

Lessons in Capacity Development: Sectoral Studies in Sri Lanka

- Poverty reduction requires enhanced capacity to formulate and implement policies, reforms, and investments. ADB has long provided extensive support for this. But understanding of capacity development evolves continuously. And lack of comprehensive and systematic diagnostics impacts the design, implementation, and results of related assistance.
- In 2004, capacity development became a thematic priority of **ADB's poverty reduction strategy** and one initiative of **ADB's reform agenda**. A Capacity Development Working Group was established to formulate a medium-term strategic framework and action plan. It produced a first draft in September 2005 and sought suggestions for improvement.

Background

In 2006, the Operations Evaluation Department conducted a **Special Evaluation Study on Lessons in Capacity Development: Sectoral Studies in Sri Lanka** to support preparation of the country assistance program evaluation and the next country strategy and program, scheduled in 2007. Given the emphasis that the enhanced poverty reduction strategy of the Asian Development Bank (ADB) places on capacity development, the study aimed to assess the success and impact of past and ongoing capacity development, identify lessons, and offer guidance.

Based on past and planned assistance to **Sri Lanka**, the study focused on: (i) tree crops, (ii) water supply and sanitation, and (iii) education. The study examined all lending and nonlending activities since 1985, excluding project preparatory technical assistance. In each sector of interest, one ongoing but nearly completed loan project was selected for detailed review. The focus encouraged: (i) greater depth of evaluation, (ii) rapid completion of analyses in time to inform the Capacity Development Working Group, and (iii) contextualization of findings in specific development environments.¹

Based on the initial working definition of capacity development put forward by the Working Group,² the questions that the study raised related to: (i) were ADB's capacity development initiatives relevant to the needs of the country and the sectors, (ii) were they understood by the Government and implemented efficiently, (iii) were they effective, and what were the reasons for effectiveness or lack thereof, (iv) were they sustainable, (v) what remains to be done to enhance capacity further, (vi) what generic, cross-sectoral lessons can be identified from the capacity development initiatives evaluated, (vii) what contextual factors contributed to success or lack of it, and (viii) what model can be used to assess past capacity development activities and future capacity development needs?

The study posed these questions against a model encompassing five interrelated dimensions for capacity development: (i) enabling environment, (ii) sector network, (iii) organization, (iv) agency employee, and (v) end-user.

Summary of Findings

The study determined that ADB's operations for tree crops, water supply and sanitation, and education included significant and meaningful capacity development covering a range of purposes, from

project planning to post-project sustainability. Operations had taken into account all five dimensions of capacity development. Coherent understanding of capacity development needs and the factors that influence them had been gained through sustained involvement.

In tree crops, recent projects had engaged the private sector in preference to intervening in the public sector. In education, investment had been in institutions. In water supply and sanitation, capacity development had at first focused on the National Water Supply and Drainage Board. Under the two most recent projects, it had strengthened end-user participation in selection, design, implementation, operation, and maintenance of local systems, and built the ability of local authorities to develop and manage them.

Significantly, the study identified that: (i) major and extensive capacity development impacts lie at the end-user level and in the enabling environment, (ii) the most successful funding modalities for capacity development currently available to ADB is project lending, preferably associated with a grant to finance consultancy, (iii) a strong link exists between continuity in a sector and the success and achievements of capacity development interventions, (iv) a realistic approach to policy and institutional change is important, (v) capacity development usually call for much consultancy because the expertise required does not exist in the targeted agency, (vi) whereas significant capacity development impacts can be achieved at reasonable cost with simple, practical training courses designed for specific needs, formal in-country and overseas training often does not serve well, (vii) capacity development needs should be assessed at all levels of public service, not just in the upper echelons of national agencies, (viii) what is, and is not, capacity development is still not clear in literature or among development practitioners, and (ix) if ADB decides to exit from sectors where capacity has been effectively developed, there is a risk that capacity may deteriorate or disappear.

The study also called attention to three contextual factors impacting capacity development. They are: (i) focus, (ii) ownership and commitment; and (iii) equality of access.

Recommendations

- When formulating the next country strategy and program for Sri Lanka, decisions on sector

involvement should be informed by knowledge of the impact and sustainability of past and ongoing capacity development activities.

- The governments of ADB's developing member countries, including Sri Lanka, should be informed that capacity development is a thematic priority of ADB's poverty reduction strategy, with implications for country strategies and programs.
- The Regional and Sustainable Development Department and the Operations Evaluation Department should cooperate to clarify the operational content of capacity development, when preparing the medium-term strategic framework and action plan, and conduct a follow-on study to test further the capacity development model that the study applied.

Feedback

ADB Management's Response and the Chair's Summary of the Development Effectiveness Committee Discussions endorsed the study's recommendations. Major points made by individual members of the Development Effectiveness Committee were: (i) in the long run, capacity development may be the most important value-adding contribution by ADB, (ii) the study makes an important contribution by including end-users and placing them at the center of the model for capacity development, (iii) the importance of sufficient and effective communication with all stakeholders in a capacity development initiative cannot be overemphasized, (iv) opposition to policy and institutional change may be due to an inadequate process of change management, not necessarily to the magnitude of change required, (v) the issue surrounding consultancy may not be so much in the fact of having consultants but in selecting the right ones, and (vi) effectiveness of overseas training may be an issue in the design of such training.

¹ ADB. 2006. *Special Evaluation Study on Lessons in Capacity Development: Sectoral Studies in Sri Lanka*. Manila. Available: <http://www.adb.org/Documents/Reports/Evaluation/sst-sri-2006-04/ses-sri.pdf>

² The Working Group saw capacity development as operations primarily aimed at supporting processes through which national organizations and groups become more capable of mobilizing and using resources to achieve agreed objectives on a sustainable basis.