Lessons Learned about Field Presence Arrangements in Development Cooperation

Main Report – REVISED

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Contents

List of boxes, graphs and tables

Acronyms

Note: This report makes extensive use of quotes from other documents that often contain acronyms. In order to leave the quotes in their original form the acronyms are not always explained in the text, only in the list below. For the same reason, the spelling throughout the text is not consistent.
Annexes 4 – 8 (provided as separate document) contain an individual list of acronyms at the beginning of each chapter, as they contain many organisation specific acronyms.

* Denotes acronym in its original language

AA(I)	ActionAid (International)
AfDB	African Development Bank
A(s)DB	Asian Development Bank
CAP	Country Assistance Plan
CGIAR	Consultative Group on International Agricultural Research
CHF	Swiss Franc
CIDA	Canadian International Development Agency
COOF	Cooperation Office
CP	Country Programme
DAC	Development Assistance Committee
DFID	Department for International Development
DMC	Developing Member Country
EC	European Community
FAO	Food and Agriculture Organization of the United Nations
FAOR	FAO Representative
FPPP	Field Presence Pilot Programme
GBP	British Pound
GBS	General Budget Support
GTZ*	German Agency for Technical Cooperation
HQ	Headquarters
HRD	Human Resource Development
ICT	Information and Communication Technologies
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IFPRI	International Food Policy Research Institute
IOB*	Policy and Operations Evaluation Department
KfW*	KfW Development Bank
MFAT	Ministry of Foreign Affairs and Trade
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organisation
NPO	National Programme Officer
NZAID	New Zealand Agency for International Development
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department
PRS(P)	Poverty Reduction Strategy (Paper)
RBA	Rights-Based Approach
RM	Resident Mission
SAIC	Staff appointed in country
SBS	Sector Budget Support
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SEK	Swedish Krone
Sida	Swedish International Development Cooperation Agency
SWAP	Sector-Wide Approaches
TCA	FAO Policy Assistance Division
TCI	FAO Investment Centre Division
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WFP	World Food Program

Executive Summary

Mandate and Methodology

The International Fund for Agricultural Development (IFAD) has mandated a team to undertake a corporate-level evaluation of IFAD's Field Presence Pilot Programme (FPPP) in 2006/07. In this context, identifying good practices of other comparable organisations is used as an instrument for learning. The headquarters – field relations of Action Aid International (AAI), the Asian Development Bank (AsDB), the Food and Agriculture Organization of the United Nations (FAO), the International Food Policy Research Institute (IFPRI), the Swiss Agency for Development and Cooperation (SDC), and occasionally other organisations have been reviewed. The main sources of information were evaluations and reports about the organisations' decentralisation experiences complemented by selected peer reviews by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). Furthermore a number of telephone interviews with key people were conducted. In particular, the research approach covers IFAD's four strategic dimensions of field presence: (1) implementation support, (2) policy dialogue, (3) partnership building, and (4) knowledge management. As cross-cutting concerns the study pays attention to: (1) the cost-effectiveness of the headquarters – field arrangement, (2) capacity development, and (3) innovation, replication and up-scaling.

Overall Findings

- **The development effectiveness of field presence is viewed positively** by all organisations – in spite of numerous challenges and associated costs. Due to better contacts with the field aid is better adapted to the local situation and its effectiveness has improved.
- **The efficiency gains by strengthening field presence are ambiguous**. Restructuring requires resources in terms of time, finance and human capacities and deliberate efforts are required to compensate for the additional costs that are likely to occur. Inadequate resources limit the effectiveness of decentralised operations.
- **Structuring of institutions and processes matters a lot but is not a panacea**. The staff's personal commitment, know-how, experience, and connections strongly influence the work arrangements and its successes.

Lessons Learned

There are considerable differences between IFAD's FPPP and the comparator organisations. Moreover, they are very diverse among themselves with respect to their history, their institutional background and their key orientation. In spite of this diversity there are some common lessons to be learned:
- Decentralisation processes do not occur in isolation: The prioritisation of objectives in a decentralisation exercise matters and linkages to other on-going structural reforms are to be taken into account.
- Flexibility is essential in order to find appropriate answers to different and changing contexts – with respect to structures, staffing issues, locations, distribution of responsibilities.

- Inappropriate delegation of authority and inadequate capacities in the field seriously hamper effectiveness, undermine the potential benefits of field presence, and may negatively impact the organisation's reputation in the host country.
- Adequate capacities and professional human resource management in terms of guidance, staffing and training is a key factor for success. While reducing international field staff to a minimum, local staff is seen as a plus.

Key Recommendations

Throughout the text a number of recommendations are made. Some of them relate directly to the above mentioned lessons learned, others are more specifically tied to the strategic dimensions or cross-cutting issues which structure the report. Overall more than 40 recommendations which seem relevant to any organisation considering decentralising its operations are presented. The most relevant recommendations include:
- Clarify the motivation for and objective of strengthened field presence – increasing the development effectiveness of operations and cutting costs of operations are not necessarily compatible.
- Use multiple approaches instead of the "one size fits all" panacea to respond to different contexts.
- Consult field partners and field staff first and take their needs and proposals into account.
- Analyse potential interferences of the field presence restructuring process with other planned and on-going internal changes.
- Pay attention to changing roles at headquarters and describe the division of labour in simple and clear-cut principles providing clear frameworks for planning and budgeting.
- Provide tailor made as well as systematic capacity building for field and headquarters staff in order to cope with changed demands, including skills related to working in teams, managing partnerships and projects.
- Include appropriate delegation of authority with respect to conceptual, planning, operational and financial affairs in line with delegated responsibilities.
- Consider minimum staffing of field offices for meaningful fulfilment of the tasks allocated and make maximum use of local staff.
- Use delegated partnerships with like-minded organisations to cut transaction costs.

1   Introduction

1.1   Mandate and Methodology

The International Fund for Agricultural Development's (IFAD) Office of Evaluation has mandated a team to undertake a corporate level **evaluation of IFAD's Field Presence Pilot Programme (FPPP)** in 2006/07. This covers IFAD's field presence in: 15 FPPP countries[1]; 6 proxy field presence countries[2]; two country programme management outpost countries[3]; and 10 comparator group countries.[4],[5] In this context, the approach and experiences of other organisations – comparable to IFAD – are of importance (see chapter 1.2 for more information on the selected comparator organisations). The Inception Report[6] proposed to use benchmarking (in the sense of "identifying and learning from good practices in other organizations") as an instrument for the FPPP evaluation. The aim of the benchmarking exercise is to learn from field presence and decentralisation experiences from selected comparator organisations rather than attempt a systematic comparative performance assessment.

The **methodology** for this comparative review in answering the key questions set out in the attached matrix (Annex 1) is based on three pillars:
- Desk research: screening of available documents of the five organisations, in particular evaluative studies; in addition any accessible recent studies of other agencies on their headquarters – field relationship have been used as raw material;
- Phone interviews: as a second step, informed staff at the headquarters of the five priority organisations were contacted by e-mail and subsequent telephone interviews were conducted based on the findings in the documentation;
- Personal interviews: IFAD's FPPP evaluation includes visits of the evaluation team to 25 countries between October 2006 and January 2007. Occasionally, field staff of the five organisations chosen for this report have been interviewed to collect additional material.

Based on the diversity of approaches guiding the headquarters – field relationships and the experience of comparator organisations, the objective of this benchmarking study is to provide **good practices for field presence** of the organisations included in the study. In particular, the research approach covers IFAD's four strategic dimensions of field presence: (1) implementation support, (2) policy dialogue, (3) partnership building, and (4) knowledge management. As cross-cutting concerns the study will pay attention to: (1) the cost-effectiveness of the headquarters – field arrangement, (2) capacity development, and (3) innovation, replication and upscaling. The following graph presents a visualisation of the chosen approach:

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[1] Bolivia, China/ (covers also Mongolia), Congo/(Congo DR), Egypt, Ethiopia, Haiti, Honduras/ (Nicaragua), India, Nigeria, Senegal/ (Gambia), Sudan, Tanzania, Uganda, Vietnam and Yemen.
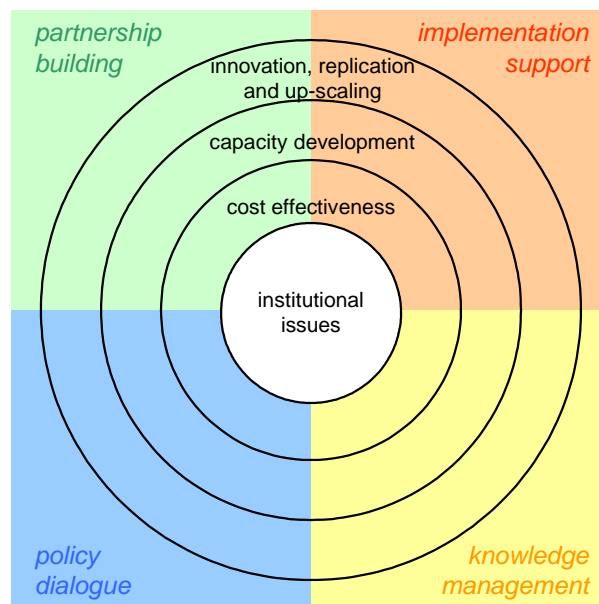[2] Madagascar, Mozambique, Bangladesh, Pakistan, Panama and Syria.
[3] Peru and Panama.
[4] Benin, Mauritania, Kenya, Zambia, Philippines, Sri Lanka, Guatemala, Mexico, Jordan and Tunisia.
[5] For more detailed information on these categories of countries refer to IFAD 2006.
[6] IFAD 2006, p. 8.

Graph 1: The research approach

1.2 Agencies Covered

The main **selection criteria** for including comparator organisations in view of this benchmarking study were: (1) organisations operate broadly in similar areas as IFAD (agriculture and rural development); (2) the selected sample should include United Nations (UN) agencies, International Financial Institutions (IFIs), bilateral aid agencies and non-governmental Organisations (NGOs); and (3) easy access to information on their country presence, especially of an evaluative nature.

Out of a group of 15 organisations initially considered, the following five were included in the FPPP evaluation:
1.   Action Aid International (AAI) – NGO;
2.   Asian Development Bank (AsDB) – IFI;
3.   Food and Agriculture Organisation of the United Nations (FAO) – UN agency;
4.   International Food Policy Research Institute (IFPRI) – public research organisation;
5.   Swiss Agency for Development and Cooperation (SDC) – bilateral donor.

Table 1 provides an overview with key numbers and characteristics of the five organisations:

	AAI	AsDB	FAO	IFPRI	SDC
Type of institution	NGO	IFI	UN agency	Public research institution	Bilateral donor
Orientation	Advocacy	Finance	Knowledge	Research	Implementation
Location of headquarters	Johannesburg, South Africa	Manila, The Philippines	Rome Italy	Washington, USA	Berne, Switzerland
Number of representations	42	26	132	4	52
Total Staff (2006)	1787	around 2000	around 4000	193	around 1100

Sources: websites of the respective organisations as well as some of the reports mentioned in the bibliography.

Table 1: Brief overview of organisations examined

For more details, in particular the field presence experiences of the different organi-sations, consult the annexes 4 to 9 (Annex 4 (AAI); Annex 5 (AsDB); Annex 6 (FAO); Annex 7 (IFPRI); and Annex 8 (SDC)). The experience from these five agencies was complemented and diversified by other material available. The main additional sources were selected peer reviews by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) from 2001 – 2006 (relevant excerpts are presented in Annex 9).[7] Occasional reports and policy papers by bilateral agencies[8] completed the picture.

The report is presented with the following **structure**: Chapter 2 describes general in-stitutional issues followed by a presentation of the four strategic dimensions in Chap-ter 3. After that the three cross-cutting concerns are discussed in Chapter 4 and con-clusions are drawn in Chapter 5. As mentioned in the preceding paragraph, the An-nexes contain elaborate information on the five organisations (Annexes 4 – 9, which are available as a separate document). Furthermore the key questions used for the document analysis and interviews are presented in Annex 1, the staff interviewed are listed in Annex 2, and the documents consulted in Annex 3.

2   Institutional Issues

The **overall context** in which an agency operates contains important drivers for shaping its headquarters – field relationship. These include:

*   Trends in development cooperation towards programme aid, including poverty reduction strategies (PRS), general budget support (GBS), sector-wide ap-proaches (SWAPs) and harmonisation of aid modalities intensify coordination and cooperation among donors and with the partner government. These proc-esses can only be followed up properly and with the necessary consistence if in-country representation is in place.

*   The increased availability of and rapid developments in information and com-munication technologies (ICT) are a crucial element in a changing context. Even though a functioning technical infrastructure is a prerequisite of decentralised operations, ICTs were mentioned surprisingly little. Only AsDB addresses them explicitly in their Resident Mission Policy. However, when explicitly asked about there is broad agreement that they are key to successful decentralisation, as they facilitate access to relevant data, coordination, exchange of knowledge etc. In the DAC Peer Review 2001 of the United Kingdom (UK), ICTs were men-tioned several times, sometimes as a difficulty.[9] Nowadays modern technology is used extensively (videoconferencing, intranet, virtual teams).

The **specific background** of the involved institutions is diverse and influences their vision and goals and thus the focus of their daily work. Bilateral donors, for example, are part of a national representation and have to fit into that structure; research insti-tutions have a focus on knowledge; a UN organisation understands itself as a neutral

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[7] Annex 9 includes excerpts of the reviews of the following countries and years: UK 2001 and 2006; Sweden 2005; New Zealand 2005; Germany 2005; Portugal 2006; Switzerland 2005; Belgium 2006; Netherlands 2001 and 2006; USA 2006; Greece 2006.
[8] Namely CIDA, DFID, EC, GTZ, Sida.
[9] For example unsatisfactory internet access in some locations, as it was more common at that time, which made access to relevant information difficult.

partner. These differences are noticeable particularly in the arrangements of the field representations of the respective organisations: bilateral donors often cooperate very closely with their embassies; other organisations carefully choose office locations to facilitate potential partnerships or cut costs. For bilateral donors the organisation of development cooperation at the national level is particularly influential in the design of their field presence[10] (see also the last paragraph of this chapter on this issue and the relevance for cost implications in chapter 4.1).

Parallel to the diversity in their backgrounds, the **institutional history** of the organisations reviewed differs considerably. Some have had field representations for many years (FAO, SDC – as well as other bilateral donors such as the Netherlands or the UK), while others have only recently started decentralising (IFPRI). For the last decade, aid agencies have witnessed a general trend towards greater empowerment of their field missions, with strategic local leadership. Given such diverse backgrounds and history, it is not surprising that restructuring processes have taken very different approaches: top-down (FAO) vs. bottom-up (AAI, SDC) and somewhere in between (AsDB, IFPRI).

The diversity of the chosen restructuring processes also reflects the manifold **motives** for restructuring and decentralisation. One of them is certainly the wish for improved client orientation and proximity (FAO, AsDB, AAI). In other cases, external pressure played a role (FAO and the UN System); or the need evolved from their daily work (IFPRI). In the case of AsDB, the reasons for enhancing field presence were very close to IFAD's. AsDB mentions as tasks for their resident missions (RMs): promotion of AsDB's overarching goal of poverty reduction; enhancement of policy dialogue; being sources of knowledge; enhancement of AsDB's visibility and responsiveness; creation of strong partnerships; taking on leadership in aid coordination; and promotion of sub-regional cooperation.[11]

The motives translate into a **multiplicity of approaches** to shape field presence arrangements. AAI explicitly states that decentralisation is seen to have no blueprint. There are wide differences in the conceptualisation and implementation of partnerships and community empowerment from one country programme to another. AsDB distinguishes between RMs, subregional offices, representative offices, and special liaison offices. The FAO states that it "cannot have the same approach in all regions and all developing countries (…) A weakness in the Organization's development effectiveness to date is that it has not adequately adapted to diverse situations"[12]. In the case of SDC it is stated that: "A globally unified field presence model is for SDC not feasible, neither from a development policy point of view nor would it be a cost effective solution"[13]; also Sweden knows differentiation which is expressed in three levels of delegation to the field offices. One possibility to achieve adequate differentiation is the participation of the field in the restructuring process. SDC has an extensive practice with bottom-up processes which generally are considered as success-

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[10] DAC Peer Review Switzerland 2005; DAC Peer Review Germany 2005; Keydel and Obser 1999; to a lesser extent also in other Peer Reviews.
[11] AsDB 2000, p. 22.
[12] FAO 2004, p. 74.
[13] „Ein einheitliches (weltweit gleichartiges) Kobü-Modell ist aber für die Deza sowohl unter entwicklungspolitischen als auch unter wirtschaftlichen Kriterien nicht realisierbar" (Alioth, Frei and Obser 2004a, p. 21).

ful. On the other hand top-down restructuring in the FAO has achieved limited effects only.[14]

► *Use multiple approaches to respond to different contexts instead of a ready-made blueprint.*

► *Consult field partners and staff first and take their needs and proposals into account to organise a bottom-up restructuring of headquarters – field relations.*

A rearrangement of the headquarters – field relationship is usually part of a number of **institutional changes** in an agency; it does not occur in isolation. Various processes that affect the overall structure of headquarters – field relationships run parallel to decentralisation as a management strategy. Many of the organisations studied had other internal change processes in progress that supported or interfered with the extension of field presence. In the current situation budget cuts are an issue that can have a marked influence on restructuring processes. In the case of the FAO not all the process could be implemented as planned, while GTZ reported that reduced financial resources were a noticeable factor in the decentralisation process.[15] In the case of the Netherlands it was not budget cuts which interfered with the decentralisation process, but the decentralisation had a slowing down and changing impact on other processes in the evaluation and gender sector.[16]

► *Analyse potential interference of the field presence restructuring process with other planned and on-going internal changes.*

The question of how to organise field presence always includes the **division of labour between headquarters and the field.** Sida pursued the ideal of finding a balance between an empowered and strengthened field organisation and a supportive organisation at headquarters so as to create the best possible basis for fulfilling the poverty reduction goal. In SDC the tasks are organised as follows:

• The field office is in charge of implementing tasks within the operational programme and identifying new projects;
• Headquarters are concentrating on the overall planning and management, the monitoring of the annual programme, the elaboration of concepts, support and consulting with respect to the programme cycle management, participation in so-called '*moments forts'* as well as development political aspects. Furthermore, it fulfils service functions in the field (consultants etc.);
• Strategies and concepts, including sectoral policies on the level of the country programme, are shared tasks.

Generally speaking, SDC allocated the tasks according to perceived comparative advantages: the field office is taking on those tasks for which it is better suited (closeness to the field, local contacts etc.); the role of headquarters is increasingly moving towards consulting, support, general guidelines and management. Shared tasks imply that responsibilities need to be negotiated and solutions are only possible in team work.[17] Negotiations are therefore seen to be inherent in such processes and are not

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[14] FAO 2004, p. 74.
[15] Keydel and Obser 1999.
[16] DAC Peer Review of the Netherlands 2001.
[17] Alioth, et al. 2004a, p. 9.

considered to be unusual. The results also take different forms depending on the personal qualifications and experience of the staff involved. Other organisations report a similar division of tasks;[18] the delegation of the annual programming to the field is a particularly common process.[19] Based on the division of tasks between headquarters and field offices it follows that a restructuring of field presence involves a reorganisation at headquarters in terms of positions and processes. In Sida, "the field refers to the need for a changed mindset within the organization as a whole. (…) There is still a discussion of the tasks of the regional departments when all the basic functions are delegated to the field."[20] And: "There is a general feeling at embassies that much is still lacking in overall attitudes from HQ vs the field. The mindset needs to change in favour of field orientation. Unnecessary information and documentation is given to the field (…). Too little time is given for reaction and comments."[21] As shown with the example of SDC, the allocation of tasks follows the simple principle of assigning it to either the field or headquarters or both. This latter principle of shared tasks is used by both SDC and AsDB. It implies specific skills with respect to teamwork and negotiations. Working in a decentralised environment makes adequate human resource management a big challenge in terms of having the right skills at the right place at the right moment.[22] In several instances it has been noted that personal know-how, experience, and connections of individual staff influence the work arrangements (SDC, AsDB) or success (IFPRI) of an organisation – this might have been the result of successful placements by a human resource department or also a coincidence.

► *The division of labour between headquarters and field offices should be laid down in simple and clear-cut principles and procedures.*

► *When restructuring field presence, pay attention to the changing roles at headquarters and manage human resources carefully.*

Box 1: DFID – The Blue Book, an effective document of processes

Like any large, decentralised organisation, DFID uses a wide range of operational procedures. In order to make these processes as simple and as well known as possible, DFID created the *Blue Book.* This is "an innovative essential guide to the rules and tools of the organisation. The *Blue Book* sets out the core rules, procedures and systems for DFID operations that most staff is expected to know. These practices are updated as guidance evolves. The *Blue Book* represents a significant rationalisation and streamlining of predecessor manuals and guidelines. In a very compact (100 pages) and user friendly manner, it explains DFID mandatory requirements while providing useful links and references for the remaining support materials of interest to each area. The *Blue Book* has become the one-stop, primary reference document for the effective functioning of DFID's large and highly decentralised operations. It is among the best examples seen in the DAC to date."

Source: DAC Peer Review of the UK 2006, p. 58.

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[18] In the case of the USA it is reported that "the balance between central direction and field-based programming is still evolving" (DAC Peer Review United States 2006, p. 49).
[19] The fact that local knowledge is also indispensable for operational planning is reflected in the plan of the USA who want to develop an integrated Operational Plans which all field missions have to prepare by 2008. They should be drawn on "knowledge of local realities" (DAC Peer Review United States, p. 50).
[20] Agrell 2006, p. 3.
[21] Agrell 2006, p. 24.
[22] Various DAC Peer Reviews.

Project implementation is only one field where local representations have a comparative advantage. AsDB has identified three broad **areas** which are relevant for contributions from the field: (1) project administration; (2) facilitation of the preparation of AsDB's country operational strategies and assistance plans; and (3) country interface. All RMs have expanded their role and participation in key aspects of country programming well beyond what was expected in decentralisation policy.[23] The positive effect of receiving a lot of input for the country programming can be attributed to the fact that this task has been clearly delegated to the field and programme economists have been shifted to the countries. The RMs therefore had the mandate and the resources and could create a much more participatory approach that has proven to be very successful. AsDB has found that in the case of delegated leadership in the country programming it "provides a more sustained process of local participation and aid agency coordination, thus building more ownership than is possible through an exclusively HQ-based approach."[24] Furthermore it has been found that local representations have a comparative advantage and a key responsibility in identifying projects (SDC, local teams in the networks of FPRI) as well as in alliance/partnership building and in giving legitimacy to policy dialogue activities (AAI, SDC). The two latter aspects are discussed in the following chapters.

A specific aspect of the division of labour between headquarters and the field are demand-driven **headquarters' services** for the field units. The DAC notes on the UK: "In parallel with top end programming processes, the structured DFID approach to development has led the Department to produce a very wide range of policies, practice papers and other directive materials, some of which are not necessarily linked to field needs or realities. Particularly as DFID becomes more field based and moves closer to an operational approach that involves multiple partners, it will want to review the utility of this type of documentation to ensure that it is not over-investing intellectual resources into an area that is either redundant with other partner efforts or of little relevance to the field."[25] A similar experience is reported about SDC: "Overall, homemade complexity absorbs too much energy."[26] The DAC reminds SDC's Thematic and Technical Department to "assist the co-operation offices in providing useful data as part of routine planning, budgeting and reporting for a more systematized accounting for results in reducing poverty."[27]

► *Beware of supply-driven headquarters' activity by organising regular feedback from the field units on the utility of headquarters' support services.*

Delegation of authority is a key factor of success. Any decentralisation policy needs to be accompanied by effective measures, one of which is adequate decentralisation of authority, particularly with respect to decision-making and financial issues. If this is not done, decentralisation is a failure. FAO: "It was (…) also often noted in mitigation that the FAORs were limited in developing their roles by the lack of decentralization of authority."[28] In the case of Switzerland, a striking imbalance between delegated

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[23] AsDB 2002, p. iii.
[24] AsDB 2002, p. 10.
[25] DAC Peer Review United Kingdom 2006, p. 17.
[26] „Insgesamt absorbiert die hausgemachte (inhaltliche, konzeptionelle und steuerungsmässige) Komplexität zu viel Energie" (Alioth et al. p. 37).
[27] DAC Peer Review Switzerland 2005, p. 83.
[28] FAO 2004, p. 61.

policy authority and financial competences is reported: "The COOFs enjoy an important degree of decision-making authority, reporting directly to their headquarters in Bern. They conduct the policy dialogue with partner governments and bilateral and multilateral agencies represented at country level; assess local conditions; contribute to the formulation, implementation, monitoring and evaluation of the country or regional programme; administer the budget; manage local staff and serve as knowledge centres and operational focal points beyond SDC and seco. Their relatively high degree of programming independence contrasts with a relatively low level of financial autonomy, however, as their delegated authority is only CHF 20,000 per activity."[29] In Sida, full delegation accords decision-making responsibility to the head of the individual field office for activities up to USD 6 million (SEK 50 million) and for all programmes and projects included in the Country Plan."[30] In DFID, "delegated responsibilities include production of the CAP (which requires London review), full authority to implement the CAP, planning monitoring and reporting, ensuring cohesion with national strategies and systems, promoting coherent UK policy and taking appropriate actions if programme objectives require attention. The Head of Office is delegated financial authority up to GBP 7.5 million per action. Increasingly, the role of headquarters staff is defined in support of its field offices and so as to maintain appropriate levels of field – headquarters dialogue."[31]

► *An effective field presence includes not only the delegation of tasks but requires also a delegation of authority in conceptual, planning, operational and financial affairs.*

With respect to rating decentralised operations it has been found that there is a marked **positive appreciation** of all the field presence benefits. These include being less remote or culturally more in tune.[32] The World Bank's (WB) "focus on decentralisation of its staff has resulted in better client relations and more listening. The increased accessibility of Bank staff, combined with increased exposure of staff to the daily challenges of supervising Bank-supported operations, has increased understanding and appreciation of participation of all relevant stakeholders."[33] The devolution of the European Commission's (EC) external aid management resulted in clear improvements: "The speed and quality of project management are benefiting from the increased capacity in the operational units of the delegations and from having the finance and contract staff available on the ground. This leads to a better problem-solving capacity within the delegation and to increased contacts with beneficiaries and other relevant parties as well as to a better understanding of local conditions, risks and opportunities."[34] The DAC draws a clear conclusion on the British experience: "Further decentralisation to individual country offices with a high level of devolved responsibility improves DFID's capacity to form partnerships with developing countries and enhances its capacity to tailor strategic priorities to local contexts."[35] However, while the overall appreciation of decentralised structures is noticeable, it is

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[29] DAC Peer Review Switzerland 2005, p. 74.
[30] DAC Peer Review Sweden 2005, p. 47.
[31] DAC Peer Review United Kingdom 2006, p. 55.
[32] For example in the case of the Philippines AsDB is thinking about some form of field presence, as "culturally personal relationships are important and this is difficult to cultivate from a distance" (Dorothy Luck, Philippines Country Notes for Draft Report).
[33] Aycrigg 1998, p. 28.
[34] Court of Auditors 2005, S. 3.
[35] DAC Peer Review United Kingdom 2001, p. I-31.

difficult to find empirical evidence for this assessment. The special report for EC aid management concluded that the "lack of a complete set of performance indicators at an early stage in the devolution process makes it difficult to measure progress against the main objectives."[36] And Sida says: "The general view voiced by persons interviewed is: yes, we produce better aid with decentralized decision making. It has not been possible to make an assessment of the efficiency of the vision."[37] Similarly, methodological difficulties were reported in the case of the German Agency for Technical Cooperation (GTZ), where the assessment of GTZ's effectiveness was reduced to "qualitative estimates"[38] that were positive overall, particularly with regard to improved know-how at the country level, which is also seen as a precondition for a better alignment of projects. Similarly a study which also examined different decentralisation experiences for the African Development Bank (AfDB) came to the conclusion that all organisations under review[39] believe that an enhanced field presence has added considerably to the quality of their information and services, although they admit that it is difficult to demonstrate a quantifiable impact on the efficiency or effectiveness of their operations.

One last aspect in the discussion of institutional issues is the **perception of the organisations in the field**, as some feel that their local representations are their face. One relevant finding in this respect is that the perceptions of an organisation in the field may differ from the role they claim or would like to have. IFPRI, for example, does not want to be seen as donor. This influences their allocation of funds[40]. The same is true for some parts of AAI: "This image (that of a donor agency working with local partner) is evident particularly in the work that AA does with communities and community organisations such as the irrigation committee in Koysha (…)."[41] And: "The donor mode is apparent in relationships with communities and project groups. (…) Evidence on the ground reveals a nearly mechanistic approach to partnership development which is bordering on donor/recipient mode of engagement."[42] The FAO is perceived differently by different partners; though they have no doubt about FAO's identity as a knowledge institution. In AsDB the RMs are clearly seen as "the face of the organisation"[43]. Another finding relates to an issue already mentioned, the influence that the set-up at the national level has in the field. In Switzerland – with SDC and the State Secretariat for Economic Affairs (SECO) – as well as in Germany – with GTZ and the KfW Development Bank – development cooperation tasks are shared by multiple institutions.[44] The DAC peer review comments on Germany: "Nevertheless, the existence of multiple agency actors is still perceived locally as

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[36] Court of Auditors 2005, p.3.

[37] Agrell 2006, p. 21.

[38] Keydel and Obser 1999, p. 61.

[39] The organisations include the WB, some regional multilateral development banks and a number of major bilateral donors including DFID, CIDA and the Agence Française de Développement. African Development Bank 2004.

[40] Paarlberg 2005, p. 29.

[41] AAI 2004b, p. 9.

[42] AAI 2004b, p.31.

[43] AsDB 2002, p. 22.

[44] The same is true for the USA where an even larger number of government institutions provide development assistance. However, the "the traditional parallel field organisational structures (the local embassy and USAID mission)" is being rethought in the context of the newly created Office of the Director of Foreign Assistance. At the same time it is acknowledged that "maintaining such a decentralised approach may be difficult given the politically charged decision-making environment in Washington and the proximity of development and domestic geo-political goals in the same joined-up organisation" (DAC Peer Review United States 2006, p. 49).

complicated and time consuming (different administrative procedures, need to maintain multiple contacts, need for multiple official agreements). The role and authority of the embassy's development co-operation officer and the country team should be reinforced. This would seem to be immediately feasible by calling upon greater support from the implementing agencies. Based on the DAC Peer Review field observations, it would seem highly desirable for Germany to progressively shift the role of this field leadership from information sharing and minimal co-ordination to one of pro-active and strategic management of German aid locally."[45] Furthermore, Keydel and Obser found that the decentralisation of GTZ reinforced institutional and structural differences between the actors. The issue of multiple institutions is particularly noticeable also in questions of human resource management. In the case of Belgium, resource management has shifted from the directorate level to the ministry level, which has caused some problems.[46] Also Sida is seen to need further refinement of its recruitment process.

► *Donors with a multiple agency structure should embark on a process of internal harmonisation and coordinated aid management in the field.*

The **key insight** gained from looking at institutional issues of restructuring and decentralisation is the fact that processes of institutional change do not occur in isolation. In practice this links to a variety of issues: An analysis of potential interferences with other processes, careful human resource management as well as simple and clear-cut principles and procedures facilitate changes and the corresponding new roles. Changing roles at all levels of the organisation and the mutual influences they have need to be particularly taken into consideration. Besides this central lesson of the interrelated nature of decentralisation processes, there are two other relevant findings: multiple approaches assist adaptation to different wider contexts; and effective field presence requires adequate delegation of authority.

3 Strategic Dimensions

3.1 Project Implementation

For many organisations support for project implementation was initially a major motivation for field presence. This is also true for SDC, which said that support for implementation was *the* main motivation for decentralisation. However, decentralisation of mere implementation tasks has led to elaborate **management and control mechanisms**. This effect leads to limited decentralisation without empowerment for conceptual issues in the field. In other words: "Decentralisation in operational matters is countered by recentralising tendencies in administrative matters."[47] In some cases this results in negotiations of specific competences between the field and headquarters. An important aspect in the elaboration of planning mechanisms is the timing and

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[45] DAC Peer Review Germany 2005, p. 67.
[46] DAC Peer Review Belgium 2006.
[47] „...die Dezentralisierung im Operationellen steht rezentralisierenden Tendenzen im Administrativen gegenüber, ..." (Alioth, et al. 2004a, p. 18, 24, 26).

coordination of processes headquarters and in the field. The experience of AAI shows that clear frameworks are needed in order to avoid problems for the partners: "Bottom-up programming at country level made the frameworks responsive to local felt needs. However, in some cases, budget constraints have not been relayed to the country programmes before the planning. This resulted in the need to cut plans (up to 50% in some cases), which results in the risk of losing credibility in the constituencies due to failure to meet their expectations."[48]

► *In order to be effective, decentralisation should go beyond mere implementation tasks and include appropriate conceptual and financial authority in order to avoid central management and control mechanisms with recentralising tendencies.*

► *It is advisable to communicate to the field missions a clear framework for their regular bottom-up planning and budgeting.*

No quantitative **evidence** of direct benefits of enhanced field presence on project implementation could be found. AsDB, as well as FAO, have done some work in this respect[49] and came to mixed conclusions. There are considerable difficulties in measuring the impact of field presence on key country performance indicators such as contract awards, disbursements, and disbursement ratios. Many variables affect country performance and attribution is a problem. Nonetheless, for AsDB the aggregate analysis does show that field offices have a "higher success in bringing projects out of the at risk category. Other results are mixed and, in 2003, generally in favour of headquarters administered projects."[50] However, the conclusive nature of this assessment is disputed as most of the projects are only delegated to RMs half-way through, or even later in, the process. Still, in the interviews a positive relationship between project performance and field presence was assumed by all organisations. SDC emphasised that closer contact allows for context familiarity, better know-how, quicker response time etc. Sida staff argues that the issue is to "produce better aid with decentralized decision making."[51] One aspect of this lack of quantitative evidence might be a finding from the Netherlands. According to the DAC peer review on the Netherlands, the Ministry of Foreign Affairs itself "identified pervasive weaknesses in the decentralised evaluations including very limited insights into programme efficiency, limited insights into effectiveness and limited feedback to the policy cycle. The Netherlands should be commended for taking steps to address these weaknesses, including setting up an IOB help desk to regularly review the quality of decentralised evaluations and to advise operational staff undertaking such evaluations and revising the ministry's evaluation guidelines."[52] An interesting example in this respect are the Mission Management Assessments carried out by USAID. While they do not directly assess the impact of field presence on the performance in a country, they "evaluate and improve the effectiveness of field operations"[53] (see chapter 4.3 for a more detailed description of this tool).

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[48] AAI 2004b, p. 11.
[49] AsDB 2004; FAO 2004 and FAO 2006c.
[50] AsDB 2004, p. vii.
[51] Agrell 2006, p. 21.
[52] DAC Peer Review Netherlands 2006, p. 60.
[53] DAC Peer Review United States 2006, p. 52. This instrument is also seen as a tool for identifying best practice, however no results have been reported in this respect.

► *Systematic monitoring is needed in order to assess benefits of decentralisation for project implementation.*

► *An enhanced role of field units in evaluations up to a delegated responsibility requires institution-wide quality standards and quality control.*

A special situation also for project implementation are **fragile states**.[54] "In post-conflict situations, where institutional capacity is weak, OED has noted that the Bank must be prepared to allocate sufficient resources for effective project implementation. Such interventions are best implemented through the utilization of assistance from the Bank's resident missions. The key therefore rests with ensuring that the resident missions in post-conflict countries are adequately staffed and equipped to respond to such interventions."[55] Belgium also has considerable experience with its engagement in fragile states. The DAC concludes that one advantage for Belgium in this situation was its flexibility with respect to a variety of possible approaches, particularly disbursement mechanisms.[56]

► *In a post-conflict context and in fragile states with weak government structures it is particularly important to have a strong field presence.*

The information on project implementation in decentralised organisations suggests one **key insight**, which has already been touched upon in the previous chapter: In order to be effective, decentralisation should go beyond mere implementation tasks and include appropriate authorities.

3.2   Policy Dialogue

There are different possibilities to contribute to policy dialogue: On a national level, organisations can provide know-how or experiences from other regions of the world (FAO, IFPRI); others see their strength in providing neutral advice and a platform (FAO); others contribute resources (time for coordination of sectors etc.). On an international level, it also includes advocacy efforts on certain issues (AAI). Policy dialogue is seen to be increasingly important and is often used as a **key argument** for field presence and further decentralisation (SDC, AsDB, DAC Peer Reviews). Policy dialogue is one of the key tools for delivering programme aid, and the expansion of instruments such as GBS, sector budget support (SBS) leads to an upsurge of policy dialogue. Experience in project implementation provides closeness to the grassroots and strengthens legitimacy for policy dialogue (AAI). Also SDC found that field presence increases its credibility in the policy dialogue and contributes to potentially higher impacts. In order to be credible contributions to policy dialogue have to be related to an organisation's country programme. It is therefore usually not possible to have a broad role in policy dialogue. Apart from legitimacy from project work which

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[54] Closely related to the issue of fragile states is humanitarian aid. While this is not relevant in the context of IFAD, the studies consulted have shown that decentralisation is a different matter in the context of humanitarian aid where centralised decision making is a key issue. Bilateral donors often have different structures for bilateral cooperation and humanitarian aid.
[55] World Bank 2001.
[56] DAC Peer Review Belgium.

strengthens policy dialogue the responsiveness that field presence enables is an-
other key aspect. Sida has found the following in this respect: "It is clear that partner
countries appreciate both that planning and preparation times are shorter and that
decision makers are closer – which facilitates the dialogue."[57]

Box 2: AsDB – Areas of policy dialogue

RMs have conducted policy dialogue across a wide range of issues, usually in collaboration with the
concerned HQ staff. The RMs' local presence has allowed them to maintain the policy dialogue on a
continuous basis. Major areas of dialogue have included
§   poverty assessments, poverty reduction strategies;
§   governance assessments, corporate and financial governance;
§   macroeconomic and fiscal policy;
§   sector restructuring and reform, especially financial, transport, small and medium enter-
         prises/microfinance;
§   private sector development strategies;
§   environmental policy and land laws; and
§   regional cooperation.
RMs are also active participants in joint aid agency efforts at policy dialogue coordination through
the Consultative Group on Indonesia and other consultative groups.

Source: AsDB 2002, p. 5.

There is a strong link of the up-scaling concern to **policy dialogue** as an appropriate
framework, usually as a pre-condition for large-scale replication and up-scaling. IF-
PRI's experiences in this respect is described as follows: "The understanding of the
political agenda and the timing is necessary to ensure that IFPRI research can feed
into the policy processes and achieve maximum impact. The task of our research is
to improve the quality of policies. It is therefore vital that our research is available for
policy analysts and advisers at a point when the debate is still open and the policy
drafts are discussed. Once the policy decisions are made, even the best research is
useless, as it comes too late."[58]

►   *Use policy dialogue to up-scale and mainstream lessons learnt.*

Adjusting **capacities** at local levels is a key issue, as the FAO's experience shows:
"Rather than empowering the FAORs to engage in the continuing national dialogue
required to develop the Field Programme and investment opportunities in the context
of the PRSPs, NEPAD, etc., FAO was often relying heavily on short-term inputs from
the policy assistance branches, and TCA and TCI in Rome."[59] The lack of flexibility in
the use and availability of resources has sometimes undermined FAO's effectiveness
in engaging in partnerships and has given the impression that the organisation is in-
sufficiently prepared for active management and contributing to partnerships.[60] There
seems to be a minimum number of staff required in local representations in order to
participate effectively in policy dialogue (AsDB). It has been found that "a minimum
threshold of more than two professional HQ staff are needed: two-person resident
missions can undertake only a limited range of functions at any serious level of inten-
sity."[61] Similar experiences with respect to the issue of adequate human resources

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[57] Agrell 2006, p. 21.
[58] Written communication Klaus von Grebmer.
[59] FAO 2004, p. 26.
[60] FAO 2006a, p. 8.
[61] AsDB 2002, p. 24.

were made by DFID. An evaluation concluded that a "key lesson regarding country offices is that in small programmes the critical resource is human rather than financial. The Brazil and Cambodia programmes demonstrate the benefits of professionally staffed local offices, particularly when (as in Cambodia) staff are also allowed sufficient time and space to contribute to policy and aid coordination dialogues. Greater delegated authority would also appear to be beneficial."[62] Furthermore the role that local representations can play in policy dialogue depends largely on the extent to which they are responsible for other functions such as programming and project processing. "Those RMs that lead country programming activities are most involved in policy dialogue in a number of key areas, particularly governance, macroeconomic policy, and portfolio management. Much policy dialogue takes place in the context of sectors and projects, and here RMs play a more supportive role to HQ-led efforts."[63]

► *Staff resident field offices professionally and allow the respective staff adequate time to prepare for, and participate in, a meaningful policy dialogue.*

► *Consider the minimum staffing of a field office in view of meaningful participation in policy dialogue.*

Domestic research capacities are a fertile ground for debating relevant policies and competing policy ideas. "IFPRI's greatest institutional challenge has always been to **bridge the research-to-policy gap**, and the probability of bridging this gap goes up when IFPRI staff are outposted closer and closer to policymakers at the national level." And, "in low capacity regions, policy research networks (both formal and informal) operate best within countries: among government officials, universities, think tanks, donor representatives, and NGOs. To engage these important *intra*national networks IFPRI should not be afraid to conduct more of its research efforts through country strategy offices."[64] IFPRI actively seeks to strengthen the capacity for policy research in developing countries. In the process, it often strengthens its own competitors: "In some cases, competitors should rightly grow to fill some of IFPRI's old niches, but for many broader international public goods there will continue to be plenty of room for IFPRI and its competitors to grow and collaborate, given past underinvestment in food policy research."[65]

► *Strengthen domestic research and policy institutions to stimulate the domestic policy debate.*

Field presence is an important element in providing **leverage** to an agency. Regarding Sweden's field presence, the DAC Peer Review observed that "decentralisation of authority to the field permits Sweden to play a role in development co-operation far beyond the ODA volumes that it can provide."[66] Similarly, Switzerland, despite being among the smallest donors, has been entrusted several times with the chair of donor groups for GBS. It chaired the GBS group of 17 donors in Mozambique in 2004/05; in

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[62] Flint, Gray and Jones 2004, p. vii – viii.
[63] AsDB 2002, p. 5.
[64] Paarlberg, p. 39 – 40.
[65] IFPRI 2005d, p. 43.
[66] DAC Peer Review Sweden 2005, p. 68.

July 2006, in Tanzania, Switzerland was entrusted with the GBS chair on behalf of 14 donors for 2006/07. Switzerland also took the lead among the GBS-group of nine donors in Burkina Faso in the same year. The donor group in Nicaragua also appointed Switzerland as its chair in 2005. This prominent role may be interpreted as evidence of how field presence can translate into a policy influence far beyond the financial contribution.

► *Field presence is an opportunity for small and medium-sized agencies to leverage policy influence.*

Relevant **experience from other countries** needs to feed into a professional policy dialogue without crowding out local experience. In the case of AAI, most of the resources for policy work at an international level are devoted to specialist teams that have central budgets of several hundred thousand dollars. There is a risk that international rights-based advocacy campaigns may preoccupy AAI at the expense of national and sub-regional level efforts. A conscious effort to balance national, sub-regional, and international advocacy needs to be sustained.[67]

► *Make use of experiences in other countries and balance them against local evidence when contributing to policy dialogue.*

Policy dialogue is a key argument for decentralised operations. In order to successfully make use of the opportunities that field presence offers in this respect the **key insight** is to provide adequate capacities for field staff. Adequate capacities refer to available time (which also means that a minimum staffing is required) as well as relevant skills and know-how.

3.3 Partnership Building

In the context of increased collaboration among different agents in development cooperation, partnerships are a critical element. A growing emphasis on aid coordination has been a reason for increased field presence for AsDB: "Because resources are scarce, duplication of work must be avoided, hence the growing emphasis on aid coordination and a clear division of labor among aid agencies. (…) there is a consensus that such coordination should be led by the DMC and include all stakeholders, and that much more should be done in the country. To participate effectively in this exercise, ADB must have a strong local presence."[68] There is an enormous **diversity** in partnerships: joining forces on the same themes; using similar approaches; or working with similar types of organisations, e.g. like minded donor groups. Within AAI, partnerships are a core element and they are present at four levels: grassroots, national, sub-regional and global.[69] Competence-building processes at partner level focus on accountability and resource mobilisation as these are seen to be important elements of the self-management of community organisations.[70] Field representation facilitates launching and maintaining relations with a highly diversified portfolio of

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[67] AAI 2004b, p. 5.
[68] AsDB 2000, p. 15.
[69] AAI 2004b, p. 4.
[70] AAI 2004b, p. 27.

partners. AsDB increased the diversity of its partners, in particular its relationship with NGOs, thanks to RMs. There is a general agreement that local presence is very efficient in building up partnerships, leading to much more coordination, but again empirical evidence is lacking. A general positive assessment is expressed by AsDB: "RM involvement has brought greater depth, intensity, frequency, quality, and interactivity to ADB's country relations, and is perhaps the most visible outcome of the RM policy."[71]

Entering and **managing partnerships** in a professional manner requires competencies at different levels:
- At the institutional level delegation of authority to the field is important. FAO's Independent Evaluation mentions as a problem that the lack of authority in regional offices "diminishes their standing as partners of the government and the international community"[72];
- Another issue at the institutional level are adequate capacities. AA Kenya, for example, created a new position for managing partnerships;
- At the individual level professional skills in terms of management and negotiation skills are a must.

Furthermore partnerships rely on continuity and reliability. SDC is seen to have a strength in this respect: In the field it is considered a reliable partner operating in a consistent manner. Decentralisation is therefore a crucial aspect for partnerships, as it allows this continued presence as well as decision making on site. Managing partnerships also requires taking on different roles as deemed suitable by circumstances. The example of the FAO shows that this role can not always be the same. The FAO seems reluctant to enter partnerships where it is not the lead agency: "there is scope in many countries for expansion in FAO inputs if the Organization demonstrates its willingness for flexible partnerships, playing a supporting and not exclusively leading role"; and: "although there is no policy against this, great caution (is exercised) by FAO in cooperating in projects as a junior partner."[73] To insist on taking the lead in a partnership is creating unwanted, additional barriers to a supportive role.

► *When working in partnerships provide adequate capacities and competences at both the institutional and individual level.*

► *When building partnerships, take a pragmatic approach, favour ownership of domestic institutions, and do not insist on playing a leadership role.*

Box 3: IFPRI – Partnership building with NEPAD

An example of a new relationship is IFPRI's outpost in Pretoria, which is collaborating with NEPAD: "IFPRI has begun carrying out joint missions with the Secretariat to discuss financial support from the G8 governments and from multilateral development organizations, and is providing regular support to the Secretariat's semi-annual African Partnership Forum meetings with the G8 partners to review implementation." In general, IFPRI's actions should not only strengthen the capacity of its local partners, but also its own capacity to meet the needs of its partners.

Source: Paarlberg, p. 36, CGIAR 2006, p. 32 – 33.

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[71] AsDB 2002, p. 5.
[72] FAO 2004, p. 67.
[73] FAO 2004, p. 25 – 27.

As indicated in the introductory paragraph, the overall context is a driver for an increased number of partnerships. One key element of the global agenda **is aid effectiveness**. This emphasises policy dialogue related to programme aid, which overwhelmingly takes place at the country level. Switzerland, like many other bilateral and multilateral organisations, engages in a collaborative country-led framework (Joint Assistance Strategies, GBS, SBS, etc.). The Swedish evaluation states to "implement the Paris Declaration embassies will have to use their resources differently. The new agenda requires that more time is spent on harmonization, which will give few immediate results. There is a feeling that expectations from HQ on the field are too high and unrealistic; HQ finds it hard to understand the difficulties of putting harmonization into effect."[74] Delegated partnerships with other agencies are an effective way of reducing the costs of field presence. The Paris Declaration on Aid Effectiveness has given a new relevance to them, because they also reduce transaction costs for the partner country. The DAC reports that "DFID is among the donor leaders in testing more effective field-based delivery approaches, including what seems to be an immediately operational concept of delegated partnerships. Based on discussions with members of parliament, however, it would appear that the UK is politically limited in its ability to carry these operationally appealing partnerships very far."[75] According to the DAC, "Sida has demonstrated an ability to implement its country development portfolios with a very small investment in staff (…). This type of delegated partnership has been limited to date, but, because of Sweden's procedural flexibility, could easily lead to much more ambitious efforts in the near term."[76]

► *Make use of the international move towards aid effectiveness as an opportunity to participate in aid coordination, harmonisation and alignment.*

► *Use delegated partnerships with like-minded organisations in selected countries to cut transaction costs.*

IFPRI aimed at having **cooperation arrangements** with local partner organisations instead of separate offices, arguing that coming into a new country as an organisation usually implies huge administrative and bureaucratic hurdles. It can mean that researchers spend up to 50% of their time with administrative work that could be avoided. Therefore, IFPRI usually works with partner organisations (other institutions of the Consultative Group on International Agricultural Research (CGIAR), e.g. in Ethiopia it is the International Livestock Research Institute) with whom it has a service agreement that covers office space, computers etc.. It also means that the immunities and privileges that these organisations enjoy can be used by IFPRI. Staff is usually also employed by these organisations and seconded to IFPRI. CGIAR has a centralised internal audit function that means that this aspect is also covered.

► *Using the facilities of a partner institution is an effective measure of cutting basic field presence costs in terms of time and finance and possibly administrative support.*

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[74] Agrell 2006, p. 3.
[75] DAC Peer Review United Kingdom 2006, p. 59.
[76] DAC Peer Review Sweden 2005, p. 53.

The global agenda for aid effectiveness provides incentives for increased collaboration among various agents. **Key insights** for successful work in partnerships focus on the provision of adequate capacities at the institutional and individual level. With respect to saving costs two important lessons learned include the benefits of delegated partnerships with like minded organisations and the opportunity to use facilities of a partner institution.

3.4   Knowledge Management

The influence of the headquarters – field arrangements on knowledge management should be considered under the two aspects of external and internal processes:

- **External** knowledge management covers communication with various partners and stakeholders and includes exchanges on national, regional or global levels, in order to meaningfully participate in policy dialogue and to share best practice and lessons learned.
- **Internal** knowledge management includes the facilitation of exchanges of experience among different organisational units for daily operations, building up and maintaining an institutional memory, the integration of field experiences in programmes etc.

After some general observations, this chapter will focus on the internal aspects of knowledge management, as external issues have already been an issue in the previous chapters on policy dialogue and partnerships.

An organisation's approach to knowledge management depends to a large extent on its **focus of work**. For IFPRI as a research institution knowledge management has a high priority and its targeted communication illustrates a well thought out knowledge management for both internal and external stakeholders. The Communications Division develops an action plan for all forthcoming research results and uses a number of channels to distribute the results accordingly. While IFPRI has been commended for its effective communications programme[77], it also needs to be said that it has been developed before the decentralised offices were in place. However, it is a goal to further improve knowledge management and communication in the decentralisation process.[78] While IFPRI mainly uses the communications division for knowledge management, the DAC recommends SDC to also use other divisions more effectively in this context. In its Peer Review it mentions the role of the Department of Thematic and Technical Resources ("F Department") as an option for improvement in this respect. The role of SDC's department for thematic and technical resources is, however, seen as being unclear; sometimes it is not even known in the cooperation offices (COOFs). It is rarely an important partner, but if it is used, it is seen to be a useful resource for building the capacity of National Programme Officer (NPOs).[79] Whether it is the communications department or other departments of an organisation, a holistic approach is key. GTZ has won a prize in this field: "GTZ has developed an active system of knowledge management. In 2005, GTZ received an award as 'Knowledge Manager of the Year', from a private German association promoting the topic. GTZ received the award for its 'holistic, project-oriented knowledge management model'. This model harnesses competence in some 100 product areas, each under the responsibility of a product manager who acts as a knowledge broker,

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[77] CGIAR 2006.
[78] Oral communication Klaus von Grebmer.
[79] Alioth et al. 2004a, p. 20.

pooling expertise throughout the organisation. Technical and project information are accessible world wide."[80]

► *Apply a holistic approach to knowledge management.*

AAI found that **horizontal information sharing** across countries and programmes has repeatedly not taken place to the extent envisaged. "AAI is a strongly vertically organised organisation with little incentive system or practice for joint work across the boundaries between countries, or between themes, or between support functions and programme functions. This is the case not only between international and national entities but also within the countries."[81] "Opportunities for learning are being lost due to the lack of time to organize learning experiences by staff and CPs. (…) Opportunities for regional learning are also not taken up as programming and staffing issues are not regionalized except for the Africa Regional Office."[82]

► *Develop a systematic approach for capturing, assessing, and sharing knowledge.*

A key issue in any decentralised organisation is the organisation of the flow of knowledge from field representations to headquarters. For many there is a **lack of feedback** in this respect, as the examples of Sida and SDC show: "The experience of the field organization is not properly used, feed back between management in the field and HQ has to improve and new mechanisms created."[83] The DAC peer review on Switzerland's knowledge management states, "Although the COOFs have some responsibility for documenting good and bad practice, within SDC knowledge management is mostly the responsibility of the Thematic and Technical Department. The possibility for integrating the field experiences and using those where the operations actually take place are thus limited. As for other DAC donors, cases of lessons learned tend to be isolated and knowledge exchange does not translate easily into institutional learning."[84]

► *Create feedback mechanisms from the field to headquarters to further institutional learning and memory.*

Internationally, SDC is perceived to have a high degree of personal know-how, but this seems to be scattered within the organisation and the **institutional memory** is at risk. Although SDC can contribute to international discourse, there are few opportunities to set themes and to acquire the needed knowledge independently.[85] Experiences from DFID and the WB show that there are some long-term risks with respect to very decentralised handling of knowledge (e.g. erosion and loss of institutional

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[80] DAC Peer Review Germany 2005, p. 61.
[81] AAI 2004c, p. 11.
[82] AAI 2004b, p. 28.
[83] Agrell 2006, p. 4.
[84] DAC Peer Review Switzerland 2005, p. 82.
[85] Alioth et al. 2004, p. 19, 20.

memory); both these institutions are in the process of carefully taking countermeasures.[86],[87]

► *Secure an institutional memory by designing and implementing a knowledge management policy.*

As seen in previous chapters, adequate management of **human resources** is a re-occurring issue. It is therefore not surprising, that it is mentioned again in the context of knowledge management. Careful planning not only helps to ensure that an institutional memory is maintained, it can also promote the exchange of information with external partners, as one of SDC's working principles in human resource management illustrates: "Promotion of staff rotation within and outside SDC as well as intersectoral secondments. Temporary placement in external institutions both increases internal knowledge and transfers SDC's institutional experience to the outside world."[88] Staff rotation presents particular challenges to knowledge management. For SDC this means increased attention to know-how at the middle level in COOFs, as with the rotation of the top level NPOs are very often the institutional memory. Local experience, especially in countries where SDC has a long history, is an important characteristic of SDC and its field presence. Being on the ground and in close contact with many stakeholders, COOFs have the opportunity and responsibility to feed relevant information back to headquarters. By doing so they have the opportunity to influence and shape strategic matters. This not only influences SDC's bilateral work but is also fed into multilateral institutions.

► *Pay attention to the key role of NPOs in knowledge management.*

Especially for medium-sized bilateral donors, which face limited resources, knowledge management at headquarters is at a **crossroads:** whether to focus on support to project implementation or to build up a recognised profile and international standing in specialised areas. Resource constraints can also translate into competing tasks within an agency. To what extent does decentralisation favour the prioritisation of field programmes? In FAO there is a debate going on about the effects that decentralisation has on its provision of global services. There are worries that decentralisation might have a negative impact on these services. Increased resources are needed to address this issue. FAO's work at the global level is seen as important as its work in the field.

► *Clarify the objectives of knowledge management for internal and external purposes and assign priorities.*

There are two aspects which arise as **key insights** in relation to knowledge management: knowledge management needs a holistic, well planned and targeted approach, with clear objectives and priorities. Furthermore, human resource management also needs to address and integrate knowledge management issues.

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[86] Alioth et al. 2004, p. 20.
[87] More specifically the USA have noticed that outsourcing as a compensation for lower levels of career staff can lead to a loss of institutional memory (DAC Peer Review United States 2006, p. 63).
[88] SDC 2000, no pages in the document.

4   Cross-cutting Concerns

4.1   Cost-effectiveness

The question as to what extent changes in field presence arrangements influence the cost-effectiveness of an agency is pertinent. However, when looking for meaningful answers, there are **barriers** at three levels:

- It is difficult and requires a special effort to gather the data needed to clarify the changing relationship;[89]
- Some of the organisations are somewhat reluctant to provide the numbers they have as they are potentially sensitive with respect to political decisions;
- The costs involved have to be seen in relation to the output of an organisation that is essentially qualitative in nature.

Decentralisation and enhancing field presence may be driven by cost considerations, but more often its purpose is to improve **development effectiveness,** as demonstrated by the positive overall appreciation of field presence reported earlier (see Chapter 2). Financial implications are, therefore, just one consideration among many when taking decisions relevant for field presence. AAI reports that when shifting their headquarters to Johannesburg in 2004, alternative locations in Africa were considered and evaluated under a number of criteria, such as security, available human resources, and stability. Costs were one factor, but not the essential one. Another argument in the favour of decentralisation is a reduced overall risk for the agency. Problems that arise within an organisation are often problems with leadership. If the leadership does not work, it creates problems for all. In this sense, decentralised operations even reduce risks: with bad leadership only one organisational unit suffers and not the entire operation, as would be the case in a centralised system. In a decentralised system the number of countries that can suffer from bad leadership is reduced.[90]

Sida comes to the conclusion that **decentralisation does not cut costs**: "The capacity study tried to find a rational base for allocating resources to the field organization. It did not succeed."[91] And: "The overall view is that quality of aid has improved but at an increased cost. The partner countries have appreciated the decentralized working of Sweden. It facilitates cooperation and dialogue."[92] For AsDB, it is plausible that local project management should be cheaper as there are no airfares etc. It is definitely less expensive to conduct review missions from the RMs than from headquarters, but no numbers are available. The experience of CIDA is that there "can be significant costs to enhanced field presence, depending on the model selected. CIDA's experience with a major decentralization of staff to the field in the late 1980s was an expensive undertaking and this contributed to the decision to shift back towards more centralized operations. A move towards increased field presence would likely mean some increase in CIDA's operating costs. However, there are a number of ways to limit impacts on CIDA's operating budget. First, the role played by many

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[89] FAO and AsDB have some numbers and calculations available; see FAO 2004, AsDB 2000 (older numbers) and AsDB 2002 (slightly newer numbers).
[90] Oral communication Thomas Joseph.
[91] Agrell 2006, p. 3.
[92] Agrell 2006, p. 4.

Program Support Units is being expanded to cover policy and programming as well as administrative functions. Finally and most importantly, the number of countries selected for an enhanced field presence will be limited."[93] The experiences collected for the AfDB confirm the expenses associated with decentralisation and even describe them as one of the challenges of the process. Regarding the challenges faced so far, all interviewees have found decentralization resulting in significant budget outlays, but see such outlays as an important investment in providing a wide range of services better than in the past.[94]

Also AsDB has not made the best use of the potential **efficiency gains** through RMs so far. Their staffing has increased substantially, but headquarters' staff has not decreased proportionally. Some new posts were created for the coordination with RMs, so there is room for increased efficiency in this respect. Greater advantage can be taken of RM support. All project officers of headquarters-administered projects should seek to involve RM staff to a greater extent. "Logically, if the responsibility for administration of a project is delegated from headquarters to an RM, the resources required should also be transferred."[95]

► *Efficiency gains are not automatic. Deliberate decisions are required to analyse and implement cost reduction options at headquarters.*

There are other areas such as a regional approach or deliberate outsourcing which have the potential for cost cutting measures. They are discussed in more detail in the following paragraphs. Apart from such specific areas in which costs can be cut, increased practice with the new processes is also expected to lead to more efficiency gains (GTZ).

In AsDB's South Pacific RM the individual countries are too small to have their own RMs. A **regional approach** is therefore also a question of costs: it is more efficient to run a regional unit rather than several small RMs.[96] In AsDB there is basically no difference between the regional mission and the RMs. There is also one staff with regional responsibilities in the RM in Bangkok. The only difference is that in a regional function people travel outside their country more. Another aspect of this cost-effectiveness is placing specialised experts in regional offices. They can address specific needs in a region more efficiently than a headquarters based expert.[97] However, the FAO's Independent Evaluation notes that attempts "to maximise the number of countries with an FAOR have resulted in a heavy price in effectiveness. It was noted that there were examples of UN specialised agencies, in particular, UNESCO, which had closed a number of country offices in order to obtain greater effectiveness within available resources. Among the UN funds and programmes, UNDP and WFP

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[93] CIDA 2002 p. 30.
[94] African Development Bank 2004.
[95] AsDB 2004, p. 54.
[96] However it has also been reported from AsDB that it has found the regional approach not to be effective. Each country has its own needs and especially with regard to policy dialogue a country based approach and national partnership building are key (Dorothy Luck, Philippines Country Notes for Draft Report).
[97] This is an approach also used by the USA: "In some cases USAID regional missions administer activities and provide services for several countries within the same region" (DAC Peer Review United States 2006, p. 62).

had also closed country offices."[98] The Independent FAO Evaluation recommends increasing multiple accreditation of regional representations.

Box 4: Sweden – A promising opportunity for a regional approach

Due to historical and geographical circumstances, the Swedish embassy in Kenya has become a regional hub. "It now would seem appropriate to reflect on the larger regional logic of the Nairobi embassy, so as to better rationalise, prioritise and align the scarce human and financial resources. (…) The complexity of its mandate and the need for flexible and sometimes rapid decision-making on the ground confirm the wisdom of the recent agreement to fully delegate authority to the field."

Source: DAC Peer Review Sweden 2005, p. 56.

Also SDC operates regional programmes. They have both national and regional components, whereby the regional one has to lead to a clear added value, as opposed to solely implementing separate country programmes. The regional programmes must also have strong national pillars in all participating countries. In such instances, SDC establishes a coordinating office in the country most in need of the region considered: e.g. for Central America it is Nicaragua; for the Great Lakes Region it is Rwanda. In other countries of the region there is often a liaison office in order to maintain a presence in the area (Tegucigalpa/Honduras in the case of Central America). Usually the Country Director is based in the COOF and his/her deputy in the liaison office. A regional approach might also develop from specific circumstances and does not need to be aimed for at all costs.[99]

► *Consider the gains in cost-effectiveness when establishing a smaller number of regional offices instead of a large number of national field representations.*

Deliberate **outsourcing** of selected administrative functions may reduce overall costs. Based on concrete calculations of local costs, FAO has started to move high volume, routine administrative processing functions in the areas of human resources, travel, finance and procurement to lower cost locations. The preferred approach entails the redistribution of the functions, primarily from headquarters, to three shared service centre "hubs" in regional offices (Bangkok, Budapest and Santiago). The hubs are within time zones similar to those of the majority of the staff generating transactions and are to be managed by a coordination centre based in Rome.[100]

► *Assess the potential of outsourcing administrative functions to a few decentralised lower cost locations.*

One aspect of FAO's calculations for outsourcing were salaries for local staff. This is not only an issue in administrative functions. CIDA considers a greater use of **domestic professionals** as another means of enhancing field presence, but at lower cost. Locally engaged personnel will have the advantage of in-depth country experi-

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[98] FAO 2004, p. 32.
[99] In the memorandum for the decentralisation of the AfDB it has been mentioned that all institutions examined by a consultant (except AsDB) have moved away from using regional offices and they prefer national representations. However no reason was given for this move (African Development Bank 2004).
[100] FAO 2006c.

ence and knowledge that Canadians often do not have. Many other agencies rely on a similar approach; however, FAO has reported some problems with the recruitment of nationals: "The evaluation could not see why, in a situation where the multinationals are able to staff their offices to very senior levels in most countries with nationals, as do the IFIs, FAO is unable to do the same. (…) The evaluation concluded that this is an area for savings, and for replacement of internationals by nationals, except in complex emergencies and some other special situations."[101] In SDC, strengthening of capacities, combined with its human resource policy, has ensured that local staff are staying with SDC for a long time. The UK has also been noted for its positive human resource policy for local staff.[102] AsDB is using more national officers for implementing various RM functions, though the efficiency of this approach is reported to vary, depending on the capacities available. FAO also reports some difficulties with the performance of local staff, again this also seems to be related to their recruitment procedures.[103] For AAI, local levels of human resources were one of the reasons for moving their international secretariat to Johannesburg rather than to another location in Africa. DAC findings also point to positive experiences with local staff for others: "The Netherlands makes a relatively extensive use of locally hired staff who perform various policy and programme management functions. They often represent the Netherlands in local consultative groups and may act as co-ordinators when the Netherlands holds such a responsibility. Although they are not hired with long-term career perspectives and tend to move after a few years of service, both embassies seem to be making good use of their specific comparative advantage (e.g. local experience and ability to understand local complex situations)."[104]

► *Prioritise working with NPOs instead of international staff in view of cost-effectiveness.*

Other very specific expenses of any international organisation are costs for **staff travelling**. For the FAO, access to (direct) flights, which are also cheaper, has been a criterion in establishing regional representations and it was recommended to have technical groups "on air and telecommunication hubs."[105] However, costs are not the only issue when discussing travelling, as the DAC has reported in two instances: In the case of the UK, the DAC review team would also "encourage staff currently working in headquarters to spend more time visiting the field and country office staff to spend more time out of capital cities. Greater effort should be made in getting key staff closer to the development realities they support. Also DFID should continually assess the optimum balance and size of staff between headquarters and the field and between well-performing and fragile countries."[106] A similar situation was found in Belgium, where rare staff travel to the field has been reported to be one reason for difficulties in the relationship between headquarters and field staff.[107]

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[101] FAO 2004, p. 33.
[102] DAC Peer Review United Kingdom 2001, p. 66. In the more recent Peer Review DFID's local personnel policy has been mentioned less positively: "However, the current local personnel policy (as is true for many international donors) also fails to offer them incentives to remain within the DFID system" (DAC Peer Review United Kingdom 2006, p. 63).
[103] FAO 2004, p. 62.
[104] DAC Peer Review Netherlands 2006, p. 52 – 53.
[105] FAO 2004, p. 57.
[106] DAC Peer Review United Kingdom 2006, p. 17.
[107] DAC Peer Review Belgium 2006, p. 52.

► *A systematic monitoring of headquarters' and field staff travelling is indicated, followed by an assessment of its relevance to the field programme.*

Adopting a **multiple agency approach,** as do Switzerland and Germany, has cost implications in the field. On the position of Switzerland in Viet Nam, "The DAC mission found that this arrangement was not very cost-effective from an administrative and management point of view, leaving some questions regarding the COOF's role in the management of seco's activities and the degree of collaboration between the two agencies on substance as well as operationally. Although exchanges, including with the Ambassador, do take place on a regular basis, the potential for creating synergies is also limited as each agency tends to its interests and activities separately. A joint COOF with adequate staff capacity and expertise to cover activities from both sides should be seriously envisaged, with the authority to manage the whole programme involving programme staff."[108]

► *Analyse in-depth cost implications of multiple agencies if the organisation has adopted such a multiple approach.*

The central **key insight** is the fact that decentralised operations do not mean gained efficiency when it comes to costs. Deliberate efforts are needed in order to compensate for additional costs that restructuring requires. Potential for cost savings can be found in outsourcing administrative tasks and in working with NPOs instead of international staff.

4.2   Capacity Development

When moving towards decentralisation, **capacity building efforts are indispensable**, as the following examples of AAI and the EC show. In addition to internal efforts, capacity building for partners is, of course, also an issue. However, capacity building for partners is usually based on a partnership contract or is part of an explicit or implicit working agreement beyond the internal headquarters – field relationship. For that reason, external capacity building is not reviewed here. The experience of AAI shows that a lack of capacity building among staff affected the organisational changes: "A notable gap (…) is the absence of an HRD strategy for reskilling staff and management at CP level to cope with the organizational changes taking place at all levels. Such changes as the shift to RBA, internationalization, partnership development and gender mainstreaming, among others, would require significant reskilling among even the senior staff of AA."[109] The EC notes an urgency of internal capacity building at the field and headquarters levels: "There are problems with filling posts and there is a continuing need for training. (…) Delegations still require considerable support in adjusting to their new role, and central services find it difficult to provide delegations with the support required, as thematic expertise is becoming thinly spread across geographical directorates due to reductions in headquarters staffing."[110]

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[108] DAC Peer Review Switzerland 2005, p. 74.
[109] AAI 2004b, p. 24; see also p. 25 – 26.
[110] Court of Auditors 2005 p. 3.

Strengthening field presence leads to changes of staff profiles both in the field and at headquarters. An increasing demand for management skills in projects and partnerships has to be met, while thematic know-how is also needed. The extent and range of **internal capacities** therefore has to be adapted and up-dated.[111] As a general rule, a broader set of skills is needed in the field (AsDB). As functions in the field differ from those required at the headquarters (AsDB, FAO) this can lead to difficulties with rotation of personnel (FAO). A lack of capacities was identified as a limiting factor in achieving set objectives: the advantages of local presence are negated without the local capacity to respond quickly and decisively. However, it may not be possible to match all functions with the skill profile of headquarters' staff. In the case of AsDB headquarters' staff assigned to RMs will be provided training in areas where their skills may be deficient. However, AsDB has found that ad hoc training is not enough. Local staff assigned to field offices needs "to be trained and/or provided with short secondments to relevant headquarters departments to acquire the required knowledge and skills. (…) Training of local staff, both in ADB's official language, as well as its policies and procedures, needs intensification in some RMs."[112]

► *Provide involved staff at headquarters' level tailor made capacity building opportunities and make a systematic capacity building effort for field staff.*

As just mentioned, a decentralised working environment demands specific skills. Apart from management skills for partnerships and projects, the ability to **work in a team** is a core element. Flexible approaches demand on-going negotiations over competencies, working together etc. The importance of teamwork also influences the corporate culture of the organisation (SDC, FAO, AsDB). Teamwork is also a way of enhancing capacity building within an organisation, as it has been recommended for AsDB: "Create more of a team approach of shared responsibility to project administration between headquarters and RMs."[113] An interesting experience with teamwork is New Zealand's use of virtual teams[114] that is reported to be working well: "A programme management team has been established to oversee the management of the programme in Solomon Islands with written guidelines setting out the duties and responsibilities of the diverse range of NZAID and MFAT staff in Wellington and Honiara. The team is chaired by the Wellington-based NZAID programme manager and comprises: the staff in post (including the high commissioner, the NZAID manager and the locally-recruited programme co-ordinator); selected staff from NZAID (the team leader in charge, sectoral advisers as well as staff from management services); and a MFAT representative. Regular meetings are organised through structured conference calls with prior agenda setting and sharing of notes to ensure follow-up."[115] Having said that, however, "NZAID's presence in the field remains limited. The establishment of horizontal teams has proven effective for managing SWAps (sic) and enabling field posts to access sectoral expertise in headquarters (…). Strengthening field presence will nevertheless remain critical in enhancing the agency's ability to

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[111] The USA have reduced technical expertise in favour of general management skills, "with a significant decline in economic analysis and programme evaluation capabilities." While they try to compensate this lack by outsourcing it is also noted that this had a negative effect on USAID's potential effectiveness (DAC Peer Review United States 2006, p. 63).
[112] AsDB 2002, p. 24.
[113] AsDB 2004, p. 54.
[114] Though this is not noted explicitly, such an approach also has cost implications. Working in virtual teams might be more cost effective in some situations.
[115] DAC Peer Review New Zealand 2005, p. 60.

make further progress on harmonisation and alignment by promoting stronger dialogue and interaction with local partners and other donors, enhancing NZAID's analytical capacity and improving its responsiveness to changing local circumstances."[116]

► *Use a team approach to enhance internal capacity building.*

A special group of staff are national or **local staff**, as most of them are recruited and work exclusively locally. As mentioned before, they are generally seen as a benefit for the organisation. The DAC on Sweden: "Kenya makes use of five NPOs, all of whom are mandated to function professionally in the same manner as their Swedish counterparts, with the exception that they cannot authorise use of Swedish funds. NPOs feel that they are well integrated into embassy operations and appreciate the fact that most internal communications are now in English, including Sida procedures and regulations. NPOs initially are competitively hired based on their technical competence (e.g. civil engineer for a roads activity) but once they have proved themselves, they are given responsibilities in other areas, as need arises. (…) NPOs are not hired with Sida career objectives in mind and tend to move elsewhere after a few years of service. More attention to providing career opportunities (…), including a system of performance-based incentives, could help motivate these valued employees over the longer term."[117] The FAO notes the "fact that the sub-regional representatives and some members of the teams came from the sub-regions in question was judged to add to the strength of the offices."[118] Similar findings apply to the UK: "Finally, having local staff in the field already is recognised as a tremendous asset and the number of professional SAIC employees is expected to increase. However, the current local personnel policy (as is true for many international donors) also fails to offer them incentives to remain within the DFID system."[119] AsDB has found that national staff in RMs are sometimes much more committed to AsDB than international staff. They have a strong identification with the organisation, even though they occasionally also feel isolated within it. The latter is due to the fact that they are recruited locally and work locally. However, all of them go to headquarters for inception training, further education and so on. This contact also helps them to get to know the institution and feel closer to it. It has been said that national staff has a steep learning curve with respect to administrative procedures in AsDB, but issues of identity have never been problematic. One potential difficulty is the background of the local staff, as many of them have previously worked for the governments and AsDB is sometimes "at odds" with governments. They are AsDB's clients but that does not mean that there is always agreement between the two. Sensitive issues include corruption, environmental standards. In such instances the staff sometimes can forget whom they are working for.[120]

► *Integrate local staff into human resource management, providing medium-term (national) perspectives.*

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[116] DAC Peer Review New Zealand 2005, p. 67. This challenging situation also needs to be seen in the context of NZAID's size and its short history (it was created in 2002 and 70% of its 90 staff at the end of 2004 were recruited between 2002 and 2004).
[117] DAC Peer Review Sweden 2005, p. 63.
[118] FAO 2004, p. 20.
[119] DAC Peer Review United Kingdom 2006, p. 63.
[120] Oral communication Keith Leonard.

A very specific issue which has already been touched upon in the context of knowledge management and building the institutional memory, but which is also relevant for capacity building, is **staff rotation or turnover**. The DAC peer review notes on the British experience that "current staff turnover in the field appeared to the Peer Review team to be too rapid to sustain the DFID model of engaged leadership based on profound field understanding. Home civil servants should aim to serve minimum 3-4 year cycles while in the field. A rapid turnover was also observed in headquarters and may suggest that this is a structural issue, perhaps due to DFID incentives for personal advancement." [121]

► *Provide incentives to extend field stays beyond a minimum duration for internationally posted staff.*

The two **key insights** when it comes to capacity building are the fact that an organisation's staff needs tailor made as well as systematic capacity building in order to cope with changed demands on their profile (particularly relevant is the ability to work in teams and management skills for partnerships and projects); and the need for adequate human resource management for local staff, including medium-term perspectives.

4.3   Innovation, Replication and Up-scaling

Research on the cross-cutting concern of innovation, replication and up-scaling and its relationship to field presence has not delivered substantial insights. Linkages to field presence could be identified in only a few cases. This might also be due to the fact that in many organisations these issues are closely related to the issue of knowledge management and especially replication and up-scaling are not treated separately. Other aspects relate to policy dialogue and have been described in there (chapter 3.2).

Innovation ranks high on the agenda of the agencies reviewed. One goal of AAI is to "ensure that all our processes create the space for innovation, learning and critical reflection, and reduce unnecessary bureaucracy." [122] However, in spite of a positive general impression ("ActionAid has been a nursery for methodological innovations for many years" [123]) in the context of the Taking Stock exercise, innovations were found to be "sporadic rather than systemic and there is no systematic implementation of these innovations as yet. It appears that these innovations are not being widely shared within the AA system, or even within countries." [124] And while "such innovations have been shared vertically, they are not shared horizontally among CPs to allow further experimentation and application." [125] Innovations also entail certain risks and one needs to take these into account. The risks may be judged differently by the involved stakeholders, as the experience of AsDB shows: while the bank is more open to innovative approaches like public private partnerships, its clients (i.e. the governments) are more reluctant to test them.

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[121] DAC Peer Review United Kingdom 2006, p. 63.
[122] AAI 2006, p. 5.
[123] AAI 2004c, p. 32 of 39.
[124] Guijt 2004, p. 22.
[125] AAI 2004b, p. 28.

► *Identify, document and disseminate innovations vertically and horizontally within the organisation and share them with partners.*

Box 5: SDC – Urban poverty reduction in Vietnam

Switzerland is perceived as having created a climate of confidence in urban issues in Vietnam, leading to an Urban Forum in the Ministry of Construction and considerable investment by other larger donors – successfully upscaling its experimental experience to the national level. It is widely acknowledged that Swiss work on urban issues led to the inclusion and full integration of urban poverty into the final draft of the PRSP. SDC has done this "by its commitment and promotion of the concept of urban poverty reduction to other donors along with the provision of management tools, approaches, pilot projects – intelligent use of its limited finance."

Source: Gerster, Randel, German and Zimmermann 2003, p. 67.

One interesting **tool** which deserves to be mentioned in this context are the Mission Management Assessments which are used by USAID. While their aim is to improve the effectiveness of field operations, they also aim at "identifying best practice that requires broader dissemination"[126]. Good practices are identified in both programme and internal management. "Assessment teams composed of senior officers in key operational areas (…) use a peer review approach to carry out fieldwork."[127] This approach is described as being relatively simple and cost-effective, the produced reports are shared throughout the agency.

Due to the limited findings with respect to innovation, replication and up-scaling, **key insights** in this respect are difficult to formulate. On one hand they closely relate to experiences in knowledge management (identification, documentation and dissemination of innovations equals a planned and targeted approach to knowledge management); on the other hand they relate to the field of policy dialogue, which provides an opportunity to up-scale innovations and lessons learned.

5 Concluding Remarks

This report looked at the experiences that AAI, AsDB, FAO, IFPRI and SDC made in decentralising their operations. There are **considerable differences** between IFAD's FPPP approach and the much more ambitious field presence efforts by these comparator organisations. That is the reason that in some areas, such as agreements with hosting organisations, no relevant experience could be identified. IFAD's exceptional case of Peru with an outposted country programme management is closest to many comparator set-ups. An important factor creating differences to comparator organisations is IFAD's focus on funding but refraining from project execution. The five organisations examined are among themselves very diverse with respect to their history, their institutional background and their key orientation. In spite of this diversity

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[126] DAC Peer Review United States 2006, p. 52.
[127] DAC Peer Review United States 2006, p. 52.

there are some common lessons to be learned from their decentralisation experiences[128].

In these concluding remarks the **most relevant findings, lessons learned and recommendations** identified throughout the text are pulled together. They are presented by linking specific recommendations (marked with a ▶) to particular lessons learned (in bold print), whenever possible and appropriate. As many of the insights are relevant for more than one or even all areas covered (i.e. institutional issues, strategic dimensions and cross-cutting concerns), they are given more weight by presenting them in the beginning. In addition there are a number of insights and recommendations which relate to a specific area only, they are presented at the end to round off the general picture.

The development effectiveness of field presence is viewed positively by all comparator organisations – in spite of numerous challenges and associated costs. This positive appreciation relates mainly to qualitative aspects of the organisations' work. Due to better contacts with the field aid is better adapted to the local situation and its effectiveness has improved. Local representations have a comparative advantage and a key responsibility in identifying projects (SDC, local teams in the networks of IFPRI), in alliance/partnership building (AAI, SDC) and in giving legitimacy to policy dialogue activities (AAI, SDC) which again strengthens the effectiveness of the overall organisation.

Decentralisation processes do not occur in isolation. Clarity on the primary objective of strengthening field presence is essential – increasing the development effectiveness of operations and cutting costs of operations are not necessarily compatible. The relationship between efforts to strengthen field presence and other ongoing institutional reforms needs to be considered and prioritised. Changing the role of the field has repercussions at the headquarters level.
▶ Clarify the motivation for and objective of strengthened field presence.
▶ Analyse potential interferences the of field presence restructuring process with other planned and on-going internal changes.
▶ Pay attention to changing roles at headquarters and describe the division of labour in simple and clear-cut principles providing clear frameworks for planning and budgeting.

Flexibility is essential in order to find appropriate answers to different and changing contexts – with respect to structures, staffing issues, locations, distribution of responsibilities. Diversity is also reflected in the shaping of the structures of field offices (SDC, AsDB, AAI, FAO).
▶ Use multiple approaches to respond to different contexts.
▶ Consult field partners and staff first and take their needs and proposals into account.
▶ Beware of supply-driven headquarters' activity by organising regular feedback from the field units on the utility of headquarters' support services.

Efficiency gains are not automatic, deliberate efforts are required to compensate for the additional costs that are likely to occur. Restructuring absorbs re-

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[128] Similarly, the study for the AfDB's decentralisation strategy came to the conclusion that despite their distinctive mandates, the experiences of these various institutions proved remarkably similar (African Development Bank 2004).

sources in terms of time, finance and human capacities. Inadequate resources limit the effectiveness of decentralised operations.

► Use delegated partnerships with like-minded organisations to cut transaction costs.
► Use facilities of a partner institution to cut basic field presence costs.
► Asses the potential of outsourcing administrative functions to lower cost locations.

Adequate capacities in the field and professional human resource management are key factors for success. Staff skills should be strengthened in both a proactive and demand-led manner. While reducing international field staff to a minimum, local staff is seen as a plus: AAI considers them as an important image factor. For FAO they add to the strength of the offices. SDC and other bilateral donors have similar positive experiences.

► Consider minimum staffing of field offices for meaningful fulfilment of the tasks allocated.
► Provide tailor made as well as systematic capacity building for staff in order to cope with changed demands (particularly skills related to working in teams, managing partnerships and projects).
► Integrate local staff into human resource management (provide them medium-term perspectives, consider their role in knowledge management), this is also relevant for cost effectiveness.

Inappropriate delegation of authority to the field seriously hampers effectiveness and undermines the potential benefits of field presence (FAO, AsDB before implementing the RM policy, several bilateral donors). The delegation of authority is not an all or nothing issue but requires a multi-faceted approach dealing in a tailor-made manner with the different areas. An inappropriate delegation of authority can have a negative impact not only on the organisation's effectiveness but also on its perception and reputation in the host country.

► Provide appropriate delegation of authority with respect to conceptual, planning, operational and financial affairs, the delegated authority corresponding to assigned responsibilities.
► Institutionalise well planned and targeted knowledge management with feedback loops.

The main objective of this study was to identify good practices for field presence in IFAD's four strategic dimensions implementation support, policy dialogue, partnership building, and knowledge management. The above mentioned general conclusions apply for all of them. More specifically, for **implementation support** and **partnership building** it may be underlined that adequate delegation of authority and adequate capacities are key issues.

Policy dialogue is a tool increasingly used in the upsurge of programme aid and crucial for disseminating experience gained and up-scaling projects. The following recommendations seem particularly relevant for IFAD:

► Strengthen domestic research and policy institutions to stimulate the domestic policy debate.
► Make use of experiences in other countries and balance them against local evidence when contributing to policy dialogue.

Headquarters – field arrangements are a crucial dimension of external and internal **knowledge management**. A select number of recommendations are presented:

► Clarify the objectives of knowledge management for internal and external purposes and assign priorities.

► Apply a holistic approach to knowledge management with a systematic approach for capturing, assessing, and sharing knowledge.

► Create feedback mechanisms from the field to headquarters to further institutional learning and memory.

Structuring of institutions and processes matters a lot but is not a panacea. The staff's personal commitment, know-how, experience, and connections strongly influence the work arrangements (SDC, AsDB) or success (IFPRI). It is imperative to take best advantage of staff with special know-how. This finding may be common sense but is very relevant to consider successes and challenges of field presence arrangements.

6 Annexes

6.1 Annex 1: Matrix of Key Questions

Issues	Key questions (serve as guidance for the screening of documents and when interviewing staff members)
Institutional issues	- What are the objectives and guiding principles for the design of the FP and the HQ – field relationship? - Is there a multiplicity of approaches, if yes how do they relate to performance and costs? - What is the working relationship (communications, guidance, support, delegated authority, incl. supervision, monitoring and reporting) between FP and HQ? - Resourcing of FP (budget, staff (international and local); identity and capacity building of field personnel. - Physical and legal arrangements of field offices, and relationship with possible host institutions. - Observation of unintended effects, e.g. strong subcultures and autonomy of field offices, or staffing problems with country programme managers at HQ.
Implementation support	- How relevant is implementation support for the organisation and in the FP design? What specific activities were undertaken and resources were allocated for supporting project implementation? - What is the role of field staff in implementation support? In what ways have field presence arrangements contributed to improving project implementation performance? - Has FP ensured a better implementation support and/ or better follow-up to supervision recommendations and ongoing monitoring of project activities? - What are the main differences between the performance of projects benefiting and not benefiting from FP? - What authority is delegated to FP staff to take decisions on project implementation matters?
Policy dialogue	- How relevant is policy dialogue for the organisation and in the FP design? What specific activities were undertaken and what resources were allocated for supporting policy dialogue? - How effectively has FP contributed to policy dialogue with national governments and international donors at country level? Any evidence? What about attribution? - To what extent were policies and development approaches (promoted by the institution in question) discussed and adopted by key partners, including within the PRSP and UNDAF processes? - Has your organisation's participation in donor co-ordination and harmonisation improved?
Partnership building	- How relevant is partnership building (policy partnerships, and/ or project related cooperation) for the FP design, and why? What specific activities were undertaken and what resources were allocated for supporting partnership building? - How effectively has FP contributed to partnership building with national governments, other local partners, and international

	donors at country level? Any evidence? What about attribution?
	- To what extent were promoted policies and development approaches discussed and adopted by key partners, including within the PRSP and UNDAF processes?
	- Has FP allowed strengthening existing, and developing new, partnerships?
	- Has co-financing and domestic financing been enhanced as a result of FP?
Knowledge management	- How relevant is knowledge management for the FP design? What specific activities were undertaken and what resources were allocated for knowledge management?
	- How has FP facilitated the flow of knowledge/ information from the field to HQ, vice versa, and South-South? Has the HQ knowledge base improved due to FP?
	- Have lessons/ knowledge/ information sharing among the projects in the same country/ sub-regional improved?
	- Were specific efforts made to document innovative approaches?
	- Has the dissemination of information influenced the work of partners at the country level?
Cross-cutting concerns: Cost effectiveness of HQ – field approach	- Does strengthening of FP reduce costs at HQ? To what extent? Evidence?
	- Does FP enhance development effectiveness of the institution and its partners? Any evidence?
	- In what way does FP design influence transaction costs (1) for the institution, (2) for the partners?
	- Did FP/ decentralisation have any unintended repercussions on the HQ – field relationship or with the partners?
	- Is it cost-effective to create regional hubs instead of country representations? What functional differentiations between HQ, regional hubs and possible country representations make sense according to your organisation's experience?
	- In what way is FP design related to the country portfolio size?
Cross-cutting concerns: Capacity development	- Is there a systematic and targeted effort to enhance the capacity of the partners, and/ or the own staff? What instruments are used?
	- What specific activities were undertaken and what resources were allocated for building up local capacity (internally, with partners, or generally)?
	- To what extent does the institution rely on (1) local staff, and (2) international staff?
Cross-cutting concerns: Innovation, replication and up-scaling	- Are innovation, replication and up-scaling key concerns for the institution?
	- Has FP design facilitated innovation in the four dimensions mentioned above, and beyond? Any evidence?
	- Has FP enhanced replication and up-scaling of innovative approaches to rural poverty reduction? Any evidence?
Good practices	- What works?
	- What doesn't work?
	- What were/ are unplanned repercussions at HQ?
Illustrative stories of success and failure	
Sources of information	- Evaluations, documents, Internet, etc.
	- Personal contacts

6.2 Annex 2: List of Interviews

Phone interviews were held with the following people (alphabetical order):
- David Governey; Director Finance and Administration, IFPRI
- Thomas Joseph; International Director for Organisational Effectiveness, AAI
- Keith Leonard; Director Operations Evaluation Division, AsDB
- John Markie; Chief of Evaluation, FAO
- Stacy Roberts; Coordinator Partnerships, IFPRI
- Holger Tausch; Evaluation and Controlling, SDC
- Laurent Thomas; Deputy Director of the Office for Coordination of Normative Operational and Decentralized Activities, FAO

In addition to the interviews, information was provided by e-mail from the following people:
- Klaus von Grebmer, Division Director Communication Division, IFPRI
- Patrick Watt, Policy Coordinator, ActionAid UK

6.3 Annex 3: Bibliography

This bibliography also contains the documents referred to in the supplement of this report and therefore covers more than the references made in the main report.

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