Enhancing the Quality of Development Interventions Through Consulting Companies as Implementers?

Personal experiences from Pakistan

By Muhammad Riaz [1]

There is a trend towards the implementation of development interventions through commercial consulting companies which are selected through competitive bidding. It is assumed that this results in high quality and efficient development work. However, is there empirical evidence to support this assumption? The author of this article has experienced it differently. The article is based on eight years experiences of the author in two development projects with different set-ups in Pakistan.

One case was a grant-funded bilateral project and the other one a loan-financed project jointly implemented by different government departments and a project implementation consulting consortium. In the following these two projects are compared with respect to some aspects which are of high importance for the project outcomes.

Case 1: Grant-funded donor-government joint venture

This project was implemented in co-operation between government institutions and a large NGO from the donor's country. The donor contributed some 80% of the budget and the government the remaining amount (mainly in the form of salaries of its regular staff who worked on the project). Part of the staff came from government departments, while others were hired directly from the open market. The objective of the project was to strengthen the concerned government departments and to help in development of a particular sector.

[1] *The author has been working in different development projects in Pakistan since 1992. With the project of case 1 he worked on the government side, while with the project of case 2 he was employed as a senior consultant by the implementation consultant consortium.*

The project, overall, was fairly successful and resulted in the following main outcomes:

- substantial contribution to the development of the concerned sector,
- significant improvement of know-how and skills of both government and directly hired staff and important impact on their understanding of development. Many of them are now working in important positions in other programmes and institutions.

The project however could not manage to bring visible change in the policies governing the sector and could not institutionalize the concepts envisioned in the project design.

Observations:

- The authority in implementation was shared nearly in the proportion of the budget contributions. With 80% share in authority and decision making the donor could easily influence the direction the project should go.
- Team leaders were hired internationally and so had no stake in the local power structures and thus were able to be more impartial in decision making.
- There were no bureaucratic hurdles on the part of the donor. The project could take major decisions on its own and so changes within a short time were possible if the arising situation demanded it.
- There were substantial investments in capacity building of both government and project staff through on-the-job and out-sourced training.
- There was very little room for corruption and embezzlement. Everything was vigorously checked. The donor-side accounts were audited by a private, independent audit company. Once a finance manager was sacked when he was found to have defaulted.

- Generally staff morale was high and there was a constructive atmosphere. Professional and technical people were valued very highly and were given the feeling that the project existed because of their work and not that they existed because of the project.
- The salaries budgeted in the project documents were fully paid to the staff and nobody took part of the budgeted amounts as profit. The salaries of the directly hired staff were always paid in time.

Case 2: Loan-funded project with implementation consultants

With this project the creditor and the government intend to support institutional reforms in a particular sector coupled with infrastructure improvement. Some 70% of the budget came as a loan, the government contributed 10% and the remaining was foreseen as a contribution from the beneficiary population. Four different government departments were assigned different responsibilities in implementation; a consortium of several consulting firms (of which the leading one was international) was contracted to lead the implementation work.

Project outcomes (so far):

- The project succeeded in establishing farmers organization in 6 cases out of the 53 in the manner it was envisaged in the project documents. For the remaining cases shortcuts were used where participation of the stakeholders was sacrificed.
- After three quarters of the project duration the project has not yet started work on any of the 53 infrastructure development schemes.
- Foreseen changes in the functioning of concerned government departments were implemented only after repeated pressure by the creditor.

Observations:

Mistrust, de-motivating atmosphere and low quality of work

A range of factors contributed to mistrust between the employees and the consortium, and to a de-motivating atmosphere. Staff turnover was high; whoever got an opportunity left the project, and many experienced people left during very crucial times. Under these conditions the quality of the work suffered immensely. For instance, when it was realized by the consortium that with the budgeted amount and the quality of the staff hired, they would never achieve the target with stipulated quality, then shortcuts were taken e.g. in getting mass participation of the beneficiary population.

- The consortium director was authoritarian and unparticipatory – against the norms of a development project. He took decisions that heavily affected the staff but did not take them into confidence. For example a secret deal was struck in which the international lead firm sold its part of the contract to the consortium director for which he registered a new national company. The employees on the payroll of the international firm were also sold without being informed.
- The consortium firms pocketed around 50% of the amounts budgeted for salaries in the project document. Such overheads are not justified. It resulted in salary levels for the field staff which were so low that well qualified people would not apply and it even happened that for some advertised positions nobody applied at all. There was such a great disparity in salaries that the budgeted salary of the consultant team leader was higher than the salary (paid) of all the hired field staff together, while the project depended so much on the work of the field staff.
- The consortium delayed salary payments to hired staff up to 3 months and withheld up to 70% of the field allowances paid by the government. The staff went several times on strike to force the director to pay salaries.

Rampant corruption

- The invoices prepared by the consortium accountant were to be verified by the finance manager of the government. The government finance manager would clear the monthly invoices only after being paid an amount equal to the salary of five field social organizers. To be able to pay this, the accountant prepared inflated bills and played the role of a broker. He took advantage of the situation and made hefty sums also for himself. The combined demands of the finance manager and the consortium accountant increased to an intolerable level and a huge amount of time and energy were spent to fight for their removal. The fight continued for almost one year resulting finally in the removal of the finance manager. At the continuing protest of the staff later the accounts manager role was curtailed and an additional trustworthy person was hired to take care of project purchases, expenses and stocks.

- Recruitments were based on favouritism. Almost all project positions were filled with references from influential quarters concerned with the project, specially for the not very highly professional positions. The government finance manager got his son employed on a lucrative position.

Flawed project design

- The envisaged institutional reforms were to result in reduced powers of the involved government departments. Due to this they were not very interested in the success of the project. This resulted in an uphill task for the implementation consultants. The team leader of the consortium was accountable to the government representatives and thus had little decision power. Decision making had to pass through a lengthy channel of bureaucracy often resulting in damaging and costly delays.
- There was no flexibility in adjusting project policies and operations to new insights and requirements. It took a hell of time to convince the government to allow the consortium an amount for additional recruitments for important engineering work when it came to light that not enough field staff was budgeted in the project documents.

Some factors favouring progress of the project

- Pressure on the government and consortium from the creditor
- The consortium's fear of being black-listed by the government which awarded the contract
- The enthusiasm of the project beneficiaries for the project goals

Main lessons to be learnt:

- Project implementation through commercial consulting firms winning competitive bids does not necessarily result in quality implementation work.
- The consulting consortium was mainly interested in profit or rent-seeking, and was not bothered by the unsatisfactory quality of work. As long as there are no functioning sanction mechanisms, it will always be like this.
- The consulting consortium had no incentives to invest in staff development and thus the capacity building effect of this project was minimal. Only if implementing agencies have a longer-term perspective when employing staff they are likely to invest in their capacity building.
- The constellation of government and consortium favoured corruption because there were no adequate counter-mechanisms built in and no actor who was seriously concerned with the issue.

Summary of differences between the two set-ups

Aspect	Case 1	Case 2
Corruption	Negligible	Estimated 1/3 of the budget
Profit making on salaries and services	Zero	Around 50% of the budget
Staff morale	Very high	Very low
Operational and policy changes	Very flexible	Inflexible
Working atmosphere	Professional, motivating, trustful	Chaotic, mistrust, de-motivating
Salary level	According to market	Below market
Payment of salaries	In time (directly hired staff), sometimes minor delays and troubles (government staff)	Regular intentional delays (consortium employees), in time (government)
Quality of work	Very high standard	Very low quality, incomplete
Achievement of goals	Reasonable and with quality	Below expectations and unreliable quality
Staff development	Substantial investments and very much capacity improvement	No investment and capacity improvement only by on-the job learning