Institutional analysis

What is it? Institutional analysis responds to the question: which organizations carry out policy reforms, and what are their characteristics? It can be conceived as the stakeholder analysis of the government agencies, non-government organizations and firms that implement or support the public action choices that underlie a policy reform. Institutional analysis is informed by three central premises: (a) government is not a unitary actor; (b) different actors within government compete for power and resources; (c) decisions made in central hierarchies are modified at the local level. Institutional analysis can be conducted through either of two approaches or a combination of each:

(a) The institutional assessment tool (IAT) is a diagnostic software-based instrument designed by PREM’s Public Sector Group that guides Bank operational staff through a questionnaire about various components of a Bank operation. The questions help the analyst to structure thinking about the complex institutional relationships and processes inherent in many reforms. Country counterparts are the unit of analysis throughout this tool, except for the Institutional Impact module. As a final output, the software generates a concise report in Microsoft Word.

(b) Organizational mapping identifies specific public actions associated with a policy reform, as well as which organizations are responsible for implementing them. It provides (i) an ex ante snapshot of the actors who carry out reform and the relationships among them (static mapping) and (ii) shows how the organization actually works after reform implementation (process mapping). Process mapping traces flows of critical resources to provide insight into organizational norms and culture that could never be ascertained from documents or diagrams (see the box on Process Mapping below for more information on how this is carried out). Common outputs are organigrams or flow charts that display information about flows of budgets, expenditures, and information, as well as decision-making procedures.

What can it be used for? Institutional analysis is used to assess the capacity and behavior of organizations that carry out reforms. It helps identify constraints within an organization that may undermine policy implementation. Such constraints may exist at the level of internal processes, relationships among organizations, or system-wide. Institutional analysis evaluates formal institutions, such as rules, resource allocation, and authorization procedures. It also evaluates “soft” institutions, such as informal rules of the game, power relations and incentive structures, that underlie current practices. In the latter sense, it identifies organizational stakeholders that are likely to support or obstruct a given reform.

1 A dedicated website for the electronic tool is being prepared by the Public Sector Group and should be available during the spring. For now, the questions included in the original tool are presented. However, a more refined and concise set of questions are being revised at this time.
Data requirements. Data requirements depend on the tool selected. IAT collects responses from Bank operational staff to a detailed questionnaire.

(a) The IAT requires knowledge on the part of the staff member(s) filling in the questionnaire. Necessary information includes identification of each component of an operation (i.e., Preparation, Authorization, Financing and Payments, Implementing Changes, Monitoring and Auditing, and Evaluation), as well as country counterparts that are expected to fulfill key tasks for each component. Because the questions in

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**Process Mapping**

Process mapping is a tool for tracing process flows through an organization or through all levels of a system. A highly visual tool, process maps relate objects or information (“things” which people can clearly identify) to activities (the broader, and less easily defined, tasks performed by people or machines). Creating a visual shorthand for processes forces clarity and conciseness in descriptions of a system. A process map is a simple, yet highly valuable visual aid that helps decision makers, workers and auditors understand complex operations and dynamic processes.

The goal of a process map is to expose detail gradually and in a controlled manner in order to enhance clarity and better define the relationships between different levels of the organizational system that is being mapped. Visually, process maps are a hybrid of the flow chart and the organigram. They are used extensively in the private sector, and there are a number of commercially available software tools to aid the process, each with a slightly different visual language.

Process mapping uses a static map or roadmap as its starting point. It traces the central flows of funds, information, resources and decisions through an organization or all levels of a system. Each specific flow mapped contains information about the hierarchy of decisions, the availability of information and the direction of information flow. Process mapping is based on in-depth interviews with key actors across levels and functions within government. In order to establish the dialogue, the analysts has to decompose each flow into short, discrete questions, such as ‘What is the financial year’?; ‘When do funds flow from whom to whom?’; ‘Who has decision-making authority?’ The analyst compiles all responses and tries to identify cross-cutting themes.

As such, the process mapping identifies critical blockages and opportunities for change within an organization, between different organizations or within the system as a whole. To determine where these blockages occur, the analyst can use the following questions: ‘What constraints exist within one organization (e.g. central ministry office, department, plant) and can be changed by that organization?’; ‘What constraints to a lower-level organization arise from its relationship with a higher-level organization and can be changed by altering that relationship?’; ‘What constraints run through the entire system and can only be changed by fundamentally altering the processes and rules of the system?’

Depending on where blockages exist, different means to address them are available, ranging from realigning existing procedures and responsibilities, recasting existing rules of operation, eliminating existing or creating new organizations, or fundamental changes across the entire system. Hence, apart from gaining insights into the specific flows mapped, the analysts will be able to identify common patterns (within and/or across organizations), and establish which problems are systemic.
each module are highly specific and oriented toward operational issues, Bank staff may need to have or acquire knowledge of a wide range of issues. Where existing knowledge is insufficient, key informant interviews that form the basis of organizational mapping (discussed below) may be required.

(b) Static mapping is ideally informed by prior stakeholder identification of government (and other implementing) actors. Formal relationships and flows can be obtained through existing operational and personnel manuals of relevant bureaucracies. Information required for process mapping is obtained through direct interaction – in-depth informant interviews or focus groups – with organizational stakeholders at all levels of administration. Particular attention is given to actors “down the chain,” as these have more direct contact with people directly affected by reform.

A low-cost option for producing a process map includes focus groups and follow-up interviews to validate findings. When time and resources are available, process maps are produced in collaboration with a team of members from all levels of the organization, a participatory process that not only makes maps more accurate, but also promotes “buy-in” from a core organizational group.

Opportunities and limitations. Institutional analysis is used for complex reforms that involve changing or creating government responsibility, or that require cooperation among or within different government agencies. It is especially useful for reforms that address the delivery of public services, regulation of markets, management of public expenditures and decentralization.

Opportunities of the IAT include: (a) Low resource use. Because there is one questionnaire to fill out, either by an individual or Bank team, the IAT is fast, convenient and inexpensive. The electronic format also makes the tool very “user friendly” and facilitates the production of reports; (b) Operational relevance. The focus on Bank counterparts and division into operational stages keeps the IAT tightly focused on the operation in question. It also opens up the option to share (and validate) the responses and findings with counterparts; (c) Thoroughness. The IAT covers a vast amount of analytical territory, from political incentives to administrative capacity. Using it will help ensure that major institutional issues are not “missed” or neglected.

Limitations of IAT include: (a) Information overload. The flip-side of thoroughness is too much data. The questionnaire may make it difficult to prioritize or weight specific information. This makes tailoring the questionnaire an important option; (b) Inward-looking. Information comes from Bank staff, not from members of organizations that are being reformed. This weakness can be reduced to the extent that responses are based on interaction with diverse organizational stakeholders – although this makes the process longer, costlier, and more dependent on semi-structured interviews; (c) Isolation. The IAT lacks an interactive dimension, so that responses are may be based on the limited

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2 Some questions address issues of ownership and commitment discussed in the previous section.
3 If this cannot be procured warning flags should already go up. The act of creating such a document for the first time is likely to reveal important and even surprising information.
perspective of one individual. Processes for cross-checking data can address this, but once again with increased cost.

Opportunities of organizational mapping include: (a) Robust information. Flexible data collection process of organizational mapping lends itself to exploration. It can generate information at all levels of organization, and semi-structured interviews enable the analyst to “drill down” into a problem area that may not be readily visible; (b) Focus. As data is collected in an iterative process of interviews, specific constraints are likely to emerge, enabling subsequent interviews/focus groups to focus increasingly on these problem areas. (c) Outward looking. Information collected directly reflects the experiences and perceptions of organizational stakeholders themselves.

Limitations of organizational mapping include: (a) High resource use. Organizational mapping takes time, money and some degree of expertise. It often requires personnel to be physically on-site – possibly in several organizations – to conduct interviews; (b) Link to operations. The flip-side of focusing on organizational stakeholders is that the information they provide may not necessarily suggest an operational response from the World Bank; (c) Risk of distortion with small sample of stakeholders consulted. Static and process maps are subjective outputs. The smaller the number of stakeholders consulted – or the fewer organizational levels addressed – the more likely the findings will be based on incomplete information.

Process Mapping Demonstrated in the Kecamatan Development Project, Indonesia

The diagrams of the Kecamatan Development Project (KDP) fund flow system illustrate the movement from macro (see Fig 1) to micro (see Fig 2). These are effective “should be” process maps – the KDP team are showing a process as they designed it, rather than as it was before the intervention. The maps are designed to indicate both what is transferred (in this case, funds) and the organizational actors who carry out the transfer and receive the funds.

The objective of the KDP is to improve public services and make them more demand driven by moving management functions to lower levels of government. The KDP proposed to do this by strengthening existing linkages between villages and kecamatan, such that project funds disbursed through KDP would be used for projects proposed by villages and approved and funded at the kecamatan level.
The macro component of the KDP diagram (Fig 1) focuses on the process of transferring funds from the World Bank to a special account designed to disburse funds to community-driven, village-level interventions. It is a map of the whole system from the point of view of the process of money transfer, the focus is on formal organizations and their responsibilities. The micro component (Fig 2) looks at the process that the “customer”, a village who has proposed a project to the KDP, must go through in order to receive money. This diagram shows the process associated with the evaluation of an application and the disbursement of funds to one of the thousands of village-level projects funded by the operation.
Fig 2. Village Cash Flow process diagram (micro detail with macro linkages)

Grant Agreement → Initial Withdrawal

Treasury Branch

Funds go into Village account → Withdrawal Request and Receipt

Expenditure Plan → Approved

Payment → Proof of Expenditures → Bookkeeping

Completion Process

Stage

Prepare Expenditure Report and Bank Statement

Bank / Cash balances < minimum

Stage 1: 30%
Stage 2: 50%
Stage 3: 20%