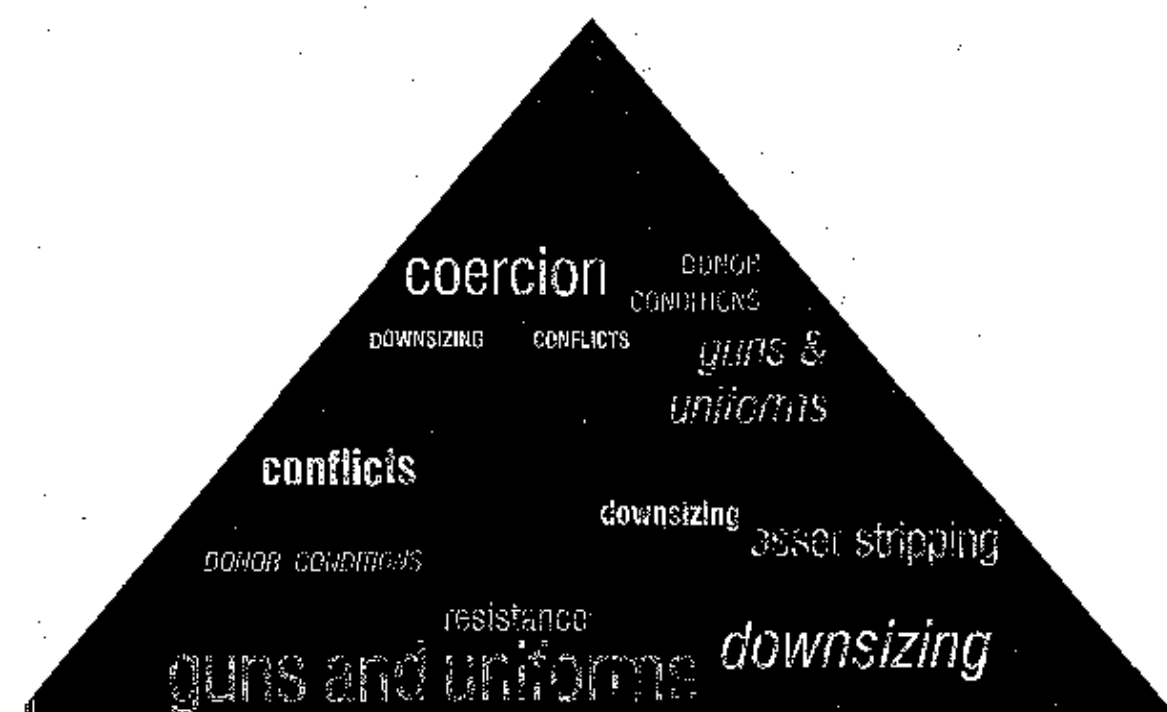




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# Institutional change in public sector forestry: A review of the issues



**IIED Forestry and Land Use Series No. 12**

**INSTITUTIONAL CHANGE  
IN PUBLIC SECTOR FORESTRY:  
A Review of the Issues**

**by**

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**May 1998**

**Prepared for DFID  
by the  
International Institute for Environment and Development (IIED)**

# INSTITUTIONAL CHANGE IN PUBLIC SECTOR FORESTRY: A Review of the Issues

IIED, 1998

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## Acknowledgements

We would like to acknowledge the advice and other inputs of the participants at a meeting in January 1998, which was specially convened for this study by the Oxford Forestry Institute:

Howard Wright, Jeff Burley - OFI

John Hudson, Pippa Bird, Jane Clark, Graham Chaplin - DFID

Ian Hill - World Bank

Mary Hobley, Mike Arnold, John Palmer - consultants

Other staff members of DFID and the World Bank were also very helpful in providing information and opinions: Chris Turnbull, Keith Dolman, Garth Glentworth, Tim Foy (DFID); and Chris Keil, Charles MacGrath and William Magrath (World Bank).

An early draft of this report was discussed at a meeting of the European Tropical Forestry Advisors Group in Florence, November 1997. Useful comments were subsequently received from: Francois Grison (Cirad-Foret), Ian Hunter (European Forest Institute), Markku Aho (FINNIDA), David Kaimowitz (CIFOR), Joan Corkery (ex European Centre for Development Policy Management, Maastricht).

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Paul Balogun, independent consultant, and  
Bill Howard, independent consultant*

# EXECUTIVE SUMMARY

## INSTITUTIONAL CHANGE IN PUBLIC SECTOR FORESTRY: A Review of the Issues

### ***Scope of the Review:***

Today's climate of change - of decentralisation, globalisation, privatisation, environmental advocacy, and many uncertainties - is placing great pressure on public sector forestry institutions. Many policy initiatives are attempting to integrate new objectives for forest management, or to set priorities amongst competing objectives. Unfortunately, the recent phenomenon of "policy inflation" is combined with a "capacity collapse", as not enough investment is being made in increasing the capacities of forest institutions to deal with burgeoning demands. In many countries, state roles are being cut back as many functions are privatised, and as resources available are trimmed back with structural adjustment exigencies. There is a clear need to reform - and not merely to cut back - the State's role in an increasingly complex institutional environment.

This Review builds on brief country case studies of institutional change in public sector forestry, from India, Ghana, Sri Lanka, Bolivia and Mali. It assesses the roles, methodologies, and impacts of development assistance agencies, in particular DFID and the World Bank, as such agencies have significant - but hitherto poorly documented - experience in supporting institutional change in forestry. Based on these studies and a review of the literature, the Review suggests key principles for institutional change processes.

### ***Key factors:***

Certain key factors appear to explain the "success" or "failure" of institutional change activities. Very often - but not universally - these factors are experienced as constraints:

- *Weak mechanisms for participation in policy and planning:* often there are few legal or administrative means for stakeholders to "open up" the policy and planning processes to wider inputs.
  - *Legal constraints:* even though new or evolving roles may be agreed internally, sometimes legislation constrains their application in practice.
  - *High-level political concerns:* forestry may not be high on the political agenda, or it may be subject to political interference, or politicians may be faced with so many conflicting demands on forestry that change is blocked.
  - *Lack of wider governmental change:* without broader change, the governmental room to manoeuvre to create changes in the FD may be minimal.
-

- *Conceptual constraints in the organisation:* prevailing attitudes, powers and skills, and the historical roles, mean that people don't always believe they need to change. New demands are not always seen as important.
- *Weak staff morale, and rigid incentives:* these tend to reinforce the above.
- *Other stakeholders not recognising and supporting change within forest authorities/departments (FDs):* sometimes the other stakeholders may not permit FDs to change, as they cannot believe or recognise the changes in function.
- *Funding restrictions:* usually there are few funds dedicated to change; and, because FDs are still primarily expected to generate revenue, they will carry on with the approaches to which they are used.

However, there are always exceptions to the above. Sometimes a "constraint" may turn out to be an opportunity. For example, a lack of funding can lead to creativity and experimentation. These characteristics explain why there are no blueprints for institutional change. Indeed, generalisations which lead to attempts to install blueprints can be dangerous. Structures must emerge from the particular circumstances of a nation, and be compatible with its norms of participation, decision-making, empowerment and authority.

#### ***The roles of development assistance:***

Donor assistance can be highly significant, especially in smaller and/or donor-dependent countries, but it can provoke a wide range of responses, from:

- catalysts for experimentation and local change processes; to
- conditionalities that force the pace (and direction) of change; to
- increasing local resistance to change.

Partly as a result of weak analysis and consultation with forest institutions, many donors' "capacity-building" projects still focus only on the "safer" areas of technical/resource capacity supplementation (e.g. training, buildings and equipment). Yet such projects often end up finding that there are constraints to the impact of such support. These constraints are more to do with institutional capacity (i.e. abilities to use resources to serve "clients").

Promising development assistance approaches appear to include:

- *Development assistance at more than one level:* supporting senior change agents in the FD; as well as working with lower-level staff in the FD and other actors in the sector (NGOs that can "push" the FD, and "clients" of the FD such as private sector and community groups that create a "pull" on FD services).
- *Strategies to "unfreeze" institutions:* projects that help to get FD staff to understand the need for change, and to feel the desire to change. Only once such "awareness/visioning/commitment"-type projects are under way is there a good chance that comprehensive institutional change investments will be worthwhile.

- **Agreeing institutional capability indicators, monitoring and "donor exit strategies" with stakeholders:** Rather than blunt conditionalities, it is better to develop transparent systems for agreeing where an institution stands with respect to change, and how the donor fits in. Institutional capability dimensions include:

- |      |  |
|------|--|
| i    | accountability   |
| ii   | transparency   |
| iii  | legitimacy and representativeness  |
| iv   | resilience and longevity   |
| v    | commitment of leadership   |
| vi   | commitment of "rank and file"  |
| vii  | enforceability of rules and effectiveness of incentives  |
| viii | relations with, and participation of, stakeholders   |
| ix   | access to, and dissemination of, information   |
| x    | ability to plan and operate long-term  |
| xi   | flexibility to use best approaches to meet mandate   |
| xii  | operating efficiency   |
| xiii | skills, staff numbers and resources  |
| xiv  | knowledge of mandate, professionalism and "connection" to the appropriate places and people      |
| xv   | adaptability, reflexivity, health of learning processes and commitment to continuous improvement |
| xvi  | "fit" with other institutions  |

***Preliminary principles for forest sector institutional change:***

We have said that there are no blueprints for institutional change. But there are certainly some *common challenges*. In addressing these, development assistance could be an effective catalyst. We note the need to:

- *bring together civil society, private sector, and government agencies to renegotiate roles; and to reconcile formal organisations with (disenfranchised) informal institutions;*
- *build on the relative strengths of the above actors to improve the state's effectiveness;*
- *develop and apply analytical and management tools for IC; and*
- *develop institutional capability - the ability of organisations to mobilize resources and to serve their "clients" or constituencies.*

Some preliminary principles for successful institutional change processes are suggested:

1. *Agree ground rules on the change process, with the institutions that will be changing, and with their staff/stakeholders - to ensure "ownership"*
2. *Identify what stage of change has already been reached.*
3. *Identify key forest institutions, their stakeholders, and their past experiences and expectations of change*
4. *Identify broader pressures for change, including extra-sectoral influences, and the political and other limits to change*



5. *Identify which change methodologies have worked before in similar contexts*
6. *Use and develop mechanisms for participation throughout the change process*
7. *Assess institutional capacities (internally and from external perspectives)*
8. *Focus change objectives on key and timely forestry issues and goals, building on recent policy initiatives*
9. *Ensure influential officials are committed to the change objectives*
10. *Employ institutional "visioning" approaches and other "unfreezing" activities*
11. *Recognise that change takes time, and faces many uncertainties*
12. *Use and learn from field projects and other activities that provide opportunities to cross institutional boundaries*
13. *Keep on top of legal constraints and ensure their step-by-step removal*
14. *Communicate change aims and progress regularly to all stakeholders*
15. *Employ a continuous improvement approach that incorporates monitoring/learning processes - but accept that this will produce unplanned local initiatives*
16. *Ensure project management tools and staff do not constrain change and are suited to the particular stage of the change process*

#### ***A research, information and action agenda:***

This Review has revealed that institutional change (IC) in forestry is an area where the theory available to those involved is weak, where empirical lessons have not been fully drawn, and where the information base is poor. However, because development assistance is continuing to invest quite heavily in the area, further debate, research and information-sharing would be valuable.

IIED proposes a three-year research, information and pilot IC project. The balance between activities might be:

- *one-third research on IC - what we don't know, and how to examine it - with a focus on national case studies and learning from other sectors*
- *one-third information on IC - what we do know, and how to get it across - with a focus on IC networks, workshops, publications*
- *one-third IC capacity development - where the need is, and what approaches/principles to try - with a focus on pilot activities*

The aim would be to help all the major parties involved in IC - not just donors and forest organisations. The *themes* would include:

- Key aspects of devolution in forestry, including communicating and ensuring local groups' rights; and state plantation management

- National forest authorities' capacities for institutional change
- Institutional change processes that work
- Donor roles
- Lessons from water, agriculture, public health, and other sectors;

The authors welcome any comments on this Review, and on the research, information and action agenda.

*IIED, London, May 1998*

## Chapter 1 INTRODUCTION

Forestry should meet societal needs – it should provide the goods and services that people want. Expectations of what these needs are, and what mechanisms should be used to meet them, have changed radically over the past 15 years. Many are now advocating changes in the role and function of forest departments (FDs) and other public forest authorities<sup>1</sup>. FDs are now withdrawing from the direct provision of some goods and services and are re-defining how they provide others. *New roles* invariably necessitate *new ways of operating* and *new internal cultures* for FDs.

Within the development field there is a great diversity of opinion on how to engage with this process. The UK Government's Department for International Development (DFID), among many other development assistance ("donor") organisations, has given significant support to the process of change within several FDs in recent years. It has also attempted to go beyond the FDs - to support wider change amongst the governmental, private sector, and civil society actors in the forest sector.

However, amongst donors there is a lack of widely-accepted analytical frameworks for analysing the full set of issues connected to the process of changing roles, ways of operating, and institutional cultures. For example, Morgan (1996) reports that there are at least three different approaches advocated for use throughout the World Bank. Yet none is widely used. In fact, several World Bank regional and technical groups have developed their own guidelines. Within DFID, a Technical Note on institutional appraisal has been produced, but its suggested approach is not consistently applied.

Management tools for defining what should be done to implement change, and how it should be done, are also still under development. They are not necessarily well-matched to different political and cultural contexts and specific change agendas. This is not unique to the development field. Although there has been a boom in consultancy services supporting change management in the private sector, there is little consensus on how such change can be successfully managed or even if the "management" of change is possible.

Attempts to grapple with change within organisations generally start with the assumption that there are pressures for change, whether these be external or internal to the organisation. They also assume that there are change agents which promote change and countervailing forces which inhibit change. However, approaches differ significantly in two areas: in identifying the particular aspects of the organisation which should be addressed during the change process; and in defining how to change those aspects.

This paper is an overview of the issues. It is aimed primarily at donors engaging with developing country contexts. The paper draws on literature review, consultation with DFID and World Bank staff, and the experiences of the authors. Following this introduction, it is structured as follows:

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<sup>1</sup> The Forest Department (FD) is rarely the only government organisation within the forest sector. Other organisations may include a forestry commission, a wildlife department and departments/parastatals with responsibility for harvesting, processing and marketing timber and other products. In this paper, the term FD is used generally, to refer to the government's lead forest agency.

- Chapter 2 discusses the different ways of viewing institutional change processes (2.1); the various types of forest institution (2.2); and the range of stakeholder pressures, from local to global levels, which are urging or resisting institutional change (2.3).
- Chapter 3 explores the broadening scope of forestry and the resulting challenges for institutional change. Choices have to be made: on the new kinds of state/civil society/market partnerships that may be required; on the responsibilities for public benefits from forests; on broadening the portfolio of institutions to include non-forest land which also produces forest goods and services; and on reconciling the multiple layers of rights to forests.
- Chapter 4 looks at experiences of institutional change in practice. Ten main types of institutional change project are characterised, and tentatively correlated with the factors that are significant for success or failure.
- Chapter 5 discusses the main issues in the institutional change process, informed by country case studies (summarised in Annex 2) and the project typology. It focuses on: change agents, resisters and other constraints to institutional change; experiences of change management and methodologies; and the role of donors. It looks at the activities of two donor organisations in the implementation of change - DFID and the World Bank - and seeks to identify whether there is any consensus on how donors should support institutional change.
- Chapter 6 suggests preliminary principles, based on documented experience, on how the process of change can be analysed, planned and implemented. These constitute a hypothesis for later testing.
- Chapter 7 lays out an agenda for further consultation and research.

Annex 1 presents a set of typologies that together could be used to describe the change process. It covers the whole process from describing the broad institutional climate, to change pressures and resisters, to the current state of institutions, to institutional responses to change, and change management types and associated methodologies.

Annex 2 summarises five *country case studies* that were carried out by IIED to assess change processes (Ghana, Sri Lanka, India, Bolivia and Mali). The first three countries had significant donor inputs, while Mali and Bolivia were primarily influenced by indigenous political change. The case studies were based on reviews of both published and grey literature and interviews with some of those involved in implementing the process<sup>2</sup>. They reveal very different approaches to change.

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<sup>2</sup> The case studies were carried out over a short period of time and did not involve field visits. Thus, they provide an incomplete description of what has happened. A further phase of work is envisaged to help complete these stories (see Chapter 7).

## Chapter 2 THE CHANGING ROLE OF FOREST INSTITUTIONS

### 2.1 Ways of viewing institutions and change

This paper draws on two disciplines which have not had a substantial history of association in the field: forestry; and institutional change management. Firstly, we offer a little of the theory of change management as it affects forest sector institutions. We begin by defining terms which are not always used rigorously in the development literature we have reviewed, or indeed in the forest sector (Box 1).

#### Box 1: Definitions

**An organisation** is a distinct body set up to achieve a particular purpose, with its own objectives and procedures and staff to implement them; it has a legal identity. In the forest sector, organisations include:

- a) central forest authority
- b) decentralised forest authority and its organs
- c) other governmental organisations involved in forestry
- d) local government
- e) private sector forest bodies e.g. industry associations
- f) civil society organisations e.g. environmental NGOs, peoples' groups

**An institution** is more than an organisation - it is a set of structured and persisting patterns of behaviour and relationships that is guided and supported by broad societal values, regulated by certain norms of conduct (rules), and put into practice by organisations (Dia, 1996). It includes both formal rules and regulations established by law, and informal rules which are the initiative of social, religious or other groups, expressing the wishes and needs of their members (Gregersen et al, 1993). It is hence a broader term that refers to both organisations and the framework of policy, law and customs within which they operate. A range of institutions can be identified:

- a) regulations - laws and rules
- b) market institutions e.g. trading relationships and norms
- c) civil society institutions e.g. common property regimes and other traditions
- d) societal norms and "informal institutions" e.g. traditions, habits, hierarchies and peer group practices
- e) the "forest sector" i.e. all of the above and their relationships

**Organisational strengthening** is defined as "a process which facilitates and assists change in organisations, typically through reform and development of systems, structures, staffing mixes and skills, strategic planning, and shared values, taking account of the wider external environment (political, institutional, legal, economic and social) in order to improve the effectiveness and efficiency with which the organisation fulfills its mission" (Austin 1994).

**Institutional change (also referred to as institutional development)** is similar to organisational strengthening, but includes more fundamental issues, by questioning the appropriateness of the present institutional arrangements and component rights, responsibilities and relationships. It may therefore involve a wider range of interventions and policy dialogue, within the context of the entire sector as a whole rather than focusing on the individual organisation<sup>3</sup>.

<sup>3</sup> This paper does not deal in detail with change to policy statements and laws. However, by covering other aspects of institutional change it focuses on the processes which may catalyse or require new policies and laws.

There are two complementary ways of viewing institutions and organisations – the functional/rational view and the interpretive view.

*A functionalist/rationalist view* stresses the organisation as being independent of the people within it. In other words, differences in perspectives amongst people within the organisation, regarding the organisation and the environment within which it operates, are ignored. Assumptions are that aspects of the organisation can be measured and analysed, and individuals can agree on objectives, problems and solutions - which become the key issues on which institutional change is focused. The best metaphor for the organisation is a machine and - as with a machine - once you understand how it operates, you know what stimulus to use to get a desired output.

*An interpretive view* acknowledges that organisations are socially constructed, by their members' interactions with the outside world and with each other. The members of the organisation create the reality of the organisation by their interpretations of what is going on around them, via talk, gossip, experiences, sharing information, role-modelling and training, as well as day-to-day work - and sometimes by their *not* being able to engage in these activities. The best metaphor is that the organisation is like a social community and, as in any community, getting things done depends on mutual understanding and acknowledging peoples' different agendas. Politics and culture are therefore the key issues; change is hard to achieve, because it requires agreement between organisational members with different agendas and needs.

The important point is that both "lenses" are necessary for understanding and guiding institutional change as a whole. A functionalist analysis of institutional roles, functions, and efficiency is necessary for understanding the "fit" of the institution to the job and for identifying the broad goals for change. An interpretive view of institutional power structures and political and cultural dynamics is essential for understanding what kind of change is possible and who might lead it.

## **2.2 Current institutional roles**

Much development assistance in forestry has been focused on the forest authority and/or on regulations. However, there have often been aspirations to address the whole forest sector. Current roles of organisations and institutions are evolving rapidly; hence the current donor attention on institutional change. These roles may be categorised as follows:

- a) financial roles e.g. earning timber revenue
- b) political roles e.g. controlling territory or certain groups of people
- c) developmental roles e.g. supporting rural development, or the development and control of sectors (industry, agriculture or energy)
- d) social roles e.g. local (community) development
- e) environmental roles e.g. biodiversity or water conservation
- f) client orientation e.g. big companies vs. communities

In many developing countries with significant forest assets, political/territorial, financial and developmental roles have been uppermost, and forest institutions

have evolved accordingly. Roles from the past can remain fossilised and the procedures that had been developed in order to exercise these roles can become ends in themselves, irrespective of current needs. Where there has been a colonial past, anomalous roles to control certain groups of people may persist in institutions and, in fact, may be turned towards meeting the goals of the post-colonial elites (Nhira *et al.*, 1998). Pressures from both international and local actors are starting to put new (or renewed) emphasis on how environmental and social roles can be developed and paid for.

### 2.3 Pressures and paradigm shifts affecting forest institutions

The *proliferation of public control* over land, resources and national economies was the norm in many countries in the 1970s. This was largely in response to the perception that market limitations would best be counteracted by state direction of the economy, and by public provision and production of services. In addition, there was a (post-colonial) bias toward large governments as major employers; and political ideologies favouring public ownership and control of productive resources. This came to apply to the forest sector in most countries, especially as this sector was often already characterised by extensive public ownership of forests.

By the 1980s, however, there was considerable experience of *government failure* in the forest sector:

- overextended forest departments had few resources and little expertise to manage or control forest land efficiently;
- deforestation was increasing, as a result of either government policy or of poor control of forest land;
- public subsidies for logging operations were extensive, but did not result in public benefits, and were ethically suspect in contexts where local people were denied access to forest land;
- forest rent capture from concessions/leases of public forest land were at very low levels, often due to corruption, resulting in the transfer of public assets to a favoured few;
- there was little initiative and investment in forest management; and
- lasting contributions to local or national development were few.

Beyond the forest sector, the general experience of government failure had at least as much influence on forestry institutional change as government failures in forestry. Inefficient enterprise management by governments, coupled with poor delivery of services, increasing public sector debt, corruption and rent-seeking, and the lack of accountability to the citizenry, led to a strong and continuing trend for *privatisation, deregulation, and decentralization*. This new paradigm can be correlated with certain broad-scale trends:

- the transition of former centrally-planned economies to market-based economies;
- an increase in democratic forms of government, notably in Latin America;
- increased globalisation of the world's economy, with trade and capital liberalisation and currency reform;
- economic imperatives to increase the efficiency of resource utilisation or to liberalise pricing systems;
- the realisation that local communities need control of land and local resources if their livelihoods are to improve; and

- a series of structural adjustment programmes promoted by international lending institutions, which led many national governments to reduce public sector expenditures and price distortions.

This "*market*" trend has now affected the forest sector almost everywhere (indeed, almost nowhere is the reverse - nationalisation - taking place). There have been varying degrees of privatisation: from merely exposing state-owned forestry bodies to *commercial pressures*; to encouraging an *enterprise culture* in these bodies; to *corporatising* government forestry bodies, so as to form e.g. parastatals, which are freer than government bodies to act in the ways they deem suitable; to complete transfer to the *private sector* (Bass and Hearne, 1997). As a result:

- in some countries, much forest land ownership has been transferred to private individuals, corporations and some communities;
- the management of some state-owned forest enterprises has been transferred to the private sector;
- the production of forest management services has been increasingly contracted out to non-governmental bodies; and
- civil society and private sector institutions are more influential in forest policy (this may be both negative e.g. lobbying for the availability of under-priced forest resources, and positive e.g. instituting effective "soft policy" measures such as certification).

Most recently, however, it is evident that *markets* cannot provide all forest-related needs (although market failures still tend to be dismissed as less serious than governmental failures). Market failures include insecure property rights, social and environmental costs not being internalised in forest use, lack of competition, poor information, polarised distribution of the costs and benefits of forest use, and skewed emphasis on short-term returns

The real priority today should therefore be to *reform the State's role*, and not merely to cut it back ruthlessly in favour of privatisation. The possible portfolio for this role now includes mitigation of the problems associated with market approaches, through securing property rights, internalising externalities, increasing competition, and managing uncertainties (Panayotou, 1993). Far more subtle instruments are required, in such a context, both to create incentives for stakeholders to be effective forest stewards; and to establish controls to cut off opportunities for bad practice. Simple forest regulations, fees and grants are not usually enough.

In addition to the privatisation trend, increasing concerns have been expressed about *environmental issues*, and their complex interactions with economic and social development. Since the Earth Summit in 1992, these concerns - which once were widely challenged - are considered legitimate by almost all governments.

Much of this growing acknowledgment of new roles by FDs can be correlated with an increase in effective *stakeholder pressures on FDs*. For example:

- Institutional change in the forestry sector of Mexico was induced through *peasant protest*. Now up to 80% of Mexico's forests are owned by more than 8,000 land reform co-operatives and indigenous groups.
- Changing forest technology and declining viability of alternative land uses in Costa Rica led to *smallholder organisation and alliances* successfully lobbying for a major shift in government forestry incentives packages, away from large



- wealthy landowners and towards supporting smallholder forestry (Watson *et al*, 1998)
- *Public and donor outcry* over corruption in the forest industry led to the establishment of the judicial Barnett Inquiry in Papua New Guinea, which has kicked off a chain of events with far-reaching consequences for the role of the State in forest management (Filer, 1997)
  - *New political priorities* drove significant changes in Great Britain's Forestry Commission, and also led to the privatisation of the Forest Service in New Zealand. In the USA, the government-sponsored Gore report (1993) has had far-reaching impacts on the domestic forest service.
  - *Exposure to international scrutiny* can be important. Where forest resources and their management are high-profile national issues (as in e.g. Ghana, Guyana and Papua New Guinea), institutional change will be strongly conditioned by international and associated national "extra-sectoral" influences, such as macro-economic imperatives, political agendas, intersectoral territory battles, heavy influence of the private sector, environmental NGOs, and donors.

These compounded pressures have led many FDs to accept new mandates of multi-purpose, sustainable forest management (SFM). Because many of the pressures for SFM emanate from both global and local levels, FDs are accepting new obligations at global and local levels. FDs are no longer in autonomous control of national forest policies, but are becoming part of an open system, stuck between supra-national initiatives and decentralised structures (FAO, 1994, cited in Pettenella, 1997).

However, in practice, most do not yet have the capacity to become the coordinators or even brokers between international, multi-sectoral and local concerns that they are being pushed to take up. Rather, they have continued to focus on previous national imperatives of logging and national forest industry development. *Structural adjustment* has reduced the resources available for change. *Institutional inertia* has been very high - as a result of many prevailing attitudes and other constraints (see Chapter 5). Perhaps more importantly, the required *capacities to undertake institutional change* have been inadequate. Such capacities are needed at each stage of institutional change - capacities to recognise and analyse new pressures, to increase commitment to change, to undertake a change management process, and to implement new approaches. In contrast to this need:

"In many countries, forest authorities are the oldest, largest and most powerful land management agencies. This long tradition has facilitated a process of identity-building, [and] the development of an administrative sense of mission which is very effective in perpetuating conformity to established norms and traditions and in resisting external pressures" (Pettenella, 1997)

Forest organisation therefore need to be more sophisticated to operate in today's climate of supranational interests, decentralisation, privatisation, environmental concern and uncertainty. Many new roles and therefore capacities will be required, and old ones should diminish. First of all, however, they need a range of capacities to undertake institutional change. Then they will need to develop means to support the functional requirements of SFM - see Box 2.

#### Box 2: The functional requirements of SFM:<sup>4</sup>

- ⇒ Promoting and negotiating clear, non-conflicting stakeholder *roles and procedures*, with a sound and unambiguous legal basis, agreed and accepted by stakeholders
- ⇒ Ensuring and protecting clear and secure *property rights*, known to and broadly accepted by stakeholders
- ⇒ *Integrating multiple objectives*: economic, environmental and social; local, national and global; and present and future
- ⇒ Where integration is not possible, making informed, transparent, and widely-acceptable *choices between objectives*
- ⇒ *Building up and sharing knowledge of the forest asset* base, its broad range of values, its current uses and their impacts, and its responses to management
- ⇒ Dealing with *uncertainties* e.g. in markets and environmental conditions
- ⇒ Ensuring *communication* amongst stakeholders, and their *participation* in decisions regarding forests
- ⇒ Maintaining a forward-looking, *evolving policy process* to gradually incorporate the above requirements
- ⇒ Covering the costs of the above through judicious forest exploitation

International guidance on the institutional change process is remarkably scanty. Global forestry initiatives have had major impact in terms of discussing the principles of SFM, and realigning national policies. But they are curiously unspecific when it comes to discussing the future of national forest institutions - perhaps because of sovereignty concerns that dominate all international forestry discussions.

If the *Intergovernmental Panel on Forests'* conclusions are taken up they will put a heavy weight on FDs - calling for "multiple-objective" forestry, and "the maximum possible participation" of the "major groups" of civil society and the private sector. The IPF does not offer much by way of defining what institutions should be like; nor does it describe a change management process. However, it emphasises the need for multi-stakeholder national forest fora and National Forest Plans.

Neither is the *World Commission on Forests and Sustainable Development* very direct about the future shape of public sector forest organisation. It lays stress on three aspects. Firstly, on bringing stakeholders together: creating strategic alliances at national level to "devise institutions to integrate the views of local peoples with those of government departments, transnational companies and... international society". Secondly, on reducing corruption - largely through civil society pressure. And thirdly, on removing perverse policies and improving the pricing of forest goods. Otherwise, it has more to say about international governance. (WCFS, 1997)

<sup>4</sup> Main source: Morrison and Bass (1996)

## Chapter 3 THE BROADENING SCOPE OF FORESTRY - CHALLENGES FOR INSTITUTIONAL CHANGE

The context for institutional change (IC) is broadening: more stakeholders; expressing higher demands for a wider range of forest goods and services; and more government, market and civil society players getting involved in forestry institutions. Do we have an adequate understanding of this rapidly-evolving context? The issues that together define the context for IC include:

1. redefining the roles of government forestry organisations (usually the FDs) in relation to other institutions and stakeholders
2. distinguishing between public and private forest goods and services
3. integrating FDs and other institutions to cover farms and other non-forest lands producing forest goods and services
4. reviewing the various layers of rights to this land

These are discussed briefly, in turn. The first point to make, however, is that rarely have these four questions been fully dealt with at the beginning of any deliberate IC process. As a result, the planned "trajectory" for change is often very simplistic, deriving more from political or ideological imperatives than from the results of analysis and debate. Secondly, existing institutional arrangements and attitudes may closely circumscribe the scope for IC in practice.

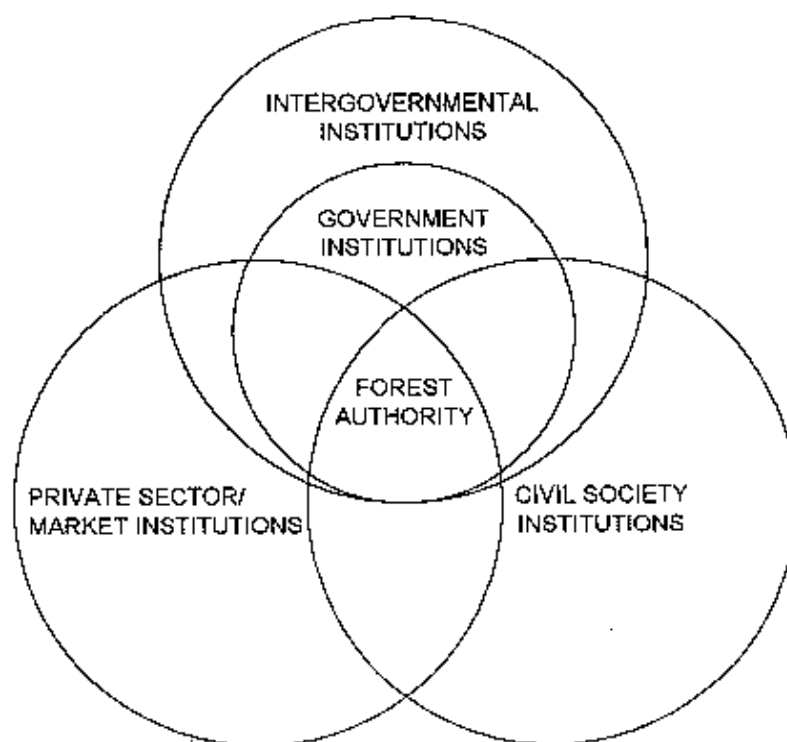
### 3.1 Integrating FDs with other stakeholders - evolving partnerships and other relations

Within the forest sector, there are four connected spheres of institutional influence, each of which is subject to certain trends:

- *government institutions* (increasingly subject to structural adjustment, privatisation, decentralisation, and responding to international obligations)
- *intergovernmental institutions* (trends include the gradually-emerging agreements on global forest services that need securing, notably biodiversity and carbon storage, and on obligations as to how national forests should be managed)
- *private forest sector institutions* (trends include globalisation, forming local partnerships, and changing market conditions)
- *civil society institutions* (increasing demands for non-timber rights and benefits, spiraling numbers of NGOs concerned about forest issues, and increasing global links between them, and greater awareness of the potential of *informal* institutions to meet local needs)

National forest organisations have a role in mediating between these spheres of influence (Figure 1). Yet traditionally a forest organisation's roles have often been restricted to promoting timber industry, protecting forests for civil society, and providing government revenue.

Private sector bodies, and some civil society institutions, are often structured so that they can decide to undergo quite rapid change from within. Government bodies, however, tend to be much more dependent on other bodies (especially those to which they are accountable) to initiate the process of change. In other words, the



*Figure 1: Basic institutional relations of a State forest authority*

new trends call for much more responsiveness in FDs towards the four sets of institutions. But this redefinition of FD roles will be difficult, since FDs have traditionally functioned as organisations which respond only to government policies.

Some organisational problems are managerial and technical, and may allow a short/medium-term institutional change (IC) technical assistance project focused on the FD (OECD, 1996). However, other institutional problems are more intractable; the result of an inheritance of such factors as weak accountability, inequitable incentives and poor rule of law. To resolve these requires a long-term, sector-wide approach, or an approach which gets to the heart of general government failure.

This suggests the need to *develop institutional capacity* - the ability of organisations to mobilize resources, to know who their "clients" or constituencies are, to engage with them, and then to service them. This tends to be more pressing than the development of technical capacity, which has dominated development assistance for many years - but to limited effect, because of problems with institutional capacity.

The historical record suggests the importance of building on the relative strengths of the state, the market and civil society to improve the state's effectiveness. This suggests a strategy of:

- matching the role of the state to its capability;
- then improving that capability; and
- developing public partnerships with other actors to improve service delivery

In discussing the reason for failure of African public institutions, Mamadou Dia notes the:

"structural and functional disconnect between informal, indigenous institutions rooted in the region's history and culture, and formal institutions mostly transplanted from outside... Institutional reconciliation is the key to resolving the crisis" (Dia, 1996).

This observation may also apply to many cases of FD failure to serve local groups - an increasing challenge in most developing countries. However, the relative roles of FDs with other bodies will also be determined by the remaining three issues that follow.

### 3.2 Distinguishing public and private forest goods and services

Many forests have been owned and controlled by governments in the past, due to the perception that forest goods and services of public value would not be properly produced and allocated under a system of private ownership and market exchanges. Indeed forests produce:

- goods that are well-suited for market allocation and *private* consumption, such as timber;
- *public* services that cannot be rationed by a market system, such as watershed protection; and
- services that *may or may not be* considered public goods, such as recreation, biodiversity and carbon storage.

The existing rationale for private or public ownership and management of forest goods and services needs to be explored as a prerequisite to redefining institutional roles. Two approaches tend to have been taken, the political and the technocratic, and more often the former. For the latter, two key concepts provide a theoretical rationale (Bass and Hearne, 1997):

- *excludability* refers to the ability of an individual to deny the use of the good or service to another individual.
- *subtractibility* refers to the amount that the consumption of a good or service subtracts from its repeated consumption.

If goods and services are characterized by both low excludability and low subtractibility, such as watershed protection, then the good is commonly referred to as a public good, and ripe for government control. Since there is little incentive for an individual to invest in the provision of such goods, they will be under-provided - or not provided - unless a government or an association accepts the responsibility for their provision. However, the problem is that many goods and services fall somewhere in between public or private goods.

Furthermore, excludability and subtractibility are not entirely inherent properties of a good or service - they are partly determined by the level of institutional development. For example, common property regimes, if strong, can be very effective mechanisms for managing goods and services in contexts where the costs of their provision or protection by individuals outweighs any benefits to individuals. In other cases, sophisticated planning, communications and technology may make

it possible to change excludability and subtractibility through e.g. zoning and management agreements. Hence there is more potential to transfer what once *had* to be public goods (with weak institutional arrangements) to community or market control with institutional improvements.

A major issue, however, is the institutional capacity to make such (theoretical) assessments, and then to agree what to do about them. In reality, perhaps only part of the trajectory of institutional change is actually based on analysis of the actual and potential public good characteristics. It is driven at least as much by *ideologies* (e.g. on private ownership as in the USA, or on the importance of conservation as in Costa Rica) or by *commercial* aims, as in Chile, or simply by the sheer volume of *historical baggage* - the actions from the past which put limits on what can be currently considered (e.g. the land distribution situation in Zimbabwe). This underlines the importance of striving for sufficient institutional capacity both to assess the public/private nature of forest goods and services, and to decide roles with respect to this assessment.

One of the most significant issues is the divestment of hitherto *state-owned plantations*. Should they be sold to well-established, large companies who have proven ability to run them for profit? Or should they be divested to communities, to redress inequity and provide material for rural development in a broader sense?

The answer again depends greatly on institutional capacity. Some imaginative new solutions are being promoted in South Africa (Box 3). Here, the challenge has been to get people to see beyond the purely financial aspects of restructuring (reducing the losses incurred or maximising the asset values realised through sale) towards the rationale for restructuring. This wider rationale reflects changing policy priorities, such as widening ownership in the sector, black economic empowerment, local development, and increasing competition in sawlog supplies.

A further issue relates to decisions for government to manage both public and private goods - how can it integrate or separate its authority, extension and enterprise roles so as to ensure transparency, accountability and equity, i.e. so that it is not rule-maker, trainer, player, and referee all at once? This issue is being faced by many bodies, e.g. the UK Forest Authority/Enterprise and the Zimbabwe Forestry Commission.

### Box 3: Restructuring Forests in South Africa's Former Homelands

Reincorporation of the former black "homelands" into South Africa in 1994 saw the transfer to the central government FD of the assets managed by these former nominally-independent states. The forests comprised 140,000 ha of plantations - around 10% of the industrial forest estate - and a further 80,000 ha of indigenous forest and woodland.

Government policy is to withdraw from owning and managing commercial forest enterprises. In the former Republic i.e. excluding the homelands, this began in the mid-1980s; forest activities were first commercialised under the FD and the assets then transferred to a parastatal, SAFCOL, operating under the Companies Act. Full privatisation is expected soon.

In the former homelands - now the "communal lands" - the policy to restructure the industrial forests has been given special impetus by the need to staunch the large government losses incurred in continuing to run these forest operations. The restructuring process for the forests of the communal lands begins with identifying the best of a large set of feasible options. This process is under way with DFID support. Options will be ranked against restructuring objectives, which include:

- reducing government's financial burden
- contributing to local economic development
- economic empowerment of the formerly-disadvantaged
- broadening ownership and increasing competition
- minimising employment loss

Implementation of the selected changes is then expected to take up to five years.

Early conclusions suggest there is little logic in retaining single ownership of a scattered range of assets. The preferred approach is to offer the assets as about ten "clusters" of plantations, based on their existing utilisation. Furthermore, certain principles regarding involvement of neighbouring communities will be incorporated in resource transfer:

- although established on public land, communities perceive the land as theirs, and lease of harvesting rights is to be preferred to outright sale to private parties
- local people wish to be actively involved in managing the forests, and to be business partners rather than employees

A clear preference for different forms of partnership has come to the fore:

- joint ventures between local communities and private investors, using lease payments or timber royalties as community compensation
- equity-sharing schemes in the new enterprise
- the development of locally-based companies for servicing the new forest enterprises
- support to more conventional outgrower-type schemes

Although some of these approaches have become popular in the agricultural sector, they are less well-known in forestry. In the wider South African Reconstruction and Development Programme, partnerships have begun to address various community-based rural development needs, in health, education, recreation, etc. Such partnership approaches have:

- lessened local exposure to government's fiscal problems
- empowered beneficiaries to foster greater commitment
- rationalised partners' roles to ensure better use of their capacities
- improved quality, cost-effectiveness and equity in the delivery of public services

Government realises it has an important role to play in promoting the approaches, in acting as broker between business and community partners, and in providing assistance to make these concepts become a reality.

Sources: Foy (1997) and Dia (1996)

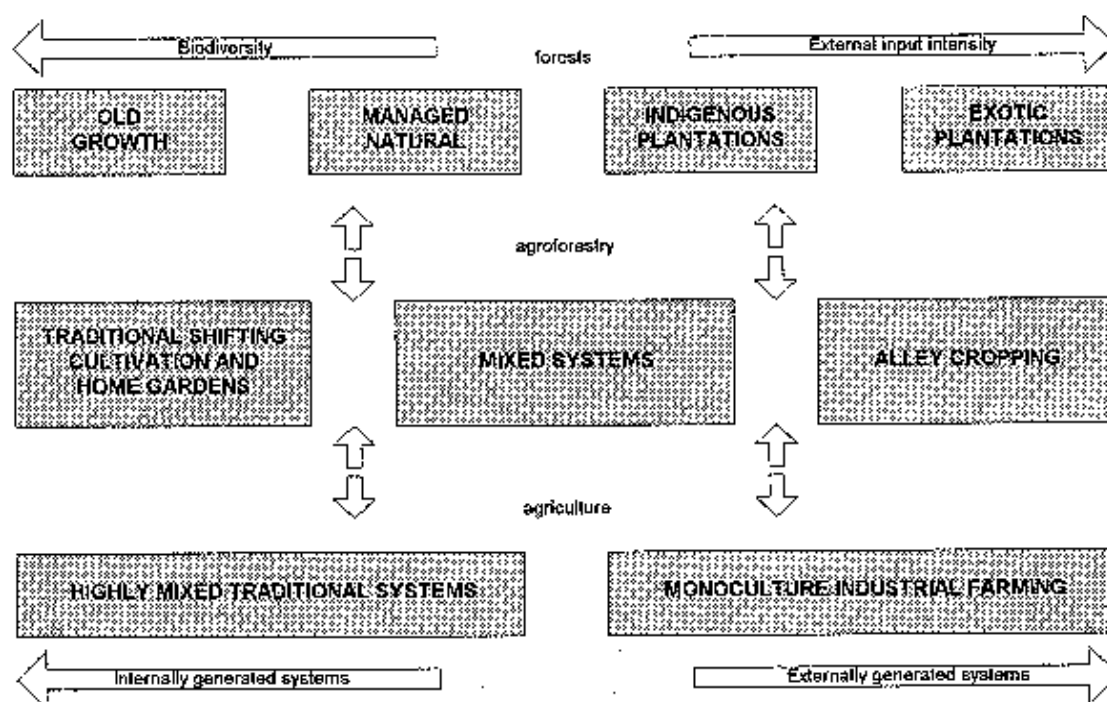


Figure 2: The land use spectrum from which forest goods and services can be obtained

### 3.3 Extending forest institutions to cover farms and other non-forest lands producing forest goods and services

With many forest goods and services becoming scarce, most FDs are aware that it may be more efficient to produce some from non-forest lands than from forests. For example, it is increasingly clear that natural forests with strong public good characteristics should be kept under public control for e.g. biodiversity and watershed conservation, as other land types may be less able to produce these. The production of goods such as timber can, however, be transferred to other land, such as degraded ex-farmland. Hence policy attention to the full land use spectrum for producing forest goods and services tends to be broadening (Figure 2).

The problem here is that the organisation mandate and legislation often does not encourage FDs to face the reality that many goods and services are coming from land outside their purview (e.g. Pakistan, where the FD barely recognises that 80% of timber comes from farms). This is exacerbated when budgets are tight and government agencies struggle to retain their territory and power bases. FDs that are placed within a land use or agriculture ministry may have fewer problems with dealing with other types of land and farming systems.

If FDs do start to get involved in a broader land use spectrum, their portfolio of skills (or relationships with others with such skills) needs to expand. They will tend to get involved in broader issues of rural livelihoods and poverty alleviation. The question of how to structure extension services (within/alongside agriculture) becomes a major issue. How ambitious, therefore, should institutional development projects be in broadening the mandate of FDs, or (rarely done so far) in ensuring better relations with agricultural authorities?



### 3.4 Reviewing multiple layers of rights to forest resources

In many countries, over the years, a vast amount of legislation has been passed concerning ownership and rights to resources within, on, and underneath forest lands. These rights cover timber, water, mining, biodiversity, wildlife, access, grazing, etc, and most rights are addressed by separate pieces of legislation (Figure 3). The FD may have control only over some of these - usually timber and certain NTFPs. Furthermore, the legal act of setting up the FD may have been accompanied by the removal of certain groups' rights - especially those of local people to all or specific forest resources (such as in almost all the case study countries). Faced with the need to better coordinate the allocation and use of forests for the different purposes that are now considered to be of high priority, the FD has to address questions such as:

- How far to *return rights* to previously disenfranchised (local) groups, because it is difficult or inefficient to extend forest authority control to rights other than timber?
- How to handle *non-codified claims* that are important to local people's livelihoods, but without causing conflict?
- How to *coordinate* with the work of other (often more powerful) agencies, such as those of mining and agriculture, who may have a huge impact on forests (e.g. Ghana and Guyana)?
- How to *compensate* private owners and managers for rights foregone, in countries where private ownership of forest land is the norm, and has strong support e.g. Pacific islands and the USA? For example, in Costa Rica, there is a new system of payments for private forest owners to produce environmental services (Watson *et al*, 1998).

In addition to these territorially-based rights, the rights of groups to use and market forest products need also to be secured.

RESOURCE	RESOURCE RIGHTS	OTHER POLICY
AIR	<ul style="list-style-type: none"> <li>- Not mentioned in most titles</li> <li>- Transferable emission rights</li> </ul>	<ul style="list-style-type: none"> <li>- Air emissions standards</li> </ul>
LANDSCAPE	<ul style="list-style-type: none"> <li>- Not mentioned in most titles</li> </ul>	<ul style="list-style-type: none"> <li>- Planning controls</li> <li>- Clearing controls</li> </ul>
WILDLIFE	<ul style="list-style-type: none"> <li>- Rights to traditional users</li> <li>- Rights reserved to govt.</li> </ul>	<ul style="list-style-type: none"> <li>- Biodiversity legislation</li> </ul>
ACCESS	<ul style="list-style-type: none"> <li>- Joint use rights an option</li> <li>- Public may have general right</li> </ul>	<ul style="list-style-type: none"> <li>- Liability provisions</li> <li>- Compensation rights</li> </ul>
TIMBER	<ul style="list-style-type: none"> <li>- Licensed to foresters</li> <li>- Royalties to traditional owners</li> </ul>	<ul style="list-style-type: none"> <li>- Export controls</li> <li>- Tax policy</li> </ul>
WATER	<ul style="list-style-type: none"> <li>- Transferable right as per cent of catchment</li> </ul>	<ul style="list-style-type: none"> <li>- Pricing policy</li> </ul>
FORAGE	<ul style="list-style-type: none"> <li>- Use conditional on no degradation</li> <li>- Must leave some for wildlife</li> </ul>	<ul style="list-style-type: none"> <li>- Trade agreements</li> <li>- Price support</li> </ul>
SOIL	Conditional upon maintenance	<ul style="list-style-type: none"> <li>- Land tax</li> </ul>
GROUNDWATER MINERALS	Royalties shared with govt. Offset of damage required	

*Figure 3: Conceptual representation of resource types, property rights attaching to them, and policies affecting their use (from Young, 1992)*

## Chapter 4 HOW INSTITUTIONAL CHANGE HAS WORKED IN PRACTICE

In practice, much recent IC has been organised through projects or other programmed activities, as noted above. An examination of many IC projects suggests the typology shown in the following table.

Almost all of these 10 project types might be relevant in some situations. And on their own they may in some senses be flawed. Elements of several project types might become needed over the course of IC in any one situation. A key issue is therefore the choice of *entry point* for IC - what type of IC or pre-IC project best serves IC needs? Groupings of projects - IC "*approaches*" - might be the best way forward once a comprehensive IC agenda is agreed.

Type of project	Possible success factors
<b>1. Policy/institutional review/analysis</b> A common starting point for governments and donors, when it is acknowledged that forest policy is not dealing with prevailing issues, and/or is not being implemented effectively. Forest sector studies, or analytical components of sector activities such as National Forest Programmes (NFPs), can begin to uncover how and why institutions work or not. Too often, they are followed by premature "capacity-building" activities, without necessary interim steps such as awareness-raising or role negotiation taking place. Many NFPs end with "shopping lists" of projects which ignore these capacity issues. This may be due partly to the scantiness of institutional analysis, to the studies being commissioned/done by institutions that do not want to question the <i>status quo</i> , or to the strong imperatives of some authorities and donors to demonstrate progress quickly.	<ul style="list-style-type: none"> <li>analysis is thorough and professional, and includes wide consultation, including at field level</li> <li>gets to the root of institutional actors' motivations and constraints</li> <li>creates vision and an agenda for debate</li> <li>step-by-step follow-up is designed</li> </ul>
<b>2. FD "unfreezing"</b> Arises when it is acknowledged that people are so embedded in a culture or procedures that they find it difficult to consider change. The orthodoxy is that a "sense of crisis" is needed first. "Unfreezing" covers activities for reflection on the need for change, and for gaining commitment: retreats, exchange working and study visits, counterpart working/mentoring, and tailored programmes that include these elements and more. They can be critical for beginning the process of IC. However, there are relatively few projects of this type, perhaps because they are less attractive in terms of pre-planned outputs and funding levels.	<ul style="list-style-type: none"> <li>timely and aimed at individuals at the top and bottom who are beginning to feel the need for change</li> <li>institutional/political climate is conducive</li> <li>process management is very skilled and adaptive</li> <li>facilitators are prepared to balance challenging the FD with servicing its immediate needs</li> <li>several years are allowed</li> <li>adequate scope for change in terms of likely resources</li> </ul>
<b>3. FD technical capacity and organisational development</b> "Building and servicing the machine" rather than challenging and redesigning it. This kind of project includes much traditional support to alter organisational procedures and structures to meet objectives better. It often focuses on increasing the skills and facilities available. Such projects have been considered the "bread and butter" of institutional	<ul style="list-style-type: none"> <li>organisational vision and objectives are clear, valid and acceptable to stakeholders</li> <li>key new objectives have been agreed and there is an imperative to meet them</li> <li>there is support at the top</li> </ul>

development. They tend to concentrate on efficiency objectives, but can merely reinforce anomalous roles.	<ul style="list-style-type: none"> <li>incentives are available for other staff to make the change.</li> </ul>
<b>4. Decentralisation</b> Developing FD roles at local levels. This can mean both more FD control over forest users at local level (deconcentration), or more authority given to local forest users (devolution) - hence either more or less power resting with the forest authorities as a whole. Unfortunately, what starts out with the intention to devolve in order to share power, often turns out in practice to be deconcentration. It is therefore important to understand the political dynamics.	<ul style="list-style-type: none"> <li>strongly associated with a recent and consultative process of policy review</li> <li>well-organised civil society</li> <li>responsive to local needs</li> <li>consistent with general governmental/political decentralisation objectives</li> <li>builds on local lessons of community/group forest management or JFM.</li> </ul>
<b>5. Privatisation</b> Usually involves packaging and selling off FD/public land, forestry enterprises and other assets and services. The extreme form of selling these in their entirety to large private companies is now comparatively rare: other possibilities such as forming parastatals or other "semi-autonomous" bodies, "outsourcing", joint ventures, and other mixed approaches, are more common.	<ul style="list-style-type: none"> <li>emphasis not on "selling" <i>per se</i> but on efficient and motivated ownership/management options</li> <li>transfer of functions in light of broad valuation of the assets i.e. considering their public goods and services values, and not just their timber/financial asset values</li> </ul>
<b>6. Private sector role/capacity development</b> Includes a range of activities, with greater or lesser attention to small/medium enterprises. Many focus on marketing and processing. Some activities follow from contracting out formerly government-run functions	<ul style="list-style-type: none"> <li>balanced with state/NGO capacity to support/control the private sector with incentives, regulations and monitoring</li> <li>resolves or avoids problems of monopoly/monopsony, etc.</li> </ul>
<b>7. NGO role/capacity development</b> Most projects of this type intend to develop NGO roles as service providers e.g. in decentralisation activities, acting as brokers, trainers and extension agents with participatory forestry projects. NGOs may be favoured where new forestry objectives have been (rapidly) developed, but where government bodies are not yet in a position to service them, and where private (consultancy) companies would be expensive or unwelcome. NGOs can be flexible, more recently established, and therefore operating with a more contemporary paradigm. There may be more or less overt focus on the NGO as a "change agent".	<ul style="list-style-type: none"> <li>NGOs represent a genuine interest/constituency in the country and can provide better service than existing government agencies</li> <li>NGOs work in partnership with e.g. government and communities, rather than alone</li> <li>NGO work tackles real policy issues.</li> </ul>
<b>8. Sector-wide institutional "unfreezing"</b> Not numerous to date, such projects may involve a wide range of activities to open up and challenge perceptions in many quarters. Recently "national forest forum", or similar, activities have developed as a way of exploring problems and needs. Other activities may be less strategic.	<ul style="list-style-type: none"> <li>focuses on supporting constituencies for change in more than one quarter</li> <li>timely and allowing much time</li> <li>"projects" of this type can be manageable if the country and the forest bureaucracy is small (but this is less likely in large countries)</li> </ul>
<b>9. Sector-wide comprehensive institutional change</b> Several such sector-wide projects have been developed, such as TFAPs/NFPs, especially by the multilaterals. Their agenda may be more or less ambitious but is nearly always expensive. Comprehensive IC agendas are very difficult to deal with because, in practice, they cover a wide range of institutions in very different stages of change. Hubris may characterise some projects. Timeliness is often with respect to	Few examples of comprehensive success due to the huge scale of constraints and problems, but may include: <ul style="list-style-type: none"> <li>unfreezing process has been gone through already</li> <li>timeliness with respect to local needs</li> </ul>

<p>external factors only e.g. structural adjustment imperatives, or the existence of a TFAP programme, rather than internal. And lack of top-level (treasury, etc) support for forestry can jeopardise the whole process. As such, they can result in "planners' dreams", often remaining international precepts, and do less than hoped for in terms of capacity strengthening. They can, however, result in an unfreezing process (albeit an expensive and inefficient one).</p>	<ul style="list-style-type: none"> <li>• small country/bureaucracy</li> <li>• strategic actions, e.g. policy/information brokering units in key government agencies which make links to ground realities, catalyse broader change</li> </ul>
<p><b>10. "Unintended" institutional change</b> Projects that do not directly start out to address policy, organisational or institutional issues (e.g. information systems development, experimental projects) but which - for a variety of reasons - expose or end up having to tackle them. Can provide "unfreezing" benefits, or other catalytic functions such as pilot projects. Can be chosen as a strategic entry point for later IC.</p>	<ul style="list-style-type: none"> <li>• forestry projects, of any type, which are well-planned and monitored, with criteria that look at the policy/institutional climate as well as strict project objectives, can provide entry points to effective IC.</li> </ul>

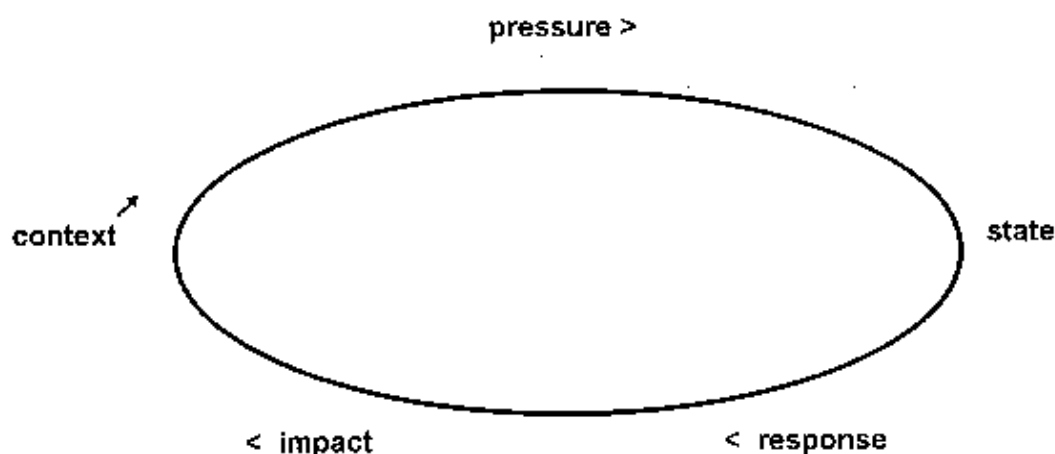
What do these "projects" look like in practice? In Annex 2, we summarise the results of our brief reviews of major change processes in five developing countries. The first three countries, Ghana, India and Sri Lanka, had significant donor inputs, while Mali and Bolivia were primarily influenced by indigenous political change. The case studies were based on reviews of both published and grey literature and interviews with some of those involved in implementing the process.

## Chapter 5 DISCUSSION OF PROCESS ISSUES

In conducting the work of this Review, we devised an analytical framework based on a set of five linked proformas to *describe* institutional change processes. This is presented in full in Annex 1. It covers:

- the institutional context
- pressures on institutions
- the state of institutions
- responses to the above
- institutional change management and methodologies

Together, we believe these five categories can describe most institutional change processes. Splitting the categories up in this way allows for a cyclical approach i.e. *context > pressure > state > response > impact > altered context*:



This approach may therefore have some utility in change management planning and monitoring.

In this chapter, we discuss some of the key lessons of the change process - specifically, constraints to institutional change, various IC management approaches and methodologies, and the role of donors in the process. We draw on the country case studies summarised in Annex 2, and experience from elsewhere.

### 5.1 Key factors in institutional change

A number of key change factors need to be recognised (see Annex 1). Very often, these are experienced as constraints. The main message in this section is that the change factors will be very specific to a given situation. There are few generalisable change factors which apply everywhere; indeed, as we note below, our case studies show instances where the key change factor has presented an opportunity, rather than a constraint.

### *Conceptual constraints in the organisation:*

In spite of the efforts of IC projects, things may not change in practice. As Rees (1990) cautions:

"Commonly, administrative change itself is self-defeating, producing fragmented organisational structures with only a marginal impact on policy outcomes. This is because: first, governments work within the prevailing political and economic system, with its powerful in-built bias to conservatism; second, the pool of staff are often left substantially intact, perpetuating conventional attitudes."

Many FDs do not encourage forest officers to question their roles. For some, this is a colonial inheritance; a complex bureaucracy was put in place to reward officers for perpetuating a *status quo* that best suits those at the top. Procedures that do this become, over the long run, ends in themselves (Ahmed and Mahmood, 1998). For example, many organisations (e.g. the forest services of Sri Lanka, Pakistan and India) maintain a "fines and fences" approach, in which the services see themselves as custodians of the forest, excluding people in the name of the long-term public good. This makes it difficult to develop new approaches (in the case of India, participatory approaches). In other words, FDs become "frozen", pursuing only what is "safe".

Forest organisations also tend to see themselves as acting as guardians of "scientific" forestry knowledge and ignore local knowledge and other perspectives (Kotey *et al.*, 1998). This attitude may be supported by both senior officials and by national training institutions - especially where training institutions are viewed principally as vehicles for turning out government officers (e.g. in India and Pakistan).

Traditional forestry training does not tend to acknowledge the importance of new concepts, such as community involvement, agroforestry, small-scale sustainable timber harvesting, and the value of non-timber forest products (NTFPs). This is especially true when these issues appear to fall under the responsibility of other government departments.

### *Weak staff morale, and rigid incentives structures:*

Related to the above two points, there is often a lack of promotional pathways and other career/material incentives for anything other than revenue-generating forestry. We have noted this in Ghana, Sri Lanka and India. Poor morale amongst employees reduces their motivation to take up innovative approaches. This is often due to the working environment e.g. poor communication and limited delegation in decision-making. Even if there is training in new areas, there tends to be little freedom and few incentives to apply it in the trainee's current job. Internal incentive structures tend to be based on observing the hierarchical norms of behaviour, not on rewarding individual innovation.

Where there are "perverse" incentives, such as using forest territory as a means to establish personal influence and to take bribes, institutional change can be seen as a threat. However, Ghana reveals exceptions - where many foresters have come to the conclusion that problems are so significant that institutional change is needed.

### *Diverse motivations of institutional actors:*

Individuals within institutions interact in ways which relate to the institution's formal mandate, e.g. legislation, human resource development and budgets. These interactions are "visible" and can be planned and managed. But there are also hugely complex, less visible interactions which collectively define the institutional culture. These are more difficult to incorporate into plans for change, but without analysis and understanding they will render plans mere paper exercises. Institutional actors may have diverse motivations which include:

- to enhance the standing of agencies in which they work;
- to pursue a particular policy objective, such as forest protection, above all others;
- to adhere to professional standards, either for the sake of professionalism, or to gain respect from professional peers;
- to pursue ideological or party political objectives;
- to promote their own careers;
- to honour familial and kinship obligations; or
- to seek financial gain, both within the agency and with outsiders (Mayers and Bass, 1998).

It is important to look at the "social institution" in which these diverse motivations interplay. Some motivations conflict, others combine, but all will have a bearing on whether job descriptions and formal procedures are actually followed. The combination of such motivations sets the boundaries for the scope, rate and outcomes of institutional change. Without basing prescriptions for organisational reform on motivations for change within existing institutions, frustration at the lack of subsequent action commonly results.

### *Other stakeholders not recognising and supporting change within FDs:*

Perceptions take a long time to change. Sometimes the other stakeholders may not permit the FDs to change, merely because they cannot believe the FD will change, or they cannot recognise the changes when they occur. There is a risk of this from other government stakeholders in Ghana - they do not believe that the new Forest Service will operate any differently to the FD. In Mali, in spite of a major policy change towards development support, many villagers still viewed forest officers as one of the worst manifestations of a repressive regime; officers did not appear to change - neither in apparent attitude nor in uniform.

### *Funding restrictions:*

There are severe difficulties in implementing proposed changes within poorly-funded forestry departments, especially where they are primarily expected to generate revenue (in which case they will just carry on with what they know will work - usually limited to timber revenue-generating activities). On the other hand, a ready availability of funds can insulate the FD from the need to change. In India, the shift in control of funds to the *Panchayati Raj* is an incentive for change. In Sri Lanka, too, limited government and donor funding for FDs is forcing consideration of change. This is also the case in Bolivia, with funding now at Municipality level.



*Weak mechanisms for participation in policy and planning:*

Very often there are few legal or administrative means for stakeholders to "open up" the policy and planning processes to wider inputs. The consultation exercises and fora associated with donor IC projects may only be one-off exercises. In Mali and Bolivia, changes in policy were a response to very clear grass roots messages.

*Legislative constraints:*

Even though new or evolving roles may be agreed internally, sometimes legislation constrains their application in practice (as in Guyana until recently). In contrast, in India there has been considerable change in the forest sector, despite the lack of supporting legislation; however, there would have been much more change if legislation had moved faster. In other contexts, an absence of "interfering" legislation, legislative vacuum, is a positive advantage. The message is to be very clear about how stakeholders use the current legislative framework.

*High-level political concerns:*

Often the political agenda will not place a high priority on improving efficiency and equity in the forest sector. Rather, political interference in the forest sector, in FD appointments and procedures, can be excessive - as in Pakistan and Guyana. Forestry organisation are left to function under the existing policy and legal framework, where they may be squeezed out by other more prominent interests. But it is not always the case that there is no political support for forestry: in countries where forestry has a high national profile, such as Ghana and PNG, politicians are under pressure from all stakeholders, and have to balance needs.

*Lack of wider governmental change:*

Even though advanced changes (involving openness to other stakeholders, the application of market instruments, etc) may be in order, if the general governmental institutional climate is weak, the room to manoeuvre to create such changes may be minimal. Political/governance systems may be so hostile to "visible" structural changes within institutions that fostering local action may be the only available course, as in the Western Ghats in India.

*In summary*, the above characteristics point up Hobley's (1996) observation that there are "no blueprints for institutional restructuring". Indeed, we could go further: generalisations which lead to attempts to install blueprints can be dangerous. Structures must emerge from the particular circumstances of a nation, and be compatible with its norms of participation, decision-making, empowerment and authority. However, it should also be recognised that any attempt to engage with IC is a political activity, and this should be both carefully considered and explicitly stated.

## 5.2 Institutional change management and methodologies

*IC management approaches and methodologies* are required throughout the IC process: to understand the need for change, to set change objectives, to agree actions, and to manage the IC process itself. There are two basic approaches:

### *(i) IC process with no formal project management*

Informal alliances, prejudices, market forces, and laissez-faire may dominate, normally giving rise to gradual change - but with occasional sudden and large changes in response to power and market shifts.

Alternatively, as in Bolivia, decrees may set the pace, requiring everyone to adjust but with no process to help the adjustment.

### *(ii) IC process with formal (project) management*

This is normally the result of the perceived need to *organise* a response to the driving forces. IC management style may range:

- a) from top-down to bottom-up/client-led (more usually the former)
- b) from a process approach to output/plan-led (usually the latter)

### *IC methodologies*

A wide range can be observed, from the coercive to the highly supportive:

- a) *Coercive tactics: "whistle-blowing", humiliation, disenfranchisement, imprisonment, certain donor conditionalities* - not normally associated with IC "projects" but not infrequent in IC
- b) *Policy/institutional analysis* - for understanding power structures, policy and institutional roles and relationships, and pressures for change
- c) *Organisational analysis/audits* - independent OR self-made
- d) *"Unfreezing"/ awareness-raising/ visioning activities* to get organisation leaders to understand the need for, and become committed to, IC e.g. retreats, and training in participatory methods and approaches (such as "future search" and "team-up")
- e) *Conflict resolution and consensus/coalition-building activities*
- f) *Coordination and participation mechanisms* - developing and testing means for increased integration and devolution
- g) *Commercialisation/privatisation* - fundamental changes in ownership, contract and incentive structures
- h) *Organisational reform* - development of:
  - organisational structures
  - systems and procedures especially for finance and communication
  - transparency/accountability/information system development
  - job specifications and staff recruitment
  - staff empowerment and incentive structures (based on top-down targets and bottom-up client-led needs)
  - team/peer group building, generation of shared values
  - ways of preventing return to "old ways"
- i) *Learning/training:*
  - *action learning* - at field level, conceptual level, institutional level, and their interactions

- *training* in new functions (bottom-up or top-down)
- *study tour and exchange* approaches between like organisations/countries
- *pilot projects* to try new functions/relationships and encourage internal "show cases"

j) *Financial mechanisms* - means to pay for new roles, incentives, compensations, etc

The **key issue** is to identify what methodologies work for particular contexts, institutional types, pressures, constraints, and stages in the IC process; and to identify how the methodologies work, and why they work. All too often, methodologies are chosen irrespective of these conditions. Indeed, there has often been a "seat-of-the-pants" approach in forestry IC, which has not been well-informed about the range of methodologies available. The success of these has principally relied on the skills and experience of the process leaders.

The suitability of methodologies depends upon:

- who the change agents/champions are
- the composition of the "change team"
- which methodologies have worked in the country before
- the general level of institutional maturity in the country
- the stage of IC e.g. frozen/resistant, unfrozen, transition, ready to implement change
- the skills and sensitivity of IC "managers"
- the overall trajectory of social change in the country

### 5.3 The Roles of Development Assistance

In this section, we present a preliminary review of the approaches taken by two development assistance agencies with much experience of supporting institutional change in forestry - DFID and the World Bank. We conclude that donor assistance is highly significant, especially in smaller and/or donor-dependent countries, but it can provoke a wide range of responses.

So much institutional change in developing countries is associated with development assistance that it is becoming difficult to assess where the real causes of change lie - with local stakeholders, with markets, or with the objectives and assumptions of donors themselves and their political masters.

Donor influence can be proportional to how significant their financial support is, as a proportion of FD budgets. Even so it is easy for donor funding to be concentrated by FDs on the parts of institutional support which do *not* require major institutional change e.g. provision of motor-bikes to control firewood exploitation, as opposed to developing the new "participatory agent" roles for the FD staff in Mali. DFID and the World Bank in India appear to focus on changing the FDs and, to some extent, changing the sector's policy and legal environment to allow other stakeholders to develop their roles within the sector. Other stakeholders are involved, but they are not the primary focus of either DFID or Bank support. It would be useful to explore examples of donors supporting NGOs and CBOs on the assumption (or based on the evidence) that the pressures exerted by these civil society groups will be the

primary driver for change within government organisations (the Ford Foundation's programme in India is a possible example) - and indeed examples of where both government and civil society are supported to work together.

*Catalysts for experimentation and change:* Institutional change often follows donor-supported experimental roles and partnerships that break open or cross prevailing institutional boundaries, and allow experiment. Projects can provide such a catalyst. Joint forest management (JFM) projects have had this effect. For example, in North West Frontier Province, Pakistan, several donor projects have shown how the FD should be working with community groups, and have demonstrated where organisational and legislative change is needed for broader progress. This experience, together with concerted donor pressure on the FD (through a Forestry Donors Coordinating Group) to get rid of remaining institutional constraints, is now leading to new functional divisions and enabling legislation for JFM. (Ahmed and Mahmood, 1998).

DFID's technical assistance to Ghana has been catalytic at two basic levels: working at the top to motivate change agents in the FDs and to rewrite some of the basic forestry rules affecting all institutions; and working with the "rank and file", both in the FD and with other stakeholders, to generate a more "client-oriented" FD. Both approaches have made good ground, but both also work in a climate of uncertainty over whether their changes will be sustained and where, ultimately, the approaches will lead (Kotey *et al.*, 1998).

*Conditionalities for change:* Projects can also impose institutional change. This can take the form of a conditionality for support e.g. DFID support to the FD in Belize was accompanied by a "Policy Reform Action Matrix" which specified what reforms were required, by what dates, as a condition to the support, because institutional weakness was seen as a constraint to "absorbing" aid. The approach in Ghana was less rigid, tied to step-by-step achievement of IC goals as conditions for releasing further funds. This is not just to obtain commitment, but also to deal with uncertainty in the change process.

Doubtless there are projects which are more than an imposition - they are, in effect, vehicles for donors' other concerns (or for the wider trade and political concerns that dominate aid at times). For example, there is widespread disagreement with the current "conventional wisdom" of many donors regarding structural adjustment and the institutional reforms being pushed by some donors as part of SAP programmes. In Papua New Guinea, hundreds of millions of dollars in loans and grants were tied, by the World Bank, to certain forest sector institutional changes. Whilst some of these changes may be good for forests, the wider SAP programme will also bring hardship to people.

*Increasing local resistance to change:* Finally, development assistance may, in fact, increase, or at least galvanise, resistance to change. The evidence from some TFAPs is that, where the work of donors is focused on designing *ideal* structures and procedures, it may (inadvertently) unite forces that wish to maintain the status quo. The reasons for this may be varied. As some members of the Advisory Group for UNDP's Capacity 21 programme have stressed, the notion of capacity-building can come across as patronising - not "adding" attributes or resources which can be "taken or left" by local people, but challenging the very essence of people's jobs and behaviour (Thomson, 1998). It can become a clash of world views, with the effect of

uniting local views (that might otherwise have not come together) against what are perceived as alien views and precepts (Filer and Sekhran, 1998).

### ***Appraisal of IC needs by donors***

In the World Bank, there have been at least three approaches to institutional appraisal since 1984. These include the Revised Operational Manual Statement on Project Appraisal (World Bank, 1984), the framework in the 1993 Handbook on Technical Assistance (World Bank, 1993) and the institutional capacity analysis guidance questions set out in the Quality at Entry Assessment (World Bank, 1996). However, there is no single accepted diagnostic framework for analysing the full range of institutional issues (Morgan, 1996), and none of these approaches is reported to be widely used within the Bank. According to Morgan, institutional appraisal within the Bank is a decentralised, customised function that derives from the "operational needs" rather than central direction.

The need for early and in-depth analysis of institutional issues is also widely recognised within DFID. For example, this is reflected in the requirement that an institutional analysis be carried out for all project submissions to the Project Evaluation Committee. General guidance on institutional analysis is given in the Guide to Aid Procedures (ODA, 1995). Some advisers and administrators have also received in-house training on institutional appraisal. A 1994 evaluation of five DFID-funded institutional strengthening projects concluded that the institutional risks had been identified (Austin, 1994).

However, it appears that, as in the World Bank, the form and style of analysis carried out within DFID depends more upon who was involved in the project, than on guidance documents. This may reflect the matrix management structure found within DFID, with its emphasis on collegiate ways of working. Three types of people tend to be involved in the development assistance. Responsibility for the planning and implementation of investments is spread between the *Desk Officers*, who are primarily administrators and ultimately responsible for the investments, and the cadre of *Technical Advisers*, who are concerned with planning the investments and managing their technical implementation. Finally, *consultants* are often used in the field.

Therefore, within both the World Bank and DFID, rather than single prescriptive approaches imposed from the "centre", concerns about institutions have been addressed through attention to a greater or lesser set of trends, themes and "must-have" exhortations that have become increasingly prominent in forestry project design and implementation. Building on Morgan (1996), these include:

- Shifting from institutional analysis led by experts alone to approaches that are more *participatory and client-led*.
- Greater willingness to *address the political context* within which organisations operate (but still a lack of methodology to do this)
- Introducing insights and techniques from a *wide range of disciplines*, and from the private sector, in addition to the traditional reliance on public administration and organisational development theory.

- Moving away from donor projects that focus on the supply of inputs to greater concern with processes for achieving outcomes.
- Greater awareness that improved performance requires more than improving structures, systems and staff. Improvement requires grappling with the *internal culture* within the organisations. There have been more cases of "rationalist" and "interpretive" approaches being combined.

These approaches appear to be welcomed, but their application is piecemeal in practice, dependent upon the background and inclinations donor staff and consultants. They have not always been reconciled with the formal institutional analysis and planning frameworks. This may be because we are at the beginning of a major phase of learning - which should continue, as discussed in Chapter 7.

There is a challenge, therefore: to improve IC process analysis by donors. Our case studies suggest that there are several analytical problems:

- The current frameworks focus more on describing the *present* situation and highlighting what *needs* to change, than on giving guidance on *how* to change the situation.
- *The problem of winners and losers is not usually addressed.* As changes will inevitably lead to both winners and losers, they unavoidably constitute a political process. However, traditionally donors have aimed to operate in politically-neutral areas, and it is only recently that they have begun to openly address such politically-sensitive issues. These issues are also intimately connected with the increased importance attached to good governance within the donor community.
- *It is difficult to assess the dynamics of change.* The pressures on FDs, outlined in Chapter 2, contribute to an environment of uncertainty. It is difficult to predict how these pressures will eventually build up, diminish, or play themselves out upon the forest sector. Different stakeholders will possibly have competing visions of how the sector should operate and these visions will also evolve as the process of change is implemented.
- *It is difficult to identify and employ meaningful indicators of institutional change.* Appraisal is often used to identify changes that can be made quickly (both before and during implementation). These are then used as milestones and indicators of commitment to change. Funding is then phased in line with achievement of the milestones. A major problem of this approach has been the identification of meaningful indicators and milestones - especially benchmarks of progress in qualitative processes (see Box 4).
- *It is difficult for donors to assess the relative probabilities, and possible timing, of critical change events* e.g. the legislative changes and multi-stakeholder agreements that are essential to the IC strategy in Ghana, and the risks associated with them not going ahead

In response to these difficulties, during the appraisal phase donors have attempted to use *participatory planning processes* to (1) gauge the opinions of a wide range of stakeholders and (2) allow a more effective assessment of what is politically feasible. However, experience to date in these approaches is limited and there is

little guidance from the institutional analysis frameworks on how to gauge political feasibility.

There are also problems which come about because of different expectations of donor staff/consultants and the FD staff with which they have to deal. In FDs, they will often face: reluctant senior officials; uncertainty over what change is feasible; unclear vision of what change will be required; and inadequate time to *both* comprehend the situation and involve local stakeholders in planning how to change. In turn, since most donor staff and recipient organisation officials have little practical experience of how to successfully implement change, they find it difficult to assure the quality of change management consultants and their outputs.

Partly as a result of weak analysis and consultation with forest institutions, many "capacity-building" projects still focus only on the "safer" areas of technical/resource capacity supplementation (i.e. the "supply" side of capacity - training, buildings and equipment). Yet such projects will often end up finding that there are constraints to the impact of such support. These constraints are more to do with institutional capacity (i.e. the "demand" side - ability to use resources to serve "clients" (Dia, 1996). In fact, institutional constraints are often so great that existing technical capacity cannot be well-utilised, let alone any new capacity "built" through a project. More work needs to be done to identify current institutional capacity (Box 4).

#### **Box 4: The challenge of understanding, assessing and monitoring institutional capacity, and of devising donor "exit" strategies**

Institutional capacity can be described by several dimensions:

- |      |  |
|------|--|
| i    | accountability   |
| ii   | transparency   |
| iii  | legitimacy and representativeness  |
| iv   | resilience and longevity   |
| v    | commitment of leadership   |
| vi   | commitment of "rank and file"  |
| vii  | enforceability of rules and effectiveness of incentives  |
| viii | relations with, and participation of, stakeholders   |
| ix   | access to, and dissemination of, information   |
| x    | ability to plan and operate long-term  |
| xi   | flexibility to use best approaches to meet mandate   |
| xii  | operating efficiency   |
| xiii | skills, staff numbers and resources  |
| xiv  | knowledge of mandate, professionalism and "connection" to the appropriate places and people      |
| xv   | adaptability, reflexivity, health of learning processes and commitment to continuous improvement |
| xvi  | "fit" with other institutions  |

The precise indicators should, however, be defined locally.

How are the elements of institutional capacity to be measured? How do we know when a forestry institution is "mature" enough for development assistance to be withdrawn? There is not a large body of experience. The Aga Khan Rural Support Programme in Northern Pakistan puts a lot of effort into monitoring the "institutional maturity" of Village Organisations, in order to phase out certain forms of support, and to phase in others e.g. a regional-wide "apex" institution made up of village representatives. But there is often little more than (conflicting) anecdotes about the approaches and results of many other institutional change projects.

Who should do such monitoring? Self-evaluation and self-monitoring by forestry institutions is an obvious need: if today's institutions are to respond to increasing change, they need to become "learning" organisations, with feedback loops and reward systems for attempting and succeeding at innovation. Donors talk about this a lot, but few seem to be attempting to support the integration of monitoring into (quality/environmental) management systems approaches that could help to provide continuous improvement. Equally obvious, the stakeholders of the forest institution should be involved. However, "participatory monitoring" is also something that is talked about more often than it is implemented. There is a clear research agenda here.



## **Chapter 6 PRELIMINARY PRINCIPLES FOR ENGAGING WITH INSTITUTIONAL CHANGE IN PUBLIC SECTOR FORESTRY**

### ***Common challenges but no blueprints:***

Chapter 3 described some of the common challenges. However, from the brief country case studies (Annex 2) and our observation on IC projects (Chapter 4), it is clear that there are no blueprints for public sector forestry, or for the roles of individual organisations within that sector. This is especially precluded by: political, social and cultural differences within and between nations; the different degree of political power and capacities amongst existing forest institutions; the different forest endowments and ownership patterns; and the vast range of possible relations between the state, civil society and the private sector.

### ***Prerequisites to engaging in any IC process:***

The foregoing should also make it clear that there are two important issues to consider right at the outset:

- a. Decide whether there is a legitimate need to engage with IC
- b. Recognise that any attempt to engage with IC is a political act

### ***Principles for engaging with the process of institutional change:***

Where it is decided to go ahead with an IC process, certain principles already appear to be promising as a guide. Those offered here are preliminary at this stage. They are drawn from experiences described in previous chapters, which have been heavily biased towards projects involving *development assistance* (a limitation which we would like to resolve at a later date, by examining change outside the influence of development assistance).

**1. Negotiate ground rules with institutions that will be changing, and with their staff/stakeholders:** It is especially important to ensure IC "ownership" by individuals in key positions to support or impede the process - this can mean both those at the "top" and those who interact with stakeholders in the field. Change objectives must not be a surprise to them - they should be involved in deciding them. And the IC style and associated incentives should be reasonably familiar and/or attractive. All the following principles will help build "ownership".

**2. Identify what stage of IC has been reached:** IC project support can be relevant at any stage - from "unfreezing", to the "transition" stage of agreeing IC objectives and pledging action, to implementing desired change. But first it is key to know which stage is actually being dealt with! Principles 3-7 will help.

**3. Identify key forest institutions, their stakeholders, and their experiences and expectations of change:** The stakeholders (both internal and external) of the main institutions need to be identified. It is important to assess their previous experiences of change; the incentives causing them to change; their attitudes and responses; whether

they believe themselves to be winners or losers; and their expectations of what future change should deliver. This will help to identify the drivers of real change. Big bureaucracies tend to be harder to re-orient than smaller ones.

**4. Identify broader pressures for change, and limits to change:** Understanding is required of how the key forest stakeholders relate to the wider context. As section 2.3 stressed, *extra-sectoral influences* can generate the most significant pressures for change. Especially where forestry is a high-profile national issue, institutional change may be conditioned by global pressures (environmental NGOs and donors), other national pressures (macro-economic imperatives, political agendas, intersectoral territory battles, etc) and local pressures. Institutional change may be *continually* dominated by such factors; indeed, part of the forestry IC agenda may be to develop intelligence to keep on top of wider changes that are occurring from local to global levels.

It is important to assess what (political) limits there are to the *feasibility of change*. It is difficult for forestry IC to go against the grain of government-wide IC agendas and procedures - or lack of them.

**5. Identify which IC methodologies have worked before:** Methodologies that have already worked well in local contexts, and for specific institutional types, pressures and constraints, are likely to be workable again. Lessons can be sought from outside forestry. Bear in mind that new methodologies may need to be introduced, but they will need to match the level of institutional capacity.

**6. Use and develop mechanisms for participation throughout the IC process:** Multi-stakeholder steering committees and core groups, together with neutral fora for debate, are helpful. Where participation systems do not exist, new approaches such as participatory learning and action (PLA) methodologies may help. Agreed / "win-win" issues can be the best basis to "test" participation. However, it is important to be aware of the political and power-related constraints to making participation real and meaningful - otherwise participation may merely increase conflict.

**7. Assess institutional capacities:** It is important to assess institutional capacities in relation to forestry goals, stakeholder representation, and ability to deal with changing external conditions. For an FD, self-reflection/assessment by senior staff is a useful beginning, but the assessment should be extended to junior and decentralized staff.

External stakeholders' views on the FD can then be elicited, on the key issues which the FD has defined, and on broader institutional dimensions issues such as transparency, quality of communications, and service-orientation (Box 4). Allow stakeholders time to consult with their constituencies.

Analyse which forestry institutional problems are to do with weak accountability, "hidden" objectives, inequitable incentives and inadequate or unworkable sanctions and regulation - these may demand a long-term, sector-wide approach - and which are generally *managerial and technical* (these may allow shorter-term organisational development). Here, external assessments are useful: viewing the FD as a social institution, with each job linked to large family and cultural networks, may help with the former; efficiency audits should help with the latter.

**8. Focus IC objectives on key and timely forestry issues and goals:** If forest goals and an overall vision are not yet agreed in the country, then a policy process of identifying and debating these will be necessary. IC activities may be needed to build the

policy process capacity, but heavy emphasis on IC for individual institutions should be avoided at this stage. If forest goals are agreed, it is important to avoid bringing them all at once into the IC agenda. Overly-comprehensive agendas are difficult to deal with, or are too threatening. So also is an overt focus on IC - the focus must be on achieving better forestry.

**9. Ensure influential officials are committed to the IC objectives:** (This does not just mean FD officials.) If possible, identify changes that can occur before investment starts, which can then be used as indicators of commitment. Ensure commitment before any major investment in changing institutions.

**10. Employ institutional "visioning" approaches where necessary:** Where (7 to 9 show that) an institution or its staff are not willing to change, and yet stakeholders are demanding change for good reasons, then a process of creating a new vision for that institution can be valuable. This should: generate *understanding* within the institution of its strengths and weaknesses in relation to forestry goals, and of the need for change; challenge basic assumptions on what the institution does and how it does things; and gain *commitment* to specific changes.

**11. Recognise that IC takes time, and faces many uncertainties:** IC will take time - for the large agenda now facing forest institutions, a 5-15 year IC process would be realistic. It is important to allow adequate time for IC managers and change agents to comprehend the current situation, to ensure stakeholder participation, and (where necessary) to achieve commitment. Stakeholders will rarely all accept a common set of sector goals at once. Similarly, it is important to recognise that the "hardware" of organisational change (new formal structures and procedures) may be quickly changed but that the "software" (capacity and relationships) to make the hardware work is likely to take longer to develop and install.

In general, it is best not to undertake the most challenging/threatening tasks first. For example, in restructuring government organisation, better information flows should come before full transparency, and transparency before accountability.

**12. Use and learn from field success and opportunities to cross institutional boundaries:** Very often, significant field projects (particularly in participatory forestry) have had unusual freedom to attempt new approaches. It is worth exploring the lessons of such projects with concerned institutions. Two other useful IC approaches are: devising new multi-stakeholder projects that test new relationships; and training FD staff alongside other stakeholders.

**13. Keep on top of legal constraints:** The institutional analysis should identify if, and what, legislation would be required to allow change. It is helpful if early change does not depend upon new legislation or the repeal of old legislation. However, legal constraints may ultimately limit new roles, and so they should be kept under review. A step-by-step removal of barriers to participation amongst stakeholders can be helpful, for example.

**14. Communicate IC aims and progress regularly:** All stakeholders need to create (in their perceptions and actions) space for the forest institutions to change. This means they must expect change, which requires communication - both within an institution (to avoid fragmentation) and between it and other key stakeholders (to allow new relations to form).

**15. Employ a monitoring/ learning/ continuous improvement approach - but accept that this will produce local initiatives:** The IC planning/monitoring strategy should be "cyclical" and not "linear". An iterative approach, learning by doing, has been proven to be effective in private sector and some governmental quarters. This helps staff: to see that change is possible in relation to the key issues; to achieve it step-by-step; to realise that further steps will be needed; and to deal with fast-changing political and market dynamics. The core of this approach should be participatory (self-) monitoring by organisation staff (regarding their own jobs and their impacts), supplemented by monitoring by other stakeholders, and better information about pressures and changing contexts. Annual workshops can be useful focal events to bring all these perspectives together, and to start feeding them back into the change strategy. Broad institutional capacity indicators need to be developed in country (Box 4).

This iterative approach may often be more effective than a comprehensive "master plan" approach - but it means that not all actions can be foreseen in advance, requiring flexible project management and financing.

**16. Ensure project management tools and staff are suited to the particular IC stage:** In an environment of uncertainty within the sector, where the room for manoeuvre is defined by political imperatives, the use of log-frames and other project cycle management tools can cause conflict unless informed by the above principles. Inflexibility in their application may lead to increased resistance to change among stakeholders. More work is needed to adapt these tools to IC realities in the forest sector.

Donor expertise needs to emphasise process/facilitation skills, and disciplines that understand institutional culture and management, as well as the technical (forestry) work. A clear "exit strategy" for development assistance should be agreed in advance with stakeholders, based on certain criteria of institutional capacity; and refined e.g. annually. However, this needs to be balanced with openness to local initiative and flexibility.

## Chapter 7 A RESEARCH, INFORMATION AND ACTION AGENDA

The observations and principles on institutional change contained in this Review are based on a review of the literature, on desk studies of changes in five countries, on the experiences of the authors, and on consultations with some DFID and World Bank officials. They are not presented as representative of all activities supporting such change, or of all perspectives on change.

In particular, the country case studies are not detailed enough to truly represent all that has occurred. This would have called for discussions with all the stakeholders involved. Specific stakeholders have different perspectives on the "same" change, and the perspectives available to us were biased towards donors. Even so, it has not been easy to glean the full donor story.

This Review found very little documentation describing the IC support which donors are actually giving in the field, and how donors are addressing institutional change in individual countries. It is unclear why there is a paucity of documented evidence, but factors may include:

- ⇒ The lack of obvious successes in supporting change, and the reluctance to document activities that are seen (on the face of it) to be failures
- ⇒ The culture, within the donor community, of freely discussing the political and cultural context within which investments are made, but not analysing such issues as a serious task in written material. Our experience in producing the brief case studies has been that, to describe the reality of change, the influences of politics and - even more difficult - of individuals must be assessed.<sup>5</sup> To do so could be perceived as compromising people's positions.
- ⇒ "Stories" about particular events and tensions are as important and revealing as blunt assessment of success or failure against project objectives. There is little institutional reward for recording such stories or for process documentation generally; they are thus in short supply.
- ⇒ The pace and idiosyncracies of change are such that there is not always an obvious framework against which to record it (hence our suggestions in Annex 1).

Despite these caveats, we believe the case studies suggest principles which will help to improve future IC activities by donors. Furthermore, research along the lines which this Review has only just opened up would be well justified. We believe it would be well worth more people assessing and recording change processes. This is because:

- ⇒ Positive policy and technical capacity changes for SFM have recently been made in many countries, and it is now institutional weaknesses which constrain progress
- ⇒ The significant current investment in forestry IC by development assistance agencies remains in sharp contrast to the lack of documented successes and failures

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<sup>5</sup> Partly because of the above, we were also constrained by the need to censure some of the information revealed to us. Because of these constraints, the authors have sometimes been uncomfortable with the resulting choice of words which in some instances may be little more than a re-iteration of development orthodoxy.

- ⇒ The problem of how to deal with weak local commitment to IC is still underestimated and needs to be resolved - especially given the imperative for "demand-led" projects
- ⇒ Development assistance procedures can produce conflicts between the needs of accountability and of flexible processes to support IC
- ⇒ There has been limited learning from the extensive forestry IC experience to date - many donors could provide more evidence
- ⇒ There has been little use in the forest sector of potentially available tools and methodologies, especially on how to actually conduct/manage IC

A suggested research, information and development agenda is set out below.

#### **Possible objectives and rationale:**

This brief Review revealed that institutional change (IC) in forestry is an area where the theory available to those involved is weak, where empirical lessons have not been fully drawn, and where the information base is poor.

**a. Information base:** The most immediate need is to improve the information base for those involved in IC. This must be practical and realistic, covering "failure" as well as "success", and not ignoring all-important contextual differences. Analogous IC experience in other (rural) sectors would also be examined, because IC experience in forestry is comparatively recent. A useful start might include case studies (below).

**b. Country studies:** would form a key way of structuring the information base. They are probably the best way to address the IC themes outlined below. The Review highlighted contrasts between countries, rather than definitive conclusions on what worked better and what didn't. To get better answers on *why* specific IC approaches worked, we have to know much more about *who* was involved and *how* things worked out. Approximately four countries in different cultural contexts might be chosen.

The studies would be done in partnership with local researchers. They might build on the India and Ghana studies and add Latin America and Eastern Europe. The key "extra" is to elicit far more stakeholder inputs - the Review necessarily focused on donor perspectives. Collaborative research might also build on related work e.g. IIED's project Policy That Works for Forests and People. Experiences in other (Northern) countries which have been through forestry IC processes, such as Australia, might also be assessed.

**c. User guidance:** Once the range of experience has been more fully explored, an assessment of guidance/training needs would be required. These would cover the main "tools" required for effective IC, notably:

- institutional analysis and monitoring tools;
- "unfreezing" tools e.g. awareness and trials;
- change management tools;
- participation tools; and
- the competencies/attributes required of change leaders to foster trust and build an environment for change.

At this stage, it may be instructive to bring in relevant aspects of IC theory from management specialists.

**d. An IC network:** To be of growing use, this resource base on IC would have to be complemented by an active network of IC practitioners involved in IC, and by adaptive research in key areas. There needs to be capacity to constantly address the IC agenda in-country, as it is always evolving; it is not just a one-off stock-take that needs to be "fixed" every few years. A conference on IC might be considered by 2000.

**e. Pilot projects:** Bringing together the above resources to assist focused IC in key countries and themes.

**Hence IIED proposes a three-year research, information and pilot activities project.** The balance between activities might be:

- one-third research on IC - what we don't know, and how to examine it - with a focus on national case studies
- one-third information on IC - what we do know, and how to get it across - with a focus on IC networks, workshops and publications
- one-third IC capacity development - where the need is, and what approaches/principles to try - with a focus on pilot activities

The aim would be to help all the major parties which (should be) involved in IC - not just donors and forest organisations.

**Possible themes:**

**1. Key devolution themes:**

Exploring approaches to two major topical areas for devolving public sector responsibility to business, NGOs, local communities, and global bodies:

- *plantations*
- *communicating and ensuring local groups' rights*

**2. Capacities: National forest authorities' capacities for institutional change:**

The public authority's roles are often being neglected during "privatisation", "globalisation" and "localisation" processes. Capacities to relate to the other international, national, and local forest stakeholders would also be important. Proposed activities would focus on the forest authority and its capacities to undertake the IC process, from capacities for institutional analysis, to participation, to awareness-raising, to visioning and objective-setting, to change management and associated methodologies, to impact assessment. What kinds of skills and attributes are required, and how can the majority of staff be brought into the process? How do contextual factors, such as the culture of bureaucracy, affect capacities for change? Key nations, where pressures for change are high, would be selected for collaborative work with IIED.

**3. Processes: "Institutional change processes that work":**

a. *Explore effective "visioning" and "unfreezing" processes.* Covering lessons, methodologies, trials. How to identify the change agents and key

issues/trajectories? What methodologies help to explore the current institutional climate, pressures and changes? What can be realistically expected from an "unfreezing project"? What requires far wider processes of change (and longer time frames) than can be achieved in a project? In contrast, what are the pros and cons of selecting ostensibly narrower and more "manageable" change agendas?

b. *After the thaw* - from unfreezing to institutionalisation to operationalisation. Looking at effective strategies and methodologies and how they are best sequenced.

#### **4. Donor roles:**

Given the magnitude and several years' experience of donor investment in institutional change, it is now time to review the effectiveness of different approaches, with a view to improving the quality of aid. We have touched on some lessons from DFID and World Bank experience; this needs to be deepened, and then widened by bringing lessons from European and non-European donors. A way would be sought for comparing aid roles/approaches under similar contextual conditions. We might invite development assistance agencies to put forward their own analyses of IC - key factors in institutional climate that matter, methodologies found to be effective, etc. A meeting of the European Tropical Forest Advisors Group devoted to this would be a useful beginning.

The notion is to identify and promote the donor "value added", what it is realistic for donors to achieve with limited influence (financial and technological power) and limited time. Should donors be confined to the management/methodological aspects of agreed IC objectives, or should they go further back up the IC change agenda and influence IC objectives, or further back still and influence the climate for change and the change agents?

Other questions include:

- When should donors keep out of the whole process?
- What are the impacts of donors' IC "conditionalities"?
- Where are the best "leverage points" for donors to make valuable contributions?
- What project management tools are useful to donors given the constantly-changing nature of IC activities?
- How to devise appropriate "exit" strategies for a donor IC intervention; and how these relate to unfreezing, internalised show cases, and other milestones?

#### **5. Lessons from water, agriculture, public health, and other sectors:**

In some sectors, there have been much larger government-wide institutional reform programmes, such as in agriculture, rural health and water supplies. These sectors differ from forestry in that there is a much stronger imperative for governments to delegate functions - whereas central control of forestry is still important for government revenues - and there has been stronger popular demand for basic services such as water and health than for forestry. None the less, it is clear that analogous lessons on themes 1 to 4 could be drawn from these sectors, and from major public sector reform.

The authors welcome any comments on this review, and on the research, information and action agenda. Suggestions for linkages with other bodies pursuing these issues would also be appreciated.



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## ANNEX 1: DESCRIBING INSTITUTIONAL CHANGE

In this Annex we present an analytical framework for describing institutional change (IC) in public sector forestry. It is based on a set of five linked proformas (but see note under E below). Developed both theoretically and empirically, the analytical framework covers:

- institutional context
- pressures
- state
- response
- institutional change management and methodologies

Together, we believe these factors can describe most institutional change processes. Splitting the categories up in this way allows for a cyclical approach i.e. context>pressure>state>response>altered context. Different (management) actions and methodologies may be appropriate at different "stages", and indicators of change may be developed for each of these stages. This may therefore have some utility in change management planning and monitoring. Some of the proformas describe a spectrum, or degrees of magnitude on a single axis; others are merely empirical clusters of related issues.

Future case studies might attempt to use these proformas in describing change processes, and attempt to correlate them with actual change achieved - if not "success" or "failure".

### A. "CONTEXT": CULTURAL/POWER STRUCTURE/POLITICAL CONDITIONS SURROUNDING INSTITUTIONS

*A1 Cultural factor influence:* Degree to which cultural factors and especially the power structure determine what forest institutions do, and whether change is possible e.g. those most dependent upon forests for their livelihood often lack a power base for change, others have (too much) freedom

*A2 Political influence:* Degree to which politics dominates forest institutions and the scope for change e.g. where electoral cycle is important. Can be democratic or authoritarian. May also be dominated by crisis politics, as opposed to incremental institutional reform in politically mature environments

*A3 Technical/market influence:* Degree to which forest institutions implement technocratically-developed, efficiency-driven policy that is responsive to markets and other needs e.g. if the country is very much dependent upon external timber markets, openness to change in those markets may be high

*A4 International agency/policy influence:* Some institutions, particularly in small and/or poor states, can be considerably open to influence by international bodies such as aid agencies

Interpretive analysis is key for A1 and A2. Functionalist/rationalist analysis is helpful for A3.

### B. "PRESSURES": FORCES FOR INSTITUTIONAL CHANGE

*B1 Motivations/driving forces:* the key issue(s) for which there is pressure to change:

- a) Globalisation imperatives
- b) Finance/ efficiency imperatives
- c) Environmental imperatives
- d) Social/ equity imperatives

- e) Ethical/ (anti-)corruption imperatives
- f) Other

**B2 Actors** which are pushing for the above change(s):

- a) Internal / top of the hierarchy
- b) Internal / lower in the hierarchy
- c) Other governmental
- d) Market actors
- e) Civil society actors
- f) Projects and one-off initiatives
- g) International bodies

**B3 Change agents and champions:** Where amongst actors a-g is there capacity to lever change? For each, is the agent an individual, organisation, or institution? Who is taking a lead i.e. a "champion"?

**B4 Resisters to change** Who amongst actors a-g is there resistance to change? For each, is the resister an individual, organisation, or institution? Is resistance active or passive?

**B5 Other factors enabling/constraining change:**

- a) *legal scope* for change e.g. resource ownership laws and legal mandates that provide degrees of freedom for new roles to be taken up
- b) *concepts, capacities, skills, incentives and procedures* that may help or hinder the ability to understand and undertake change
- c) *funding/resource availability* to (contemplate) making changes
- d) *perceptions of the costs* - both of change, and of the status quo

**B6 Summary - degree of openness to change, from most to least open:**

- a) "unfrozen" - widespread expectation/welcome of change
- b) "thawing" - willingness to change amongst some influential actors
- c) clashes between resistant and open partners
- d) resistance all round

## **C. "STATE": CURRENT INSTITUTIONAL TYPE AND ROLES**

**C1 Organisations:**

- a) central forest authority
- b) decentralised forest authority and its organs
- c) other governmental organisations involved in forestry
- d) private sector forest bodies e.g. industry associations
- e) civil society organisations e.g. environmental NGOs, forest-dependent peoples' groups

**C2 Institutions:**

- a) regulations - laws and rules
- b) market institutions e.g. trading relationships and norms
- c) civil society institutions e.g. common property regimes and other traditions
- d) societal norms e.g. traditions, habits, hierarchies
- e) the "forest sector" i.e. all C1 and C2 and their relationships

**C3 Current priorities of the above:**

- a) financial priorities e.g. earning timber revenue
- b) social priorities e.g. local (community) development
- c) environmental priorities e.g. biodiversity or water conservation
- d) development priorities e.g. supporting other sectors (agriculture or energy)
- e) political priorities e.g. controlling territory or certain people
- f) client orientation e.g. big forestry companies or communities

#### **D. "RESPONSE": THE SCOPE/TRAJECTORY OF INSTITUTIONAL CHANGE**

*This covers the degree/scale of change, from (generally) easier to more ambitious:*

1. *improving efficiency of an organisation in meeting existing objectives*
2. *changing objectives of an organisation, including decentralising it*
3. *entering partnerships between an organisation and other stakeholders*
4. *renegotiating specific institutional roles within the sector*
5. *changing the institutional climate - participation, devolution, legitimacy and accountability of different organisations, and the rules by which they operate*

#### **E. INSTITUTIONAL CHANGE MANAGEMENT AND METHODOLOGIES**

##### **E1 IC process with no formal project management**

Informal alliances, prejudices, market forces, and laissez-faire may dominate, normally giving rise to gradual change - but with occasional sudden and large changes in response to power and market shifts.

##### **E2 IC process with formal (project) management**

This is normally the result of the perceived need to organise a response to the driving forces. IC management style may range:

- a) *from top-down to bottom-up/client-led*
- b) *from a process approach to output/plan-led*

##### **E3 IC methodologies:**

- a) *coercive tactics: "whistle-blowing", humiliation, disenfranchisement, imprisonment, certain donor conditionalities*
- b) *policy/institutional analysis*
- c) *organisational analysis/audits*
- d) *"unfreezing"/ awareness-raising/ visioning activities*
- e) *conflict resolution and consensus/coalition-building*
- f) *coordination and participation mechanisms*
- g) *commercialisation/privatisation*
- h) *organisational reform:*
  - *organisational structures*
  - *systems and procedures*
  - *transparency/accountability*
  - *job specifications and staff recruitment*
  - *staff empowerment and incentive structures*
  - *team/peer group building*
  - *generation of shared values*
  - *ways of preventing return to "old ways"*
- i) *learning/training:*
  - *action learning*
  - *training in new functions*
  - *study tour and exchanges*
  - *pilot projects*
- j) *financial mechanisms*

## **INSTITUTIONAL INDICATORS**

A to E provide a preliminary way of describing IC projects or processes and the contexts in which they operate. Further, much more detailed IC case studies might explore these dimensions further. A final IC assessment and monitoring framework could then be presented. This would include those indicators of IC that have been shown to be most meaningful for monitoring the impacts of IC (i.e. the aspects of A-D that have changed).

## ANNEX 2: SUMMARY OF COUNTRY CASE STUDIES

### GHANA

#### 1. SCOPE OF CASE STUDY

Previous DFID/World Bank-supported projects to improve FM management procedures and develop links with communities followed by a project to create an independent Forest Service (GFS) from the Forest Dept (GFD); with technical support by DFID

#### 2. CONTEXT: cultural, political, market

- Change tends to be dependent upon political/informal coalitions
- Democratic environment; but elections stalled legislation enabling GFS
- GFD, Forestry Commission, traditional authorities and District Assemblies all have legal FM powers; challenge is to resolve who takes lead
- Experiments with collaborative management (also DFID-supported) beginning to bridge gap with local people

#### 3. CURRENT STATE of institutions and their roles

- Unsustainable harvesting rates, high waste, over-capacity in milling, low government revenue
- 1994 policy calls for SFM for local needs and better revenue capture
- GFD improving efficiency

#### 4. PRESSURES AND CONSTRAINTS

- Civil service reform, due to financial/efficiency problems, setting pace for IC. Some GFD officers see opportunity to escape civil service conditions - but also a threat if not managed
- Widespread stakeholder agreement on goal of better FM and institutional structure
- Senior Ministry and GFD officers driving IC towards client service orientation, and down-sizing industry to match sustainable supplies
- Local groups' demands for control of forest resources
- But little support for IC by politically-powerful timber concessionaires

#### 5. RESPONSE - main objectives of IC

- Senior Ministry and GFD officers promote efficiency/enterprise/management culture, with more participation of local people in management
- Draft enabling legislation to meet 1994 policy objectives
- But Ministry/GFD efforts to "sell" IC/legislation are slow
- Summary - "unfrozen" at top of GFD and Ministry, but clashes with some other stakeholders, and inadequate relations as yet with local people

#### 6. IC MANAGEMENT

- Functionalist approach to change, with DFID technical support
- Dependent upon enabling legislation being passed
- Multi-stakeholder steering committee to broaden support for IC and to guide it - but real change driven by GFD/DFID staff
- A "core implementation" group of good middle managers
- Long-term DFID TA
- A senior Ministry "change champion"

## 7. IC METHODS

- Donors aim to support Ghanaian "ownership" of IC
- DFID emphasises IC process over IC timetable, and will not provide all resources, to encourage Ghanaian commitment
- Extensive institutional analysis funded by DFID, World Bank, etc (gap analysis, workshops with other stakeholders) - but dominated by GFD and not focused on new vision
- Much information/control systems development, donor-funded
- Stakeholders workshops
- But still no clear bringing together of different visions (GFD/DFID IC project staff, GFD Planning Branch, etc); and participation limited to workshops



## INDIA

### 1. SCOPE OF CASE STUDY

IC component of World Bank loans in several states, to implement 1988 federal policy of meeting local needs and conserving environment, especially through participatory forestry

### 2. CONTEXT: cultural, political, market

- Trends towards consumerism and decentralisation
- Political clashes between central/decentralised control
- FD/political alliances common; informal associations affect forests
- Forests treated as sources of government revenue and illegal political funding
- Strong FD command-and-control "scientific" culture contrasts with need for partnerships and multiple objectives
- Donors' power to force IC pace limited

### 3. CURRENT STATE of institutions and their roles

- 1988 policy: FD-controlled Reserves now meant for local/environmental needs; industrial needs from outside Reserves
- Policy translated by Government Orders to most states; implying an ambitious IC change agenda (focused on JFM)
- Varied implementation by state FDs of 1988 policy
- 1988 local needs-oriented policy at odds with mass of law requiring government control

### 4. PRESSURES AND CONSTRAINTS

- Debate on 1988 policy and Orders changed climate
- Many NGOs applying pressure on FDs to implement Orders
- Freedom/finance restrictions force change:
  - Panchyati Raj local government makes/pays for FDs to work as a service at local levels
  - Less scope for revenue generation with federal bans on Reserve reclassification and logging
  - Indian Administration Service promotes alternatives to government departments for delivering services
- FDs tend to seek power, resist reduction of it, and concentrate it at the top
- Differences in FDs' support to JFM
- Rapid FD staff transfer discourages continued IC effort by key individuals

### 5. RESPONSE - main objectives of IC

- FDs widely acknowledge old policy did not lead to SFM, especially as 1988 policy officially recognises this
- IC varies by state - but revolves around JFM support
- Key change factor: senior FD officers' interest/motivation
- Key constraint: if funding available, change can be resisted
- FDs see JFM as a way to gain legitimacy at district/village level

- Summary - most FDs "thawing", but some resistant to World Bank version of IC

## 6. IC MANAGEMENT

- Although Bank's IC budget is small in comparison to planting/infrastructure, Bank stresses its investment is to support new institutional roles
- Bank supports incremental IC: first 4-6 year phase focused on efficiency and JFM support - FD management capacity, consultants to recommend training, and Management Information Systems for efficiency
- Assumes JFM experience will "unfreeze" FD cultures - and later phases will change operations and ultimately roles
- IC management style correlated with consultant - general focus on structures, leadership development and staff training
- Q: will incrementalism achieve the radical change?

## 7. IC METHODS

- Emphasis on "pre-project"
  1. Bank looks for states where senior FD "champions" show commitment to change (e.g. changing regulations that limit participation) before agreeing funds
  2. "unfreezing" activities have high priority
  3. early vision development
  4. extent of change is agreed between Bank and senior FD officials
- Leads to agreed FD "management development" and policy change actions
- Achievement of some actions becomes a conditionality (encourages IC, and insulates it from personnel changes)
- Support to all levels in FD, and removing barriers to participation of other stakeholders

## **SRI LANKA**

### **1. SCOPE OF CASE STUDY**

DFID-supported project to progress the stalled Forest Sector Master Plan and Strategy (FSMP/S), by generating awareness of need to change at the top

### **2. CONTEXT: cultural, political, market**

- Political imperative to share departments' responsibilities between coalition parties - FM functions spread over several ministries
- Economic liberalisation decreases FD's importance in timber provision
- Ban on logging in natural forests, and much wood from imports and private lands, reduces FD clout

### **3. CURRENT STATE of institutions and their roles**

- FSMP/S approved by Cabinet in 1995. Developed with donor support and external consultants to address deforestation and lack of land use/forest policies and instruments. Envisages radical role changes, privatisation of FD plantations, meeting local needs and conservation first in natural forests
- FD and Ministry inaction on FSMP/S and meeting new sector needs
- Some change has taken place outside control of FD/Ministry - leaving them behind
- Government established a National Task Force to develop yet another forest policy

### **4. PRESSURES AND CONSTRAINTS**

- Government and 200+ NGOs increasing pressure on FD and Ministry to put natural forests to local needs/conservation
- Government funds to FD declining because of higher priorities
- Donor funds to FD declining because of perceived inaction
- No change "champion" in/outside government capable of forcing IC

### **5. RESPONSE - main objectives of IC**

- FD and Ministry siege culture in face of "threats"; FD and parent ministry neither embrace FSMP/S nor share common vision of how to implement it; but FD responsible
- FD still carries on old roles e.g. plantations enterprise
- Summary - Ministry/FD resistant

### **6. IC MANAGEMENT**

- 1997 DFID-supported project with senior FD/Ministry officers to "unfreeze" FSMP/S impasse and consider change requirements
- Sri Lankans managed process; external consultants were only facilitators

### **7. IC METHODS**

- Attention to local "ownership" of IC – contrasting with previous externally led FSMP/CS
- Process based on addressing operational problems, not on IC needs (too threatening)
- 6 workshops with FD/Ministry, private sector and universities – neutral forum
- Careful selection of personalities involved in process – aiming to create change champions

## **BOLIVIA**

### **1. SCOPE OF CASE STUDY**

Nation-wide democratisation, brought about by new President. Much legal change suddenly moved power from central forestry administration to municipalities

### **2. CONTEXT: cultural, political, market**

- Elections key - President's platform was peoples' participation and decentralisation
- Popular concern at power of central Government and elite (including logger barons)
- Special concern at then-Central Forest Authority (CDF) - powerful, corrupt, legacy of weak control, no clear policy
- Peoples' Participation Law (1994), then Decentralisation Law (1995), put powers in municipal administration

### **3. CURRENT STATE of institutions and their roles**

- CDF superseded by a national Forest Superintendency (limited supervisory role), Ministry of Sustainable Development (policy and standards) and a Forest Development Fund
- Municipal Forestry Units to be established to run SFM
- Municipal governments to receive 25% royalties from forest concessions to promote SFM and social infrastructure
- Halt to logging - pressure groups' concerns about deforestation and concessions on "protected" land
- Grass-roots organisations legally recognised for community control over municipal governments

### **4. PRESSURES AND CONSTRAINTS**

- International consensus favouring SFM with local participation
- Concern at lowland deforestation
- Super-Ministry of Sustainable Development, inspired by Rio, committed to SFM and biodiversity conservation
- Anti-corruption climate: protests at CDF corruption
- ITTO high-profile mission in 1996 drew attention to weak points e.g. training, communication between institutions, but not profound
- Capacity of municipalities to oversee FM very weak
- Logger Barons and commercial Camera Forestal set against change; powerful lobby stalled new Forestry Law for years

### **5. RESPONSE - main objectives of IC**

- Far-reaching, quick, changed whole institutional climate including participation
- New laws central - including for communities' FM
- Municipalities now main "coal-face" forestry institution with more development money; Forest Superintendency advisory/monitoring only
- However - large skills and communication gaps, and overlaps in control, resulting from quick change; powerful elites now influence municipalities, not CDF
- Summary - changes fast, widely accepted, but pockets of resistance (mainly loggers; also

## 6. IC MANAGEMENT

- No formal management - IC follows from legal changes
- But aid projects helpful - BOLFOR project (USAID) backed change, drafted laws, advised on institutional structures
- Municipalities had little help in preparing for FM roles, except where included in projects, which several have

## 7. IC METHODS

- Decree rather than process
- Some training at municipal level
- Aid projects have filled the gap
- But otherwise no real IC methodology specific to forest sector



## MALI

### 1. SCOPE OF CASE STUDY

Shift from dictatorship to democratic regime in 1991 brought about intense popular pressure (even acts of revenge) for sectoral change within FD - especially its coercive behaviour. Changes from the "bottom" have also been fostered by pressure from donors

### 2. CONTEXT: cultural, political, market

- Scarcity of forest resources - heavy dependence for domestic use (woodfuel)
- Democratic environment since 1991
- Trend towards decentralisation; stalled due to delays in setting up municipal councils and implementing new directives at local level
- Openness to change dictated by rural people's spirit of revenge towards the authoritarian attitude of FD staff
- Pressure from main donors (WB, GTZ, UNDP)

### 3. CURRENT STATE of institutions and their roles

- Until end 1995, MDRE (forestry ministry) was composed of six National Departments, including Forests and Water (DNEF)
- 1997 restructuring resulted in reduction from six Departments to three in Bamako, and two in provinces and districts, with following implications:
  - ◊ integrated approach between technical sectors
  - ◊ separation between assistance and control functions
- Reform has reached the provincial level
- Restructuring FD occurs in parallel with decentralisation and forest policy reforms; FD will own and control much less land than before

### 4. PRESSURES AND CONSTRAINTS

- External to FD
  - ◊ agricultural activities have priority
  - ◊ election processes also have priority
  - ◊ delays in the decentralisation process
- Internal to FD
  - ◊ Lack of information on changes and merging of functions at local levels creates confusion, diversified interpretation of rules and abuse of authority
  - ◊ Lack of means and motivation on the part of FD staff
  - ◊ Takes time to erase bad habits, especially those associated with coercive behaviour by FD staff
  - ◊ Compounded by inadequate pay of the staff, who seek complementary income (in the form of fines and bribes)

### 5. RESPONSE - main objectives of IC

The reform of the FD is officially based on the following principles:

- New definition of the role of the State and the other actors to support rural development
- Deconcentration of the government line agencies and decision-making
- Participation of, and more responsibility by, rural producers/associations
- Holistic approach to rural development, with more integrated ("desectoralised") support, and the reduction of intervening structures
- Decentralised planning of rural development
- Sustainable management of natural resources
- Acknowledgement of the potential role of private operators

## 6. IC MANAGEMENT

- Officially, a functionalist rationale. However, it becomes very interpretative as one moves from Bamako to rural areas.
- Linked to progress in the decentralisation process
- Management handled by FD, with little participation of civil society
- But implementation of accompanying measures - mainly capacity building on technical matters but also new roles for foresters - has been sluggish

## 7. IC METHODS

- Decree rather than process
- Reform driven by CAMOPA, the committee set up for that purpose within the Ministry in charge of forestry matters
- Participation and information of civil society limited to publicity campaigns and consultation of key decision-makers (e.g. donors, the cotton board)
- Training limited to government staff



## Forestry and Land Use Series No. 12

Today's climate of change - of decentralisation, globalisation, privatisation, environmental advocacy, and many uncertainties - is placing great pressure on public sector forestry institutions. Many policy initiatives are attempting to integrate new objectives for forest management, or to set priorities amongst competing objectives. Unfortunately, the recent phenomenon of "policy inflation" is combined with a "capacity collapse", as not enough investment is being made in increasing the capacities of forest institutions to deal with burgeoning demands. In many countries, state roles are being cut back as many functions are privatised, and as resources available are trimmed back with structural adjustment exigencies. There is a clear need to reform - and not merely to cut back - the State's role in an increasingly complex institutional environment.

This Review builds on brief country case studies of institutional change in public sector forestry, from India, Ghana, Sri Lanka, Bolivia and Mali. It assesses the roles, methodologies, and impacts of development assistance agencies, in particular DFID and the World Bank, as such agencies have significant - but hitherto poorly documented - experience in supporting institutional change in forestry. Based on these studies and a review of the literature, the Review suggests key principles for institutional change processes.

**The International Institute for Environment and Development (IIED)** is an independent, non-profit organisation which promotes sustainable patterns of world development through research, policy studies, consensus-building and public information. In its 25 years, IIED has accomplished much in a large number of countries. Focusing on the connections between economic development, the environment and human needs, IIED's principal aim is to improve the management of natural resources so that countries can improve living standards without jeopardising their natural resource base. Work is undertaken with, or on behalf of, governments and international agencies, the private sector, the academic community, foundations and non-governmental organisations, community groups and the peoples they represent.

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- policy processes: supporting participation of multiple interests in policy analysis, formulation and monitoring;
- sustainability assessment of forest management and use;
- capacity development of government bodies, NGOs and communities for sustainable forest management;
- the development and monitoring of incentives for sustainable forest management.

This report was funded by the  
Department for International  
Development, UK.



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ISBN 1 899 825 061

