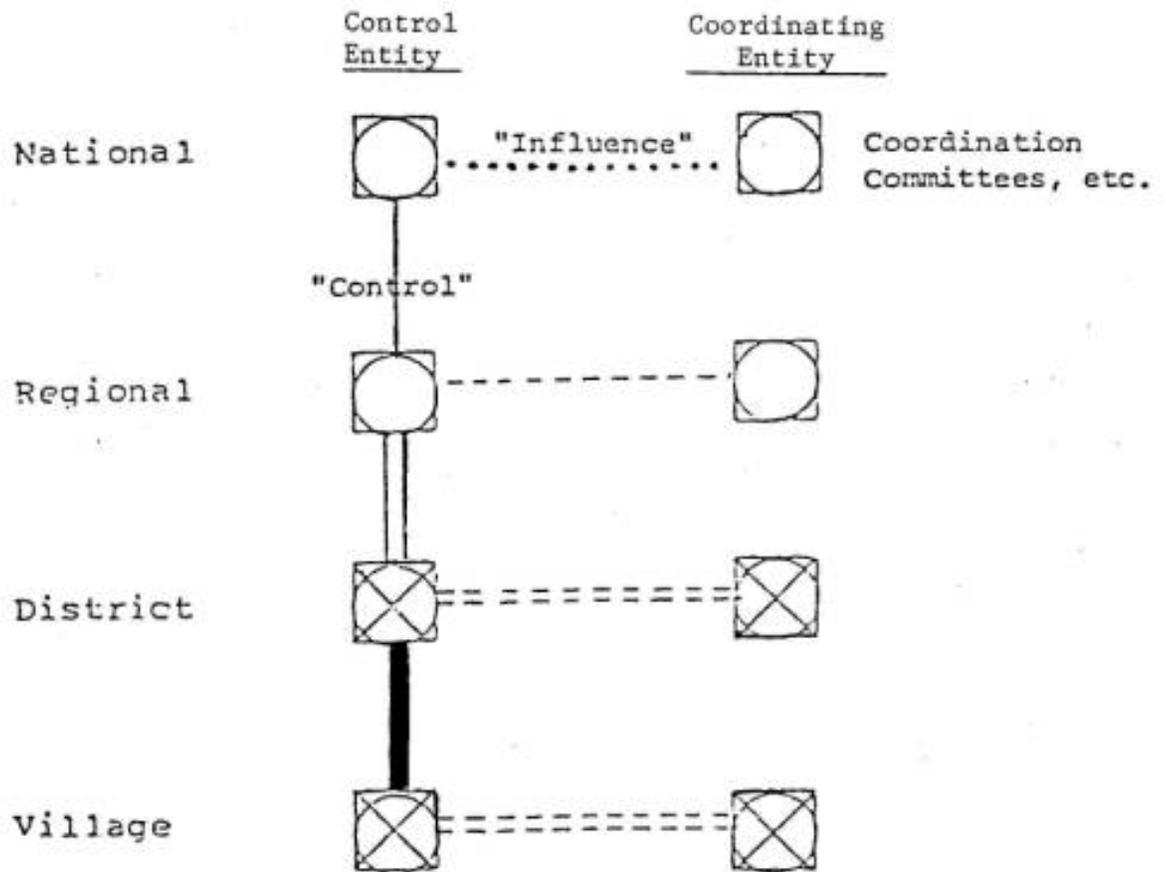
CONTROL ENTITY	PRE-PROJECT → 1974			APPRAISAL 1974/75				IMPLEMENTATION 1975 - 1978				COORDINATING ENTITY
	Parastatals	KCU	Government Ministries	Parastatals ETRDB	KCU	Ministries Line Agencies	Development Committees	Parastatals	PME	Government Ministries	Development Committees	
NATIONAL	○		⊗	○		⊗		○		⊗		
REGIONAL	○	○	⊗	○	⊗	⊗ ^{1/}	⊗	○	⊗	⊗ ^{1/}	⊗	Regional Development Committee
DISTRICT		○	○		○	⊗ ^{2/}	⊗	○		⊗ ^{2/}	⊗	District Development Committee
VILLAGE			○		○	○	○	○		○	○	Village Development Committee



1/ RED - Regional Development Director
2/ DDD - District Development Director

BALANCED CONTROL AND COORDINATION PATTERN
FOR RURAL DEVELOPMENT

Each level should be powerful enough (a) in its commitment to policy and project objectives; (b) in its ability to make necessary resources available to give a sense of direction and competence to the next lower level.



	WEAK	MODERATE	STRONG
POWER	○	◻	⊠
CONTROL	—	==	≡
INFLUENCE	- - - -	≡≡≡≡

Chapter 6; Time as a Special Dimension for Designing the Project Organization

6.01 The findings from the six projects confirm the conclusions of a review of the Bank's experience in the implementation of Rural Development Projects in the fall of 1978. Time is a more important variable in rural development projects than in less complex projects. Because of the broader objectives of rural development projects, their implementation is necessarily slower *at* the start of projects, though appraisal teams seem to have difficulty recognizing this characteristic. The repeat phases of projects tend to have fewer problems than new projects. Even in the earliest rural development project in Lilongwe the need for a multiphase approach was recognized. The project was to begin with a single region, then in subsequent phases be duplicated in other regions. A final phase would bring about a national plan.

6.02 The dilemma for designers is the problem of balancing the long-term needs, which tend to be heavily weighted toward social and organizational institution building, with the short-term needs for launching a productive activity and building a physical infrastructure. The above mentioned Review notes:

"it takes time to build effective management teams and to integrate them into the broader environment in which they must work.... Ultimate success awaits the longer-term process of training enough staff at all levels, efforts to build viable institutions need particular attention, and would benefit from greater knowledge about, and more innovative use of, the existing socio-economic structure."

6.03 The project cycle itself may unwittingly encourage an inappropriate time perspective: while identification and preparation missions tend to have a broad time frame, allowing them a historical perspective of past success and failure, it is the appraisal report, with its shorter time focus, which ultimately — albeit not intentionally — tends to become a blueprint for implementation. For example, the appraisal report of the first Lilongwe project makes no mention of the thinking during identification and preparation that would link the regional Lilongwe project into a national framework. This approach may have considerably sharpened the appraisal report, but may have hampered the achievement of the longer-term purpose of national rural development. The resulting problem of evaluation of the project impact was mentioned in Chapter 1. Should the project be evaluated against the precise criteria of the appraisal report, or should some of the less precise criteria associated with a larger purpose in a longer time frame be taken into account? The result is a static approach to organization design and management: appraisers think of "the" organizational and management structure for the project, whereas a more dynamic viewpoint would require them to think of a structure evolving out of the existing situation. Possibly due to the particular style of the appraisal process that tends to focus on certainty and to downplay the less predictable

features of the project, Bank staff generally tends to resort to a critique of the internal arrangements of project design and organization.

6.04 They give little weight in their analysis to the influenceable variables and those to be appreciated which constitute the project environment. By doing so they miss an opportunity to link the design of the project organization to the ongoing flow of external events. While continuity of policies and procedures may be desirable from a project point of view, it is not realistic to assume that the environment will remain constant. In reality, the process of change and adjustment to change is likely to affect any project during its implementation. As the Kigoma project illustrates, however, the environment may at times be so turbulent that new organizational (and other) arrangements do not get a chance to stabilize and prove their effectiveness. The emphasis on internal logic of design lends to a belief that events are subject to greater control than they really are. As a result, project organizations tend to be over designed or, more accurately, over specified. Heavy use is made of external technical expertise whereas local resources, which have a better feel for the complexities of the evolving situation, tend to be underutilized.

6.05 Evaluation also tends to take on static properties. It is something set up at the beginning of a project, data are collected along the way, but true evaluation waits for its appropriate place at the end of the project. Even though mid-term evaluations are carried out, the process is still somewhat disassociated from the flow of project activities. Even structurally, evaluation units tend to be separated from operational units. The purpose is to keep evaluation unbiased; however, the effect is to keep it irrelevant in the perception of project management.

6.06 In spite of this, in all six cases evaluation staff became either involved in operations or had difficulty in sorting out their role. Lilongwe developed the first evaluation unit but it became involved in much debate on whether it served the needs of the program manager or the Bank. PIDER had the most complex system, an entirely separate operation, CIDER, that operates at national, regional, and local levels. Results have not been fully satisfactory due to: (a) lack of effective models of evaluation; (b) inexperience of its staff; (c) lack of field knowledge; and (d) inability to translate its findings into terms considered by project managers as operationally useful. The monitoring and evaluation unit within the RGN project unit has been so involved in assisting newly recruited project staff and in the detailed preparation of a quarterly plan that little time has been spent on evaluation. The PLS project avoids the problem of disassociation by building evaluation into the overall planning and review mechanism.^{1/} The Kigoma project also conceived of evaluation and monitoring as part of regional planning and project preparation.

6.07 In spite of this emphasis on evaluation, errors of design tend to be diagnosed as problems of management or implementation. The evaluation data that could result in dynamic ongoing redesign tends to become evident too late. Learning takes place primarily between phases of projects rather than within the project itself.

6.08 The resolution of the issue of evaluation, as well as that of making structural design more dynamic and flexible, and even that of resolution of conflicts of purpose, seems intimately tied to finding better ways to integrate the time dimension into phases of the project cycle and phases of project implementation. The final section of this paper will suggest the tentative outline of such an approach.

1/ The project provides for planning, monitoring and data collection subunits at each of the three settlements falling under the project; within the Central Project Management Unit a coordinating unit dealing with socio-economic planning, monitoring and evaluation is included which has sufficient additional resources for local consultants to develop an overall evaluation design plan, carry out special studies, and provide facilities and manpower to process and evaluate data.

PART III: ORGANIZATION DESIGN AND THE PROJECT CYCLE

This final section attempts to combine the elements of the framework developed so far into an approach to the problems of organization design. We will not be able to prevent incursion into the field of project design because, as we have seen, the roots of so many of the problems of organization and management lie there. The approach fits organization and management into a planning process built around the phases of the project cycle - or, more accurately, in the case of rural development or similar non-engineering projects - an iterative process repeated several times during the project life.

Chapter 7: Identification: Organizing the "Appreciated" Environment to Benefit the Project

7.01 The identification phase of the modified project cycle would deal with a long-term time frame and the appreciated environment. On the premise that one cannot plan forward further than one can look backwards, a rural development project that requires a 15 to 20 year future time horizon requires the identification team to look backwards 15 to 20 years. To plan for the future one must understand the strength and pace of the evolution of the historical cultural forces at work. In this sense it is the phase most concerned with the appreciated environment. An understanding of these forces leads to an identification of the major constraints and opportunities that will affect the choice and design of a rural development project. No foreign team, even with several missions and the ablest of programs staff, can adequately accomplish this task. Nor can the vested interests of government departments be totally relied upon to give an adequate perspective of the constraints and opportunities for a rural development program. Perhaps wider participation by the relevant sections of the community likely to be affected by rural development or able to contribute to it should be attempted at this stage. A series of conferences at national, regional, and local level attempting to capture an image — an ideal of what the country really wants from rural development — might begin the process of motivation and commitment earlier, or it might produce new directions to guide subsequent policies and strategies for rural development. [The Bank could act as an agent for promoting such conferences, contribute its resources of knowledge, and encourage other international agencies to do the same. (Such conferences might include beneficiary organizations, technical, social, cultural, religious, and academic representatives.)

7.02 Of the six projects studied, only Kigoma and ZAPI seemed to have developed such an image of their future.]. / The Tanzanian image was based on a political idea of socialism, while that of the Cameroons seems to have evolved from experience. Though it is important to develop in some way a set of planning ideals, or long-term objectives, experience shows that project designers and planners have to be careful not to accept them as anything more than broad guidelines for the future. They are ends

that will not be reached by the project in the time period being planned. They are to be used to give direction and legitimacy to project selection and not to specify their goals. The Kigoma project made this error and moved too directly in an attempt to implement its ideals. It became over committed, attempting too much too soon.

7.03 The identification phase, then, can be seen as contributing to the "normative" or policy planning process. By focusing on ideals and values, without commitment to means of implementation, the process can avoid many of the conflicts of purpose discussed in Chapter 1. It ensures that any project selected serves the legitimate purposes of both those affected by the project and those implementing it. It provides common ground on which to move to the next step.

- 1) Strength of commitment to the goals of rural development.
- 2) Control of human, financial, and knowledge resources to commit to the goals of rural development.
- 3) Sources of influence over others who can contribute to the

Goals of rural development. (One way of answering this question is to assess the degree of dependence of those who can contribute on those who ask for the contribution.)

1/ In Liberia, such an "ideal" of the future was produced by the rural development task force. Several National Conferences were held under the auspices of the United Nations Development Programme.

2J This is the term now becoming current in planning literature to describe the process of determining long-term objectives. It determines objectives by seeking to capture the ideals and values of the participants in the planned system. Its time focus is beyond the actual planned period; it is not constrained by consideration of resource limitations, only by what is feasible. See Ozbekhan, H., "Planning and Human Action" in "Hierarchically Organized Systems in Theory and Practice," Paul A. Ueiss, editor, Harper 1971, and Ackoff, R. L., "Redesigning the Future," Wiley Interscience, 1974. Ackoff uses the term "idealized planning."

Chapter 8: Preparation: the Choice of Organizational Structure, Control, and Coordination Patterns

8.01 The bridge between identification and preparation is provided by a strategic planning process. The process is characterized by:

- (a) An acceptance of the long-term objectives (ideals) produced by the normative planning process.
- (b) The selection of a specific time frame for the planning effort.
- (c) A search for alternative configurations of available and potentially available resources, and means of combining them within the time frame.
- (d) An examination of the principal alternatives in terms of their likely costs, results, and consequences.
- (e) A selection of the most effective course of action to serve as the basis for action. Effective in this sense means:

- (i) It is the choice that best captures the energy and commitment of those who will have to implement and be affected by it.
- (ii) It will employ resources that are actually or potentially available to the implementers within the planning period.
- (iii) It allows for change of course as new data and shifts in priorities become known.

The strategic planning process covers all aspects of project design, both technical and organizational. Here we will concentrate only on those affecting the design of the organizational structure, and the control and coordination patterns discussed in Chapter 5.

8.02 The choice of organizational form begins with an understanding of the distribution of power within the rural development system. The system can be conceived as three levels: national, intermediate, and local; and three environments: controlled, influenceable, and appreciated (Chart 9). The "controlled" consists of those organizations or entities that will be charged with the responsibility for rural development activities; the "influenceable" consists of those organizations that must coordinate their activities with those in the controlled environment; and the "appreciated" are those that can affect the organizations in the "controlled" and "influenceable" environments. The resulting information can be organized into Tables or Charts similar to those in Chapter 5.

3.03 In mapping the power field we must be sure to focus on power relative to rural development goals, and not generalized power within the society. The determinants of relative power are:

- 1) Strength of commitment to the goals of rural development.
- 2) Control of human, financial, and knowledge resources to commit to the goals of rural development.
- 3) Sources of influence over others who can contribute to the goals of rural development. (One way of answering this question is to assess the degree of dependence of those who can contribute on those who ask for the contribution. !/)

8.04 The organization designer has to choose where and how much energy to add to the existing power field in order to achieve the most effective control and coordination pattern. His choices are determined by his understanding of the current situation and the existence of a consensus about long-term direction.

8.05 The key to success at this stage is not to decide on a single option too soon. The pros and cons of as many alternatives as possible should be examined. Chart 10 illustrates very simplistically a number of strategic approaches. Examples 1 and 2 represent strategies based on the assumption that it is best to begin with the existing sources of power and build outwards from these. Examples 3 and 4 are based on the assumption that there are strategic points for intervention in the rural development system, and, regardless of the current distribution of power, the organization should be designed to move the pattern of control and coordination in a specific way.

Example 1 illustrates a case in which the principal power and commitment comes from the national level. The arrows represent three distinct approaches that could be followed singly or in combination:

- (i) Organize the national level by creating coordination with column 2, while dealing with the constraints and opportunities provided by organizations in column 3.
- (ii) Move to create coordinative links at the intermediate (e.g., regional or district) level while dealing with constraints to implementation at the local level.
- (iii) Move to create a tightly controlled organization within a single

ministry or organization linking national, intermediate, and local levels (e.g., create an agricultural extension service).

Example 2 illustrates a case in which primary interest is at the local level and with an outside agency such as the World Bank. Here a dual set of strategies merge by building from the World Bank influence at the national level, and building on the local level commitment.

Example 3 is based on the assumption that the strategic point for intervention in the rural development system is the intermediate level in the influenceable environment, e.g., begin at the region or state level by creating a strong coordinating mechanism, then radiate outwards to build toward the national and local levels.

Example 4 builds on the assumption that any rural development program must have a source of both national and local commitment. The national commitment ensures long—term direction and political protection, and local commitment ensures national policies are based on real needs and accurate data. These assumptions suggest a pincer-like strategy moving simultaneously -from the national and local levels to create the necessary intermediate linking structure over time.

I/ For example, the support of a state governor is desired for the achievement of rural development goals. His source of dependence may be the provision of development funds for projects in his state.

8.06 The ultimate choice of organizational strategy will depend very much on the country's state of institutional development. While many countries may wish to move toward a highly integrated system, such as that being attempted in Mexico, their state of development of institutional infrastructure may prevent it. The data from the six projects suggest the eventual possibility of matching the organizational strategy to the state -of institutional development. Some of the possible relationships are suggested in Table 8-1. This suggestion of appropriate structure following the state of institutional development also takes some of the sting out of the controversies about the use of project units versus existing Agencies. Our analysis suggests that this polarization is too simple. There are many more alternatives to consider in reference to different roles for project units as well as different ways of linking existing agencies. The establishment of an autonomous project unit in Lilongwe, though not fashionable today, may have been the best strategy for the state of institutional development at that time in Malawi. The Mexican Government is facing a problem at the other end of the spectrum (Table 8-1). The national planning process is now becoming so integrated and FIBER is such a part of that process that the question is raised as to

whether or not FIBER should maintain a distinct identity. It is doubtful whether in fact Mexico has reached such a stage of development in its progress with rural development that it can afford to dispense with the special focus that a separate organization gives. Nevertheless, FIBER could well end up becoming part of a larger planning unit dealing with even broader issues of rural development, or it take over other agencies and form a larger planning unit.

8.07 If strategic planning concepts are accepted as appropriate to providing linkages between the identification and preparation phases, then we can conclude that most of the design weaknesses mentioned in Chapter 1 occur here. The key failure is the attempt to move too rapidly to the choice of a single organization. Not enough time is spent in exploring and weighing alternatives and having those who will have a role in implementing the final choice themselves suggest alternatives. Appraisal of the design is then based on the logic and efficiency of its internal arrangement rather than on its suitability to its environment and its effectiveness in achieving rural development goals.

Table 8-1

HYPOTHESIZED RELATIONSHIP BETWEEN INSTITUTIONAL DEVELOPMENT
AND ORGANIZATIONAL STRATEGY FOR RURAL DEVELOPMENT

STATE OF INSTITUTIONAL DEVELOPMENT		Low (e.g., highly centralized)	Moderate	High (e.g., high degree of shared power between levels)
QUALITY OF HUMAN RESOURCE	National	Moderate	High	High
	Intermediate	Low	Moderate	High
	Local	Low	Low	High
ORGANIZATION STRUCTURE FOR RURAL DEVELOPMENT		Single government department, e.g., Agricultural extension service; autonomous project unit	Coordinative councils and committees Project units in coordinative roles	Integrated National Development Planning
PRINCIPAL EMPHASIS		Control	Coordinative Mechanisms	National Planning Systems

Chapter 9: Appraisal: Specifying the Detailed Organizational Arrangements and Designing the Learning Processes

9.01 The link between project preparation and appraisal is the operational planning process. Operational planning takes the final strategic choice and specifies:

1) what will be done, when and by whom;

2) what resources will be required; and

3) what control systems will be used

(a) to track results and progress;

(b) to monitor efficient use of resources; and

(c) to monitor unanticipated consequences.

Little needs to be said about this form of planning. It is, in fact, what most people mean by the word "planning." The operational planning of projects is also an area in which the Bank excels in expertise.

9.02 The appraisal process itself receives a good deal of criticism as being too inflexible. This criticism may originate from the fact that too little attention is devoted during the project design stages to strategic planning, as a result of which (a) too much effort is concentrated in this stage; (b) too many tasks have to be handled in too short a time; (c) too many decisions have to be made and often too fast - they should have been made before; and (d) under the pressure of time, too many details are decided upon, which could have been better handled at a later stage. Rather than serving as a review of the outputs of a normative, strategic, and operational planning process, the appraisal report and other working papers flowing from it are then treated as an operational plan of action. Its content is taken as an operational commitment to produce exactly what has been written.

9.03 Evaluation: In the Bank, evaluation is generally discussed in conjunction with monitoring. A' In the management literature both are discussed as part of the management information or control systems. In this paper, to avoid problems of definition, we will discuss all three systems — monitoring, evaluation, and control — as part of a larger learning process. If we return to our chart of the rural development system, Chart 9, we would argue that each level of a rural development system has a distinct contribution to make. The national level is concerned primarily with creating policy that reflects the legitimate needs and desires of its people. The intermediate level is concerned primarily

with devising the most effective means for implementing policy, whereas the local level is most concerned with efficient use of resources. In effect, each level has a distinct criterion for its performance:

- (1) National – legitimacy
- (2) Intermediate — effectiveness
- (3) Local - efficiency

I/ In some cases it is also discussed in relation with project "completion." ~~ this term, coined for the more traditional infrastructure projects, refers to the end of the "construction" period. It does not readily apply to multi-sectoral projects concerned with user response and impact on intended beneficiaries and where the development process will hopefully continue beyond the project construction period.

9.04 Any learning (evaluation) system has to be able to assess these three levels of criteria. In order to do this, the organization has to trace its decisions backwards through its levels of planning and structure to its purpose and its relationship to its environments.

9.05 The process begins with an examination of its results:

- (1) Were the activities agreed to as part of the operational plan actually carried out?
- (2) Did they have the anticipated results?
- (3) Were there any unanticipated consequences?

9.06 Deviations from planned results indicate problems of management and implementation. These are problems of the controlled environment. Unanticipated consequences indicate problems of design or strategy. Variables were at work which were not taken into account in the design/strategy stage. Unanticipated consequences indicate problems in the "influenceable" or "appreciated" environment. Reexamination of the alternative design of strategies considered will indicate whether unanticipated consequences were due to:

- (1) the wrong choice of design;
- (2) failure to recognize all sources of influence;
- (3) failure to provide adequate coordination;
- (4) inadequate recognition of the "givens" or the appreciated environment; or
- (5) in the final analysis, unanticipated consequences will reveal whether the objectives on which the design strategies were based were appropriate.

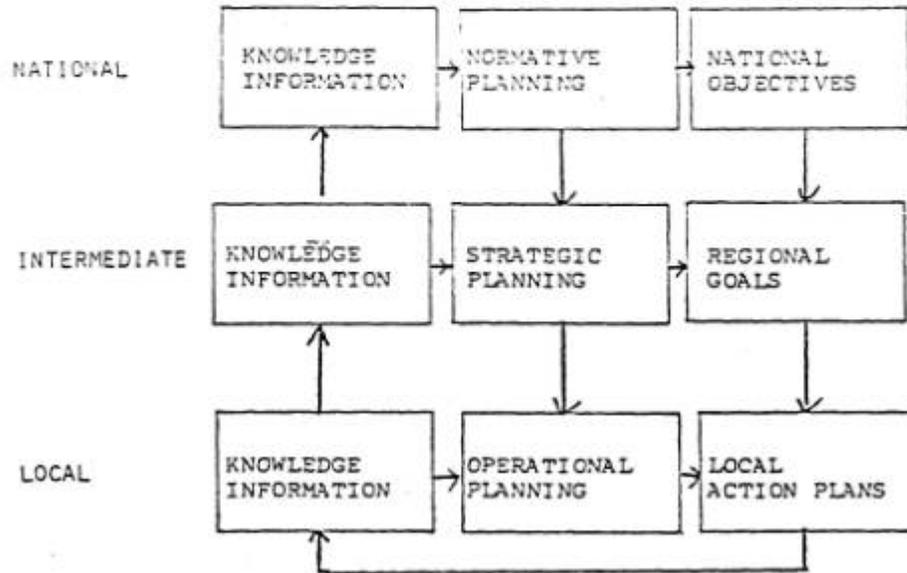
9.07 A rural development system with the ability to carry out this level of self-diagnosis has an effective learning (evaluation) system. The key to the design of such a System lies in the flow of information between levels. The flow in turn is governed by the design of the control and coordination system, which as we have seen is conditioned by the distribution of power. What we are saying, then, is that an effective learning (evaluation) system is an integral part of the organization design and is dependent on the same variables. The aspect of design, though, to which we have to pay most attention is the flow of information. Perhaps this can best be seen by comparing the flow of information in a typical "top down" and "bottom up" planning approach with what we conclude is essential to an effective learning system (Chart 11). Under the typical "top down" approach, the assumption is that intermediate levels cannot perform their functions until they receive guidance from the top, and the local level in turn has to wait for both the national and intermediate levels before completing its action plan. The "bottom up" approach reverses these assumptions and says that the intermediate level cannot determine system strategies or goals until it knows what the local level wants and can do. The national level aggregates intermediate level strategies and goals into national policy and objectives. Both of these models are termed "control" view of planning. Both assume that one level has ultimate control of what is to be achieved by the whole system.

9.08 The model we suggest as appropriate for an effective learning system assumes that no level exercises strict hierarchical control over any other — each level is closer to influencing the other. Thus, the relationship is more one of coordination between semi-autonomous levels. The flow of information is more like that in Chart 12. The output (objectives, goals, action plans) of any level becomes information rather than directives to adjacent levels. This information is processed through the adjacent level's own information system, knowledge of its own situation and action capacities before being incorporated into its own output. The comparison of desired outputs between levels is the discussion of purpose referred to in Chapter 4. It is a political process of confrontation, negotiation, and compromise. As we indicated in a "top down" system the higher levels have more power, and the flow of information upward tends to become distorted; there is impaired learning. A "bottom up" approach is more likely to founder because of weak direction at the top (e.g., when new environmental conditions require changes in areas not familiar to those at the local level). The flow of information indicated in Chart 12 requires balanced power at each level, where negative information can flow equally upwards through the system as well as downwards in order to learn from unexpected results and unanticipated consequences.

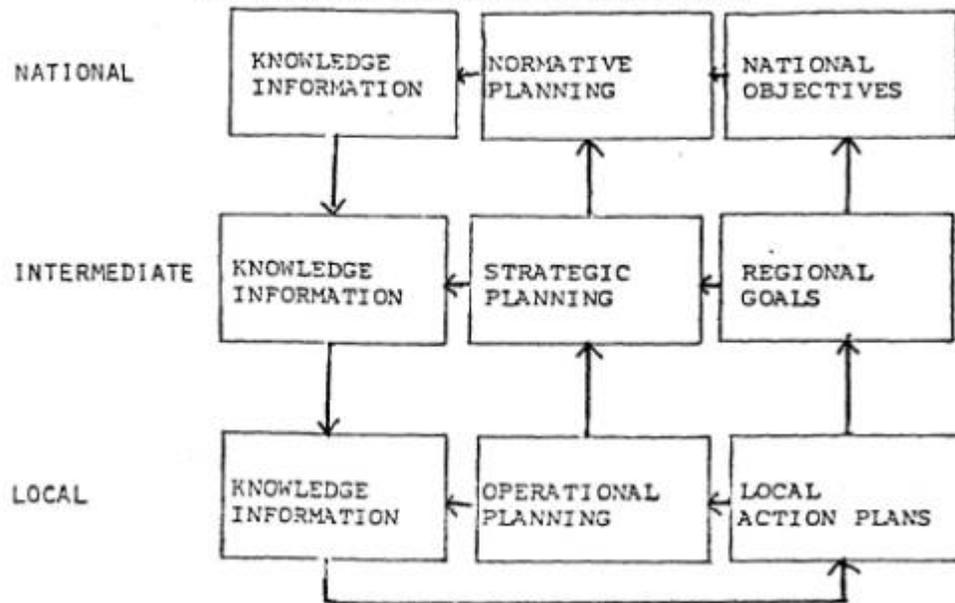
9.09 The learning process makes the task of organizing a continuous one. It applies equally to existing organizations and the creation of new ones. Organizing involves not only a periodic restructuring of internal reporting relationships but the more pervasive and subtle shifts in the changing patterns of internal and external influence and appreciation. The massive restructuring of bureaucratic organizations, which so often affects project performance, may be seen as a failure of the learning process: the organization failed to make constant small, adaptive changes until it is forced to make massive disruptive ones.

Chart 11

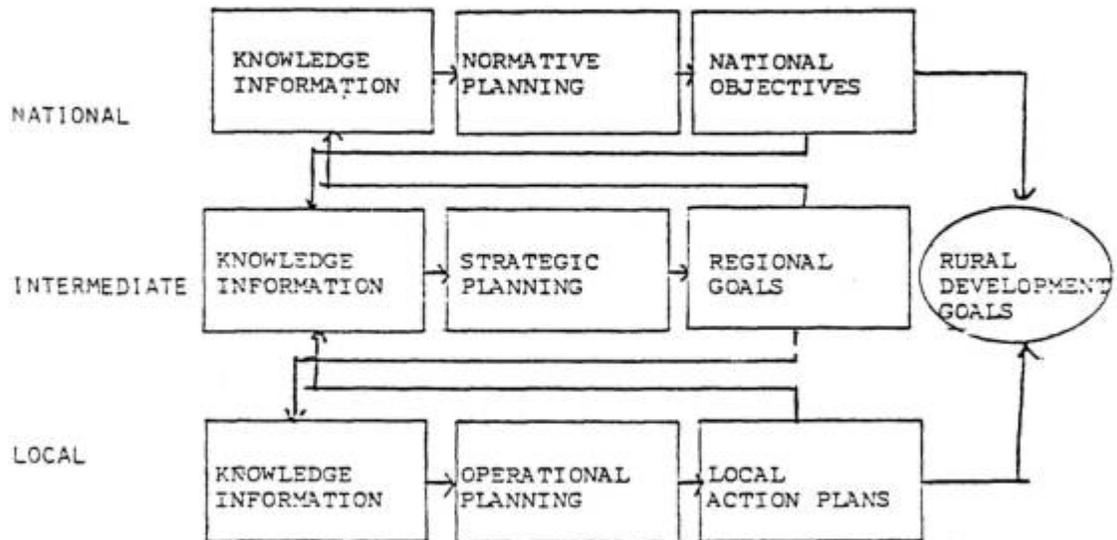
FLOW OF TYPICAL "TOP DOWN" PLANNING PROCESS



FLOW OF TYPICAL "BOTTOM UP" PLANNING PROCESS



FLOW OF PROPOSED INTEGRATED PLANNING PROCESS



Adapted from H. Ozbekhan, "The Emerging Methodology of Planning."
Social Systems Sciences, University of Pennsylvania, 1976.

Chapter 10: Conclusion and Follow-up

10.01 The knowledge gained from this review of organization and management of rural development projects suggests the following:

1. The Bank's traditional model of project organization has evolved from successful implementation of physical infrastructure projects, but is inadequate for the design of projects which depend largely, for successful performance, on human, and social factors.
2. The traditional model was developed for application to the single organization and is thus inadequate for the design of inter-organizational or environmental relationships which are key characteristics of rural development projects.
3. Many project officers, as this paper illustrates, have overcome these limitations and found ways to innovate. Their learning from experience, however, has not been systematized within a coherent conceptual framework.
4. This paper provides a conceptual framework that includes the main dimensions missing from the traditional model:
 - (a) it acknowledges the missing personal variables by recognizing the role of the political process as it reflects the ideals and values of those who will be affected by, and involved in, implementation of rural development projects;
 - (b) it emphasizes the importance of coordination between organizations and suggests ways to bring this about, given the stage of institutional development of the country;
 - (c) it suggests the importance of building a learning process into the design of organizations through monitoring and evaluation systems.
5. Finally, the paper suggests a process, based on new planning concepts, for linking the framework to the various stages of the project cycle.

10.02 Thus, this paper has taken a first step in tackling the problems of organization and management for rural development and other newer-style projects. It should give Bank staff and member governments a common language and analytical approach to use in discussing complex organization and management issues.

10.03 The *next*-step is to test this framework in actual design situations. To that intent an informal Steering Group has been set up inside the Bank comprising

interested staff from the agriculture and rural development sector, who plan to further this work in two ways:

1. through actual use of the framework on projects in various stages of design or implementation, and joint review by Steering Group members; and
2. through seminars for Bank staff in which participants will test and develop the process by applying it to case studies developed from actual Bank-financed projects.

10.04 As an additional step, an evaluation of the process used and results obtained in this and any follow-on studies should be carried out at several levels: (i) at the level of individuals and operating units involved in the study; (ii) at the level of the above steering committee for the sector; and (iii) at a Bank-wide level through a wider review and discussion of the framework. The latter might be complemented by a Bank-wide review of all major organization and management studies and experiments leading to the development of appropriate policies, strategies, and procedures. One hoped-for result of this follow-up work is a further refinement of the conceptual framework. Another possible result would be the development and analysis of alternative organizational designs for effective control and coordination. The results might be published in a future Working Paper.