

Why Development Projects Fail

Problems of project management in developing countries

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Dennis A. Rondinelli, a Senior Fellow at the Technology and Development Institute of the East-West Center in Honolulu, has served on the faculties of the University of Wisconsin and Vanderbilt University. The following article summarizes a more extensive analysis of international assistance agencies' project management procedures in developing countries. The larger study, "Project Planning for Developing Countries: The Impact of Imperious Rationality," is a critical examination of the effects of international application of project management systems on administration in less developed nations. The study is the basis for a book by Dr. Rondinelli on development project administration currently underway at the East- West Center.

Projects are the basic building blocks of development. Without successful project identification, preparation and implementation, development plans are no more than wishes and developing nations would remain stagnant or regress. Projects, Gittinger claims, are the "cutting edge" of development.¹ Hirschman calls them "privileged particles of the development process."² Others note the central role that project management is assuming in the public administration of developing nations. "Programs and projects are increasingly used in developing countries in the process of economic and social development," the United Nations proclaims. "They represent a crucial element in both the formulation and implementation of development plans. Most of the administrators are more directly concerned with program and project administration than with other, more generic aspects of public administration."³ For nearly a quarter of a century, projects have also been the primary instruments for grant, credit, loan and technical aid to developing countries by international assistance agencies. The volume of lending and number of projects have increased sharply over the past decade, and aid organizations such as the World Bank, the U.S. Agency for International Development and the United Nations Development Programme are broadly diversifying the sectors in which they will make future investments.

Recent assessments of development planning and administration, and of the lending practices of assistance agencies by international evaluation commissions highlight the importance of well prepared and executed projects. As critical leverage points in the development process, projects translate plans into action. As vehicles for social and economic change, they can provide the means of mobilizing resources and allocating them to the production of new economic goods and social services. The paucity of well conceived projects is a primary reason for the poor record of plan implementation in many developing countries. The inability to identify, formulate, prepare and execute projects continues to be a major obstacle to increasing the flow of capital into the poorest societies.

Despite more than a quarter of a century of intensive experience with project investment, international funding institutions and ministries of less developed countries still report serious problems in project execution. Many are due directly to ineffective planning and management. Analysts have found that most developing nations simply do not have adequate institutional capacity or trained personnel to plan and implement projects effectively. "In one country after another," former World Bank official Albert Waterston contends, "it has been discovered that a major limitation in implementing projects and programs, and in operating them upon completion, is not financial resources, but administrative capacity."⁴ As the number of projects increase and their components become more complex, international funding institutions face increasing problems in planning and administration.

Prestigious evaluation commissions headed by Lester Pearson for the World Bank and Sir Robert Jackson for the United Nations have recommended substantial changes in project management systems.

Traditional approaches to public administration, it has been found, are of little value in preparing administrators from less developed countries for the complex tasks of planning and executing development projects. Conventional public administration training — based on legalistic, centralized, regulatory procedures — are not adequate to deal with the dynamics of change. Relatively little attention has been given to training administrators from developing countries in effective project management. The training that is available often takes a narrow focus, emphasizing economic appraisal rather than developing broader management skills and capabilities. Nor has much attention been given to formulating operational frameworks for viewing project management as an integrated system of elements and activities — identification, preparation, feasibility analysis, design, appraisal, approval, organization, operation, control, evaluation and follow up — requiring performance of skilled managerial functions throughout the project cycle. Literature abounds on methods of economic and financial analysis, network planning and work scheduling, but much less has been written and few training programs exist that expand the Knowledge and skills of administrators in project organizing, resource mobilization, complex decision making, problem solving, coordination and institution building. Selection and training of project staff and technical assistance personnel, identification and utilization of a wide range of non-economic resources have also been neglected.

In many cases, project management practices used in advanced countries — those developed in defense, corporate R&D, and space programs — have been prescribed for increasing the implementation capacity of developing nations; an attempt has been made to install complex project management techniques and procedures. Cultural, political and social traditions, in many cases, inhibit the use of American or European project management procedures. Even the most efficient multinational corporations undertaking new ventures in Third World countries find unanticipated crises arise continuously to obstruct the smooth execution of major projects.

The Plethora of Project Management Problems

Techniques in administration and training, if they are to be effective, must be based on a realistic understanding of the complex problems facing developing nations. In 1974 and 1975, interviews by the author with more than 50 officials — high level administrators, loan and financial officers, project and program staff, evaluation and operations personnel, programmers and geographical area division chiefs — in three of the largest international assistance agencies and a content analysis of selected internal evaluation documents, revealed a host of serious problems. Political, economic, operational, social and physical difficulties either seriously delay projects or cause them to fail. The following problems are those that occur most frequently. This checklist can provide insights for technical assistance experts, educators or corporate project managers dealing with projects or project personnel in developing countries.

1. Ineffective project planning and preparation

- a. Inappropriate or ineffective identification and preparation procedures within national planning agencies and operating ministries

- b. Adverse distortion of development patterns through imposition of funding agency priorities on recipient governments
- c. Inability of national governments to commit available resources to feasible projects due to antiquated or inadequate capital planning and budgeting systems
- d. Inadequate exchange between organizations setting project investment goals and those responsible for establishing overall development policies
- e. Inadequate analysis of the absorptive capacity of developing countries to finance, execute and operate specific types of projects in each sector
- f. Inaccurate assessment of the market or needs for project outputs leading to poor distribution of investment resources and overinvestment in specific types of projects
- g. Insufficient preparatory analysis, sectoral assessment, feasibility studies and technical appraisal to provide required information for subsequent design

2. Faulty appraisal and selection processes

- a. Objectives and expected outputs of projects not clearly defined
- b. Overemphasis on financial targets in project appraisal and selection; projects selected on the basis of total amounts available for investment rather than on the productive outputs of the project proposals
- c. Overemphasis on economic and technical criteria in project appraisal and selection; neglect of administrative, social, cultural and environmental impacts
- d. Promotion of “pet projects” by individuals, groups and government agencies within developing nations and by funding units within international assistance agencies
- e. Long lag periods in the processing and approval of projects by international funding agencies
- f. Perpetuation of previously initiated projects through follow-on and piggy-back funding; inadequate assessment of requests for continuation or second-phase funding
- g. Difficulty of estimating true costs of capital in the appraisal of individual projects or in comparing sets of alternative projects

3. Defective project design

- a. Project design inappropriate to local conditions, needs and capacities
- b. Underestimation of resource needs, amortization obligations, insufficient allowance for resource demands of other on-going projects, leading to heavy additional unplanned borrowing
- c. Inadequate or inappropriate specifications, poor siting, use of defective or improper materials causing inferior construction of capital facilities
- d. Insufficiently detailed designs creating the need for frequent design changes in subsequent stages of project planning and to unplanned additions to or expansions of the project
- e. Failure to integrate capital construction and physical infrastructure projects into larger and related systems or networks
- f. Lack of contingency planning to meet emergencies or unanticipated delays
- g. Failure to select adequate baseline data and developmental indicators during design to allow monitoring, control and post-evaluation
- h. Failure to plan for policy changes necessary for adequate project support, such as tax incentives, land reforms, and subsidies or other benefits to encourage related private investment
- i. Lack of interaction between project planners and ultimate users, clients and beneficiaries during design

- j. Failure to account adequately in financial plans for inflation, price increases, and rises in salary levels affecting overall cost of the project

4. Problems in start-up and activation

- a. Delays in granting necessary national and international approval for project activation; procedural and bureaucratic delays within assistance agencies and national governments
- b. Corruption, inter-ministerial rivalries, and lack of cooperation in allocating and disbursing resources required for project activation
- c. Difficulty in obtaining local resources during construction of the project leading to delay and cost-overruns
- d. Failure to define the relationship of the project organization to broader institutional *and* administrative structures
- e. Insufficient analysis and comparison of alternative methods available for attaining project objectives during start-up and organizational phases
- f. Inadequate organizational planning leading to creation of inappropriate or ineffective project implementation unit
- g. International assistance agency field capacity too low to provide technical assistance during project activation
- h. Failure to redesign the project upon discovery of unanticipated obstacles during organization and operation

5. Inadequate project execution, operation and supervision

- a. Cost over-runs due to delays in project construction, completion and implementation
- b. Failure to maintain adequate information flows to indicate achievement of detailed performance targets
- c. Lack of continuity, supervision and problem-solving assistance from international funding agencies
- d. Insufficient capacity or incompetence of local contractors
- e. Lack of adequately trained and competent project managers
- f. Excessive fragmentation of responsibility for implementation among government organizations and agencies.
- g. Inadequate resource and work scheduling systems
- h. Inadequate equipment specifications
- i. Delays in delivery and inability to procure required resources, materials and supplies
- j. Outdated accounting procedures, ineffective methods of budgeting
- k. High turnover in personnel, poor personnel training, inadequate salary structures
- l. Conflict among project staff or between project administrators and professional staff
- m. Overly complex or ineffective bidding and contracting procedures
- n. Over extension of national government organizational and financial resources in project execution
- o. Inability to attract foreign consultants and contractors to supplement local consultant and contractor capability
- p. Failure to develop indigenous management skill by using projects as training operations; excessive use of expatriates in project planning and operation; failure to develop counterpart administrators

6. Inadequate or ineffective external coordination of project activities

- a. Insufficient supporting facilities, infrastructure and services
- b. Insufficient coordination among organizations operating projects and programs in related development sectors
- c. Poor coordination of internal project funding with external aid instruments
- d. Completion of projects sponsored by one ministry prior to completion of projects sponsored by another ministry which supplies the needed raw materials for other projects
- e. Failure of one government agency to train personnel needed for completion and operation of projects undertaken by another government agency
- f. Delays in receiving disbursement from donor agencies
- g. Political interference in construction or internal operation of project
- h. Insufficient use of foreign technology; excessive investment in local technology as opposed to technology transfer and adaptation.

7. Deficiencies in diffusion and evaluation of project results and follow-up action

- a. Project outputs and benefits restricted to a narrower group of recipients than intended by project design; demonstration and spread effects of projects limited except where special efforts are made to amplify them
- b. Inadequate or inappropriate utilization of complete projects
- c. Faulty supervision and control on the part of international lending agencies
- d. Poor internal reporting and monitoring procedures
- e. Inadequate monitoring and control by central government ministries responsible for project implementation
- f. Failure to adapt appropriate project outputs and techniques to other developmental activities
- g. Failure to train and retain personnel following project completion and the transfer of project operations to routine production activities
- h. Failure to anticipate, plan for or adjust to the political and social impact of projects on local populations
- i. Long delays in submitting project completion reports
- j. Failure to terminate projects at appropriate time or to transfer project activities to established governmental organizations
- k. Inadequate or ineffective project post-evaluation methods and procedures

If this formidable list of problems is to be reduced in the future, international assistance agencies, multinational corporations, and governments of developing nations must cooperate in bringing about major policy and procedural changes. Knowledge of major problems in project implementation already exists within aid organizations and planning ministries, but the difficulties of finding means to increase organizational learning and utilizing lessons from past experience preclude its effective use. This study found a number of strategic problems that have a fundamental impact on the progress of a project through each stage of the cycle. Remedial actions in these dominant problem areas can substantially improve project planning and implementation.

Changes in Project Management Policy

First, as building blocks of development, projects must be identified and defined within a larger development context. National plans must be more closely linked to proposals for action, and define specific policy, program, and project activities required to facilitate plan implementation. Some developing countries are experimenting with intermediate-range and short-term planning that more clearly identifies project priorities. Sectoral and annual planning, creation of project identification units, distribution of identification responsibility to regional and provincial governments, creation of sectoral programming offices within the operating ministries, and establishment of project preparation teams are all being tested to improve the project identification process.⁵ If policies are to be translated into development activities, however, planning in developing countries must become more project-oriented.

An area of project management that requires the greatest improvement is the definition of explicit, realistic, immediate, and long-term development objectives. Designs that relate project components and activities to specific objectives and output targets, and the inputs to specific activities, are only possible when objectives are understood and accepted by all participants in project administration. Perhaps the single most important cause of deviation from planned goals is ambiguity, confusion, or misunderstanding of immediate and long-term project objectives. International assistance agencies are experimenting with a number of techniques to deal with this problem. USAID's "logical framework" requires field missions to define clearly proposed project inputs, outputs, purposes, and goals in measurable or objectively verifiable terms, to delineate causal linkages among outputs, purposes and objectives, and to establish indicators of achievement for use in supervision and post-evaluation. While the "logical framework" requirements have brought some refinements in project formulation, field evaluations indicate serious operational problems. Similarly, the UNDP, through its country programming exercises and preinvestment assistance programs, and the World Bank through country program papers (CCPs) and project preparation missions, attempt to relate individual projects to specific sectoral development targets.

Appraisal procedures should be reformulated to more accurately assess absorptive capacity: the extent to which the execution of proposed projects would tax current administrative, technical, social, political, and economic capabilities and the contribution of projects to capacity expansion in key development sectors. Although major assistance organizations have improved evaluation of overall impact, unrealistic government estimates of administrative capability continue to result in failure to deliver counterpart funds, legislative and organizational reforms, technical and administrative skills, or physical infrastructure crucial to effective project implementation. Approval of projects that are beyond the absorptive capacity of national governments not only result in project failures, but drain scarce resources from other development activities.

Moreover, developing nations need additional external assistance in project supervision and evaluation for expeditious correction of bottlenecks and deficiencies. This study revealed numerous instances where problems were identified in a timely manner but no remedial action was taken. Failure to redesign projects and make modifications is likely to continue unless procedures for review and revision of specifications and plans are simplified. Closer cooperation between assistance organizations, their field representatives, government authorities and consultants is required in supervision, control, and monitoring.

Professional standards must be demanded of technical assistance experts in acknowledging problems and poor judgment early enough to take corrective action. The UNDP has instituted a Tripartite Review process which attempts to evaluate each assisted project at least twice a year. The review, conducted jointly by representatives of the government, UNDP, and the executing agency, seeks to provide immediate advice for improving the efficiency and effectiveness of project operations. The World Bank is increasing the number and functions of supervisory missions to provide more effective feedback on project deficiencies and bottlenecks.

There is a need for a stronger emphasis on project implementation as a training mechanism for developing indigenous skills. Improved planning, administrative and technical capacity must be defined as project outputs. The need for highly trained development administrators, especially those with project management skills, is a recurring theme of international assistance evaluation reports. Developing countries require two types of trained project administrators: those who can plan and coordinate the entire project cycle as an integrated process and those who can manage the project as an organizational entity once it is selected and approved.

Finally and most importantly, improvements in project management must be made with the needs of the ultimate "client" in mind. Prescriptions that violate the social, cultural, political and organizational traditions of developing countries simply will not work. Wholesale transfer of Western corporate or defense project management systems, too sophisticated for developing nations with limited administrative capacity, will have little positive impact on improving management skills. Techniques must be developed that are sensitive to national needs, constraints and opportunities. These techniques must take advantage of the experience of local officials who, after all, know best what will work in their own countries.

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