

Capacity Development Assistance to Lao PDR

- **Capacity development** is the process by which individuals, groups, organizations, and countries develop, enhance, and organize their systems, resources, and knowledge—all reflected in their abilities (individually and collectively) to perform functions, solve problems, and set and achieve objectives.
- Capacity development has been essential to the development agenda of the Lao People's Democratic Republic and an important part of assistance from the Asian Development Bank (ADB). It is taking place in the context of limited human resources, a continuously changing organizational landscape, an only slowly reforming public administration, parallel processes of political and administrative decision making, and minimal financial resources for recurrent expenditure. These conditions illustrate the central need for developing capacities, but also constitute parameters that adversely affect the process.

Background

Capacity development constraints vary from country to country. The most prominent factors that affect opportunities and outcomes of capacity development assistance to the **Lao People's Democratic Republic** (Lao PDR) include history (notably the period of political turbulence that ensued after the colonial rule of France came to an end and in which the war involving Viet Nam and the United States of America affected the Lao PDR), the uneven direction and impetus of the **New Economic Mechanism** adopted in 1986, the weak human resource base, lack of incentives for good performance, and shortage of finance.

The importance of capacity development in ADB's program is illustrated in successive **country strategies and programs**, each of which had it as central theme. In 2004, the Operations Evaluation Department conducted a **Special Evaluation Study on Capacity Development Assistance of the Asian Development Bank to the Lao People's Democratic Republic**.¹ The study was designed to assess the effectiveness of different approaches to capacity development, to identify factors that affected (positively or negatively) capacity development outcomes, and thus recommend improvements for future operations.

Summary of Findings

Dividing the capacity development assistance process into three phases—diagnostic, design, and implementation—the study found that the process suffered several weaknesses. While a large number of staff in government agencies had met with diagnostic teams, their participation had been limited to providing data rather than participating in an analytical process to identify key problems and relevant solutions. The quality of diagnostics varied across sectors and projects, but generally lacked analytical depth and had led to rather broad statements about capacity weaknesses and their causes. A capacity development strategy was developed for one sector (urban development), but otherwise assistance was reactive to evolving needs. Capacity development objectives had not been articulated well, and anticipated outcomes had not been stated in terms that would facilitate their focus and measurement. Implementation plans had concentrated on project inputs, i.e., training and consultants, rather than on organizational changes that could be sustained. Implementation had suffered from (i) lack of staff and resources; (ii) a mechanistic adoption of new systems without an understanding of their purpose, thus rendering systems ineffective; and (iii) a common, but

ill-documented, practice of capacity substitution. The latter meant that capacity development resources had been used in place of local ones, in the absence of which capacities could not be developed or sustained. While the different approaches used in each sector had appeared relevant and effective in their context, the overall impact of community development assistance had been scattered.

The high level of continuing community development assistance and the self-assessments of current strengths and weakness (undertaken as part of the evaluation) indicated that local organizations were not yet sufficiently developed to function without external assistance. Areas in which capacities were developed had not been well documented, which impeded efforts to draw systematic lessons from the experience. Weak results could be explained as follows:

Constraints. Human resource weaknesses, staffing and remuneration policies and practices, and financial constraints on the part of the Lao PDR seriously affect the way in which capacity development assistance is perceived and used (mostly as capacity substitution).

Process. Weak diagnostics meant that no clear understanding existed of the problems that needed to be addressed, nor was consensus and ownership built around the suggested solutions. The design of capacity development assistance suffered as a consequence: objectives were not articulated well and anticipated outcomes not specified. As a result, implementation focused on delivering inputs and carrying out activities, often using project inputs to substitute for local resources rather than developing capacities.

Scope. Capacity development is often equated with training or provision of consulting services. The lack of a framework recognizing capacity development needs in the operating environment of organizations and for organizational development affected the approach and results that capacity development assistance had had. Individual capacity development activities were scattered rather than systematically structured and sequenced, which affected the extent to which ADB assistance had an impact on capacities for sector and public resource management. Fundamental issues of public sector management, including human resource development and financial management, had not been addressed.

Recommendations

- ADB should develop diagnostic tools and approaches and require its consultants to use these

in preparation for all capacity development assistance.

- ADB should develop design standards and principles for capacity development projects or components, and apply these rigorously.
- ADB should develop concepts and approaches for capacity development implementation plans that should become part of all capacity development design documentation and be used to manage implementation.

Feedback

ADB Management's Response agreed that a more systematic approach was needed to improve the effectiveness of ADB's assistance for capacity development. To mainstream capacity development into ADB's operations, ADB's Management had established a working group on capacity development in April 2004. The working group had incorporated the recommendations of the study. In addition, the revised **Poverty Reduction Strategy** approved in July 2004 included capacity development as a thematic priority. The issues raised in the study would be addressed in the next country strategy and program for Lao PDR. The **Chair's Summary of the Development Effectiveness Committee Discussions** considered the findings of the study of high importance. The Committee also deemed the findings to be universally applicable to other countries tackling capacity development. It endorsed the lessons learned, key issues, and recommendations for consideration in development of ADB's future capacity development assistance. Some Committee members considered that the study pointed to a deficiency in professional and technical management in ADB because necessary adjustments and corrections could have been made either at design or implementation stages. Questions of internal accountability might have been addressed by the study. While acknowledging ADB Management's Response, some Committee members thought it was too open ended in delegating the proposal of actions to a staff working group.

¹ 2004. ADB. *Special Evaluation Study on Capacity Development Assistance of the Asian Development Bank to the Lao People's Democratic Republic*. Manila. Available: <http://www.adb.org/Documents/Reports/Evaluation/sst-lao-2004-03/ses-cda-lao.pdf>