

ASIAN DEVELOPMENT BANK

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SPECIAL STUDY:

ASSESSMENT OF THE EFFECTIVENESS

OF

BANK TECHNICAL ASSISTANCE FOR CAPACITY BUILDING

TO

**VANUATU
(TA No. 2526-VAN)**

November 1996

ABBREVIATIONS

| | | |
|--------|---|---|
| ADTA | - | Advisory Technical Assistance |
| AOTA | - | Advisory and Operational Technical Assistance |
| DALH | - | Department of Agriculture, Livestock and Horticulture |
| DBV | - | Development Bank of Vanuatu |
| DMC | - | Developing Member Country |
| DOF | - | Department of Finance |
| DOHP | - | Department of Health and Population |
| DOT | - | Department of Transport |
| MFCIT | - | Ministry of Finance, Commerce, Industry and Tourism |
| MIS | - | Management Information System |
| MOT | - | Ministry of Transport |
| NPSO | - | National Planning and Statistics Office |
| OWA | - | Office of Women's Affairs |
| PCR | - | Project Completion Report |
| PITA | - | Project Implementation Technical Assistance |
| PSC | - | Public Service Commission |
| PWD | - | Public Works Department |
| SA(TA) | - | Stand-Alone (Technical Assistance) |
| SPDMC | - | South Pacific Developing Member Country |
| SPRM | - | South Pacific Regional Mission |
| SSM | - | Special Study Mission |
| SSTA | - | Small-scale Technical Assistance |
| TA | - | Technical Assistance |
| TCR | - | Technical Assistance Completion Report |
| TOR | - | Terms of Reference |

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

SUMMARY

This is one of a number of studies to assess the effectiveness and impact of the Bank's technical assistance (TA) for institutional strengthening in selected developing member countries (DMCs). Vanuatu had received 18 advisory and operational technical assistance (AOTA) grants from the Bank as of 31 December 1995, and two supplementary ones. Institutional strengthening efforts in Vanuatu are demanding. Three of the 18 AOTAs provided personnel primarily to perform in-line functions, seven were intended largely to provide policy and technical advice, and eight provided resources to strengthen organizations in their capacity to perform.

The AOTAs achieved mixed results in meeting their objectives. Five of the AOTAs were generally successful, five partly successful, and eight unsuccessful. Higher levels of success were associated with AOTAs for development credit and finance, and planning and statistics. AOTAs for physical infrastructure (construction and transport) and social infrastructure had poor results. AOTAs for agriculture, energy, environment, and financial management fell in the middle. AOTAs that focused on strengthening individual institutions or parts thereof were more successful than those that dealt with broader inter-organizational capacity issues. Large and complex thematic sector studies made little impact. In terms of contribution to development management capacity, AOTAs for mobilization, management, allocation, and utilization of public finances had higher levels of success than others.

Factors which appear to have had a positive impact on AOTA performance included an effective approach to design and management of the AOTAs; organizational autonomy; simplicity of design and specificity of outcome; and commitment, continuity and experience of personnel.

Design shortcomings in the AOTAs in Vanuatu include: (i) a supply-driven and unfocused AOTA strategy; (ii) inadequate institutional assessment and overly technocratic approach to diagnostic analysis; (iii) disproportionate attention to and provision of resources to fill in the internal technical gaps in the processes and operations of organizations and their subunits; (iv) inadequate local involvement in AOTA design; (v) an ad hoc approach to training including inadequate resources for training, and absence of expert trainers; and (vi) inadequate assessment of absorptive capacity. AOTAs for Vanuatu were prepared by expatriates and not always with sufficient attention to and understanding of conditions in Vanuatu.

The implementation of AOTAs in Vanuatu was constrained by the limited supply of experienced management and adequately prepared counterparts and trainees; the relative ineffectiveness of the standard devices to facilitate implementation; limited local commitment to AOTAs; and infrequent supervision by Bank staff.

Major issues in AOTAs to Vanuatu are: (i) inadequate local commitment and ownership; (ii) inadequate attention to the existing absorptive capacity; (iii) lack of recognition of the special training needs and appropriate arrangements for them; and (iv) inadequate attention to the sustainability aspects. Another relevant issue is the need for reform of the civil service to make it more effective, efficient and accountable.

High quality of technical input is a necessary but not a sufficient condition of AOTA effectiveness. AOTAs to Vanuatu, as to other DMCs, must factor in sociological conditions, be

technologically appropriate, and have local acceptance. Future AOTAs must be based on a clear strategy for capacity building. They must take into account the overall environment, and use the process approach. They must put greater emphasis on local commitment and ownership. They must provide for adequate resources and time, specially for training required to achieve sustainable results. They should have monitorable objectives. AOTA consultants must market the proposed solutions more effectively. AOTA reports must be comprehensible to all concerned, providing easy-to-understand presentation of required actions, from immediate to long-term ones. Issues of government structure and civil service reform must be taken into account. Expectations from short-term, capacity building efforts should be realistic. The long-term solution involves higher investment in human resources.

I. INTRODUCTION

1. The provision of advisory and operational technical assistance (AOTA) grants to strengthen institutions and build DMC capacities is an important feature of the Bank's operations. The objectives of the Bank's TA are to facilitate the flow and efficient utilization of development finance to its developing member countries and enhance their development capacity. Bank TAs comprise various forms: project preparatory, project implementation, advisory, and regional. Advisory technical assistance (ADTA) is meant for financing institution building, plan formulation, and sector, policy, and issue-oriented studies. Project Implementation TA (PITA) is provided for assistance in the implementation, operation, and management of Bank-financed projects. The Bank's operational statistics combine PITA and ADTA into the single AOTA category because PITA may include advisory elements and ADTA may include project-specific elements. ADTAs are normally financed by a grant. PITAs may also be financed as grants.

2. Bank AOTA grants during 1993-1995 averaged about \$76 million per annum. But with the increased emphasis on governance issues, and the recognition of importance of capacity building for development management, capacity building¹ has moved to center place as an independent objective of development. Effectiveness in capacity building is increasingly seen as the key to project quality, operational impact, and sustainability. "Capacity building for development management" is an operating objective of the Bank's Medium-Term Strategic Framework, 1995-1998. Studies of selected countries are being undertaken to provide the feedback to make the Bank's program in capacity building through the modality of AOTAs effective and sustainable.

3. Vanuatu was chosen for this Special Study (the Study) because project and TA review and postevaluation feedback from Vanuatu indicates that disruptions in the deployment of staff undermined the limited institutional capacities and adversely affected Bank project implementation in Vanuatu. Bank AOTAs were circumscribed by unexciting consultant performance, poor absorbability,² and limited absorptive capacity. However, the evidence is fragmented, impressionistic, and limited, and it was decided to undertake a comprehensive and systematic evaluation of the Bank's AOTAs to Vanuatu to provide the feedback necessary to upgrade the quality of Bank assistance in capacity building. The current Bank strategy for Vanuatu emphasizes strengthening capacity building in policy formulation in key agencies. Lessons of experience from Vanuatu may also be relevant for a number of South Pacific Developing Member Countries (SPDMCs).

¹ The phrase "capacity building," given its connotations of creating capacity from scratch, is yielding place in the international community to the term "capacity development" which implies the enhancement of abilities and capacities that already exist in some form. However, the terms "capacity building" and "institutional strengthening" are generally used in this Report because of their greater familiarity in the Bank.

² The readiness and ease with which ideas, structures, systems, and techniques are absorbed in an organization and in the behavior patterns of people in an organization. It is an attribute of the recommended ideas, structures, systems and techniques.

II. BACKGROUND

A. Country Conditions

4. Vanuatu has a population of 167,000. At independence in 1980, adult literacy was 13 percent, and the country had 10 nationals with university degrees. There are only three educational institutions beyond the level of secondary school. Despite improvements since independence, the country needs significantly more skilled human resources. Only a small number of the country's about 4,000 civil servants have college degrees.

5. The economy is dualistic, with the modern sector employing about 22 percent of the economically active population but producing about 88 percent of the gross domestic product. One third of the modern sector employees are in the public sector. Human resource development, including that in the public sector, is critical to support economic growth. The shortage of human resources is especially marked in economics, business, commerce, banking, and financial management.

6. The Government is organized with ministries at the top, and departments as executive agencies. The ministries are run by the ministers and their cabinets comprising political appointees, with the assistance of supporting staff, and, depending on the availability of finances from donors, expatriate advisors. Civil services personnel run the departments. About 300 expatriates, funded by bilateral grants,¹ play an important role in the functioning of the Government. Civil service turnover is high,² expatriate turnover higher given their 2-3 year contract periods, and political appointee turnover higher still, especially recently. Staff capacities are limited, and the ministries have virtually no institutional memory. The changing configurations, mandates, and jurisdictions of the ministries in the last few years have complicated the situation.

7. Vanuatu shows a pattern of institutional fragility. Most public organizations are small in size (80 percent have less than 100 people) and simple in structure. They do not come with the normal package of human resources, support systems and organizational interrelationships that can deal with complexity. And they depend for their leadership and energy on 2-3 key people whose departure leads to a loss in institutional memory and performance.

B. Overview of the Bank's AOTAs in Vanuatu

¹ Vanuatu is the recipient of a very large program of aid from Australia, People's Republic of China, the European Union, France, Japan, New Zealand, and UK. Technical assistance comprises about 35 percent of overall aid.

² There was a large-scale exodus of civil servants following their strike in 1993, the effects of which are still being felt. Civil servants can also be appointed by ministers on a temporary basis, as distinct from regular appointments by the Public Service Commission. Some people work on daily wages.

1. Composition and Characteristics

8. As of 31 December 1995, the Bank provided 18¹ AOTAs² to Vanuatu amounting to \$4,391,758 (see Appendix 1). All AOTAs were provided as grants. Five of the AOTAs accompanied loans; the rest were stand-alone. Four of the AOTAs were small-scale.³ Sixteen of the AOTAs were completed, one (No. 811) was terminated ahead of time, and one (No. 1821) is ongoing.

9. The duration of the AOTAs as designed averaged 14 months, and the actual was about 20 months.⁴ Only two AOTAs were completed within the projected time frame. Extensions averaged about nine months, resulting in periods of implementation about 43 percent longer than projected. As of February 1996, the average disbursement was about 78 percent. About 98.5 percent of the funds were utilized on consultant services.

10. Nine government agencies served as the executing/recipient agencies for AOTAs (see Appendix 2). The National Planning and Statistics Office (NPSO) received five AOTAs; the Development Bank of Vanuatu (DBV), three; the Public Works Department (PWD) and the Ministry of Transport, two each; and the Ministry of Finance, Commerce, Industry and Tourism (MFCIT), the Department of Finance (DOF), the Department of Agriculture, Livestock, and Horticulture (DALH), the Department of Health and Population (DOHP), and the Office of Women's Affairs (OWA) received one each.

11. The sectoral distribution of the AOTAs was: the finance sector nine AOTAs and 51 percent of the total amount; the public works and transport sector three AOTAs for 29 percent of the total amount; and all other sectors one AOTA each (see Appendix 3).

12. Bank AOTAs to Vanuatu could be categorized into three types, depending on whether they provided, primarily: (i) personnel to fill in a regular position or perform an in-line function or an ongoing service within an organization, called the gap filling type of AOTA (three AOTAs); (ii) technical and policy advice through reports and recommendations, contracted out usually as a one-time activity (seven AOTAs); and (iii) resources to assist an organization to develop its capacity to perform, focusing on institutional strengthening and capacity building (eight AOTAs) (see Appendix 4). These categories are not, however, mutually exclusive (see Table 1 of Appendix 4)⁵.

2. Objectives, Inputs, and Outputs

¹ Two supplementary TAs are subsumed within the original ones (Nos. 579 and 901, respectively).

² In the text of the Report, AOTAs are referred to only by their names or their numbers. Details are at Appendix 2.

³ Small-scale TAs are for an amount of \$100,000 or less and are approved through a summary procedure.

⁴ Some of the data are net of TA No. 1116, no record for which could be located.

⁵ In practice, however, gap filling often turned out, from the recipient agency's point of view, to be a covert purpose of several other AOTAs also or became one. However, multiplicity of overt purposes did not usually integrate well, given the different approach required for each type of activity.

13. The objective that figured most prominently in the AOTAs was systems and procedures improvement (13) followed by strengthening staff capabilities (12), and addressing institutional issues (10) (see Appendix 5).

14. The highest number of inputs were for providing consultant services for in-line functions and advice (15), followed by staff training (11), and installation of computer, accounting and management information systems (MIS) (nine). Conducting surveys and studies, and providing logistic support had seven each, followed by institutional and systems reviews (five), recommending legislation/policies (four), and establishing new units (three) (see Appendix 6).

15. Activities conducted under the AOTAs are shown in Appendix 7. These show a preponderance of in-line functions (15); assessment and reviews, and identification/conduct of training programs (14 each); evaluation of alternatives, opportunities, and constraints, and systems procedures and improvements (ten each); the formulation of designs, plans, recommendations, strategies and targets, (nine); and the conduct of surveys/studies, the preparation of manuals/guidelines and training materials, and the recommendation/procurement of equipment and logistic arrangements (seven each).

16. Appendix 8 details AOTA outputs: preparation of reports (17); performance of in-line functions (15); preparation of manuals, and recommendation/procurement of equipment (8 each); the conduct of studies/surveys, and recommendation for/conduct of staff training (7 each); and formulation of plans and strategies, and the design/recommendation of systems or procedures improvements (including computer, accounting, and MIS) (6 each).

C. Study Objectives and Methodology

1. Objectives and Process

17. The objective of this Study is to assess the degree to which the Bank's AOTAs have contributed to capacity building in Vanuatu, with a view to recommending ways to make future AOTAs to Vanuatu more effective and efficient, and their benefits more sustainable. The lessons distilled could be relevant to other SPDMSs, and possibly to other DMCs at a similar stage of development. The scope of the Study includes a review of needs assessment, diagnostic analysis, and design adequacy of the AOTAs; their implementation experience and operational performance; and their effectiveness, impact, and sustainability, specially in terms of institutional development.

18. The Study process was as follows: (i) an examination of all records in the Bank,¹ (ii) enumeration of a questionnaire on user perceptions (see Appendix 9); (iii) fielding of a Special Study Mission (SSM) to examine what outputs of the TAs were still being used by the

¹ At the Bank headquarters as well as at the South Pacific Regional Mission (SPRM). No records were available on TA No. 1116.

recipient agency, and the level of effectiveness with which they were being used, and (iv) a review of the findings with the recipient agencies, former agency staff, other donor representatives, and Bank staff in the SPRM and the Office of Pacific Operations.

19. None of the AOTAs had attempted an assessment of the baseline conditions that existed at the commencement of operations, or made any projections of anticipated results, or provided performance indicators. This made cause and effect analysis, which in any case is difficult to chart in organizational work, even more difficult.

2. Definitions and Context

20. The Bank's definition of capacity in the context of a DMC -- the ability to plan, manage, and sustain the development process -- implies the efficiency and effectiveness with which government institutions fulfill the key functions of development. These functions include policy formulation, legal framework development and enforcement, the delivery of public infrastructure and services, the mobilization of financial resources for these purposes, and collaboration with private institutions for equitable and sustainable development. Capacity development thus has to do with the performance of broad functions of public management at the national, sectoral or thematic levels. It looks at the contributions of actors who work in elaborate networks of organizations to solve complex, multi-faceted problems.

21. Analysis of capacity issues sometimes thus goes beyond the kind of insulated institutional strengthening or organizational re-engineering that has dominated traditional approaches to institutional issues. It has become apparent that providing technical inputs alone will have little long-term effect in the absence of supportive conditions, such as a greater sense of internal commitment, government support, and perceived legitimacy. Efforts to develop capacities are as much exercises in social innovation, learning and governance as they are ones in technical improvement, and face far greater constraints than those that focus on institutional development. Capacity "systems" cannot be insulated from external political and social forces to nearly the same degree as can individual organizations. The influence of historical, political, cultural, social, organizational, and economic factors is pervasive and more difficult to counter. Resolving policy differences needs much more attention. Achieving a basic level of interorganizational coordination can be a problem as the complexity and intractability of joint action increases. As a result, the techniques for capacity analysis go beyond those normally used to assess individual organizations; attempts at enhancement of the performance of networks or clusters of organizations may lead one to different, and larger, issues than sorting out the internal structure of a single organization. More stakeholder analysis, i.e., the identification of potential beneficiaries and losers from the proposed change, with a view to harnessing potential support for and countering potential resistance to the change, as well as higher management skills are needed to upgrade capacity.

22. This difference between institutional strengthening and capacity building has led to both semantic and operational difficulties in the Bank's work. Although the terms "capacity building" and "institutional strengthening" have been used almost interchangeably, in practice what has been meant is "institutional strengthening". The terms have been used to cover the interventions that donors use to assist DMCs to improve their ability to perform certain functions of public

management.¹ These interventions have included project planning, policy development, systems improvement, analysis and report production, workshops, training, and others. But donors sometimes tend to see all events to do with institutional and capacity development as linked in a cause and effect relationship to their own interventions. In reality, donor actions are simply part of a much larger pattern of institutional events in a country, many of which are random and unstructured.²

3. The Success Rating System and Its Basis

23. Appendix 10 presents a summary evaluation of significant features of each individual AOTA to Vanuatu. Appendix 11 captures the level of success of the AOTAs and their various components, attributes, and processes as rated by the SSM according to the Bank's rating system (see especially Tables 1 to 4). The Bank has adopted three broad performance categories for completed projects and TAs: generally successful, partly successful, and unsuccessful. Where the major objectives of an AOTA are substantially achieved, and on a cost-effective basis, it is rated generally successful. Where some of the major objectives have been substantially achieved, it is rated partly successful. Where most of the major objectives have not been substantially achieved and/or the TA is not considered cost-effective, it is rated unsuccessful. These categories have been used throughout the report to describe the level of success of the AOTAs on an overall basis as well as for their various components, attributes, and processes. The numbers 1, 2, and 3 have been used to denote these three categories, respectively. Each component, attribute or process in Tables 1 to 4 in Appendix 11 is evaluated independently, although there are linkages. While the overall effectiveness of each AOTA assimilates the success of its components, attributes and processes, it is not a mechanical average of these.

III. MAIN FINDINGS OF THE STUDY

A. Results and Impact

1. Effectiveness of the AOTAs by Impact and Characteristics

¹ This is the approach used in the *Initial Staff Guidelines on the Bank's Capacity Building Services to DMCs*, which defines capacity development as the "amalgam of programs and projects whose objective is to strengthen the institutional environment of a sector and/or country for more efficient, effective, equitable and sustainable management of the development process".

² In Vanuatu, some determining influences on capacity development have been the 1987 cyclone, the public servants strike in 1993-94 and the outcomes of the various elections. Also, it cannot be assumed that governments or people are either effective at, or even intent on, developing their capacity in the sense donors perceive capacity. All governments will choose political survival over capacity development if they perceive the need to choose.

24. AOTAs to Vanuatu have been rated according to an overall standard of effectiveness based on the degree of achievement of their objectives and their perceived impact, as well as the level of success of their salient components, attributes, and processes. In aggregated percentage terms, five or 28 percent of the AOTAs were classified as generally successful, five (28 percent) as partly successful, and eight (44 percent) as unsuccessful (see Appendix 11, Table 1, column 1).

2. Effectiveness of the AOTAs by Sector and Executing Agency

25. Higher levels of success in Vanuatu were associated with the development credit and finance, and planning and statistics sectors (see Appendix 11, Table 2). The worst results were in public works and transport, and in the social sectors. Agriculture, energy, environment and financial management fell in between. It is not clear whether or to what extent the level of success in the various sectors is a reflection of the nature of the sectors (see para. 35). In terms of executing agencies, the best results were obtained by DOF, followed by NPSO, and DBV. DALH was in between. DOHP, MFCIT, MOT, PWD, and OWA obtained poor results.

3. Effectiveness by Nature of Work

26. Each AOTA has been evaluated for significant components falling in the three categories of gap-filling/in line function, provision of technical/policy service, and institutional strengthening/capacity development. Seven AOTAs had gap-filling/in line function components. In three of these, this component was generally successful, in one it was partly successful, and in three unsuccessful. Of the 8 AOTAs with technical/policy advice components, four provided high quality reports, which in all cases were effectively used. Two provided reports of middling quality and two resulted in poor quality reports. In all four latter cases, the reports did not generate any action.

27. Results with respect to institutional strengthening/capacity building have been broken down further by these two subcategories (see Appendix 11, Table 3). The former category addresses strengthening institutions or parts of them; the latter encompasses those AOTAs the scope of which went beyond strengthening of single institutions. General success was achieved in seven out of 16 cases which had intra-organization strengthening components. No success was achieved in five, and partial success in the other four. In sharp contrast, general success was achieved only in one out of the 9 AOTAs that had a capacity building or inter-organization component, partial success in three, and no success in the other five. Clearly, achieving success in inter-organizational or capacity building efforts, a more complex and demanding task, was much more difficult.

4. Effectiveness by Training

28. As per data available, academic training and/or study tours were provided for only in one AOTA, Agricultural Extension and Training. Formal training of some kind, e.g., workshops, seminars, and classroom type of training were provided for in six of the AOTAs. On-the-job training/transfer of technology of some kind resulted in 12 of the 18 AOTAs. Judging by

the impact of the training provided, of the six AOTAs providing formal training, three (Nos. 613, 1581, and 1644), had generally successful training components, and three (Nos. 498, 533, and 2179) partly successful ones (see Appendix 11, Table 1, column 6). Outside these, on-the-job training appears to have been partly successful only in two of the AOTAs (Nos. 1185 and 1821), although it was provided for in at least four others. The most successful case of on-the-job training was in Improving Domestic Revenue Management. This success was due to the fact that training was given priority and was adequately resourced (see Appendix 11, para. 6).

5. Effectiveness by Systems Design and Improvement

29. Fifteen of the 18 AOTAs called for some form of systems work, i.e., the design and implementation of organizational, financial or information systems. Of the 15, six were generally successful in this endeavor and three were partly successful. Achieving effectiveness with systems improvement in the short run appears to have been easier than with training.

6. Effectiveness by Process, Performance, and Sustainability

30. Process refers to the series of actions, activities, measures, and inputs that lead to intended outputs and impact. The effectiveness of process indicates whether the preparation and implementation of an AOTA as distinct from the output of the AOTA resulted in institutional strengthening or transfer of technology. Given the incipience of several institutions in Vanuatu, even the production of technical reports and policy recommendations by consultants made an indirect but not unimportant contribution to institutional strengthening in some cases. This was distinct from the anticipated institutional strengthening resulting from the acceptance of the proposals of the report/recommendations. This it did by creating learning opportunities for national staff during the production of these reports through provision of information and analysis, as well as by creating a framework for thinking that could continue to move the local process forward. Effectiveness of process involved local participation, commitment and possibly ownership, and internalization of approaches and methodologies.

31. Performance refers to the accomplishment of results. Performance demonstrates the capacity to function at a targeted higher level of effectiveness, efficiency, and sustainability. In terms of process, five of the 16 AOTAs were generally successful, nine partly successful, and two unsuccessful. In terms of performance as well as sustainable capacity, these results were five, five, and six, respectively.

32. Some of the reports under these AOTAs were large, complex, one-off sector or thematic studies done largely for, rather than with, the recipient departments and agencies. Included in this category are the reports on energy planning, national transport development plan, environmental legislation review, inter-island shipping, population planning, and on strengthening the OWA. The lack of impact and sustainability of many of these is a function of several factors: lack of local participation, commitment, and ownership; complex, sometimes unmanageable recommendations i.e., lack of absorbability in addition to the lack of absorptive capacity; and financial and management constraints in operationalizing the recommendations. Nevertheless, some of these reports resulted in some kind of sustainable capacity. Examples of this were the reports under AOTAs No. 579, Energy Planning and Institutional Review, and No.

1116, Environmental Legislation Review. Several years after its production, the report produced under the latter TA was the frame of reference for the new environmental unit in the Government, the staff of which had effectively internalized the report's recommendations. AOTAs that focused directly on organizational change had somewhat better results than those that focused on technical reports.

7. Effectiveness by Development Management Capacity

33. It is possible to assess the effectiveness of AOTAs to Vanuatu by their contribution to the development management capacity in Vanuatu.¹ Attempts to strengthen a country's development management capacity could be grouped into four broad categories: (i) policy formulation, and legal framework development and enforcement; (ii) enhancement of public sector efficiencies and effectiveness in the delivery and management of essential infrastructure and services; (iii) mobilization, management, allocation, and utilization of public finances (including investment planning capacities); and (iv) promotion of government capacity to work productively with private, voluntary, and community institutions in the development process, as well as of the capacity of private, voluntary, and user-group organizations.

34. AOTAs achieved varying degrees of success in strengthening the Government's policy formulation and legal framework development/enforcement capacities. The National Accounts of Vanuatu made the best contribution in enhancing policy formulation capacity of the Government by providing it with its first set of national accounts and strengthening the ability to produce these accounts which are essential for formulating economic policy;² the small business and informal sector survey also contributed to this capacity to some extent. Energy Planning and Institutional Development and Environmental Legislation Review produced reports and resulted in the establishment of units that strengthened Government's policy formulation and legal framework development/enforcement capacities by providing a focal point to coordinate the effort, and some incentive and expertise to pursue the matter. The efforts at strengthening policy formulation in shipping, women's affairs, and population policy resulted in little success.

35. Attempts at enhancing public sector efficiencies and effectiveness in the public works and transport sector did not yield any significant results (AOTA nos. 726, 901, 965). But some success was achieved in strengthening agricultural extension services (AOTA no. 533). General success was achieved in the mobilization, management, allocation, and utilization of resources through AOTA nos. 1644, 1821, 1317, and 1581, and partial success through 1185. Little success was achieved in AOTA nos. 498 and 811. There was no AOTA to Vanuatu falling in the fourth category of work with voluntary and community institutions. The mobilization, management, allocation, and utilization of resources appears to have yielded itself to higher levels of success possibly because of higher levels of specificity in the results to be achieved, clearly defined methodologies for doing so, and greater incentives for doing so. Strengthening policy formulation and legal framework development/enforcement capacities was easier than

¹ Adapted from the *Initial Staff Guidelines on the Bank's Capacity Building Services to DMCs*.
² This ability later declined and fell into disuse in the 1990s.

enhancing public sector efficiencies and effectiveness, again perhaps for reasons of specificity of outcome.

8. Some General Conclusions

36. Given the objective conditions in Vanuatu, the rate of success of the AOTAs in achieving their objectives and in terms of sustainable impact was not low. Repeat AOTAs, AOTAs to the same recipient agency, or AOTAs with repeat consultants, or consultants experienced in the work of the agency or with work in Vanuatu, produced better results. The three TAs to DBV and the two AOTAs to NPSO have higher ratings. With the exception of TA No. 613, Development of National Accounts, none of the maiden TAs to an agency was rated higher than partly successful. The results with regard to training were rather disappointing.

B. Shortcomings in AOTA Design

37. Framework problems in AOTA processing and administration in the Bank include the lack of appropriate institutional arrangements to handle capacity building through AOTA and the assumption that any Bank staff could handle capacity building/institutional strengthening TAs. This results in problems in the process of the design phase. Most of the outcomes of the AOTAs had their origins in the design legacy. The overriding design issues of AOTAs in Vanuatu are discussed below.

1. Capacity Development Strategy and AOTA Program

38. The Bank strategy on AOTAs in Vanuatu in the past has been ad hoc and not based on a longer term strategy. The Vanuatu experience clearly indicates the desirability of a more systematic and structured approach to AOTA programming, based on a considered capacity and institutional development strategy.

39. The Government has had an abundant supply of technical assistance from various sources and most were TA grants. The absence of performance reports -- the costs and benefits of AOTAs -- compounds the problem of needs assessment, demand prioritization, and articulation of interest by the user agency. Where the origin of the requests could be traced, which was not often, the SSM found that the Government was not proactive in terms of making AOTA requests. Such requests seem to have emanated either from donor agencies or from TA personnel provided by other donors.

2. AOTA Design

40. An important shortcoming in AOTA design was inadequate institutional and diagnostic analysis and needs assessment of the recipient agencies, and the absence of benchmark indicators about them. Where such analysis or assessment was carried out it was

rather technocratic, reflecting the design and delivery orientation of an organization specializing in infrastructure and hardware projects. Management, cultural and sociological considerations were not adequately factored in. There was inadequate differentiation and specificity in dealing with several organizations -- except when continued experience with recipient agencies enhanced it.

41. Bank staff seem to have followed "a closed systems" approach, in that, with rare exceptions as in TA 1821, inadequate attention was paid to economy-wide structural problems such as shortage of technical and management skills, counterpart staff, and trainees with adequate preparation; staffing issues such as motivation, retention in public service, and effective utilization of staff; politico-administrative issues such as realignment of ministries and departments; and neglect of task network, i.e., of the clusters of organizations involved in the performance of a function. In its AOTAs, the Bank focused on two aspects: what are the internal technical gaps in an organization's operations, and what resources can the Bank apply to resolve them. In the face of the enormous needs of institutions in Vanuatu for more structure, systems, and skills, this approach had a predictable impact. In organization where such needs predominated, e.g., DBV and NPSO, the Bank's traditional solutions -- some restructuring, systems improvement, and training, proved useful. However, in cases where problems, needs and solutions were more demanding, this framework proved insufficient. Some TAs such as 2026 and 2279, were underdesigned (i.e., without sufficient attention to stakeholders' perceptions and incentives, and to sustainability). Others such as nos. 965 and 1525, were overdesigned (i.e., too complex and difficult to absorb).

3. AOTA Duration

42. The apparent correlation between the longer-term patterns of investment (including repeat AOTAs) and AOTA effectiveness in the case of institutional strengthening AOTAs would argue for longer duration of institutional development AOTAs, especially their staff training components.¹ The Bank preference in several AOTAs appears to have been to keep the duration short. On the other hand, some of the smallest/shortest AOTAs give the impression that they were, primarily, exercises in producing a short-term output irrespective of the related requirements, e.g., Strengthening the Office of Women's Affairs and Preparation of Population Policy and Action Plan.

¹ While longer duration does imply a larger size in terms of cost, the issue of duration is distinct from that of size. Three of the largest AOTAs, the ones for Institutional Strengthening of Public Works Department, the Preparation of a National Transport Development Plan, and Interisland Shipping Study, left little legacy, implying that size is correlated to complexity, especially in report production that can overwhelm absorptive capacities in Vanuatu.

4. Training and Transfer of Technology

43. Vanuatu presents several issues in designing effective training programs. These include a limited number of suitable candidates for training and systemic problems in the Government related to the management of human resources. The Bank's AOTAs lacked sufficient attention to the conditions specific to Vanuatu. Recommendations were made for on-the-job training, with little evidence of in-depth analysis of staffing issues, staff readiness for training, incentives for training, constraints to staff retention, and differentiated training strategies. Counterpart development was only partly successful: only 11 counterparts could be identified for the 18 AOTAs. A frequent dilemma that the Bank failed to resolve was the trade-off between 'production' and training: consultants heavily engaged in line activities or report production giving inadequate attention to training. Only three out of 18 AOTAs (nos. 533, 1581, and 1644) provided for a sustained approach to training; in eight, training was carried out when other production work allowed. The incentives system embedded in the consultants' contracts was biased against training given the fact that the production of tangible deliverables such as reports and manuals could easily be tracked. Of all the consultants hired for the 18 AOTAs, only two had any formal training experience. Only two AOTAs (Agricultural Extension and Training and Institutional Development of Development Bank of Vanuatu) provided staff trainers. And only one can be said to have devoted the resources to training that it clearly required: Improving Domestic Revenue Management.

5. Supporting Value Systems

44. Incentives are essential to sustain new systems introduced by AOTAs. Users and workers need to perceive the new system inducted under an AOTA as a distinct improvement over the previous system, and one that adequately compensates for the inconvenience of its introduction. Participation of and communication with the whole range of affected operatives from the beginning of AOTA implementation are essential.

C. Implementation Performance

1. The Performance of Consultants

45. Good consultant selection is a necessary but not a sufficient condition of success of AOTAs. Of the 19 consultants on which information could be obtained from Bank documents and recipient agencies in Vanuatu, the SSM categorized the performance of six as successful, seven as partly successful, and six as unsuccessful. All the consultants rated successful were in place for 12 months or longer, or had prior experience of Vanuatu. Effectiveness of consultants clearly correlates with length of experience and familiarity with country conditions. Capacity and institutional development, i.e., mobilizing, persuasion, systems improvement, and training, take time. Another factor common among successful consultants was the ability to develop counterparts.

2. Commitment and Ownership

46. A condition vital to successful implementation of AOTAs is commitment to, and ownership of, AOTAs at critical operational and supervisory levels if not down the line. Given the lack of structure and continuity in most agencies, such commitment to AOTAs as may have existed was at the bureaucratic rather than the political level, the operational rather than the senior level, and at the beginning rather than at the end of an AOTA. It was personalized and did not survive a change in personnel. Ownership and commitment were conditions that could be quickly altered by events. Table 1 indicates the level of commitment for the Bank AOTAs in Vanuatu. It will be seen that in all four cases where commitment and ownership was low, sustainable capacity was low. Higher levels of commitment and ownership increased the potential for sustainable capacity.

Table 1: Vanuatu Commitment and Ownership to the Bank TAs
(sample size 18 of 18)

| Project Title | Strong and Consistent Commitment and Ownership ^a | Intermittent Commitment and Ownership | Low Commitment and Ownership | Sustainable Capacity ^b |
|---|---|---------------------------------------|------------------------------|-----------------------------------|
| Development Bank of Vanuatu (VAN-498) | x | | | 3 |
| Agricultural Extension and Training (VAN-533) | | x | | 2 |
| Energy Planning and Institutional Development (VAN-579) | | x | | 1 |
| National Accounts of Vanuatu (VAN-613) | x | | | 2 |
| Appraisal of Subprojects/ Multiproject Loan (VAN-726) | | | x | 3 |
| Fiscal and Financial Development Support (VAN-811) | | x | | 2 |
| Institutional Development of Public Works (VAN-901) | | | x | 3 |
| National Transport Development Plan (VAN-965) | | | x | 3 |
| Environmental Legislation Review (VAN-1116) | | x | | 1 |
| Development Budgets and Systems (VAN-1185) | | x | | 2 |
| DBV-Operating Strategy and Bus. Plan (VAN-1317) | x | | | 1 |
| Inter-Island Shipping Study (VAN-1525) | | | x | 3 |
| DBV- Institutional Development (VAN-1581) | x | | | 1 |
| Domestic Revenue Management (VAN-1644) | x | | | 1 |
| Aid Administration in NPSO (VAN-1821) | x | | | 2 |
| Office of Women's Affairs (VAN-2026) | | x | | 3 |
| Small Business and Informal Sector (VAN-2179) | x | | | 2 |
| Population Policy Action Plan (VAN-2259) | x | | | 3 |

a The level of commitment and ownership is assessed by the availability of counterpart personnel and trainees; consultant access to management, and management interest in and time devoted to the AOTA; availability of resources, including financial and logistics support; and most importantly, involvement with, and acceptance and implementation of recommendations. However, the standard for "strong and consistent" and "intermittent" are ones that are adapted for the conditions of Vanuatu. "Strong and consistent" implies showing a relatively consistent interest, providing a reasonable amount of supporting resources, and acting on the recommendations

b 1 = generally successful, 2 = partly successful, 3= unsuccessful.

3. Management and Organization, Reporting and Supervision

47. Formal organizational mechanisms to facilitate implementation -- coordinating or steering committees, seem to have worked unevenly at best, and did not necessarily enhance commitment to the AOTA. They were, however, effective in more stable and structured organizational situations. In DBV, senior management support was helpful; in DOF, benign neglect at senior levels did not preempt the internalization of ownership at operational levels.

48. As per records available, the Bank's review and supervision of AOTAs was uneven, and, for the most part, does not appear to have been effective, except in the case of two of the five accompanying AOTAs, i.e., in 498 and in 533, and in two of the 13 stand-alone ones, i.e., 613 and 1644, which benefited from greater frequency of Bank review missions. Several consultants indicated that there was little incentive to provide the Bank with frank information; some thought their reports were simply not read. The flow of information and insight from AOTA personnel does not appear to have been a source of either control or learning in the Bank. Few examples can be found of the Bank staff taking quick, proactive steps to get the stand-alone AOTAs back on track. There is little evidence of Bank staff playing the facilitation role that capacity and institutional development AOTAs would greatly benefit from. In some cases, the Bank provided little monitoring and supervision and remained unaware of the views of the executing agency, e.g., in AOTA nos. 811, 965, 1185, 1317, 2026, and 2259 (see Appendix 10, column 6). There is only one Technical Assistance Completion Report (TCR) on record (No. 1644) for the 12 completed stand-alone TAs.¹

4. General Constraints

49. Several AOTAs suffered from insufficient consideration of the situation existing in Vanuatu. These included the lack of skilled management personnel; limited availability of suitable counterpart staff and candidates for training; and the accepted pace of work. Institutionalization of organization and management of AOTAs was difficult to achieve. The results were dependent almost entirely on the consultant's performance. The inadequate transfer of technology pre-empted sustainability.

D. Best Practices

50. AOTAs which are relatively successful in Vanuatu seem to have five characteristics in common: (i) an effective approach to design and management, (ii) some kind of organizational autonomy and insulation, (iii) AOTA design well within the absorptive capacity of the agencies concerned, i.e., easy to understand and act upon, (iv) commitment, experience, and continuity of personnel, and (v) specificity of the outcome, especially where it was measurable. It also appears that, in the context of Vanuatu, AOTA success could be enhanced by the ability of the Bank to get the right interrelationship between five different variables: (i) the size of the AOTA, (ii) its duration, (iii) AOTA involvement in line functions in the recipient agency, (iv) the report production function, and (v) the nature of the training responsibilities.

¹ A PCR was prepared on three of the five projects which had accompanying AOTAs (Nos. 498, 533, and 726), but not on the others (Nos. 901 and 1581).

Other reasons for some of the successes of AOTA were correct identification of gaps and niches in the Government's functioning, especially technical niches and provision of matching inputs, and expatriates funded by bilateral donors who could help implement AOTAs in areas they were working.

51. AOTAs of long duration and repeat AOTAs improved absorbability and appear to have given the Bank staff and consultants a better understanding of an institution and its task network, more intensive networks of personal relationships, greater mutual confidence, more open exchange of information, and greater credibility to Bank efforts. Thus effectiveness of consultants correlated with long tenures, or with prior experience of work in Vanuatu. Also, from a Bank staff-time point of view, AOTAs of longer duration were more cost-effective. Where adequate attention and resources were devoted to training, as in Improving Domestic Revenue Management, the results were dramatic (see Appendix 11, para. 6). Perhaps more than anything else, high levels of commitment and ownership were determinants of success, but were not always easy to predict. Simplicity and specificity, reflecting a good understanding of absorptive capacity, were also indicators of potential success.

IV. KEY ISSUES FOR THE FUTURE

A. Commitment and Ownership

52. Government requests for AOTAs were often simply their agreement to suggestions made by the Bank. The indication in the Government letter of request that the subject/area of a particular TA was a high priority for the Government, was thus like a no-objection to receive the TA rather than an indication of real interest or forthcoming support. Little evidence of local participation and involvement at the design stage of the AOTAs was available. Nine out of 16 respondents in the Government voiced dissatisfaction with their inadequate involvement in project design. Institutional commitments were difficult to generate. Conditions of high absorptive capacity, i.e., supply of counterparts and trainees, understanding of the issues among the counterparts and the management, commitment at various levels, interest and involvement, willingness to undertake direction and supervision of the consultants, and an eagerness to take over the function at the end of the TA were not visible in the AOTAs. High levels of ownership and commitment correlate closely with AOTA success. Further, complex TAs appear to generate lower levels of commitment and ownership than simple TAs with specific products.

B. Absorbability and Absorptive Capacity

53. Absorbability was a major issue in Vanuatu. Of the 18 AOTAs, ten produced plans, work packages, or techniques that their counterpart organizations had great difficulty in assimilating (Nos. 498, 583, 726, 811, 901, 965, 1116, 1525, 2026, and 2259). Of these, seven were unsuccessful. Three, viz., Agricultural Extension and Training, Energy Planning and Institutional Support, and Environmental Legislation Review were partly successful. Bank staff and consultants seem to have focused on the desirable and ideal rather than the feasible.

Difficulties in absorbability assessed on the basis of understanding, accepting, and implementing reports and recommendations of consultants seem to correlate to several factors:

- (i) The complexity of the proposed systems. All six multisectoral studies (see para. 32) emphasized desirability, comprehensiveness, and technical competence at the expense of absorbability and feasibility. Four have disappeared and only two (nos. 579 and 1116) made the transition to standard source documents within Government.
- (ii) Communication and marketing of innovations. Where AOTA personnel invested time and effort in explaining the nature of the problem they were addressing and the advantages of the proposed solution in simple terms, the level of potential absorbability was raised. Those who relied on the quality of their report to speak for itself or confined themselves to one final formal presentation, were at an immediate disadvantage in a society where there is a reluctance to read large, intimidating reports in English, where the level of technical understanding is very variable, and where interdepartmental coordination is not easy to achieve. The failure in institutional marketing or lobbying was a persistent problem. Where TAs were able to create a group of supporters or a "champion", the chances of absorption were much enhanced.
- (iii) Time was a factor. DBV improved its absorptive capacity for AOTAs over a period of a decade. The absorption issue needs to be seen as a broad, long-term process of organizational and social learning in which Bank interventions are a small, if important, part.
- (iv) AOTAs are administered by the Resident Bank Mission. No evidence was found to the effect that the Resident Mission played an effective role in improving the absorbability of the Bank's AOTA in Vanuatu, notwithstanding its close proximity and assumed intimate knowledge of institutions and organizational and political dynamics in Vanuatu.

C. Sustainability

54. Determinants of sustainability of institutions created/upgraded and of other benefits of AOTAs appear to have been inadequately understood and factored into AOTA design. There are many aspects to sustainability. These include: (i) contribution of the beneficiary agency to increased public good; (ii) absorbability, e.g., the correlation between simplicity and sustainability; (iii) flexibility and resilience, i.e., the ability to withstand changes and adapt without losing productivity and effectiveness; and (iv) legitimacy of and loyalty to institutions even when they undergo change. This requires, inter alia, guarding against overextension in terms of finances as well as management. The issue of sustainability is affected by a host of factors -- politicization, the effect of the institutional environment and task network, government restructuring (very frequent in Vanuatu), governance factors, the range of choices facing public servants -- most of which are beyond the control of the Bank. Short term and quick in-and-out interventions are unlikely to generate sustainable change.

D. Training

55. Proper training arrangements are not easy due to the absence of a ready supply of potential trainees with the right amount of preparation, and the lack of a supporting workplace environment that would provide the trained staff with the opportunity and incentives to use the developed skills. The lack of motivation is compounded by the disincentives for staff retention, e.g., low salaries, uncertain career paths, and lack of professional autonomy. The lack of a focused approach to training, specific to the conditions in Vanuatu, meant inadequate transfer of technology. A further problem is that training assignments in Vanuatu become multipurpose as TA staff struggle to keep organizations functioning, and there are inherent trade-offs between completing a report, providing training, and performing in-line functions.

E. Civil Service Reform

56. Another institutional issue is civil service reform. At present, salary levels are low and not competitive. This makes it difficult to retain able, dynamic staff in service especially in the face of higher earnings in the private sector. Also, there is the lack of sufficient management cadres which need to be created to strengthen institutions in Vanuatu. There is a case for a comprehensive study of civil service reform which will cover these and other relevant issues, and help make bureaucracy efficient and effective. The Government has established a Restructuring Commission to examine options to reduce the size of the public sector. The Commission has a broad agenda to develop and assist in the implementation of comprehensive reforms.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

57. Vanuatu needs to develop a number of essential features for institutional strengthening, such as a comprehensive legal framework, a steady supply of highly educated candidates, modern management techniques, strong administrative tradition, and NGOs. It is therefore not realistic to expect that only with the input of resources such as technical information, some reorganization, upgrading of systems and procedures, and some training opportunities, the Bank can make the required contribution to institutional and capacity development. Interventions must be able to relate to the shortages and constraints throughout the system. Issues of political acceptance and local motivation, of commitment and ownership, must be accorded the highest priority, and AOTA design and implementation processes built around them.

58. The significant framework problems with Bank AOTAs to Vanuatu have been: (i) ad hoc interventions with a supply-driven and an opportunistic approach to the selection of AOTAs such that capacity building was not an objective in its own right;¹ (ii) lack of attention to the wider political, social, cultural, and economic context of TAs; and (iii) lack of specialized attention to capacity building and an assumption that any Bank staff could handle capacity building/institutional strengthening TAs.

59. Design problems in Bank AOTAs to Vanuatu include: (i) inadequate institutional assessment and diagnostic analysis, and such analysis being relentlessly technocratic; reflecting a "blueprint approach" relying on detailed up-front planning and tight time-schedules; (ii) a closed systems approach, i.e., exclusive attention on the internal functions, processes and operations of organizations and their subunits, to the exclusion of systems-wide problems and linkages; (iii) lack of participatory TA design, and of supporting value systems; (iv) lack of attention to the promotion of national commitment, absorbability and sustainability; (v) poor assessment of absorptive capacity as reflected in overly complex designs and repeated underestimation of the time required for institutional assignments, coupled with an undue emphasis on the achievement of short term work; (vi) an emphasis on the production of technical outputs at the expense of training and institutional strengthening; and (vii) an ad hoc and poorly conceived approach to training including inadequate resources for training and the absence of expert trainers.

60. Inadequate consultation with recipient agencies and beneficiaries at the design stage of the AOTAs resulted in their lack of commitment and ownership. This was more pronounced in complex projects with a variety of stakeholders, e.g., nos. 965 and 1525.

61. AOTAs which were relatively successful seem to have had an effective approach to design and management; some organizational autonomy and insulation; a design well within the absorptive capacity of the agencies concerned; commitment, experience, and continuity of personnel; and specificity of the outcome.

B. Recommendations for the Bank

62. Future AOTAs must be based on a clear and focused capacity building strategy; assimilate a broader perspective; provide for more rigorous screening and quality control, resources, time, and adequate follow-up and supervision; and put greater emphasis on ownership, the process approach, and training. TA reports must be comprehensible to all management levels including those who may have a limited technical knowledge base, short attention spans, and a tendency to neglect consequential investment financing, as well as recurrent financing. Complex reports must provide easy-to-understand matrices of step-by-step actions from immediate to long term ones. The level of political will and investment intensity of the resulting recommendations must be recognized and factored into the criteria for AOTA selection.

¹ However, the Bank's new Strategy for the Pacific (January 1996) makes policy and institutional reform its centerpiece. It envisages that the Bank will support intervention in a range of sectors in the region, provided the intervention should involve significant sector policy reforms or capacity building. More specifically, Bank strategy in Vanuatu emphasizes capacity building in policy formulation in key agencies.

1. A Capacity Building Strategy for Vanuatu

63. Subject to the understanding between the Government and the Bank, the Bank should evolve a capacity building strategy for Vanuatu. It should pay attention to the following: (i) emerging role of Government; (ii) institutional environment assessment including political, organizational, and sociocultural factors; (iii) well-defined criteria for AOTA selection and prioritization; (iv) approaches and techniques for capacity and institutional assessment, training and transfer of technology, and absorbability and sustainability issues appropriate to Vanuatu; and (v) aid coordination in support of capacity and institutional development.¹ The outcome of each AOTA should be rigorously assessed and its findings taken into account for subsequent selection of AOTAs. The concept of umbrella AOTAs to test pilot capacity building and institutional strengthening may be considered.

2. Approach to AOTA Design

64. The Bank should broaden its framework of institutional analysis beyond the internal structure, systems, and skills of single organizations to cover the desired level of organizational performance; external factors that govern the ability of the organization to perform; and the balance amongst need, feasibility, absorbability, and sustainability. Specific areas for institutional appraisal include the following: (i) a higher level of analysis on the behavior of an institution; (ii) project environments and stakeholder analysis, e.g., external organizational relationships and the impact of clients and outside interest groups, and of beneficiaries, and the potential political or bureaucratic resistance to reforms;² and (iii) personal and organizational motivation. This would include issues of incentives and financial remuneration, and of organizational culture, autonomy, mission, and professional standards. This approach could be operationalized through: (i) creation of a focal point in the Bank to advise, and help exercise quality control, on AOTA proposals Bank-wide; (ii) engaging consultants on a long-term retainer basis to help with sectoral and institutional analysis; (iii) devising a checklist of issues to be covered by Bank staff undertaking institutional assessment; and (iv) training of staff concerned in capacity building and institutional strengthening, a process that has already started.

3. Process Approach

65. More process-oriented styles of TA design and management should be adopted. This would mean more AOTAs which would (i) be experimental and pilot in nature, (ii)

¹ See the Bank's *Special Study of the Effectiveness of Bank Assistance in Capacity Building to Western Samoa*, December 1995, para. 85 for details of the steps in formulating such a strategy.

² In the AOTA Development Budget and Systems, the Bank's assumption that the lack of technical skills was the main constraint in development budgeting was not accurate. Important power groups wanted a flexible, non-transparent method of development budgeting.

emphasize substantial beneficiary participation, and (iii) be more flexible in schedules and staffing.¹

4. Commitment and Ownership

66. The assessment of the potential for commitment and ownership needs to be factored into the process of institutional appraisal. Stakeholders analysis -- identification of managers, technical experts, clients and beneficiaries -- must precede an attempt to find actual and potential champions of change.

5. AOTA Duration and Phasing

67. The duration of AOTAs for capacity building, and for those involving training, must be related to the time required to achieve results. Return visits of consultants of decreasing intensity and duration in appropriate AOTAs could help.

6. Training and Transfer of Technology

68. Training in Vanuatu needs to be particularly user-friendly. Training modules have to be matched with the special needs of the country, and delivered over the required longer period of time. The completion of each training module may need to be punctuated by return to work for practice of the skills acquired before beginning the new module. Sometimes training would have to be personalized and customized. In addition, provision needs to be made to provide for leakages and wastages during training, and for losses of personnel after training, and in order to create a critical mass of internal stakeholders as well as peer group which will maintain pressure. All this would imply adequate provision for training, especially given the lack of training facilities in Vanuatu.

69. Attention needs to be paid to the workplace issues that are critical in linking training with performance. Much of the training investment will be wasted unless the productive management of human resources inside the organization can be ensured. In Bank contracts with consultants, time periods need to be separately earmarked for training, which should be separately assessed in consultant performance. In critical areas, the project approach to training needs to yield to the "total system" training approach. One such approach could be selection of young cadets on a competitive basis for an entire department, or for the entire civil service, followed by rigorous training and career planning.

¹ In fact, there were indications of this process approach in the last two AOTAs to DBV and Improving Domestic Revenue Management with the DOF.

7. Monitorable Objectives

70. Tangible measures of success must be defined which will help monitor and evaluate AOTA success.

8. Communication and Marketing of Innovations

71. Consultants must spend time in explaining the purposes of the exercise to the staff concerned including the nature of the problem and the solution in simple terms. They must allay their fears and apprehensions, answer their questions and concerns, and persuade them that the AOTA outputs would benefit their organization. They must create AOTA champions.

9. Absorbability

72. An essential requirement for any intervention that puts forward complex solutions in the Vanuatu context is that they start first with simple, initial access or transit points and investments that the local organizations could absorb in order to make progress. Systems must move to larger size and complexity after experience has been gained (see para. 32).

10. Management Development Expertise and Supervision

73. Capacity building and institutional strengthening AOTAs must be closely supervised by staff with management development expertise. The Bank must devote more resources to follow-up and supervision.

11. A Word of Caution

74. Effective and sustainable capacity development is not easy and will require serious commitment of the Bank. Institutional and capacity development efforts require close and long-term follow-up. The Bank has to continue to monitor implementation, while ensuring strong local ownership. Bank staff have to catalyze decisions, remove bottlenecks and facilitate implementation, and evaluate impact.

C. Recommendations for the Government

75. In the short and medium term, the Government needs to give serious thought to the creation of a strong government structure. The recommendations of the Restructuring Commission need to be pursued. Attention requires to be paid to civil service reform. This would have to include wage levels, and emoluments adequate to retain professionals at

appropriate levels; institutionalized systems of recruitment, training, and career development; and security of tenure coupled with mechanisms to enforce accountability of the bureaucracy.

76. The long-term answer, inevitably, is human resource development through improvement in literacy rates, levels of education, and quality of education. This will require a determined effort and substantial investments over a period of time.¹

¹ This is a matter the Bank's Strategy for the Pacific is seized of.