

Getting Institutions Right

- New findings on the performance of ADB's capacity development assistance reveal mixed results, with no pattern across sectors, countries, regions, or time. Still, a consistent set of success drivers (*strengths*) and deterrence factors (*weaknesses*) affecting performance have been observed and classified: (1) design and quality-at-entry factors within ADB's control, (2) design and quality-at-entry factors beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control.
- To develop capacity, can ADB identify factors that drive success and factors that deter from it?

Background

The **Organisation for Economic Co-operation and Development's Development Assistance Committee** has defined capacity development as "**the process whereby people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time.**" The Asian Development Bank (ADB) has adopted this definition. ADB formally recognized the importance of **capacity development** in August 2004, when the comprehensive **Reform Agenda** was adopted and capacity development became one of 19 **reform initiatives**. Promoting capacity development was then also elevated as a new **thematic priority** in ADB **lending** and **technical assistance** operations.

In 2005, the **Paris Declaration on Aid Effectiveness** called for capacity development to be an explicit objective of the national development and poverty reduction strategies of partner countries. In 2007, the Operations Evaluation Department conducted a **Special Evaluation Study on Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right** to assess ADB's contribution to this global development agenda.¹ Building on findings of (i) existing evaluation studies related to capacity development and (ii) an analysis of four sectors (**education**, road **transport**, **governance**, and **public financial management**) across three countries (**Cambodia**, **Nepal**, and **Philippines**), the study examined performance at four levels, *viz.*, individual, organizational, network of organizations, and the enabling environment. The four sectors were selected

because of their importance under ADB's **Medium-Term Strategy II, 2006–2008**, and the three countries were selected because they reflect different socioeconomic and capability levels.

Summary of Findings

Perhaps predictably, the overall findings from the study revealed mixed results, with no consistent patterns of success across sectors, countries, regions, or time. However, a consistent set of factors affecting capacity development performance was observed and identified—meaning factors that drive success (*success drivers* or *strengths*) and factors that deter from it (*deterrence factors* or *weaknesses*). These positive and negative factors were classified into four categories: (1) design and quality-at-entry factors within ADB's control, (2) design and quality-at-entry beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control.

Lessons to improve capacity development performance can be drawn from the success drivers summarized under the four categories. These should be considered as a set of good practice standards for ADB's future assistance. Since the success drivers in categories 1 and 3 are design and quality-at-entry factors as well as implementation factors within ADB's control, they can be achieved through improvement in ADB's design and implementation practices for capacity development interventions. Since the success drivers in categories 2 and 4 are design and quality-at-entry factors as well as implementation factors beyond ADB's control, which

are contextual or external level factors by nature, they tend to act as incentives (*opportunities*) to capacity development performance. However, the negative side of these factors will tend to act as risks or constraints (*threats*) to capacity development performance. Although ADB has no direct control over these risks, some of them should be identified and mitigation mechanisms formulated (e.g., through policy dialogue, conditionalities, and loan covenants) during the design stage with good diagnostics. In more challenging environments, it may be necessary to be more realistic by developing a phased approach to capacity development interventions or deferring them until some of these risks are addressed.

Success Drivers Contributing to Effectiveness and Sustainability of Capacity Development Assistance

Design and Quality-at-Entry	<p>Factors Within ADB's Control</p> <ul style="list-style-type: none"> • Clear results framework or evaluability to measure and monitor capacity development • Strategic direction with realistic capacity development objectives • Adequate diagnostic baseline assessments at all capacity development levels (individual, organizational, network, and contextual levels) • Long-term continuity to institutionalize capacity development, careful phasing/sequencing, and exit strategy • Appropriate mix of modalities • Mainstreaming project implementation/management unit activities into target agencies' normal operations • Adequate staff time and skills, and financial resources • Inclusive participatory approach, with strong commitment of and ownership by target agencies • Cooperation and harmonization with other development partners
	<p>Factors Beyond ADB's Control</p> <ul style="list-style-type: none"> • Conducive political environment • Conducive economic/fiscal environment • Conducive policy/institutional environment • Conducive sector capacity
Implementation	<p>Factors Within ADB's Control</p> <ul style="list-style-type: none"> • Sufficient and qualified staff for implementation and supervision, including optimal use of resident missions • Flexibility during implementation and supervision • Selection of qualified consultants and limited delays in implementation
	<p>Factors Beyond ADB's Control</p> <ul style="list-style-type: none"> • Continued conducive enabling environments • Continued commitment of and ownership by target agencies • Continued cooperation and harmonization with other development partners

Institutional Assessment and Capacity Development: Why, What and How?, a reference document published by **EuropeAid**, explains that aid agencies can by doing less and doing it well often do better. This statement is consistent with the findings of the study and should guide ADB's capacity development activities. However, even less ambitious capacity development initiatives need to be supported by other aspects of good practices and success drivers, particularly those within ADB's control. Much remains to be done by ADB to improve some internal business practices to put the preconditions for these good capacity development practices in place.

Recommendations

- Provide guidance for assessing country capacity development needs and strategies, and identify an appropriate location for the presentation of the analysis in the country partnership strategy.
- Identify appropriate modalities for a long-term and country-led engagement in major capacity development initiatives in country partnership strategies.
- Build country ownership and demand for capacity development.
- Continue to pay strategic attention to the quality of capacity development interventions.
- Pilot test alternative capacity development approaches.
- Adjust staff recruitment skills mix to emphasize the soft skills required for capacity development.
- Make optimal use of resident missions.

Feedback

When these *Learning Curves* were prepared, **ADB Management's Response** and the **Chair's Summary of the Development Effectiveness Committee Discussions** were not available for disclosure to the public. The study was completed in February 2008.

¹ ADB. 2008. *Special Evaluation Study on Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right*. Manila. Available: <http://www.adb.org/Documents/SES/REG/SES-REG-2008-05/SES-REG-2008-05.pdf>