

# Guidance notes for institutional analysis in rural development programmes



# About these guidance notes

A realignment of the role governments play in service provision today is opening up exciting opportunities, including greater involvement by the private sector and civil society. However, clear definitions are needed to delimit the roles of government, and of public and non-public institutions, at various levels of service delivery. Experience has shown that unless service commissioning is kept separate from service provision there will be little real responsiveness to demand, limited downward accountability, and ultimately only minimal scope for change. These concerns lie at the very heart of one of IFAD's core objectives, namely that of strengthening the voice and choices of poor rural people through local institutional development.

Institutions have been an enduring concern for the social sciences since time immemorial, especially in the realm of political science. With respect to the challenges of rural and agricultural development, sociologists have constantly reminded us that poor rural communities cannot be empowered in a sustainable way if their institutions are not taken into account. If, for the sake of simplicity, we assume that institutions are the rules of the game, and organizations are the players, it soon becomes apparent that for too long rural development efforts have focused exclusively on the players, strengthening their capacities but overlooking the wider context in which these capacities are to be used. This has often diluted the impact of our efforts, especially over the long run.

*Guidance notes for institutional analysis in rural development programmes* provides a synthesis of the training materials developed as part of the Institutional Analysis (IA) methodology. They propose that we rethink how we conceptualize and promote institutional change, particularly for pro-poor service delivery. They provide a framework and the analytical tools for designing programmes and projects that feature implementation modalities based on some of the core principles of good governance, focusing on "pro-poor governance" and systemic sustainability at the micro and meso levels.

It is our hope that – given current trends such as decentralization, innovation, commodity chain development and public-private partnerships, as well as the harmonization and alignment agenda and the emergence of sector-wide approaches – the IA methodology will make a timely contribution to the set of tools available to the development community. The present methodology has already proven its value during IFAD implementation support missions; it will be increasingly relevant as IFAD moves towards direct supervision and as we strive to further enhance the impact and sustainability of our activities.

I would like to thank all those who contributed: David Kingsbury and Sylvie Marzin, who initiated this effort; Dermot Shields, who carried it further; Rathin Roy and Philip Townsley, the trainers, who also prepared the training materials; Tom Anyonge, the peer reviewers and the Communications Division; and finally the three main authors, Philip Townsley, Alain Onibon and Norman Messer, the latter having also successfully managed this Initiative for Mainstreaming Innovation (IMI) project.

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# Institutional analysis: an overview

As has become increasingly recognized, the multidimensional nature of poverty calls for more holistic solutions that address not only its symptoms, but also its structural causes.

As our understanding of poverty has grown more sophisticated, the ways in which institutional factors can affect poverty, both positively and negatively, have become more apparent. However, the tools available for analysing such institutional factors have often been lacking or have focused on specific aspects of institutions, excluding others.

The process set out in these pamphlets, and developed in more detail in *A Practitioner's Guide for Institutional Analysis of Rural Development Programmes*, aims to provide development workers with a comprehensive approach for carrying out institutional analysis in the context of rural development programmes. This overview summarizes the key steps in this process.

## What does institutional analysis address?

Institutional analysis for rural development should focus on the ways in which institutions influence **poverty** and the **livelihoods of poor people**. In order to arrive at such an understanding, we need to understand the poor and recognize that they are not homogeneous but rather an extremely diverse group with different **key characteristics**. Gender, age, social and economic class, ability, ethnic background, history and geographic location are among the characteristics of different groups of poor people that must be taken into account.

Institutions take many forms, but concretely we can identify two types of institutions that are of critical importance to poor people – **service providers** that provide goods and services, and **enabling agencies** that establish the policy and legal framework, set the rules and determine how resources are distributed. In order to understand these, we need to understand not just the **structures** and **capacities** of the organizations and agencies that fall into these two categories, but also the quantity and quality of **relationships** between these institutions and **poor people**. This initial focus of institutional analysis is clarified in pamphlet 1.

## Understanding poor people and their livelihoods

Understanding the **livelihoods of the poor** is essential to understanding how institutions affect those livelihoods. The Sustainable Livelihoods Framework provides a useful framework for understanding the livelihoods of the poor. It focuses on their **strengths**, **capacities** and **assets** and the **vulnerabilities** they have to deal with, and how these shape their **aspirations** and their perceptions of **opportunities**. It also seeks to understand how these shape the **actions** or **strategies** that people adopt and the **outcomes** they achieve.

The livelihoods of the poor cannot be understood if poor people themselves are not involved in the process of analysing what they do and why they do it. This is particularly important when it comes to identifying avenues for **change** to make institutional structures and processes more supportive of poor people. Proper consultation and participation by poor people themselves as “subjects” of the analysis are essential for establishing the criteria for identifying appropriate **outcomes**, or **results** for future changes.

In pamphlet 2, the Sustainable Livelihoods Framework and Approach, and some of the key elements involved in this first step, are described in more detail.

## Focusing on results

The **livelihood outcomes** that poor people currently achieve, and the **improved outcomes** that they aspire to achieve, constitute the central concern of an institutional analysis. Whatever improved institutional process that the analysis generates should aim at helping poor people to achieve these aspirations and satisfy basic standards of living and well-being.

The extent to which **service providers** support or hinder poor people in creating their livelihoods, by providing the **goods and services they need**, can be thought of as a set of **delivery results**, which may be more or less appropriate. Improving these results may be one way of improving livelihood inputs and outcomes for the poor.

**Enabling agencies** should produce **governance results** that might include the equitable and efficient distribution of development resources, an effective representation of poor people's interests by creating supportive policies and laws, ensuring that service providers are accountable to the people that depend on them, and the establishment of transparent decision-making processes. Failure to do this can constitute a constraint on the capacity of poor people to generate viable livelihoods for themselves.

If an institutional analysis is to contribute to poverty reduction, clear **criteria** for assessing these **delivery** and **governance results**, and the **livelihood outcomes** of the poor to which they contribute, need to be established. The process by which these criteria are developed is critical. It should draw on the aspirations of poor people themselves as well as on recognized standards of well-being, the satisfaction of basic needs and recognition of human rights.

This focus on results is discussed in more detail in pamphlet 3.

## Mapping action arenas

The next step in the process is to understand how these various **results** – whether **livelihoods**, **delivery** or **governance** – are generated. This can be done by taking results and tracing back to the specific **actions** performed by enabling agencies and service providers that have produced these results. The combination of actions that generate each of these results can be thought of as an **action arena**. The analysis of these arenas can be carried out both for existing results, to identify what is causing them, and for **desired** future results, to identify the changes in institutions and processes that could produce them. These arenas are of particular importance because they include many of the features of institutions that are most easily **influenced** and **changed**.

The process of mapping these action arenas involves linking each of the actions that make up a particular action arena to:

- the different **actors** involved in performing these actions;
- their respective **roles** and **responsibilities** (or mandates);
- their **capacity** to perform the responsibilities they have been assigned;
- the **relationships** between these different actors;
- the **rules** and **incentives** that influence these different actors in performing the actions leading to the results observed.

The process of mapping action arenas is described in more detail in pamphlet 4.

## Understanding the institutional context

Mapping the **action arenas** will enable us to understand some of the essential elements in the institutions that influence the livelihood outcomes of the poor. However, the way in which these elements are defined will depend not only on the agencies and people involved themselves but also on:

- the **policy factors**, including the **policies** themselves, the way in which those policies are generated, the **mechanisms** by which they are **implemented**, the **feedback mechanisms** that allow us to understand their impacts, and the degree to which **conflict or harmonization exists between policies** in different sectors;
- the **legal framework**, including the different sorts of **laws, rules and regulations** that are in place as well as the **processes** by which these are **established and enforced**;
- the **resource and incentive structures** that support **pro-poor investment** will play a major role in determining the extent to which institutional processes support the poor or otherwise.

Traditionally, many of these elements of the institutional context have been thought of as “givens” that could not be addressed or changed by rural development programmes. However, part of the task of an institutional analysis should be to understand these factors in more detail and **expand the action arenas** by identifying ways of influencing and changing them in order to create a **pro-poor institutional context**. The processes required to bring about these changes are often long and complex and may require a far more **strategic approach** beyond the capacity of a single project, programme or development agency to implement.

How these elements can be understood and analysed is dealt with in pamphlet 5.

## Understanding power and processes

Behind the policy and legal frameworks presented in pamphlet 5, and often playing a key role in shaping them and determining how they work, are broader and more deeply-rooted processes. These processes may not be reflected at all in the formal spheres of policy, law-making and allocation of resources, but they will frequently play an even more important role in determining what **actually** happens and the **power relations** between different institutional actors. Pamphlet 6 focuses on these issues.

Processes that are likely to play a key role in determining power relations and livelihood outcomes include:

- the “**rules of the game**” that establish how relationships between different actors are played out;
- **politics** and the way in which the political system and arrangements manage power within the country and determine what gets done;
- **culture and tradition**, which establish norms that are accepted throughout society, from the poor to people within institutions such as enabling agencies and service providers;
- **values** that influence what people, including poor people and institutional actors, regard as important and the priorities they have for change;
- the **rights** that are recognized in society, including the rights of various social groups (such as women, children, the aged, the less able or different ethnic and religious groups) and universal rights to have basic needs met and services provided.

## Developing strategies for institutional change

Developing effective strategies for initiating and sustaining processes of pro-poor institutional change requires:

- staying focused on the desired **end result**; **positive change** in the **livelihood outcomes** of the poor;
- using knowledge about institutions to define, as accurately as possible, the **changes needed** at **different institutional levels** to achieve positive change;
- making **strategic choices** about what can and cannot be achieved;
- systematically defining **what needs to be done** to achieve changes at different levels, and the **actions** required to sustain those changes;
- a careful assessment of the **capabilities** of different institutional actors to lead and participate in the process of pro-poor institutional change.

This is dealt with in more detail in pamphlet 7.

## Using Institutional Analysis

Pamphlet 8 discusses the kinds of conditions and contexts in which the process of institutional analysis discussed in these guidance notes might be used. Particular reference is made to the kinds of circumstances faced by IFAD as an organization and the stages of the IFAD programme and project cycle at which institutional analysis can make a contribution.



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# What does institutional analysis address?

## The characteristics of the poor

Institutional analysis that aims to contribute to the reduction of rural poverty needs to focus first of all on the ways in which institutions influence **poverty** and the **livelihoods of the poor**. Therefore the starting point has to be **poor people** themselves. This means understanding their **diversity** and the **different characteristics** of people who are affected by poverty and experience it in different ways. The tendency to define “the poor” as a homogeneous group with broadly similar characteristics should be avoided as the differences among different groups of poor people often lies at the root of their poverty.

The features that characterize the poor vary considerably from society to society and location to location, but among the factors that are often important are:

- **gender** – women are commonly among the poorest members of society as they are often subject to forms of cultural and social discrimination that exceed those experienced by men in the same situation; moreover their role in child birth, child rearing and household labour constitutes a major burden in addition to their income-generating and food production roles;
- **age** often plays an important role in determining how people experience poverty – the old and the young are frequently among the most vulnerable to poverty and the most difficult for agencies concerned with poverty reduction to reach;



- **class or caste**, or any set of culturally determined preconceptions regarding people from particular social and economic backgrounds can often strongly influence the sorts of livelihood opportunities open to people;
- **ability** – the less able will invariably have different livelihood opportunities open to them compared to the fully able, unless they have access to specific

forms of support that institutions may or may not be equipped to provide;

- **ethnic background** can also strongly determine livelihood options and opportunities, depending on the social and political context;
- the particular **historical background** of a group or individual can also strongly affect choices, priorities and aspirations for livelihood (for example where people are traumatized by extended conflict or natural disasters);
- the characteristics of the geographic **location** where people live will also have a determining influence on their experience, capacities and aspirations for the future and the outcomes they are able to realize.

Different groups of the poor, identified by their **key characteristics**, need to be made the subject of any institutional analysis. Ideally, separate analyses should be carried out for each of these groups of poor people as the institutional linkages affecting each of these groups may be quite different.

## Key institutions – service providers and enabling agencies

In analysing institutions from the point of view of poor people, two kinds of institutions can be distinguished as being of immediate concern – **service providers**, which provide goods and services for poor people, and **enabling agencies**, which establish the policy and legal framework, set the rules and determine how resources are distributed.

### Service providers

As the name suggests, this group includes agencies, organizations, or even individuals that provide some kind of service or set of services to people. Examples of these might include:

- a private company or individual that provides a service to its clients – such as a middleman who buys fish from fishers and provides them with fishing gear, fuel for engines and ice; or a bus company that provides transport; or a tailor who sews clothes;
- a government department that provides extension services or technical support to a particular category of people, such as farmers; or is responsible for building and maintaining infrastructure such as roads;

- a health clinic that provides primary health care to local people;
- a bank branch or money lender that provides loans.

Service providers may be organized and formal (like a government service or a company); or they may be less organized and informal (like money lenders or small-scale traders). Sometimes, particularly for poorer families or in remote areas, access to formal service providers may be very limited, and many of the “services” that people use may be provided through networks of family, neighbours and friends.

### Enabling agencies

Enabling agencies are those institutions, organizations and agencies that play, or **should** play, a “facilitating” role. They may be responsible for establishing the **rules, regulations, laws, and policies** that govern the provision of services and control how people are able to access certain resources. They may be responsible for making **resources** available to service providers or even directly to people or “users”. **Representative bodies** often play a key role as enabling agencies that articulate the priorities of their constituencies and, at least in theory, channel those priorities into policy and law-making processes.

Examples of enabling agencies might be:

- ministries or other policy-making bodies;
- funding agencies and donors;
- elected bodies and assemblies;
- the judiciary;
- bodies or institutions that make laws, rules and regulations;
- groups that establish moral or ethical norms of behaviour;
- patrons (whether formal or “informal”).

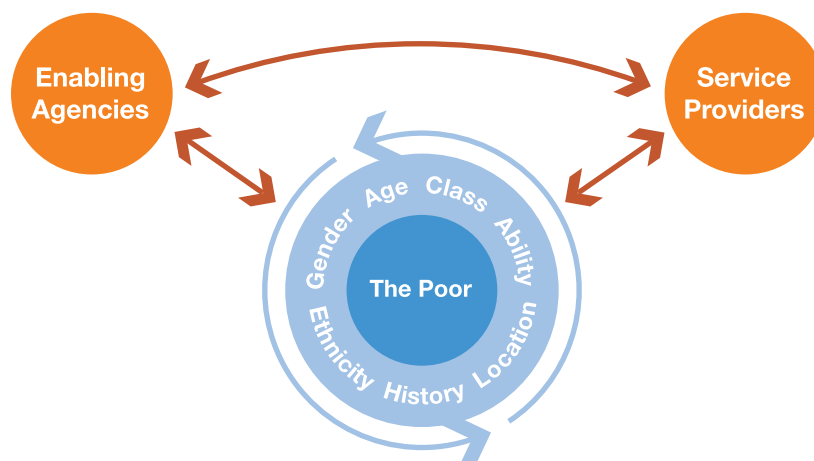
Enabling agencies can be found at different levels. Policymakers have an enabling role at the national level while a village headman, or the parents’ association of a school, may have an important enabling role at a local level.

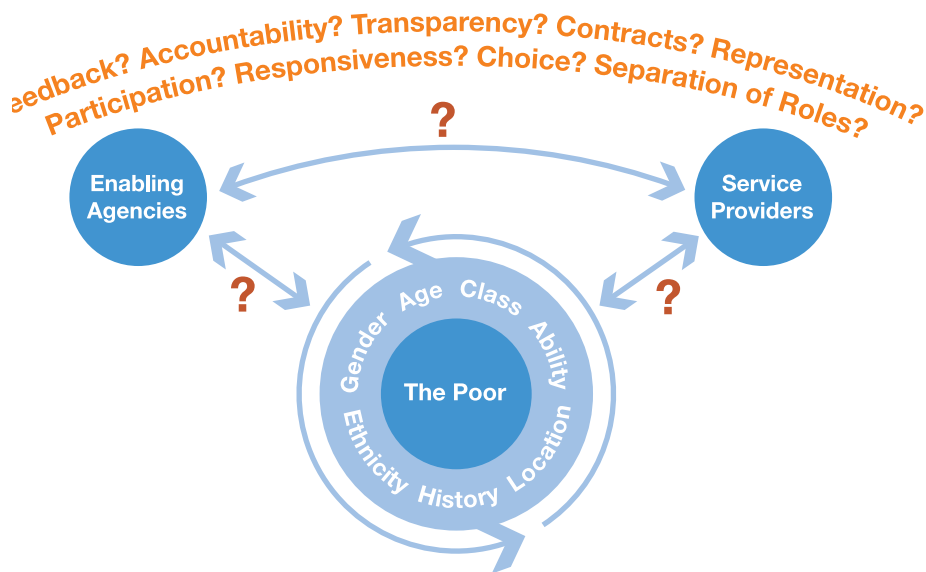
### Understanding relationships

An important feature of the approach to institutional analysis presented here is the attention focused not only on the structures and capacities of institutions themselves but on the **relationships** among them. It is these relationships that often determine the end results of the institutional system as a whole. For example, different service providers are often distinguished from each other not so much by **what they do**, but by the **relationships** they have with their “clients” or “users”, including poor people. **Private** service providers are simply paid for their services – their relationship with their users may be through a fairly straightforward **contract**, the terms of which are (ideally at least) determined by the **market** and create a degree of **accountability** between providers and their “clients” (provided they have a **choice** of service providers, in which case an unsatisfied client can seek services elsewhere). By contrast, the lines of accountability of **public** service providers are often more indirect – their roles and responsibilities are determined by **enabling agencies** (which may be quite remote from both the service providers and their users). As a result, government service providers may not be actually accountable to the users of services but rather to managers and policymakers at higher levels. In order to influence public services, people may have to go the “long way round”, through the enablers (political representatives) that commission those services.

The kinds of questions that need to be asked about these relationships include:

- Is there **feedback** in these relationships? Does information and learning flow from one actor to another?





- How **accountable** are the different actors to each other?
- Are relationships **transparent**? Are there ways for actors on each side of these relationships to have a clear and precise idea of their respective roles and responsibilities, and the roles and responsibilities of others?
- Are the terms of relationships, and the roles and responsibilities of those involved, clearly established by **contracts**?
- Are there ways to **represent** the interests of the various groups in these relationships?
- What is the level of **participation** among the various sets of actors?
- How **responsive** are the relationships to changes on either side?
- What **choices** can the various actors make about who they deal with and how they deal with them?
- Is there a clear **separation of roles** between “users”, service providers and enabling agencies?

### What are the benefits of institutional analysis?

What concrete benefits will undertaking an analysis of institutions bring to rural development programmes?

In general terms, the principal **benefit** derived from the process of institutional analysis presented in this guide should be to help the kinds of institutions mentioned above live up to the “titles” they have been given in relation to poor rural people – **service providers** should genuinely provide actual services and **enabling agencies** should become genuinely “enabling”.

More specifically, some of the benefits derived from institutional analysis include:

#### Sharpening the focus and targeting of interventions

Conducting an in-depth institutional analysis will encourage project designers to think more carefully about who their interventions are intended to benefit and the channels through which these benefits will be generated, taking into account the contextual factors that influence poverty among different target groups.

#### Tailoring development interventions to the institutional and policy context

What is and is not possible in terms of development interventions will be strongly affected by the institutional and policy context. If this context is understood in detail, more appropriate interventions can be designed that will not conflict with existing policies. This in turn will enhance their chances of success and their acceptability among local counterparts.

#### Identifying key actors involved in development interventions

Through understanding the institutional and policy context, development practitioners should be able to better understand the actors involved in development processes and their relative roles in future development interventions.

#### Tailoring development interventions to the capacities of organizations and building that capacity

Development practitioners generally work with organizations, whether government departments, NGOs or community-based organizations. The institutional context within which organizations operate determines the incentives available for doing what they are supposed to do. A thorough understanding of these factors will allow development practitioners to design more pragmatic interventions that take into account the capacity of organizations to contribute and design appropriate capacity-building measures.



**Developing effective strategies for informing and influencing policy**

In order to encourage changes in policies so that they are as supportive as possible, development practitioners must identify key leverage points where their efforts to inform and influence policy and policy processes can be most effective. To do this, a thorough understanding of the processes and mechanisms involved in policy formulation and the factors affecting policy implementation is essential.

**Taking account of institutionalized patterns of inclusion and exclusion in development interventions**

Institutional analysis will help to reveal why particular groups are poorer than others and how institutional factors contribute to this phenomenon. This will help development practitioners develop ways to broaden and deepen the impacts of their interventions and ensure that those currently excluded from development are reached.

**Designing more process-oriented and sustainable projects**

To address the complexities of poverty, longer-term, process-oriented projects are often required. These often involve multiple agencies and stakeholders and need to take account of, and manage, change. An understanding of existing institutional structures and processes and the dynamics of relationships between different stakeholders is essential when designing such programmes or projects, and for sustainability. Project exit strategies should be based on an institutional analysis of the key institutions involved.

**Dealing with issues of power and politics**

Development interventions involve intervening in power relations and politics, intentionally or unintentionally. While power and political relationships are so complex and dynamic that they often defy simplification and analysis, thorough institutional analysis can help development practitioners understand some of the key patterns of power, prepare them to address possible areas of resistance and understand the interests of different stakeholders who are likely to be affected by their interventions.

**Creating the basis for institutional change and initiating the process**

Most interventions aimed at poverty reduction involve processes of institutional change. Proper institutional analysis can provide the basis for initiating such processes and a better understanding of how those processes can be directed and managed to achieve specific results. In longer-term, process-oriented projects, carrying out an institutional analysis that involves a range of key stakeholders can help actors within the institutions understand where changes are needed and thus initiate processes of institutional change.

In order to be useful for rural development workers working with rural poverty, institutional analysis needs to be focused as closely as possible on **poor rural people**. To carry out an analysis of the institutions concerned with and affecting poverty and the poor, a first critical step is to identify who the poor are and differentiate as clearly as possible different groups within the overall category of “the poor”, as these distinct groups need to become the starting point for our institutional analysis.

## Poverty analysis

As a first step, the features of poverty need to be understood, paying attention to the multiple dimensions of poverty and avoiding simplistic broad-brush definitions. Often, to obtain an adequate definition of poverty in the particular circumstances where the institutional analysis is being carried out, a wide range of stakeholders at different levels need to be engaged. Such broad-based involvement is needed to develop a complex understanding of what poverty means for different groups of people in different settings. A systematic process for consulting with people at different levels can be used to develop this poverty analysis, engage with potential stakeholders at different levels and identify a practical “sample” of poor people with whom to conduct a preliminary analysis of livelihoods. It can also help to build relationships that may prove essential for future projects.



To prepare the ground for the livelihoods analysis, the **people** (and particularly **poor people**, with their diverse characteristics) who are at the centre of an effective livelihoods analysis must be clearly identified. This encourages us to think not in terms of “communities”, or “the poor” in general, but rather to focus in detail on how different individuals and households within communities, or different groups of poor people, have different livelihood outcomes, different access to livelihood assets and are affected by other factors in

different ways. Key characteristics of these groups that need to be taken into account include **gender** issues, their **age**, their **ability**, their **ethnic** background, their **class** or **caste** background, their **personal background** and **history**, and the characteristics of the **locations** or **agroecological zones** where they live and farm.

## Analysing livelihood assets

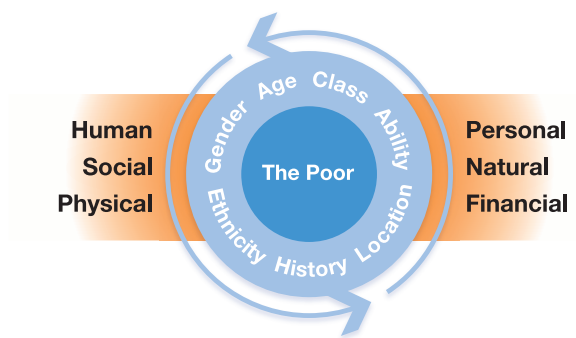
Once the key characteristics of different groups of the poor have been identified, the livelihoods of these different groups can be analysed in more detail. The objective of carrying out a livelihoods analysis is to provide a picture of the linkages between institutional factors and people’s livelihoods **from the point of view of poor people**. This will ensure that subsequent analysis of institutional factors remains focused on the influences they have on poor people’s livelihoods and is not diverted towards looking at broader institutional issues for their own sake.

A thorough analysis of the livelihoods of different groups of poor people will provide much of the information required from the “ground level”, which can then be fed into the subsequent institutional analysis. The Sustainable Livelihoods Framework provides a structure for an effective livelihoods analysis.

People with different characteristics will have access to different sets of **livelihood assets** and **resources** which they can use to create a viable livelihood for themselves and their families. These “assets” are not just material, like land or tools, but include all the various capacities and capabilities used by people when they are creating a livelihood. There is no definitive way of categorizing these assets, but the following list identifies some of the more important, widely used types.

- **Human assets** including nutrition and access to food, good health, education, knowledge and skills and labour power or capacity to work.
- **Personal assets** including people’s perceptions of themselves, their motivations, their sense of self-esteem, the confidence they have in their own abilities and capacities, their emotional well-being, their sense of spiritual satisfaction, and their capacity and willingness to assert themselves and claim their rights.
- **Natural assets** including land, and the produce of the land, water and aquatic resources, trees and forest products, wildlife, wild foods and fibres, the benefits that derive from biodiversity and the services provided by elements of the natural environment.

- **Social assets** including kinship and family ties, formal and informal networks and connections, forms of patronage, neighbourhoods, mechanisms for representation and participation in decision-making, and leadership.
- **Physical assets** including infrastructure, such as roads and vehicles for transport, secure shelter and buildings, water supply and sanitation, energy supply, market facilities and communications infrastructure; and tools and technology, such as equipment for production, seed, fertilizer and pesticides, communications and information technology, and traditional technology.
- **Financial assets** including wages, earnings from the conversion or sale of other assets, individual and group savings, rotating funds, credit (whether formal, informal, or through NGOs), remittances, and pensions.



Different individuals and households, and different groups of the poor, will have different levels of access to livelihood “assets”. The sort of livelihoods that people are able to create with these assets will be affected by:

- the **kinds of access** they have (assets don’t have to be “owned” – they may be rented, borrowed, shared, used to generate wages as a labourer, common property, open access, etc.);
- the **diversity** of assets – being able to draw on a wide range of assets can create greater security for the livelihoods that depend on them. If one asset fails, or access to it is denied, it can be compensated by other assets;
- the **amount** of assets – clearly, access or control of greater amounts of particular assets can often ensure a more secure livelihood;
- the **balance** between assets – complete dependence on one asset or set of assets may mean that livelihoods are more vulnerable. A more balanced dependence on different assets, and access to different types of assets, will usually create greater livelihood security;
- the **quality** of assets – the better their quality, the more productive and valuable the assets will be.

Livelihood assets are often “tradable” and/or convertible, and may also be interdependent. **Natural assets** such as land can be converted into **financial assets** by either selling or renting out the land or by selling produce from the land. Even if people do not own land, they may be able to use it or gain access to it as a labourer and so “convert” it into cash wages (**financial assets**). Strong **social assets**, such as a supportive family network, can play an important role in developing and sustaining **personal assets** such as self-confidence and a strong sense of identity. Being in good health and active (**human assets**) allows people to participate more in the social life of their family and community, building up their support networks and so their **social assets**.

### Focusing on strengths

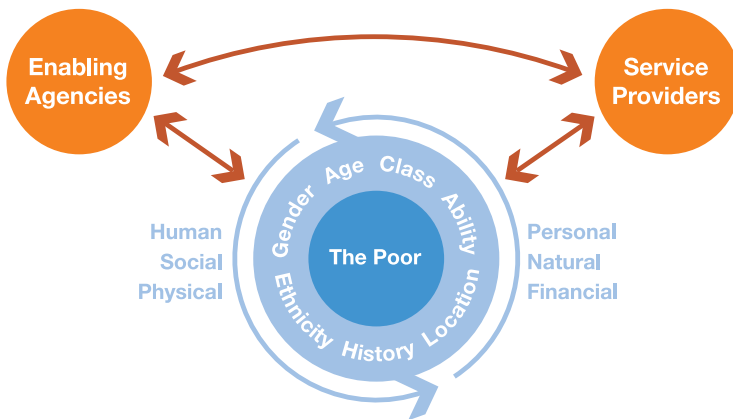
An important part of starting an institutional analysis with this detailed investigation of how people currently use their accessible assets in order to create a viable livelihood for themselves and their families is the focus on people’s **strengths** – what they **succeed** in doing with whatever they have available, even though they may be poor and facing significant obstacles. This represents an important shift in focus that will affect the subsequent institutional analysis as well. Instead of focusing on what people **lack** and the **problems** they face, and therefore considering how institutions can make up for these weaknesses and provide what is missing, by starting the analysis in this way the emphasis will be on the **existing capacities** of poor people and ways in which institutions can **build upon these capacities** and create **new opportunities** for poor people to make use of their **skills and strengths**.

### Service providers and enabling agencies

Beyond the livelihood assets that people can control or access directly, they will depend on different **service providers** to provide them with other goods and services that they need for their livelihoods. Most of these service providers tend to be in the private sector, and many will be relatively unorganized and informal, but they will also include government services like health or extension services.

The way these service providers function will depend on the resources made available to them and the sets of norms, rules and regulations that govern their actions. These are established by **enabling agencies**, which might include private patrons but also policymaking agencies, law-makers, or any institutions that establish the “rules of the game” in society.

The effectiveness of these service providers and enabling agencies will have a strong impact on the livelihood outcomes of the poor. At this initial stage of the analysis it is important to identify the ways in



which service providers and enabling agencies interact with the poor and how their influence is manifested **from the point of view of poor people themselves**. Poor people often have very **limited access** to and interaction with formal service providers or enabling agencies, as a defining manifestation of their poverty. However, this limited access may be supplemented by much more supportive relations with informal service providers and social networks.

Enabling agencies may only be encountered in the form of the **laws, rules and regulations** they generate, and such measures are often poorly understood by poor people, who see them mainly as constraints on their action. Where government responsibilities have been decentralized to more local bodies, there is a better chance that people will have more direct contact with a variety of (formal) enabling agencies and the ways in which this is articulated need to be understood.

Involving poor people in the analysis of the roles that these types of agencies play in their livelihoods, and the relationships that such agencies have with the poor, will allow those carrying out the institutional analysis to identify what institutions they should be focusing on and the results that these institutions should be generating if they are to become more supportive of the poor.

### Vulnerability

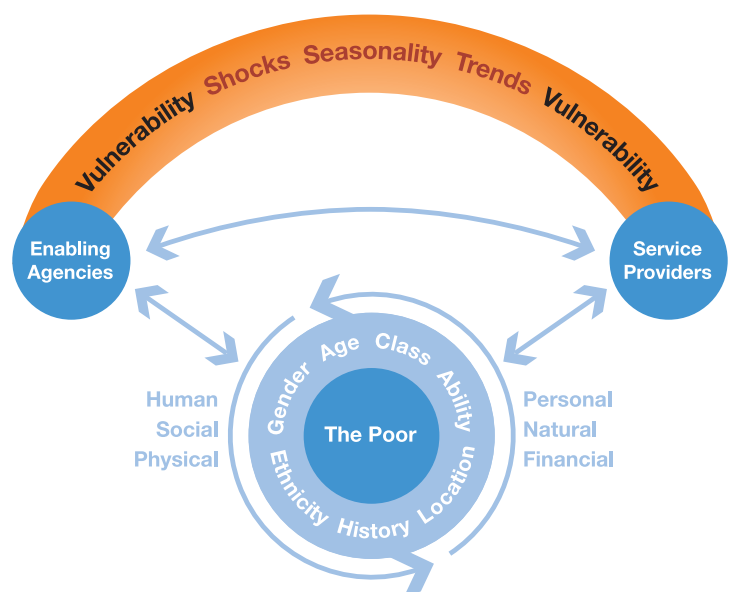
An important indicator of the effectiveness of these service providers and enabling agencies in supporting the poor will be the extent to which poor people are able to cope with those factors influencing their livelihoods about which they can do nothing. Ideally, this **vulnerability context** will be kept at a distance by the effective actions of these agencies; alternatively, where it impinges on people's livelihoods, enabling agencies and service providers will help people make the necessary adjustments in their livelihoods in order to take changes into account and adapt to them. In the worst case, enabling agencies and service providers over whom poor people have no influence and no recourse may actually themselves become a part of this

vulnerability context, actively inhibiting the capacity of the poor to make a living.

The vulnerability context is made up of those factors affecting livelihoods which cannot realistically be changed or influenced directly and therefore must be addressed and require adaptation.

They include:

- **shocks** such as natural disasters (cyclones, earthquakes, floods, droughts, etc.), episodes of **unrest, violence or insecurity**, and episodes of disease, injury or deaths in the family that directly affect people's livelihood options;
- **seasonality**, which particularly in rural communities tends to have an all-pervasive influence on livelihood possibilities;
- **trends**, such as increasing population, changes in levels of competition for resources, technological change, climate change, and long-term economic and cultural trends like globalization and changing patterns of trade.



## Aspirations and opportunities

People's expectations, their **aspirations** and what they regard as **opportunities** for change will be affected by all the factors mentioned above. People who live in extremely vulnerable situations, subject to repeated natural disasters or armed conflict, may have very limited and very short-term hopes; survival may be all they can aspire to and they will be unwilling to take any additional risks associated with new opportunities. People in a more secure environment with comfortable and sustainable livelihoods will have higher hopes and can think further into the future and take risks where significant returns are possible. These aspirations and perceptions of opportunities among poor people need to be properly understood as they will strongly influence the kinds of changes in their livelihood patterns which they are willing and unwilling to consider, and where their priorities will lie.

## Actions

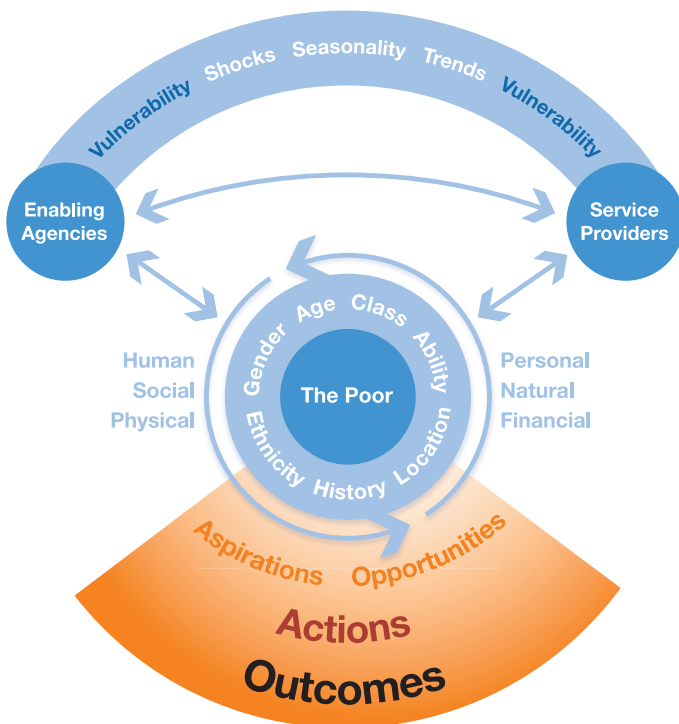
Taking into account all of these elements, people take **action** in order to secure a livelihood for themselves and their families. The kinds of action that people will be able to take will be a function of who they are (their characteristics), the range of assets available to them, the vulnerabilities they are subject to and the kinds of

support they are receiving from service providers and enabling agencies. Where these are effective, people will have more **choices** over alternative courses of action; they will be able to develop **strategies** that make best use of the available resources and **adapt** to changes and opportunities, and they will be able to make **longer-term, strategic** choices that will ensure greater sustainability for their livelihoods in the future and the fulfilment of their aspirations. Where the circumstances are less supportive, choices will be limited and options will be forced upon people to **cope** with circumstances over which they have no control; they will then be forced to adopt **short-term** solutions with little consideration of sustainability over the longer term.

## Outcomes

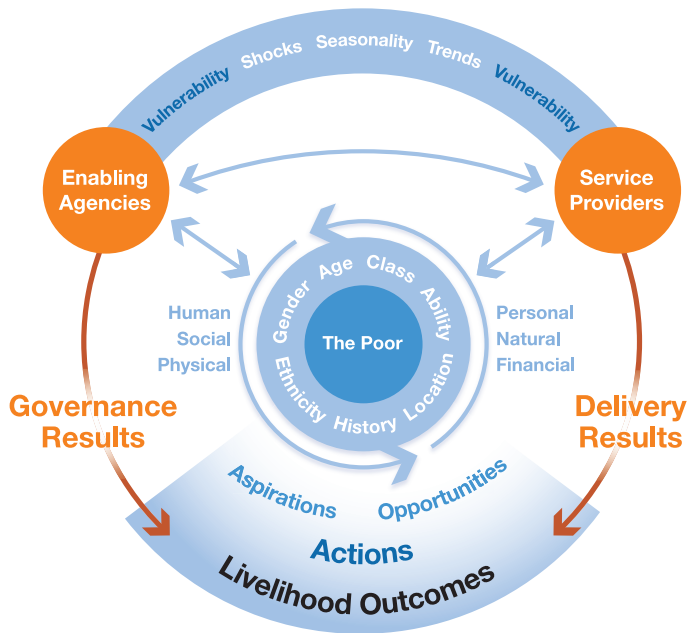
Outcomes are the final livelihood "results" that people achieve based on their characteristics, their available assets, the support they receive from service providers and enabling agencies, their vulnerabilities and the choices they make about actions, as well as the effectiveness of these actions. The relationship of outcomes to everything else in the framework is important – outcomes that an "outsider" may judge as inadequate because they fail to take advantage of the available opportunities may actually satisfy the aspirations of the people involved, even if their hopes are limited because of the circumstances in which they live. Therefore outcomes first need to be judged in relation to the aspirations and perceptions of opportunities of the people concerned. Then the opportunities that development agencies and practitioners perceive and the capacity of the people involved to take advantage of those opportunities can be examined and compared.

Once the various livelihood outcomes and the complex factors that generate them have been properly understood for distinct groups of the poor, those conducting the institutional analysis will have established a basis for understanding in greater detail how the institutions involved contribute to these outcomes and how those contributions could be made more positive.



### Analysing results

The starting point of an institutional analysis should be an understanding of the **results** produced by different institutional factors and their impact on poor people's livelihoods.



For example, during the course of the livelihoods analysis conducted with poor people, it might become evident that they do not make use of public rural health centres. The reasons given by respondents may be that doctors are rarely present at the health centres and medicines are often lacking. This could be having several **impacts**, or **results**, on the livelihoods of the poor – they might be spending more on health care because they have to rely on private practitioners, or their health standards might be suffering as they forego treatment, with consequences for their ability to earn a living and support their families.

### Evaluative criteria for livelihood outcomes

- Realization of aspirations
- Perceptions of opportunities
- Choices of livelihood strategies
- Access to assets and livelihood inputs
- Use and consumption of livelihood inputs
- Well-being and standard of living

The function of an **analysis of results** is to understand what **specific aspects** of the institutions involved are involved in producing these different **results** for poor people and their livelihoods.

The **livelihood outcomes** identified during the livelihoods analysis can be thought of as the **final results** that people are able to achieve, given the assets they can access and make use of, the support they receive from service providers and enabling agencies, and the extent to which they are able to deal with vulnerability.

Once these livelihood outcomes are clearly defined, those carrying out an institutional analysis need to identify the specific results of institutional systems that contribute to those outcomes. These institutional results can be divided into two main “types”; **delivery results** and **governance results**.

These two types of results are explained in more detail below.

### Analysing livelihood outcomes

**Evaluative criteria** are needed to “measure” how satisfactory or unsatisfactory the outcomes are of people’s livelihoods. In the past, **standardized criteria** have established what constitutes an “acceptable” level of income or access to food and nutrition and these have been used to determine what constitutes a satisfactory livelihood outcome, i.e. whether or not a person or household should be considered “poor”. While useful for planners, standardized criteria of this kind often disguise critical differences among the livelihood outcomes of different groups of people. These need to be understood as they provide clues to the way institutions influence outcomes. More complex and dynamic factors need to be understood, such as vulnerability, which may mean that certain groups of people are only at risk of slipping into poverty at certain times of the year or when they are exposed to specific hazards or changes. If such groups have incomes or nutrition levels marginally above an established “poverty line” at the time of the analysis, they may not be regarded as poor.

To fully understand the factors influencing poverty, it is essential to have active and direct engagement with those directly concerned, i.e. poor people themselves and those who live and work with them. Ultimately, the most important criterion that needs to be established as a measure of livelihood outcomes is the extent to which livelihood outcomes **fulfil the aspirations** of the **people themselves**. If the subjects of the analysis generate their own criteria,

they are more likely to express their real priorities and the realities of the circumstances in which they live and avoid the imposition of inappropriate standards and measures of livelihood outcomes. The process of understanding what kinds of livelihood outcomes poor people aspire to will also provide those engaging in the institutional analysis with a starting point for envisaging possibilities for future change in support of the poor – the **objectives** of future changes should be the achievement of people’s aspirations.

One important distinguishing characteristic of the poor is their often limited choices about the kind of livelihood outcome they can pursue and the range of **opportunities** for change that are available to them. Therefore, the extent to which people perceive new opportunities and choices regarding the sorts of livelihood strategies they can adopt and the outcomes they can pursue is itself an important measure of the effectiveness of those outcomes.

Detailed and direct consultation with a diverse range of different concerned groups is needed in order to establish the criteria for assessing livelihood outcomes. Participants in these consultations are likely to require guidance in order to consider the different aspects of the “results” they achieve, including their access to the **livelihood assets** and **inputs** they need,

the extent to which people are actually able to make use of and **consume** the livelihood inputs that are available to them, and their overall **well-being** and perceptions of their **standard of living**.

### Delivery results

The way in which institutions in the form of **service providers** deliver goods and services to poor people will often represent perhaps the most immediate and clear interaction between people’s livelihood outcomes and the institutional sphere. An analysis of **delivery results** is therefore a key step in understanding the interactions between institutions and poor people.

These delivery results can take on many forms and the analysis of “delivery” needs to consider as wide a range of service delivery as possible. Government mechanisms, NGOs or more formal private-sector operators may be in place to deliver goods and services such as health care, education, extension services, transport, water and fuel supply, credit, security and legal support. But, especially for poor people, a far wider range of delivery results may be generated by less structured service providers and, in particular, by the “informal” sector. Health inputs may be provided by traditional healers; education, knowledge and skills may be accessible more through informal channels within the community or traditional apprenticeship schemes, or networks of friends and relatives; access to credit may depend on family, friends, employers, middlemen or patrons; security may depend on community solidarity more than formal bodies.

### Evaluative criteria for delivery results

- Availability of goods and services
- Quality and quantity of goods and services
- Choice, price and affordability of goods and services
- Distribution and timeliness of goods and services

### Analysing delivery results – Local health services

Local health services are supposed to provide access to a range of goods (medicines) and services (health care) for the population at large, and with a specific form of livelihood outcome in mind – good health. The standard of the services may be good and staff in health services may be motivated and committed, making good quality health care accessible (in theory) to all, including poor people. However, recent policies on cost recovery within the health service may mean that medicines are charged at relatively high prices and are too expensive for poorer users of the health service. Therefore, while the **quality** and **quantity** of health service provision may be good, its **affordability** may be poor, resulting in an uneven **distribution** of goods, which will in turn affect the **equity** of access to the

intended results of the service – good health. Traditional health providers, working privately in the informal sector, may provide poor people with a **choice** that can compensate for their limited access to the medicines provided by the formal health care services. A health service that emphasizes high quality at the cost of limiting access because of high prices to users may be regarded as inappropriate, at least for some user groups – according to their own evaluative criteria. In the context of an intervention on health service provision, the analysis of this particular set of delivery results would suggest that the focus should be on the **affordability** and **pricing** of health services and medicines and on identifying ways of providing **appropriate** levels of health care for poorer groups.

Whatever the source of goods and services, the **results** they generate and the way in which these results affect people's livelihood outcomes have to be analysed in detail, paying particular attention to the different results that the same service may generate for different groups of users. For example, existing schemes to provide formal credit through NGOs may have been effectively used by some groups to generate improvements in their livelihood activities while for others it may have only increased their indebtedness. Identifying and understanding differences in the characteristics of different groups making use of the same delivery results to achieve different outcomes will be important in identifying key areas for possible change.

Like livelihood outcomes, **delivery results** need to be assessed based on clear **criteria**. The criteria that external analysts apply may not be relevant for poor people themselves – for example formal credit services may emphasize certain aspects of credit provision, such as longer-term repayment or low rates of interest while the priorities of poorer credit users are focused more on quick availability and flexible repayment. This highlights the importance of close consultation with the concerned groups regarding the criteria **they** apply to the provision of goods and services. This will be important both for identifying relevant criteria for assessing existing delivery results and for establishing objectives for improving those results.

The example in the box on the previous page shows the importance of using evaluative criteria to analyse the delivery results of a particular service.

## Governance results

The quality and appropriateness of goods and services which poor people are able to access will be determined not just by service providers themselves, but also by the **sets of rules** which dictate **how** they operate and the respect of those rules. The setting of these rules is the sphere of **enabling agencies** and the results that these rules generate can be described as **governance results**. Governance results may be less tangible than delivery results, but they are equally important in affecting the livelihoods of poor people and the ways in which poor people may influence delivery results. Governance results can be thought of as the outputs of enabling agencies that establish the **quality** of relationships among themselves (the "enablers"), service providers and people at large, including the poor. The example in the box below illustrates how these results might be manifested.

Other criteria likely to be important for assessing governance results include the overall **stability** and **sustainability** of the institutional systems which support poor people and on which their livelihoods depend.

### Evaluative criteria for governance results

- **Equity**
- **Transparency and accountability**
- **Participation, consultation and inclusiveness**
- **Efficiency**
- **Stability, sustainability and responsiveness**

## Analysing governance results – Government extension services

If a government extension service is working well and providing appropriate services to poor people, this will be the result not just of the way this service functions on the ground but of a complex set of factors that have contributed to the service developing in that way. Policy decisions may have encouraged a special focus on poor people, and established measures for ensuring that there is **equity** in access to government services. The **results** of this, on the ground, may be that there are high levels of participation by poorer sections of the communities in government extension activities and poor people regard the extension service as providing important support for them in their livelihoods. Measures may have been introduced to ensure that government service provision is **transparent** and **accountable**, and to

promote **participation** and **consultation** among enabling agencies, service providers and user groups. The concrete **results** of this might be that users, including poor people, may be asked to evaluate and comment on the quality of services provided. Clear channels of communication and recourse may be available and regularly used by people who feel that services to which they have a right are not being provided. **Efficiency** may be promoted in government services by allowing competitive bidding for service provision contracts between different services and private-sector operators. The **results** might be that, in some areas, NGOs have bid for, and taken over, the provision of extension services, and users, including poor people, have experienced an improvement in the quality of services available.



Understanding the **stability** and **sustainability** of the institutional arrangements that support service delivery might involve:

- Assessing levels of **conflict**, among users of the services, between users and service providers, and among different service providers and analysing whether these conflicts are linked to the ways in which services are provided;
- Assessing the sustainability of the asset base needed to use the services (for example, in the case of extension services, of natural and physical assets);
- Looking at ways in which the actors involved, including users, service providers and enabling agencies, **change** and the effects that that might have on service provision;
- Identifying the mechanisms by which users, service providers and enabling agencies concerned with the process of service provision **communicate** and provide **feedback** to each other and the ways in which learning within the system can be incorporated into changes and adjustments in the way things work;
- Assessing the financial viability of service provision.

### The “added value” of results analysis

An important feature of poverty that emerges from analysis of the livelihoods of the poor tends to be the exclusion of poor people from participating in, and benefiting from, formal institutions of any kind. Clearly poor people do participate in other forms of traditional, local and informal institutions, often very actively, but a lack of contact with or knowledge of formal institutional mechanisms and support is frequently a defining feature of poverty. This

highlights the problems facing any attempt to make institutions “pro-poor” – almost by definition formal institutions tend to speak a language and have sets of rules and forms of organization that discourage the involvement of poor people.

This problem has often been seen in the analysis of institutions that work with poor people as well. In the past, institutional analysis has tended to focus on the structures of institutions – the way they are organized, the roles they perform and their physical capacity to fulfil those roles. Analysts have concentrated on these areas largely because they are relatively easy to address and amenable to interventions that will make these institutions “perform better”, at least according to the criteria of those who work within the institutions themselves.

However, the real problems emerge when attempts are made to change institutions so that they function better according to the criteria of poor people themselves. This is where **results-focused analysis** becomes critical. Combined with the analysis of the poor people’s livelihoods, it enables those conducting an institutional analysis to begin by looking at institutions through the eyes of the poor. Once the analysis has clearly identified how institutions currently interact with poor people, in the form of the different kinds of results they generate for them, and where problems exist in those interactions, it will become far easier to identify those elements within institutions that actually need to change.

### Linking results and actions

An institutional analysis for pro-poor institutional change needs to be concerned with the **results** generated by existing institutions for poor people's livelihoods and how these results can be improved and made more supportive of poor people. Once these results or **impacts** on the livelihoods of the poor have been understood, the institutions and institutional processes that have **produced** these results can be analysed in terms of the specific sets of **actions** or **functions** that have generated these results.

This approach has several advantages. Through focusing on actions that have produced results observed in the field, the institutional analysis will be more holistic. Instead of concentrating on one institution and its structures and processes, it will look at how different institutions or actors interact to produce different results that affect poor people. Given the complexity of institutional arrangements, it also allows the analysis to concentrate on those aspects that are responsible for specific impacts on poor people's livelihoods rather than trying to deal with all aspects of all institutions.

This analysis needs to look at the **action arena** where the different actions or functions that generate a given result take place. The concept of an **action**

**arena** helps those carrying out the institutional analysis to look at the activities of all the different institutions and institutional actors that are involved in producing different results. It is also an adaptable concept that can present itself in many different ways and take many forms. A specific result may be clearly linked to one particular action arena or to several. Likewise, a single action arena may produce a wide range of results.

The process of **defining** the different action arenas that have produced different results may require considerable discussion with those who have experienced the results and with the various actors involved. Where the institutional analysis is being carried out as part of a "trouble-shooting" mission, an evaluation of results can lead to the definition of problem areas, which can then be used to more clearly define action arenas related to those problems. If the institutional analysis is part of a **design process**, and is being used to identify which institutional arrangements will produce the desired results, the process may be more complex and require repeated discussions with the range of actors concerned in order to define the limits of the action arenas concerned with specific results.

The example in the box below helps to illustrate one situation in which **action arenas** can produce different **results**.

### Results and action arenas in protected area development

The creation of a protected area in a mangrove swamp has deprived people in one community of two of their principal sources of livelihood – the commercial collection of firewood and the production of charcoal. The direct **results** of this change on local people have been a decline in incomes and a forced move into new livelihood activities where they are more dependent on others – mainly as labourers in agriculture, fishing and construction. Two **action arenas** that might be identified as having generated these **livelihood outcomes** are the process by which the protected area has been set up and how the regulations governing it are determined and the range of factors that determine what economic alternatives are open to people locally.

**Delivery results** in this case might relate to the way in which benefits from the protected area are distributed (**equity**) – environmental protection benefits everyone but tourism may benefit only a few operators. The **action arenas** involved in producing these results might be the process that has determined the priority given to environmental protection (as opposed to the livelihoods of local people) and the process by which the protected

area has been set up and how the regulations governing it are determined. **Governance results** might include the **sustainability** of the mangrove forest, and therefore the environmental services that it provides (increased), and the levels of **participation** or **consultation** with local people during the process of establishment of the protected area (limited), as well as the **equity** of the new arrangements, which have created improved outcomes for some people (tourists, fishers) but negative impacts for others (wood cutters) without addressing the question of alternatives or compensation. The **action arenas** which have contributed to these **governance results** might include the arena which has determined changes in levels of environmental awareness within the forest service and in local government (involving pressure from NGOs and donors and the creation of a new Environmental Protection Agency). Another important arena might be that which determines the attitudes toward local people, and the poor in particular, shown by the agencies, which determines the extent to which those agencies have tried to involve the people in decision-making.

## Analysing action arenas: identifying actors and agencies

This analysis first needs to consider the different actors and agencies who are engaged in each action arena. These need to be identified, first of all, in as comprehensive a fashion as possible. In order to do this, it is important to make the analysis of action arenas as specific as possible by identifying a specific result, then the particular action arena that leads to that result, and finally the actors and agencies involved in that action arena.

This analysis should include actors that clearly play a major role, as well as those that are more indirectly concerned or affected. Once the process of identifying these actors has been completed, a simple stakeholder analysis can be carried out to determine whether different actors and agencies represent primary or secondary stakeholders.



## Analysing action arenas: defining roles, responsibilities and capacity

Once the actors and agencies involved in a particular action arena have been identified, the different **roles and responsibilities** of each need to be defined.

As a first step, the actors and agencies identified need to be sorted according to their overall functions in relation to the action arena being analysed. **User, service provider** and **enabling agency** are three categories of these roles that are of critical importance, as these categories also define key roles of institutional actors and the relationships among them.

In order to sort out the different actors and agencies according to these categories, the specific set of issues that make up a particular action arena needs to be kept in focus. Actors that perform one function in one action

arena – for example user or service provider – may have a completely different function in another action arena – for example as an enabling agency. It may prove difficult to clearly distinguish among these different functions even within a particular action arena. In practice, the separation among these functions is often blurred – enabling agencies not only provide resources and policy to define what sort of services are provided, but they may also “award themselves” the task of providing the services directly; even worse, enabling agencies may determine that services be provided to themselves as “users”.

Once an initial attempt has been made to categorize the different actors and agencies in a particular action arena, those carrying out the institutional analysis can look in more detail at the **roles** of each of these actors and agencies. Several critical aspects of these roles, and the responsibilities they involve, need to be determined:

- The **role** that different actors or agencies **say** they perform in relation to a particular action arena;
- Their formal **mandate** or **responsibilities** in relation to that action arena (or what they are **supposed** to do);
- The **source** of that mandate (**who** has determined what they should be doing);
- The **capacity** of different actors and agencies to carry out what they say they do and fulfil their formal mandate, including the resources and skills at their disposal;
- What different actors and agencies **actually do**, which may be very different from what they **say** they do and what they are **supposed** to do.

The process of defining the above for each actor and agency within a particular action arena should provide an effective description of the key features of institutional actors which is of immediate relevance for an institutional analysis.

## Analysing action arenas: understanding relationships

Once the various actors in a particular action arena have been described, the **relationships** among these actors need to be understood, as it is often in these relationships that the critical strengths and weaknesses of an institutional system are to be found. If the preceding step is largely **descriptive** and allows us to understand the key characteristics of the institutional actors within an action arena, this step begins the process of **evaluating** how these actors perform.

When assessing these relationships, the extent to which the **functions** of different actors – as **users, service providers** or **enabling agencies** – are kept separate represents one key criterion. The term “**cleavage**” – which means both to “separate” and to “join” in English – expresses well what should be a basic feature of the relationship among these different

## Identifying the actors and agencies in the action arena of increased environmental awareness

A key **action arena** that has contributed to the decision to establish a protected area in a mangrove forest is the “arena” that has led to an increased awareness of the need for environmental protection and raised the profile of environmental issues among policymakers. Among the **actors** involved might be **civil society organizations** that have worked to raise the profile of environmental issues in general and mangrove protection in particular. These might include local agencies, academics and researchers, national NGOs and international environmental agencies and organizations. While these agencies may regard themselves mainly as **enabling agencies** concerned with influencing the policy agenda, they also serve a **service provision** function (and therefore have an interest) as they are often engaged to carry out research on, manage and play a role in implementing protected areas.

Other **key agencies** engaged in this action arena would be those that have a responsibility and mandate to protect the environment and implement eventual changes in environmental regulation – the Environmental Protection Agency, the Department of Forests and Parks and the Department of Wildlife. There may also be other agencies that have a less direct concern with mangrove forests but

are indirectly interested and play a role – the Fisheries Department – which is concerned with aquaculture development around the mangrove area, and the Coastal Protection Department which is promoting mangrove plantations in order to prevent coastal erosion. There may also be key individual actors who are of particular significance in shaping this action arena – a particularly active governor for the local province who has taken the issue of mangrove conservation to heart, a popular film star who has been enrolled by environmental agencies to champion their cause, and a foreign benefactor who is making funds available for environmental protection in the country. Many of these actors and agencies may perform a combination of **enabling** and **service provision** functions and have different interests in the process depending on the circumstances.

The **users** in this arena are those that potentially benefit from higher levels of environmental awareness and protection – society as a whole, tourists and specific groups like fishers who might benefit from improved protection of nursery grounds for fish. Clearly the **past** direct users of mangrove swamps – wood cutters –, who have lost access to the resource, are also key users who need to be included in the action arena.

functions. The various users, service providers and enabling agencies within an action arena need to be linked and to have features that connect them, but their **functions** should be kept separate.

The specific criteria that can be used to assess the relationships linking different institutional actors may vary to some extent depending on the circumstances. Often certain features of the **institutional context**, such as cultural values, politics and tradition, will determine what elements in these relationships are regarded as important. However, the following features need to be assessed in almost any circumstance as they will influence strongly the way in which a particular action arena “performs”.

- **Transparency** is critical for ensuring accountability as it allows people on one side of a relationship to determine whether actors on the other side are performing or not.
- **Accountability** is an essential feature of any of the relationships within an action arena as it allows the actors on one side of a relationship to have recourse if actors on the other side are not performing.
- **Contracts** clarify relationships and establish how they should function, and help to ensure both transparency and accountability.

- **Choice** provides different actors with an essential form of recourse – if the actor on the other side of a relationship does not perform, or does not provide the desired service or does so at a cost that is too high, another can be chosen.
- Mechanisms that allow **feedback** in all these relationships are essential if actors are to be responsive and if actors on one side are to be able to **influence** actors on the other and, in some cases, **monitor** and **control** how they perform.

These criteria are relatively generic, but they should allow those analysing an action arena to identify important failures in the relationships among various actors. For example, if the services that policymakers (enabling agencies) choose to promote, and provide resources for, are **not** used and prove **inappropriate** for the poor (users), it may be because there is no feedback from poor people to policymakers that allows them to know what services the poor need. It could also be because policymakers have chosen to promote services which **they** need for themselves; in other words the functions of enabling agency and user have not been kept separate. On the other hand, if policymakers have listened to poor people and responded through their policy decisions, the failure could lie in the ability of the enabling agency to ensure that service providers do what they are supposed to do.

## 4

There could be problems of monitoring and control, accountability and choice.

As a general rule of thumb, before the “delivering” or providing of a service may take place, a number of things must happen, including the commissioning, planning, financing and producing of that service. Again, ideally these five steps should be kept separate and carried out by different actors and agencies within the action area concerned.

### **Analysing action arenas: rules and Incentives**

The final step in the process of analysing action arenas is particularly important if the institutional analysis is to generate effective action to change institutional arrangements. For the various actors and agencies involved in the action arena, this step involves understanding the **rules** and **incentives** that govern the relationships maintained with other actors and agencies.

**Rules** may include:

- **Formal rules or regulations** that establish what should happen in these relationships and how they should function;
- More **informal “rules of the game”** that determine what actually happens.

**Incentives** are of critical importance in determining how these relationships actually work. Incentives may not be just material or financial, and they will often be strongly influenced by cultural factors and prevailing value systems. The incentives to which people respond, and the motivations they have, need to be clearly understood if changes are to be introduced and, in particular, attention must be paid to the incentives that people and agencies are likely to have to change.

# Understanding the institutional context

Within a particular **action arena** (see pamphlet 4), various institutional actors and agencies have **roles and responsibilities, capacities, relationships** with other actors and agencies and **rules and incentives** that govern those relationships. The process of mapping these action arenas should help to describe the mechanisms through which institutional actors create the results that affect poor people's livelihoods. However, the factors that determine the roles and responsibilities of different actors may not come from "**inside**" the action arena itself, but be generated by the overall **institutional context** that surrounds it. While the analysis of action arenas concentrates on the particular institutional arrangements that influence a set of results that have been observed "on the ground", the analysis of this **institutional context** takes into account not just the capacities, relationships and rules and incentives that are specific to the particular action arena with which the analysis is concerned, but also the mechanisms that govern these institutional actors as well as other actors and agencies.



It is important to fully understand this context because only then can the practicality, viability and sustainability of change in institutional arrangements be properly assessed. Without a full understanding of the institutional context, many factors that are likely to strongly influence how change takes place will continue to be regarded as "givens" or risks against which the actors involved in change cannot act. This is particularly important when conducting an institutional analysis for pro-poor change, as many of the factors that influence poverty most strongly are likely to be found in this institutional context – what is known as "structural" poverty. Attempts to address poverty **without** dealing with the factors that cause it in the institutional context are likely to be unsustainable over the long term.

A thorough analysis of the institutional context is particularly important for understanding the broader implications of changes that pro-poor rural development interventions might introduce. Such an analysis can help in formulating strategies for dealing with features of the institutional context which, in the short term, may seem difficult to influence. The process of understanding the institutional context can also be thought of as a means of **expanding the action arena** to include some of these actors and agencies which, in the past, have been regarded as difficult to address but which are often of such fundamental importance that a way of including them in the process of institutional change needs to be found.

## Understanding the policy context

Particular policy decisions may have contributed to specific results, either in the form of livelihood outcomes of the poor, or delivery and governance results. But before proposing changes or adjustments to these specific policies, the broader **policy context** needs to be analysed more fully.

Any policy context is generally complex and it is often difficult to define the boundaries of the policy context relating to particular issues – at the level of policy, often everything seems to influence everything else. However, a brief analysis of the most obvious linkages can help to put specific policies in context and understand the processes that might be involved in policy change.

This analysis should focus on:

- An assessment of those policies which are immediately relevant to a particular set of concerns, through a review of policy documents; particular attention should go given to the statement of **policy objectives** and the **consistency** of policy statements, both internally (across different policy areas or sectors and among different levels of policy, from the local up to the national) and internationally;
- An analysis of the formal mechanisms which **generate** policy, including mechanisms for identifying how **policy agendas** are set, the kinds of **information (and their sources)** that feed into policymaking, the process of **consultation** leading to policy formulation, the form of **policy statement** produced and the roles played by different actors in these processes;
- An analysis of the **informal** mechanisms that generate policy, including factors that influence the setting of **policy agendas**, the effect of past **policy practice** (both policy-setting and implementation) and **incremental factors** that contribute to the policy process, the role of **key actors and opinion leaders**, different **policy narratives** (the stories that describe events and gain more or less authority and acceptance), and the **actor networks** that spread and maintain different policy networks and whose interests they serve;

### Evaluative criteria for the policy context

- **Transparency**
  - **Accountability**
  - **Contractual arrangements**
  - **Choices**
  - **Feedback**
- The mechanisms envisaged for the **implementation** of those policies, the gap that may exist between policy-setting and implementation, and the processes at work that may change policies during the process of implementation, including the **relationships between policymakers and policy implementers** (“enabling agencies” and “service providers”), and the **interests and incentives** of different actors involved in policy implementation;
  - The ways in which **feedback** about policy implementation and the impacts of policy reach policy makers and influence future policy processes;

### Rules governing an apex organization

Consider the apex organization of a network of credit associations.

Its **working rules** are laid down in the internal regulations and are defined in two manuals: the manual of administrative and financial procedures and the manual of operational procedures.

The articles of association for both the apex organization and the various associations at different levels under it represent the **collective choice rules** and are sanctioned by the government: they also define how the annual policy statement of the apex organization should be produced and formulated.

The **constitutional rules** governing the apex organization describe the procedures to be followed in order to set, or modify, the articles of association (collective choice rules).

- A **comparison** of policies across areas, sectors and levels in order to identify possible areas of **linkage, harmonization and policy conflict**. Particular care needs to be paid to linkages and conflicts between sectoral policies and the policies developed at different levels of government.

These can be assessed applying criteria that have already been used to evaluate the relationships between institutional actors and agencies in different action arenas, namely:

- **Transparency** whereby all actors understand the process leading to policy formulation;
- **Accountability** for the effects and impacts of policies introduced;
- **Contracts** that define who should do what with regard to policy implementation;
- **Choice** regarding how policies should be implemented;
- Effective **feedback** allowing users to inform and influence policymakers (enabling agencies) and policy implementers (service providers) regarding policy impacts.

The extent to which these criteria are manifested in the policy context will generally have a strong influence on the **governance results** encountered on the ground.

## Understanding the legal framework

The **legal framework**, including the different sorts of **laws, rules and regulations** that are in place, as well as the **processes** by which these are **established and enforced**, plays a key role in establishing how events and processes within an action arena are played out.

Several levels of the legal framework need to be understood:

- The **working rules**, or rules that determine the roles of different actors and agencies, the way in which they work together and the quality of their relationships (such as clear rules that ensure transparency);
- The **collective choice rules** that establish what processes or conditions are required in order to set, or modify, the working rules; this includes those mechanisms that permit different actors with different functions to generate feedback within a particular action arena so that changes can be considered;
- The **constitutional rules** determine the procedures that can be used to set, or modify, the **collective choice rules**.

The example in the box on the previous page can clarify what is meant in practice by these different types of rules.

Issues that can be considered when assessing the legal framework include:

- The **coverage of legal documents** that define these rules, or how, and in what form, these different rules are set down;
- How the rules “**perform**” or satisfy the needs of a particular set of relationships and actions;
- The extent to which the framework includes rules regarding the **governance** of the system, in other words:
  - the distribution of roles and responsibilities among different actors and agencies;
  - the extent to which the instruments and procedures of different action arenas are set down in law, including the mechanisms that ensure accountability and transparency;
  - the presence of measures to protect the interests of consumers, and other specific interest groups;
  - procedures for appeal and the resolution of conflicts.
- Whether there are mechanisms in place that regulate **environmental issues**;
- The extent to which national legislation is **harmonized with international norms and regulations**.

The same levels and issues will apply to informal institutions such as, for example, the traditional rules, regulations and processes that may govern

natural resource use in rural communities, only that these may be, strictly speaking, illegal (although locally legitimate), and not set down in any written form, but rather expressed orally and through customary practices.

## Analysing resources and incentive structures

The broader structures and mechanisms surrounding a particular action arena that establish how **resources** are provided and managed, particularly in relation to poor people, and the **incentives** available for **pro-poor investment**, will play a major role in determining the extent to which institutional processes support the poor or otherwise. Appropriate resource and incentive structures should:

- Foster **good management**;
- Encourage the **efficient, equitable and sustainable use of resources**, including natural and physical assets;
- Ensure the **production and distribution of appropriate goods and services** where and when they are required;
- Encourage investment that **reduces vulnerability** to shocks such as natural disasters.

While traditionally the role of the state has been regarded as paramount in investing in development in most countries, there is a growing realization of the role of the private sector and the potential of public-private partnerships in harnessing resources for pro-poor investment.

The mechanisms that need to be analysed include:

- **Investment policies** of the government, including an assessment of how they affect actors at different levels (international, national and local, public and private);
- **Public sector incentives**, or the measures in place that ensure that public sector functions are performed effectively and efficiently;
- **Private sector promotion measures** including efforts to promote public-private partnerships, with a focus on those measures that ensure the effective delivery of good, affordable services to poor people;
- **Cost-recovery and pricing policies**, and the extent to which they ensure that systems delivering key services to poor people are financially sustainable and able to maintain both quality and accessibility;
- **Investment appraisal tools** which may be used to identify those investment projects that are most likely to improve overall system efficiency and equity and result in maximum positive impact for poor people.



## 5

**Why analyse the institutional context?**

The critical role played by the institutional context in influencing rural poverty will often become clear during the process of institutional analysis. This will often suggest how critical it is for rural development programmes to attempt to bring about **change** in this institutional context if the positive impacts of their work in the field with poor people are to be sustainable.

Many of the processes required to bring about changes at this level are long-term and complex. They may require a **strategic approach** beyond the capacity of a single project, programme or development

agency to implement, as well as require the formation of broader **coalitions** for action and a **long-term commitment** to change by the leading agencies involved. But one of the key outputs of an institutional analysis should be to bring about a shift in how these elements of the institutional context are regarded – from considering them as “givens”, to treating them as issues that can and should be addressed through policy dialogue and concerted action.

## Power and processes

The analysis of institutions for pro-poor change needs to start with the more concrete aspects of institutions – the impacts they have on people’s livelihoods, the different results they generate, the various service providers and enabling agencies with which poor people interact, and the ways in which these agencies are structured, regulated and supported by policies, laws and resources.

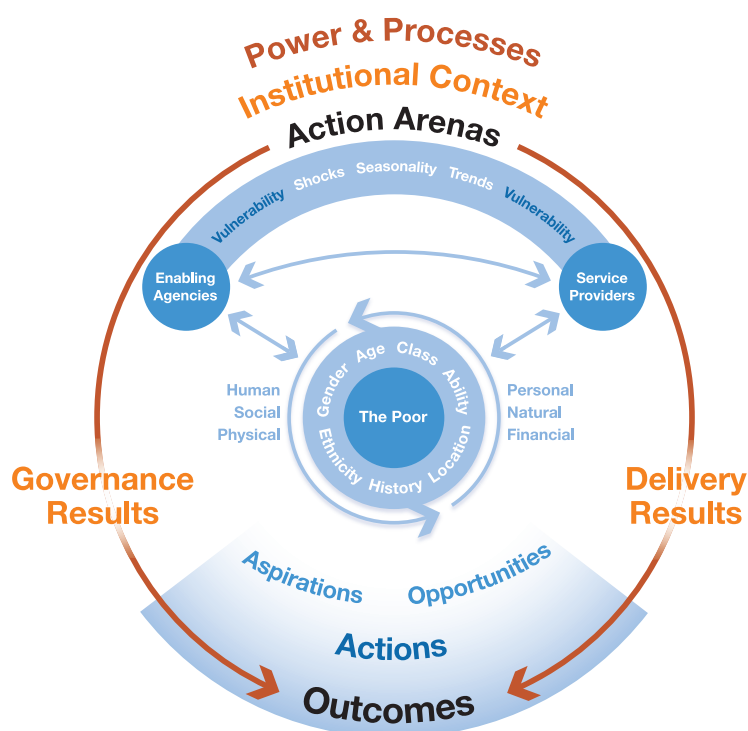
But the relationships between institutional actors and agencies, and the institutional context in which they operate, are not only generated by the various functions, roles and responsibilities looked at so far, or even by the policy and legal frameworks that have established the policies, laws, incentives and sets of resources that allow agencies to operate. These relationships are also a reflection of far broader patterns in society that may determine how different sets of people, or agencies, interact. These interactions are largely about **power**, and the **processes** by which it is distributed and exercised.

These are difficult areas. They are closely linked to long-term social, political, economic, and cultural factors and the interplay of history, change, influence, negotiation, resources and precedent that determines who establishes “the rules of the game” in any particular setting. Like the “institutional context”, these areas are often left out of the design of rural development interventions because they are perceived as being “givens” or externalities about which no action can easily be taken, especially in the context of “projects” with a limited duration. However, the all-pervasive influence of these factors is almost universally recognized and the need to understand how development interventions are likely to affect, and be affected by, this broader context has become increasingly clear. This is particularly so when one is attempting to address poverty and initiate institutional change that might be more supportive of poor people and help them (“empower” them) to overcome poverty, because many of the structural factors that contribute to their poverty tend to lie in this domain.

## Keeping the poor in focus

This final step in defining the levels of **authority** and **influence** among different institutional actors complements the analysis carried out to date and can be thought of as “completing” it, although once the analysis reaches this level of power and processes the potential complexities are such that the analysis can never really be regarded as “complete” in the true sense of the word. In fact, a key issue facing those carrying out an institutional analysis is knowing when to stop. Areas like **power** and **influence** can be so complex, dynamic and intimately woven into the fabric of local culture and society that there is a real risk that those carrying out the analysis may find themselves engaged in a wide-ranging sociological and anthropological analysis that has little practical relevance to the issues which were the original focus of their work.

Therefore it is important at this point to look again at the entire process undertaken to date, in order to approach this last level of analysis using a “lens” that will allow the analysis to remain focused on the key issues of concern. This means going back to the original outcomes with which the analysis started – the specific sets of conditions faced by poor people and the changes that they hope to achieve (*Understanding poor people and their livelihoods – pamphlet 2*) – and linking these again to the delivery results and governance results generated by the different institutions that work with poor people (*Focusing on results – pamphlet 3*). The linkages between



these results and different “action arenas”, where different actors and agencies engage and interact to produce these results, should be reaffirmed, using new knowledge acquired in the subsequent analysis. Finally the various elements of the “formal” institutional context that contribute to and influence these action arenas should be rechecked.

This recap of the **key linkages** covered by the analysis should allow those engaged in the process to adjust the focus of their analysis so that, as they move outwards from specific livelihood outcomes to more generic institutional issues and the networks of power and processes that underpin them, they can keep that original focus as clear as possible. This should enable them to define a precise set of issues associated with specific institutional actors and concentrate on aspects of power and processes that directly associate with these actors as they move on to mapping power.



## Mapping power

Understanding power is about understanding relationships between different individuals and groups and the factors that influence those relationships. In order to understand power, it is better not to think of it as a “thing” that some people have more of than others, but simply as one particularly important way of defining relationships between different actors.

In the mapping of action arenas discussed in pamphlet 4, relationships between different actors were mapped out by focusing on their roles and responsibilities in relation to a particular set of actions. But part of that process consisted of taking note of situations where institutional actors seem to be doing things that are different from their formally defined roles and responsibilities. These differences between the

formally defined mandates and roles of actors and what, in actual fact, they seem to be doing can become the starting point for an analysis of power.

A useful approach to this analysis is to lay out the different actors graphically and, taking the relationships among them one by one, describe them in as much detail as possible. As a starting point, the information already generated about roles and relationships as part of the process of mapping action arenas can be used to describe the formal aspects of these relationships. Once this process is completed, comparisons can be made with what actually happens in these relationships; key questions can then be asked to identify those factors that influence the relationship beyond the formally defined roles and responsibilities.

Questions to be asked at this stage will focus on two key features of these relationships, namely the relative **authority** and **influence** that characterize the different sides of these relationships.

- **Authority** describes the relative level of subordination existing within a relationship – to what extent the parties involved in the relationship can be placed in some form of hierarchy. In relationships that are not formalized, authority within a relationship may derive from a range of factors such as relative age, social standing, location (i.e. urban-rural), or ethnic or clan affiliation.
- **Influence** describes the extent to which one actor in a relationship can influence the behaviour of other actors. Behaviour may be affected in different ways in opposite directions within a relationship, and this may mean that the directional “flows” of influence have to be analysed separately.

Key questions that might be asked about relationships in this regard are:

- Who has authority or influence over whom in a relationship?
- How is that authority or influence manifested?
- How is that authority or influence exercised?
- How strong is this authority or influence?
- To what specific spheres or areas does this authority or influence extend?
- What is the source of that authority or influence?
- What maintains this authority or influence?
- How dependent is it on specific individuals?
- What benefits derive from it and for whom?

Many of the answers to these questions may not be immediately obvious to outsiders conducting an institutional analysis. Even for “insiders”, the issues at stake in analysing power and processes are often so much a part of everyday life that they may find it

difficult to immediately respond to these questions. Considerable sensitivity to the local culture and customs are required for this part of the institutional analysis in order to generate answers to these questions and to investigate them effectively. These areas of institutional analysis require considerable experience and knowledge of the particular setting in which the analysis is being carried out.

Once the questions noted above have been answered as completely as possible, one should be able to use them to describe some of the following key features of power and processes:

- **The “rules of the game”**

These are norms of behaviour, or action, that are so widely accepted that they have become “institutionalized” as rules even though they may have no formal basis. A typical, and very widespread, example is the fact that, despite affirmative action, job quotas and formal legislation prohibiting discrimination on the basis of sex, women in many societies are often effectively excluded from positions of power and authority. There is an unwritten “rule of the game”, widely criticized but just as widely accepted, that maintains male predominance in decision-making roles. This is linked to a complex set of institutional, cultural, social, economic and historical factors and may not be easily changed. But it certainly has a very important influence on the way efforts to ensure gender-sensitivity in poverty alleviation programmes are viewed within the institutions involved.

- **Politics**

Politics can be regarded as one important way in which power is managed within society. It may be mediated through democratic political processes that attempt to ensure a degree of transparency, representation, and “checks and balances” in the process. But even within a formally democratic system, political influence will often be closely tied to economic interest, social and cultural standing, status, and the interplay of networks of patrons, clients, peers and other sets of common interests. Understanding how these sets of interests overlap with political formations is essential; the political sphere will often represent a possible channel for influencing change in power and processes which may not otherwise be easy.

- **Culture and tradition**

Often the patterns that emerge from an analysis of power relations have their roots in historical features of the culture of the country; for example, links between people from a particular area, or belonging to a specific ethnic, clan or caste group that has “traditionally” wielded certain kinds of influence or power. Cultural factors are extremely dynamic and cannot be interpreted as being static; they need to be seen as processes in themselves that are constantly changing. In the current era of electronic communication and globalization the interplay between local cultures and traditions and the influence of outside, “alien” cultural norms is often particularly dynamic.

## Strategies for changing fisheries management policy

A field-based analysis carried out in a typical floodplain fisheries environment might suggest that there is considerable potential for positively affecting the livelihoods of inland fishing communities, and improving the sustainability of fisheries resources, through the development of alternative, community-based modes of management. This is currently obstructed by a set of fisheries policies that gives priority to revenue generation rather than to sustainability of the resource or equitable distribution of the benefits generated from fisheries. This situation might suggest designing an intervention that would combine field-level action to develop, test out and demonstrate the validity of alternative management approaches with an effort to influence policy by looking at existing evidence indicating the advantages of community-based fisheries management approaches. However, a closer analysis of the relations of power surrounding fisheries management and the processes generating those relations might show that the current arrangements for fisheries management are intimately connected with arrangements of patronage and power that link fishing

communities, through a network of traditional patrons, with the highest levels of political power in the country. This network serves to channel resources, in both directions, and exert influence over local and national political processes. While this system can be regarded as a failure from the point of view of the equitable distribution of benefits and the overall sustainability of the resource, it is widely regarded by those within it as providing certain guarantees and stability; any new system would only be accepted if it could effectively demonstrate the continuation of these guarantees. In a situation of this type, an alternative strategy might be to concentrate first on establishing as wide a network as possible of “cases” of community-based management and ensuring the widespread dissemination of information about these experiences as part of a long-term effort to change opinions and attitudes, without devoting time and resources to “influencing policy”. In current conditions, such an effort is likely to fail as there are practically no incentives for policy change to which key institutional actors are likely to respond.

- **Values**

Values are likely to be strongly linked to culture and tradition. They will also be dynamic and responsive to changes in the environment, but they will certainly play a key role in determining the kinds of incentives that influence people to change. In particular, broadly accepted value systems will determine priorities for changes and what people regard as important.

- **Rights**

In spite of the increasingly widespread acceptance of the idea of a set of livelihood characteristics that governments should be able to guarantee for their citizens as “rights”, the actual perception of what constitutes those “rights” varies considerably across different nations and societies. Identifying those rights that are formally recognized in the country’s legislation and understanding how these are actually put into effect, and also how they are viewed by people both within institutions and from the outside, will often help to understand differences between stated goals and actual performance.

The example in the box on the previous page shows how some of these factors might interact in a real-life situation.

## Why analyse power and processes?

Many of the factors relating to power and processes analysed in this section are factors that are difficult to change, at least in the short term. While some of these elements may contribute to generating outcomes that are unfavourable to poor people, they can rarely be addressed directly, especially in the context of a limited project intervention.

However, where power relations and processes strongly condition the way in which institutions function in support of poor people, means have to be found to deal with them. In the **short term**, this may mean working within existing networks and attempting to find pressure points or spaces within them where new and more supportive institutional forms can be developed. Over the **medium and longer term**, ways of creating **coalitions** and **strategies** in an effort to change power relations and influence the processes around them can also be developed.

It is therefore critical to perform a thorough analysis of how these power relations and processes currently operate, and develop ways to constantly update this analysis in order to keep track of changes.

## From analysis to action

The reason for conducting an institutional analysis in the context of a rural development programme is to use the outputs of that analysis to design **action** for change that will result in improved institutional support for poor people. These changes can take many forms, ranging from more appropriate and accessible goods and services, delivered more efficiently to poor people, to better representation of poor people in local institutions and more transparent and accountable local government that effectively articulates and responds to the needs of poor people. But, whatever the targeted result, the institutional mechanisms behind these changes need to be carefully thought through **before** the process of working to achieve those changes is initiated.

## Identifying pro-poor change

To turn the analysis of institutions into action, the changes needed in the livelihoods of the poor must first be identified – what are the intended **livelihood results** that future change should bring about? This information should have been generated from the first step of the institutional analysis in which the analysis of the livelihoods of the poor included identifying the kinds of **livelihood outcomes** to which people aspire. Identification of these desired outcomes, and the changes in people's livelihoods required to achieve them, should be generated through **direct interaction** and **engagement** with poor people themselves. This should clarify their **aspirations** for the future and the sorts of **opportunities** they perceive for change and improvement. **Evaluative criteria** can also help to establish standards regarding people's livelihoods and the outcomes they are able to realise from the resources at their disposal and the institutional support they

receive. The positive changes, to be measured through evaluative criteria, in their livelihoods to which poor people aspire should become the **goals** for future pro-poor change.

The institutional analysis process should also have clearly identified how people's current livelihood outcomes are linked to existing **delivery** and **governance results** generated by institutions, and shown what **new** results are required in order to bring about the changes to which poor people aspire. These new results can be taken as the **purpose** or **objectives** that will contribute to achieving the goals identified at the level of people's livelihoods.

In both these steps, attention needs to be paid to identifying the **strengths** of what is already happening. This includes looking carefully at what poor people already achieve – the skills they have, the advantages that they deploy in order to survive – and looking at those aspects of existing mechanisms for governance and service delivery that work and respond to the needs of the poor. This focus should not be exclusive – clearly those aspects that do **not** work also need to be addressed – but an initial focus on what **is** working can help the analysis to identify current strengths upon which future changes can build, instead of attempting to “start from scratch”.

To identify positive pro-poor change, the **action arenas** that currently generate positive results should also be considered. This can provide important clues to how action arenas to generate positive change might be constituted in the future, or influenced and changed to become more pro-poor. Relatively limited changes in existing action arenas – such as changes in roles or responsibilities, shifts in the skills applied by different actors or agencies, the introduction of one or two new actors or agencies into a particular arena – may be sufficient to produce the desired changes. In other situations, more radical changes in action arenas, or even the creation of entirely new ones, may be required. Whatever the extent of the changes that seem to be required, they need to be described in detail in a way that links **desired livelihood results** to positive **delivery** and **governance results** that will support them, and the **action arenas** that will generate those results.



## Making strategic choices – who and what needs to change?

Once the desired changes have been described, different options for achieving those changes need to be thought through and choices made regarding how to achieve them. Strategic choices about what sort of changes to

attempt, taking into account the time and resources available, can only be made after the general change has been broken down into a series of more specific changes in relation to the different institutional actors and agencies involved.

It is at this point that the detailed work carried out during the institutional analysis provides essential material for analysing the factors that are likely to either support or inhibit change. The range of different institutional actors potentially involved in a particular change needs to be established, based on the listings of **actors** and **agencies** produced as part of the **mapping of action arenas**. The analysis of **roles, responsibilities, mandates** and **capacity**, as well as the investigation of the **rules and incentives** governing different institutional actors, should provide the information required to identify those actors that could contribute to the kinds of pro-poor change desired.



In addition, the analysis of the **institutional context** will provide information on the **policy, legislative** and **resource** aspects that may be affecting the performance of different institutional actors and should also give indications regarding whether change is needed in these areas in order to support the desired pro-poor changes.

Finally, we can look at the broader aspects of **power and processes** underpinning these institutional actors and the way they behave to help explain differences between what is **supposed** to happen and what **really** happens and possibly identify major opportunities and obstacles in terms of power relations, unwritten rules of the game and cultural factors.

Changes are unlikely to be required in **all** actors and agencies concerned with a particular issue. The list of potentially concerned actors and agencies should be mapped out in terms of their **actual and potential authority and influence** over the areas of desired change. This form of **stakeholder analysis** to identify **who** needs to be involved in possible processes of change needs to take into account both the formal roles, responsibilities and mandates, as well as “informal” patterns of authority and influence.

Once the actors and agencies that should be engaged have been identified, and their relative levels of influence on possible change processes defined, the specific changes that are required for each of these actors can be studied in more detail. The following questions should be posed regarding each potential actor in the change process.

- What does each of these actors currently do (their roles, responsibilities, and capacities)?
- What level of influence do they have on the desired changes?
- What changes would they have to make to support the process of change?
- What incentives do they have for making these changes?

Answers to these questions should produce a general picture of the possible avenues of pro-poor institutional change, including different ways of reaching the same goal at the level of livelihood outcomes, delivery results and governance results.

On this basis, choices can be made regarding which overall strategy to adopt in order to achieve pro-poor institutional change. Other key questions that should be asked when assessing these different options include the following:

- **What are the opportunities that could influence change?** – Independently of any planned intervention, what processes, attitudes or events exist that might contribute to change? Examples might include changes in political power or responses to crises or shocks.
- **Who wants to change and why?** – What indications exist within key institutions or among key actors that there is a desire to change or an awareness of the need for change and what are the incentives for actors and agencies to change?

## Institutional actors

- Actors
- Agencies

## What needs to change?

- Skills, knowledge, attitudes, behaviour
- Roles responsibilities, mandates, incentives
- Relationships
- Policies, laws, resources
- Power relations

## Specific changes required

## Taking account of:

- Incentives for change
- Opportunities
- Obstacles

## Actions to bring about change

- What?
- Who?
- When?
- What resources?

## Wider implications

## Potential conflicts and synergies:

- Within arenas
- Across arenas
- Between levels

## Mechanisms for harmonization

- **What processes of change are already working?** – Why are these changes already taking place and who is leading them?
- **What points of leverage are there for institutional change?** – Are there any specific issues or institutions where a small intervention could have widespread impacts and help to create momentum for broader change?
- **What can an intervention realistically achieve?** – Given the resources and time available, and the mandate of the institutions involved, what could an intervention realistically set out to achieve?
- **What or who are the antagonists of change?** – What actors or agencies are likely to actively oppose change and how influential are they?
- **Who are potential “champions of change”?** – Are there any actors or agencies that could lead the change process and influence others to follow?
- **What opportunities are there that would deliver “quick wins”?** – Are there short-term processes that could deliver significant positive results and help create momentum for broader change?
- **What medium- and long-term processes are needed to achieve change?** – What key changes will be required in the medium to long term? How can the processes required for these changes be initiated and sustained?
- **What sort of coalitions of common interest** could be formed to support longer-term processes of change?
- **How essential is institutional change?** – Is change in institutions essential for the achievement of changes for poor people or could change take place in spite of institutional resistance or immobility?

The assembled information on institutions should make it possible to answer these questions and come to a decision regarding what sort of change process might be initiated, its scope and the potential partners that need to be engaged.

**Identifying what is to be done**

Initiating **action** to promote pro-poor institutional change requires careful thought regarding the kinds of activities to be undertaken. Often the process of institutional change focuses on setting up new institutional structures (without giving enough careful thought to what those structures are intended to do) and increasing the physical capacity of institutions (without creating the skills and mechanisms to make effective use of that capacity). The process of institutional analysis undertaken so far should help to identify concrete activities that will relate to specific institutional actors but together contribute to the overall objective of change.

Once the institutional actors have been identified, **what** needs to change in relation to each of these groups of stakeholders can then be defined. Key areas for possible change might include:

- The **skills, knowledge, attitudes** or **behaviour** of individual actors or of people within institutions;
- The **roles, responsibilities, mandates** and **incentives** that establish what they do;
- The **relationships** between different actors and agencies;
- The **policies, legal framework** or **resources** available to them;
- The **power relationships** and the **processes** affecting them.



Next, the **specific changes** required in each of these need to be defined in detail. This can most easily be done by defining the current state of these actors, what the desired future state would be, and how the change from one state to another could be measured. It is important to define the incentives that the target actors or agencies would respond to in order to make this change and identify possible opportunities or constraints that might help or hinder the process of change.

The **actions** required to bring about this change can then be developed, taking into account the incentives that will influence the subjects of the changes, and, for each action, identifying **who** can undertake it, **when**, and what **resources** will be required in terms of **time**, **money** and **materials**.

To complete the planning process, the wider implications and potential collateral effects of each of these changes should be considered and efforts made to pre-empt any possible negative impacts.

### Starting the process

How a process of institutional change is initiated will have a significant impact on how it subsequently develops. Careful thought needs to be given to the individuals and agencies involved as they will strongly influence the chances of overall success. The question of **who** should take the lead is particularly sensitive. In processes of institutional change, institutions as well as the people within them are inevitably engaged in “changing themselves”. This implies a certain level of **critical awareness** within the institutions, questioning whether there is a need for change and asking what are the advantages to be generated by change. Whether or not this critical awareness is present should be a key criterion in identifying which individuals or agencies are likely to take the lead. Often, specific **champions of change** may exhibit this awareness but work in institutions where change is actively discouraged.

Various approaches can be used to start the change process. The process of conducting the institutional analysis described here, if key stakeholders are properly engaged, can itself become a potent force for change. **Analysis of the trade-offs** involved in change and the different **scenarios** that could emerge can also help to encourage people to think through and initiate change. Likewise, **visioning processes** can also help people to view change as an opportunity rather than a threat and may be particularly useful in institutions where change is actively discouraged.

Particular care will also be required to monitor **sources of potential conflict** generated by the change process; it is important to develop mechanisms for dealing with those conflicts and harmonizing changes taking place in different institutions, at different levels and in different sectors. In order to quickly identify where these conflicts are emerging, and establish a strategy for overcoming conflict, effective and responsive **feedback mechanisms** are an essential part of the process for managing change. These feedback mechanisms should not be limited to providing information about changes to “the project” but should concentrate on improving the quality of communication between all the actors involved. This is particularly important in the context of pro-poor change, given that effective communication between poor people and the institutions that are supposed to be supporting them is often lacking. Decision-makers and policymakers in particular are often far-removed from the realities affected by their decisions and need to be engaged in mechanisms that bring them into closer contact with the “subjects” of their decision-making.

The process of institutional analysis is complex and potentially time- and resource-intensive. While it offers considerable benefits in terms of generating more appropriate and sustainable interventions in support of poor people, it is not a process that can be undertaken lightly. Experienced users might benefit from elements in the analysis in a more abbreviated form, but a commitment to a full institutional analysis in the context of the design of rural development interventions requires careful thought.

Besides the potential resource requirements, the sensitivity of the issues being addressed through an institutional analysis needs to be taken into account in deciding when, where and by whom such an analysis should be carried out.

### Who should be involved?

An institutional analysis involves analysing a broad range of features of people's everyday lives and work. Often, these features will be clearly identified by the "subjects" – the people directly concerned who participate in the institutions being addressed – as elements that merit analysis and discussion. Particularly where institutional "problems" are widely recognized, it can be relatively easy to encourage discussion and debate. But many features of institutions are so "normal" that the people directly involved may not even be aware of them or consider them worth analysing at all. In particular, the way that institutions work and the unwritten "rules of the game" that govern them are often so ingrained that the idea of change may be completely inconceivable for "insiders".

These features of institutional analysis mean that it is one form of "diagnostic" activity in which the role of an "outsider" – someone who is **not** a participant in the institutions or mechanisms that are the subject of the analysis – is often not only helpful but **necessary**. Only someone with an "outsider's" point of view is likely to be able to step back from the institutions in question and look at them from a perspective that allows them to see issues that "insiders" would probably miss.

At the same time, many of the issues under consideration in an institutional analysis require a detailed knowledge and sensitivity to local practice, history, precedent and culture which an outsider may have little possibility of acquiring, at least in the short term.

Hence the importance of assembling a team of people to carry out an institutional analysis that combines an "outsider's" perspective with an "insider's" knowledge. Where the exercise is being

led by "outsiders", there will be a need to identify potential collaborators from within the institutions who can support them and provide them with the kind of intimate knowledge required to make a meaningful analysis. Selecting such people can be problematic, for the reasons already mentioned above: "insiders" are inevitably stakeholders who may have a personal or professional interest in some of the issues being analysed and could therefore be biased. However, "insiders" who have a degree of **critical awareness** that allows them to "critically" analyse their own environment, can play an effective role even though they are "insiders". Indeed, from a strategic point of view, these individuals may constitute potential champions for change; if they participate in the analytical process they might contribute to leading change in the future.

### When to do institutional analysis

Institutional analysis can play a role at almost any stage in the development of pro-poor interventions but will have particular relevance depending on when it is deployed.

#### Strategy and programme development

Ideally, the development of a strategy for intervention or a programme of interventions at the country or regional level would include an analysis of the key institutional issues which that strategy or programme seeks to address. Almost by definition, a strategy or programme should be looking to achieve longer-term changes in institutional arrangements and in policies and legal frameworks that would be beyond the reach of individual projects. Institutional analysis can contribute directly to defining the desired changes and how they might be achieved through a series of more specific interventions. In particular, the analysis of linkages between livelihood outcomes of the poor, delivery and governance results and action arenas, together with additional linkages with the institutional context, can help clarify the pathways by which particular interventions at the field level might contribute to wider change at the policy and institutional level.

The deployment of institutional analysis should also help those preparing a country strategy or programme to identify trade-offs between "quick-wins", or short-term interventions with possible immediate impact that garner support and credibility, and longer-term programmes to inform and influence policy processes and the institutional structures they generate.

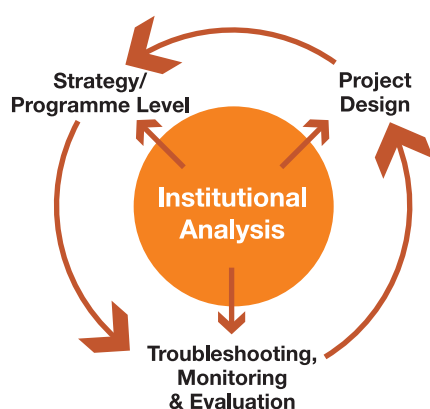


### Project design

At the level of project design, institutional analysis has an obvious role in generating the specific forms of intervention that might be required to obtain appropriate and sustainable institutional support for the types of activities being promoted by the project. As such, it should always constitute an integral part of the diagnostic process that should precede the design of new activities.

Particular areas of importance are likely to be:

- The **identification and design of institutional mechanisms and processes** to support interventions in the field, through a detailed knowledge of existing roles, responsibilities, capacities and incentives within key institutions.



- The detailed **identification of action arenas** that are required to produce desired governance results and delivery results. This information is typically necessary for including it in project implementation (or operations) manuals, which can be updated as implementation experience accumulates.
- The **identification of institutional factors** that might enhance or inhibit the chances of project sustainability and success.
- Understanding the **potential for broadening the coverage and impact** of projects through synergies with other institutions and their programmes.

### Trouble-shooting, project supervision, monitoring and evaluation

Institutional issues are among the most widespread causes of problems faced by development projects during implementation. The limited attention paid to many institutional issues in the past has often meant that implementing agencies have found themselves unable to effectively perform the tasks expected of them. Their lack of understanding of the broader institutional context has meant that interventions have been subject to very different interpretations by the various institutional actors involved.

It is unlikely that a complete institutional analysis can be performed as part of the supervision or the monitoring and evaluation of an on-going project. However, the approaches suggested can be applied to specific sets of issues or problems that arise in the course of project implementation. The initial suggestion to focus on results in the field, looking at how they are connected to up-stream institutional issues, can be applied to the investigation of particular problems. “Trouble-shooters” can use the approach to focus on key areas of concern, including the action arenas around specific project activities. In particular it can help to analyse the extent to which perceived problems in a project or intervention affect delivery and governance results. Reference to the guiding principles of pro-poor institutional analysis should help to maintain the focus on how interventions ultimately affect the livelihood outcomes of the poor.

There is also potential for using the same approach to better understand the mechanisms behind **successful** interventions and to identify the critical elements that have contributed to effective institutional change. Often the “reactions” of institutions to particular interventions will not follow the expected patterns and an institutional analysis that begins with the successful outcomes seen in the field can contribute significantly to understanding how these successes were achieved, and to replicating or adapting them elsewhere.