



## Special Evaluation Study

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# Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right

Operations Evaluation Department

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADTA	–	advisory technical assistance
BPHR	–	Human Resources Division
CAPE	–	country assistance program evaluation
CD	–	capacity development
CPS	–	country partnership strategy
DANIDA	–	Danish International Development Agency
DILG	–	Department of Interior and Local Government, Philippines
DMC	–	developing member country
DOLIDAR	–	Department of Local Infrastructure Development and Agricultural Roads, Nepal
DOR	–	Department of Roads, Nepal
DPWH	–	Department of Public Works and Highways, Philippines
EA	–	executing agency
IES	–	impact evaluation study
Lao PDR	–	Lao People's Democratic Republic
LGU	–	local government unit
MfDR	–	Managing for Development Results
MTEF	–	medium-term expenditure framework
OECD-DAC	–	Organisation for Economic Co-operation and Development's Development Assistance Committee
OED	–	Operations Evaluation Department
PFM	–	public financial management
PIU	–	project implementation unit
PMU	–	project management unit
PPER	–	project/program performance evaluation report
PRC	–	People's Republic of China
QAE	–	quality-at-entry
RSCG	–	Capacity Development and Governance Division
SAPE	–	sector assistance program evaluation
SES	–	special evaluation study
SWAP	–	sector-wide approach
TA	–	technical assistance
TPER	–	technical assistance performance evaluation report

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

capacity development, institutions, individual level, organizational level, network of organizations level, contextual/external level (the enabling environment), Cambodia, Nepal, Philippines, education sector, road sector, governance, public financial management, effectiveness (achievement of capacity development results/outcomes), results matrixes, success drivers (strengths), deterrence factors (weaknesses), incentives (opportunities), risks/constraints (threats), design/quality-at-entry factors within and beyond ADB's control, implementation factors within and beyond ADB's control, lessons identified as good practices

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The guidelines formally adopted by OED on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. This report was prepared by S. Hutaserani, Team Leader of the study, based on the background sector analyses prepared by a team of consultants and on other relevant studies/reports. The consultant team included R. Anderson, T. Breckner, A. Casorla, B. Guragain, S. Lohani, and B. Prakash. O. Nuestro and O. Badiola provided research and administrative assistance. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

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## EXECUTIVE SUMMARY

The Paris Declaration on Aid Effectiveness called for making capacity development (CD) an explicit objective of national development and poverty reduction strategies for member countries. Governments of these countries and their development partners alike have begun to recognize CD as one of the most critical issues in getting institutions right, through which to achieve aid effectiveness and sustainable development. Without adequate institutional capacity, development efforts are unlikely to succeed, even with substantially enhanced funding. In line with this global development agenda, together with the importance of CD in its own right, the Asian Development Bank (ADB) has adopted CD as a key aspect of its Reform Agenda since August 2004. The objectives of this special evaluation study (SES) are to (i) assess the performance of ADB's CD interventions, focusing on effectiveness (achievements of results in terms of CD outputs and outcomes) and sustainability; (ii) identify factors affecting CD performance within and beyond ADB's control—at both the design/quality-at-entry (QAE) and implementation stages; and (iii) identify lessons as good practices for CD and provide specific recommendations for improving ADB's future performance in this challenging area.

The CD concept is subject to differences in definition. It was defined by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) as "*the process whereby people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time.*" ADB has adopted this definition. ADB formally recognized the importance of CD in August 2004, when the comprehensive Reform Agenda was adopted and CD was included as one of the reform initiatives. It was also elevated to a new thematic priority for ADB lending and technical assistance (TA) operations. As one of its many CD support activities, ADB's Capacity Development and Governance Division (RSCG) has developed a framework for CD interventions focusing on three levels—organizational, network of organizations, and the enabling environment. The entry points for CD assistance can take place at any of these three levels in any sector. While this ADB framework is similar to that of OECD-DAC, it differs slightly in that the three levels focused on in the latter are individual, organizational, and the enabling environment. Alongside these frameworks for CD interventions, there are many approaches for CD evaluation. One of the most widely used approaches among aid agencies is the Danish International Development Agency's (DANIDA) results-oriented approach, which focuses on evaluating changes in CD outputs and outcomes, and identifying internal and external factors affecting CD achievement.

This SES has adopted a combination of the ADB and OECD-DAC frameworks to assess CD performance, including four CD levels—individual, organizational, network of organizations, and the enabling environment. Within this framework, the SES has adopted DANIDA's results-oriented approach to assess the effectiveness of CD interventions in achieving CD outputs and outcomes at the first three CD levels. The fourth CD level (the enabling environment) is treated by this SES as contextual/external factors affecting changes in CD outputs and outcomes in the first three levels. The SES introduces results matrixes by sector to trace the results chains of ADB's CD inputs and outputs, linked to contributions to CD outcomes at each of the three CD levels and to overall sector outcomes.

The method used by this SES consists of (i) a desk review of relevant studies from secondary sources (e.g., CD-related reports; relevant ADB policy, strategy, and operational documents; and relevant OED evaluation studies); (ii) data collection from primary sources (e.g., consulting with RSCG and relevant operations staff; and conducting focus group discussions, key informant interviews, client/beneficiary surveys, and participatory workshops with concerned governments and other stakeholders); and (iii) data analysis (e.g., assessing

achievement of CD outputs and outcomes based on qualitative and quantitative data before and after ADB's CD interventions, rather than trying to establish counterfactuals, which represent the situation without ADB's interventions) and conclusions (e.g., identifying lessons as good CD practices and providing specific recommendations for improving ADB's future CD performance).

This SES assesses the effectiveness and sustainability of ADB's CD assistance based on two major sets of data/information. The first set comes from a sample of four sectors/areas in three countries. The four sectors/areas (education, road transport, governance, and public financial management) were selected due to their importance in ADB's Second Medium-Term Strategy. The three countries (Cambodia, Nepal, and Philippines) were selected because they reflect different socioeconomic and capability levels. The analysis of this rather small sample size is remedied/supplemented by synthesizing the second set of data/information from the findings of a large volume of OED's existing evaluation studies related to ADB's CD assistance.

The overall findings reveal mixed results, with no consistent patterns of success across sectors, countries, regions, or time. However, a consistent set of factors/issues affecting CD performance has been observed and identified—both factors driving success (*success drivers* or *strengths*) and those deterring success (*deterrence factors* or *weaknesses*). These positive and negative factors can be classified into four categories: (1) design/QAE factors within ADB's control, (2) design/QAE factors beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control. Detailed findings of both positive and negative factors are discussed under these four categories in Chapter V of this SES. The positive factors or success drivers are summarized under the four categories below.

<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<ul style="list-style-type: none"> <li>• Clear results framework or evaluability to measure and monitor CD</li> <li>• Strategic direction with realistic CD objectives</li> <li>• Adequate diagnostic baseline assessments at all CD levels (individual, organizational, network, and contextual levels)</li> <li>• Long-term continuity to institutionalize CD, careful phasing/sequencing, and exit strategy</li> <li>• Appropriate mix of modalities</li> <li>• Mainstreaming project implementation/management unit activities into target agencies' normal operations</li> <li>• Adequate staff time and skills, and financial resources</li> <li>• Inclusive participatory approach, with strong commitment of and ownership by target agencies</li> <li>• Cooperation and harmonization with other development partners</li> </ul>	<ul style="list-style-type: none"> <li>• Conducive political environment</li> <li>• Conducive economic/fiscal environment</li> <li>• Conducive policy/institutional environment</li> <li>• Conducive sector capacity</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<ul style="list-style-type: none"> <li>• Sufficient and qualified staff for implementation and supervision, including optimal use of resident missions</li> <li>• Flexibility during implementation and supervision</li> <li>• Selection of qualified consultants and limited delays in implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Continued conducive enabling environments</li> <li>• Continued commitment of and ownership by target agencies</li> <li>• Continued cooperation and harmonization with other development partners</li> </ul>

Lessons to improve CD performance can be drawn from the success drivers identified above, which can be considered as a set of good practice standards for ADB's future CD assistance. Since the success drivers in categories 1 and 3 are design/QAE and implementation factors within ADB's control, they can be achieved through improvement in ADB's design and

implementation practices for CD interventions. Since the success drivers in categories 2 and 4 are design/QAE and implementation factors beyond ADB's control, which are contextual/external level factors by nature, they tend to act as incentives (*opportunities*) to CD performance. However, the negative side of these factors will tend to act as risks/constraints (*threats*) to CD 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 CD interventions or deferring them until some of these risks are addressed.

As stated in the paper on CD produced by the European Commission/EuropeAid: *Institutional Assessment and Capacity Development: Why, What, and How?*, aid agencies can, by doing less and doing it well, often do better for CD. Since this statement is consistent with the overall findings of this SES, it should be used as a guiding principle for ADB's CD activities. However, even less ambitious CD initiatives need to be supported by other aspects of good CD practices or success drivers as identified above, particularly within ADB's control (e.g., clear results framework, adequate diagnostics to identify and mitigate risks beyond/outside ADB's control, long-term engagement, appropriate mix of modalities, increased participation and harmonization by target agencies and relevant partners, improved staff skills in CD, increased time allocated to TA and project supervision, increased use of resident missions, and more flexible implementation procedures). Much remains to be done by ADB to improve some internal business practices to put the preconditions for these good CD practices in place. Specific and actionable recommendations are provided below.

Recommended Actions	Responsibility	Time Frame
<ul style="list-style-type: none"> <li>• <b>Provide Guidance for Assessing Country CD Needs and Strategies, and Identify an Appropriate Location for the Presentation of the Analysis in the Country Partnership Strategy (CPS) Template.</b> While ADB's new business process requires a thorough CD analysis in the preparation of a CPS, there is little guidance available on how to do so. Such guidance should be provided, focusing on how to analyze country CD strategies and sector-specific CD needs in order to identify country demand and ADB's comparative advantage for providing CD support. This will allow for systematic rather than ad hoc identification of CD interventions. In its current form, the CPS template does not provide a place where the findings of the country CD analysis can be summarized. To ensure that CD analyses will be prepared in all CPSs, the CPS template should be adjusted accordingly (e.g., by adding Section H to the current Chapter I).</li> </ul>	RSCG, Strategy and Policy Department	2008
<ul style="list-style-type: none"> <li>• <b>Identify Appropriate Modalities for a Long-Term and Country-Led Engagement in Major CD Initiatives in CPSs.</b> In view of the evaluation findings that one-time, stand-alone advisory TA grants have seldom been an effective tool for CD, ADB's CPSs should include clear strategic road maps for a long-term engagement in major CD initiatives using an appropriate mix of loans; TA grants; and economic, thematic, and sector work. This should increasingly include piloting new financing mechanisms directed at strengthening country leadership in the</li> </ul>	CPS teams (including resident missions) with support from RSCG	2008 onward

Recommended Actions	Responsibility	Time Frame
<p>identification and management of their own CD processes (i.e., CD facilities, and CD trust funds).</p>		
<ul style="list-style-type: none"> <li> <p><b>Build Country Ownership and Demand for CD.</b> Since country/government ownership is found to be among the key success drivers for CD interventions, it is important to build and systematically nurture ownership during the design and implementation stage. This can be done in several ways: (i) ADB should assess country leadership and capacity to manage CD interventions more systematically, and adopt facilitative approaches to all CD interventions; and (ii) ADB should seek demand-driven, harmonized ways of explicitly addressing CD in all the sector-wide approaches (SWAPs) in which it is engaging. The aim should be to make CD not only the overall thrust of the SWAP, but also a separate component of the SWAP, focusing on specific areas important for program implementation. This recommendation is consistent with recent findings of other studies.</p> </li> </ul>	<p>CPS teams (including resident missions) with support from RSCG</p>	<p>2008 onward</p>
<ul style="list-style-type: none"> <li> <p><b>Continue to Pay Strategic Attention to the Quality of CD Interventions.</b> Regional departments need to systematically monitor the quality of CD interventions through performance management systems. Further operational support and knowledge management will be needed to expose senior management and key operations staff (mission leaders, sector specialists, and staff of resident missions) to CD concept and issues, and to support piloting of innovative approaches. RSCG and the Human Resources Division (BPHR) have started in-house training for sector operations staff. This should be continued and updated at least once a year, and higher level staff should be encouraged to participate. The programs should be designed to utilize (i) RSCG's recently-prepared CD tool kits; (ii) the findings of regional departments' recent CD studies; and (iii) the findings of this SES, including the checklist of success drivers and deterrence factors identified in detail in Appendixes 4 and 6. This is to ensure that (i) past lessons will be addressed in future CD interventions to avoid reinventing the wheel each time, and (ii) future CD interventions will be based on sound diagnostics of existing capacities and of barriers to improved capacities.</p> </li> </ul>	<p>RSCG (for in-house briefings) and BPHR (for training programs)</p>	<p>Continued from 2008 onward</p>
<ul style="list-style-type: none"> <li> <p><b>Pilot Test Alternative CD Approaches.</b> RSCG is currently preparing a regional TA to pilot test, in three countries, the preparation of CD action plans in terms of CD design and implementation. The pilot test should also take into account the lessons identified in this SES. Experience from the pilot test should subsequently be used to update the CD tool kits and in-house briefing/training programs, and disseminated to operations staff in order to improve future CD design and implementation.</p> </li> </ul>	<p>RSCG</p>	<p>Continued from 2008 onward</p>

Recommended Actions	Responsibility	Time Frame
<ul style="list-style-type: none"> <li>• <b>Adjust Staff Recruitment Skills Mix to Emphasize the Soft Skills Required for CD.</b> Since CD has been made a thematic priority of ADB and is found to be important for the success of ADB operations, there is no other option but to increase efforts to bring in new staff with CD experience. This does not mean substituting technical expertise with CD experience in the staff recruitment process or increasing the budget to recruit more staff, but rather giving priority to applicants who have both technical expertise and CD experience. This option cannot be replaced by just hiring consultants, who can only provide advice and training on CD temporarily.</li> </ul>	BPHR (for consideration in recruiting future staff)	2008 onward
<ul style="list-style-type: none"> <li>• <b>Make Optimal Use of Resident Missions.</b> Staff with CD expertise should be assigned to the resident missions that have identified CD as an important issue in their CPSs. Resident missions should also be staffed with sector specialists for the sectors that operate on the SWAP basis to ensure solid sector and CD background.</li> </ul>	Regional departments	2008 onward

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## I. INTRODUCTION

### A. Rationale and Objectives of the Study

1. The Paris Declaration on Aid Effectiveness called for making capacity development (CD) an explicit objective of national development and poverty reduction strategies for member countries. Governments of these countries and their development partners alike have begun to recognize CD as one of the most critical issues in getting institutions right, through which to achieve aid effectiveness and sustainable development. Without adequate institutional capacity, development efforts are unlikely to succeed, even with substantially enhanced funding. In line with this global development agenda, together with the importance of CD in its own right, the Asian Development Bank (ADB) has adopted CD as a key aspect of its Reform Agenda since August 2004. The objectives of this special evaluation study (SES) are to (i) assess the performance of ADB's CD interventions, focusing on effectiveness (achievements of results in terms of CD outputs and outcomes) and sustainability; (ii) identify factors affecting CD performance within and beyond ADB's control—at both the design/quality-at-entry (QAE) and implementation stages; and (iii) identify lessons as good practices for CD and provide specific recommendations for improving ADB's future performance in this challenging area.

### B. Contents of the Study

2. The challenge of CD is introduced in Chapter II, especially on how to get institutions right, why CD matters, what ADB has done to recognize the importance of CD, and what international good practices for CD are relevant to ADB operations. Chapter III conceptualizes the methodology for evaluating CD performance in this SES by modifying some of the existing methodologies. Chapter IV assesses and discusses the findings of ADB's CD performance (in terms of effectiveness and sustainability) in selected key sectors and countries, supplemented by synthesizing the findings from a large volume of existing CD-related evaluation studies undertaken earlier by the Operations Evaluation Department (OED). Chapter V identifies the main factors affecting CD performance. Chapter VI draws out the main lessons and recommendations.

## II. WHY DO INSTITUTIONS MATTER?

### A. How to Get Institutions Right

3. Institutions are an integral part of the production and provision of goods and services. Where institutional capacity is weak (i.e., where a government is unable to effectively carry out its own policies, the private sector is underdeveloped, or civil society organizations have limited capacity to deliver development results), the consequences for society can be costly. Since a tremendous array of institutions influence the economy, an equally large number of choices have to be made in developing capacity. Priorities have to be set, and careful choices have to be made (e.g., in terms of the level, quality, and duration) in the design of CD interventions. The returns to CD investments are a function of the contribution of that CD to economic growth and development. For example, increased labor productivity through CD in human capital has a strong influence on the rate of technological change and total factor productivity, hence on economic growth. In addition to this direct linkage through the quality of the labor force, institutional capacity influences economic development in a number of ways, by (i) improving managerial (or Z) efficiency, which is a measure of the quality with which decisions on resource allocation are made; (ii) reducing transaction costs, which stimulates economic activities by boosting confidence and enhancing the signaling quality that markets and public policies have; (iii) improving policy choices, or the influences that institutional capacity exerts on the ability of policy makers to

exercise informed decision making; and (iv) contributing to good governance, which also tends to boost investor confidence.

4. In evaluating ADB's CD interventions, one of the first questions that should be asked is whether or not the expected returns/outcomes from these investments were substantial enough to merit the CD investments. If not, then the resources that were expended could have been used more efficiently elsewhere. To answer this question, one must know the nature of the linkages between CD interventions and economic development, which are highly context specific (e.g., while a particular capacity constraint may be a binding constraint to economic development in some countries, it might not be the case in others). Thus, to get institutions right for a particular country, it is important that relevant binding constraints to economic development at the contextual level be identified as CD constraints while setting CD priorities. Unless there is a clear understanding of what sorts of CD are most likely to have the highest payoffs, given context dependence, there is a risk that assistance efforts will create capacities that will not be used, will disappear after the project, or will have no visible economic effect. While the linkages between CD and economic development are generally found to be strong, the degree to which a CD intervention is indeed addressing a critical bottleneck to improved development results must be assessed through a diagnostic at the contextual level.

## **B. What Is Capacity Development and Why Does It Matter?**

5. CD is a concept that is subject to differences in definition and interpretation. Capacity is defined by the European Centre for Development Policy Management as “*the emergent combination of attributes, assets, capabilities, and relationships that enable a human system to perform, survive, and self-renew*,”<sup>1</sup> and by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) as “*the ability of people, organizations, and society as a whole to manage their affairs successfully*.”<sup>2</sup> OECD-DAC defines CD as “*the process whereby people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time*.”<sup>3</sup> OECD-DAC also defines promotion of CD as “*what outside partners—domestic or foreign—can do to support, facilitate or catalyze CD and related change processes*.”

6. The broad definition of CD adopted by ADB is “*securing a country's ability to manage its own affairs*.”<sup>4</sup> ADB has also adopted a harmonized definition of CD as “*the process whereby people, organizations, and society as a whole unleash, strengthen, and maintain capacity over time*.” In its broadest sense, CD symbolizes “*a shift toward measures that enable national empowerment and a more balanced relationship among funding agencies, national governments, and other organizations*.”

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<sup>1</sup> European Centre for Development Policy Management. 2006. *Initial Mapping of Approaches towards Monitoring and Evaluation of Capacity and Capacity Development*. Maastricht.

<sup>2</sup> OECD-DAC. Network on Governance. 2006. *The Challenge of Capacity Development: Working towards Good Practice*. Paris.

<sup>3</sup> According to OECD-DAC (footnote 2), the phrase “capacity development” is used in preference to “capacity building,” because the latter implies a process starting with a plain surface and involving the step-by-step erection of a new structure, based on a preconceived design. Experience suggests that capacity is not successfully enhanced in this way.

<sup>4</sup> Buentjen, Claudia. 2005. *Strengthening Capacities for Increased Aid Effectiveness. The Governance Brief. Issue 12-2005*. Manila.

7. The 2005 Paris Declaration on Aid Effectiveness called for CD to be demand driven to ensure country ownership and leadership.<sup>5</sup> Each partner country was required to commit itself to prioritize CD investments under the country's results-based CD framework,<sup>6</sup> with external funding agencies playing a harmonized supportive/catalytic role in helping the country prepare, implement, and monitor the CD framework at the country, sector, and local government levels. CD is recognized as one of the most critical issues in achieving sustainable development and aid effectiveness, without which development efforts in many poor countries are unlikely to succeed. Recently, about a quarter of total net overseas development assistance (more than \$15 billion a year) has gone into technical cooperation, most of which aimed at CD for ministries, local governments, and regulatory agencies.<sup>7</sup> Despite such large CD inputs, improvements in public sector management and institutions have lagged behind all other indicators of the Millennium Development Goals.<sup>8</sup> Achievement of sustainable CD outcomes (e.g., improved overall organizational performance for effective delivery of public services) thus remains one of the most challenging tasks. Since organizations are key intermediaries for aid implementation, strengthening their capacity would be needed in its own right and as a prerequisite for achieving aid effectiveness. As simply put by OECD-DAC, capacity is a broad concept that can be viewed as both a means and as an end in itself.

### C. What Has ADB Done to Recognize the Importance of Capacity Development in Its Reform Agenda?

8. ADB formally recognized the importance of CD in August 2004, when the comprehensive Reform Agenda was adopted. CD was included as one of the initiatives in ADB's Reform Agenda as an important component of ADB's approach to Managing for Development Results (MfDR). It was also elevated to a new thematic priority for ADB lending and technical assistance (TA) operations,<sup>9</sup> as suggested by ADB's Enhanced Poverty Reduction Strategy (2004).<sup>10</sup> Box 1 provides details on CD activities undertaken as part of the Reform Agenda. Appendix 1 provides information on how ADB has been assisting in CD in developing member countries (DMCs).

#### **Box 1: ADB's CD Initiatives Undertaken by the Capacity Development and Governance Division (RSCG), Regional and Sustainable Development Department**

ADB adopted the comprehensive Reform Agenda on 25 August 2004 to improve its effectiveness in delivering development outcomes/impacts, including reducing poverty in its DMCs. CD is one of the 19 initiatives under the Reform Agenda related to internal changes and realignment. The Regional and Sustainable Development Department, through RSCG, was designated as the lead for CD initiatives. As

<sup>5</sup> Of the 12 performance indicators at the country level identified by the Paris Declaration, 2 were aimed at measuring progress on CD commitment: (i) strengthening capacity by coordinated support (measured by percentage of CD support provided by funding agencies through coordinated programs consistent with partner countries' national development strategies), and (ii) strengthening capacity by avoiding parallel structures (measured by number of parallel project implementation units per country).

<sup>6</sup> The country's CD framework should (i) become an important component of the country's development strategy; (ii) clarify the supportive role of various funding agencies; (iii) increase awareness that improved country capacities are themselves essential development results; (iv) guide future CD dialogue, and the implementation and monitoring system for CD interventions; and (v) help analyze possible trade-offs between short-term performance and long-term CD objectives.

<sup>7</sup> OECD-DAC. 2003. *Development Cooperation Report, Statistical Annex*. Paris.

<sup>8</sup> World Bank and International Monetary Fund. Development Committee. 2004. *Global Monitoring Report: Policies and Actions for Achieving the Millennium Development Goals and Related Outcomes*. Washington, DC.

<sup>9</sup> The objective of the CD operational theme is to improve the quality of ADB operations by (i) strengthening a strategic linkage with the Poverty Reduction Strategy, (ii) focusing more on CD in country programming, (iii) improving ADB incentive structures and modalities for CD, and (iv) providing coherence across other thematic and sector priorities.

<sup>10</sup> ADB. 2004. *Enhancing the Fight Against Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

a first move, an interdepartmental CD Working Group was established. The CD Working Group then introduced a classification system for CD in December 2004 and prepared a report<sup>a</sup> aimed at enhancing the client orientation, effectiveness, efficiency, and sustainability of ADB's CD interventions. The report was discussed in an informal Board seminar in July 2006 and was adopted by ADB in January 2007. The action plan aims at two key outcomes: (i) institutionalizing a CD focus in country programs and operations, and (ii) establishing internal support systems for CD.

Progress on the implementation of the action plan has been excellent so far. RSCG is (i) supporting country teams (e.g., Afghanistan, India, Maldives, the Pacific region, Pakistan, and Sri Lanka) through workshops, intensive dialogues with governments, and studies on CD issues; (ii) supporting project teams in implementing CD projects;<sup>b</sup> and (iii) spearheading knowledge management in CD with emphasis on strengthening accountability and demand for service delivery. As for knowledge management achievement, RSCG has (i) held sessions on various CD topics, (ii) developed draft terms of references for organizational and institutional CD assessments, and (iii) reviewed existing tools for CD support that can be made available. Ongoing knowledge management activities include (i) implementing many regional TA operations emphasizing various aspects of CD, (ii) preparing a number of governance briefs that will highlight CD aspects, (iii) managing a consultant database on CD, and (iv) preparing a website on CD. RSCG is also constantly coordinating with other funding agencies and CD networks on CD issues and is planning to set up a subcommittee on CD as part of the Governance Committee. One training program for operations staff on "How to Integrate CD in Sector Operations" was conducted on 26–28 March 2007 at headquarters.

Furthermore, RSCG prepared the first CD thematic report<sup>c</sup> as part of the comprehensive biennial monitoring and evaluation system for thematic and sector priorities. Key findings of the report show that (i) there has been a sizable share of CD interventions in total operations and a well-targeted sector allocation to the priority sectors specified under ADB's current Medium-Term Strategy;<sup>d</sup> (ii) country teams are starting to pay attention to analyzing CD needs at the sector, thematic, and local levels; (iii) more efforts need to be made by project teams to strengthen ownership and leadership, and to facilitate effective change management processes; (iv) ADB has been actively involved in the recent global debate on CD and has generated substantive partnership funds for CD; (v) CD-related evaluation studies call for improved diagnostics, more long-term orientation, less capacity substitution, and improved policy dialogue and government ownership; and (vi) there is a need for continuous learning, which will require better access to good practices, a community of CD practitioners, and a CD website.

<sup>a</sup> ADB. 2007. *Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan*. Manila.

<sup>b</sup> Currently, support to project teams is based on demand from regional departments, but this will be done more systematically through the regional TA that RSCG is currently preparing.

<sup>c</sup> ADB. 2007. *Capacity Development Thematic Report*. Manila.

<sup>d</sup> ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila.

#### **D. What Are International Good Practices for Capacity Development Assistance Relevant to ADB Operations?**

9. Among a number of recent papers on CD, two present guidance on good practices that are relevant for ADB operations—the OECD-DAC paper (footnote 2) and a European Commission/EuropeAid paper.<sup>11</sup> The former lists the following conditions for achieving success in CD interventions: (i) strong demand-side pressures for CD are exerted from clients; (ii) top management provides visible leadership for CD, promotes a clear sense of mission, encourages participation, establishes explicit performance expectations, and rewards staff based on merit; (iii) change management is included in CD interventions in an integrated manner; (iv) a critical mass of staff members, including front-line staff, are involved in all aspects of CD interventions, from

<sup>11</sup> European Commission/EuropeAid. 2006. *Institutional Assessment and Capacity Development: Why, What, and How?* Brussels.

design to implementation; (v) organizational innovations are tried, tested, and adapted to local conditions; (vi) progress that deepens commitment for changes is visible early in the CD process; and (vii) top management and change agents manage the CD change process strategically and proactively—internally and externally (communication, sequencing, timing, feedback loops, celebration of progress, and recognition of problems).

10. The OECD-DAC paper notes that the concepts of capacity and CD are so broad that practitioners have often found it difficult to make operational sense of them. It is thus important to begin by asking the question “capacity for what?” and focus on the specific capacity needed to accomplish clearly defined goals. What is then needed is an active search for flexible CD approaches that best fit the particular circumstances of the country, sector, or organization. The paper also suggests that diagnosing and implementing CD should involve four factors at each CD level (individual, organizational, and the enabling environment levels): (i) understanding the international and country contexts, (ii) identifying and supporting sources of country-owned changes, (iii) delivering support, and (iv) learning from experiences and sharing lessons.

11. The EuropeAid paper is more operationally oriented, with the following recommendations for good practices: (i) agencies need to have a detailed knowledge of the specific context, organizations, stakes, and stakeholders involved and of the dynamics of changes; (ii) CD targets must be defined as changes in organizational outputs rather than inputs (e.g., training and consultancy); (iii) CD targets must be feasible, implying a full analysis of existing capacity and the enabling environment; (iv) it must be possible to modify inputs fairly rapidly so that bureaucratic formalities do not impede flexibility; (v) it is crucial to develop a partner relationship, enabling negotiations to lead to “win-win” solutions; (vi) demand for CD must be strongly rooted in the local context—inside and around the relevant organizations—to bring about broad-based CD; and (vii) aid agencies must learn to play a catalytic role, rather than being designers or implementers of CD support. Their effectiveness does not depend only on themselves, but also on how they adapt their CD support to the context. The paper suggests that aid agencies are more likely to achieve CD outcomes by doing less but by doing it well.

### **III. METHODOLOGY FOR EVALUATING CAPACITY DEVELOPMENT PERFORMANCE**

#### **A. Existing Capacity Development Frameworks and Approaches**

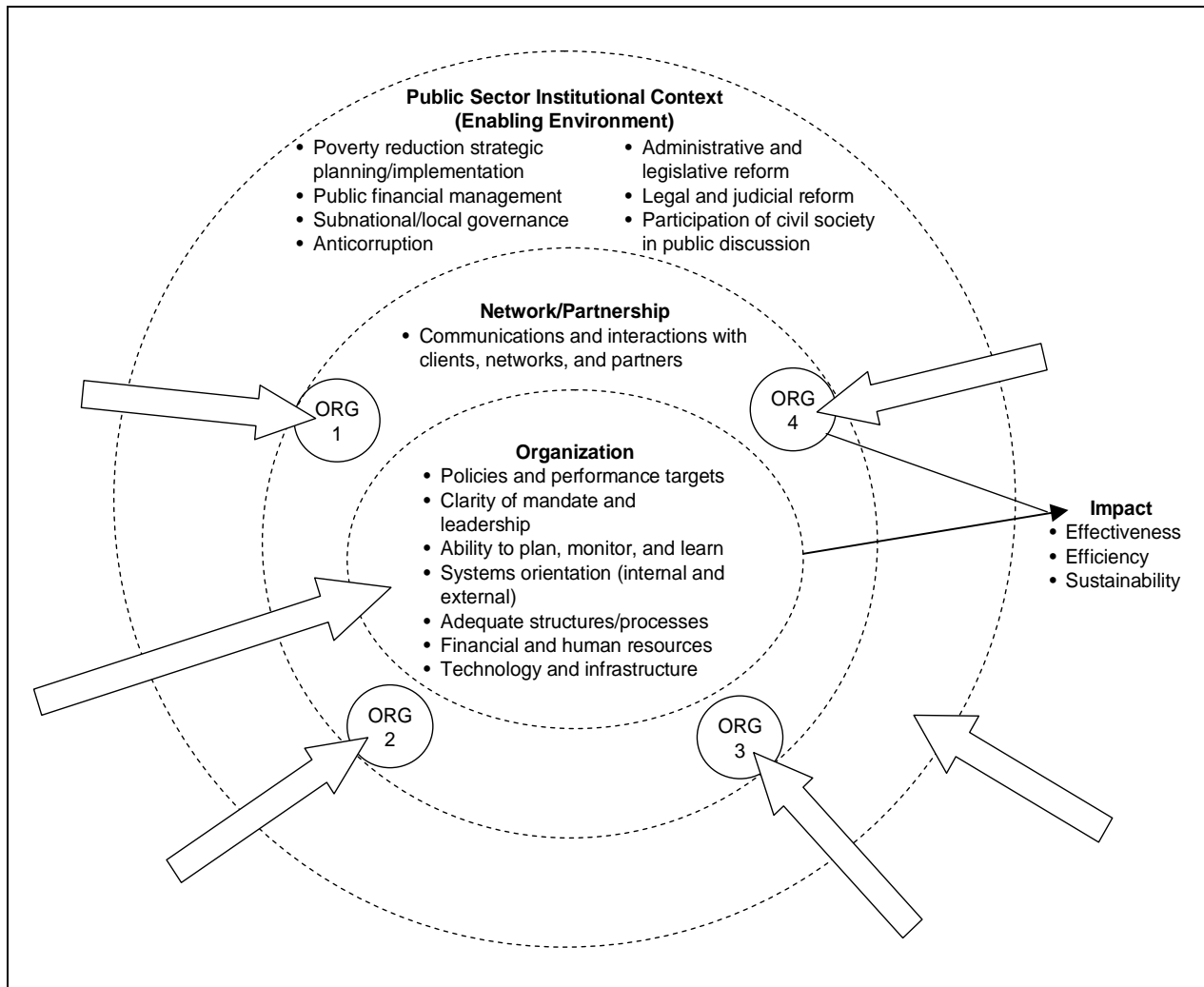
12. As one of its many CD support activities, RSCG has developed a framework for CD interventions, focusing on three levels—organizational, network of organizations, and the enabling environment (Figure 1). The entry points for CD assistance can take place at any of these three levels in any sector. While this ADB framework is similar to that of OECD-DAC, it differs slightly in that the three levels focused on in the latter are individual, organizational, and the enabling environment. Alongside these frameworks for CD interventions, there are many approaches for evaluating CD performance.<sup>12</sup> One of the most widely-used approaches among aid agencies is the Danish International Development Agency’s (DANIDA) results-oriented approach.<sup>13</sup> This

<sup>12</sup> The European Centre for Development Policy Management (footnote 1) has undertaken the mapping of 14 approaches towards monitoring and evaluation of capacity and CD by clustering them into five different groups, including (i) system approach, (ii) behavioral approach, (iii) performance approach, (iv) strategic planning approach, and (v) empowerment-based approach. The approach that has been used mostly by bilateral and multilateral aid agencies is the third one (performance approach), which consists of (i) the planning, implementing, and evaluating CD approach, focusing on identification of the relationship among an organizational capacity/motivation, external environmental factors, and performance; and (ii) the Danish International Development Agency’s results-oriented approach.

<sup>13</sup> DANIDA. 2005. *A Results-Oriented Approach to Capacity Change*. Copenhagen; DANIDA. 2006. *Capacity Development Outcome Evaluation of Danish Supported Organisations in Bhutan*. Copenhagen.

approach focuses on evaluating changes in CD outputs and outcomes, and identifying internal and external factors affecting CD achievement.

**Figure 1: ADB's Framework for Capacity Development Interventions**



⇒ = CD intervention point, ADB = Asian Development Bank, CD = capacity development, ORG = organization.

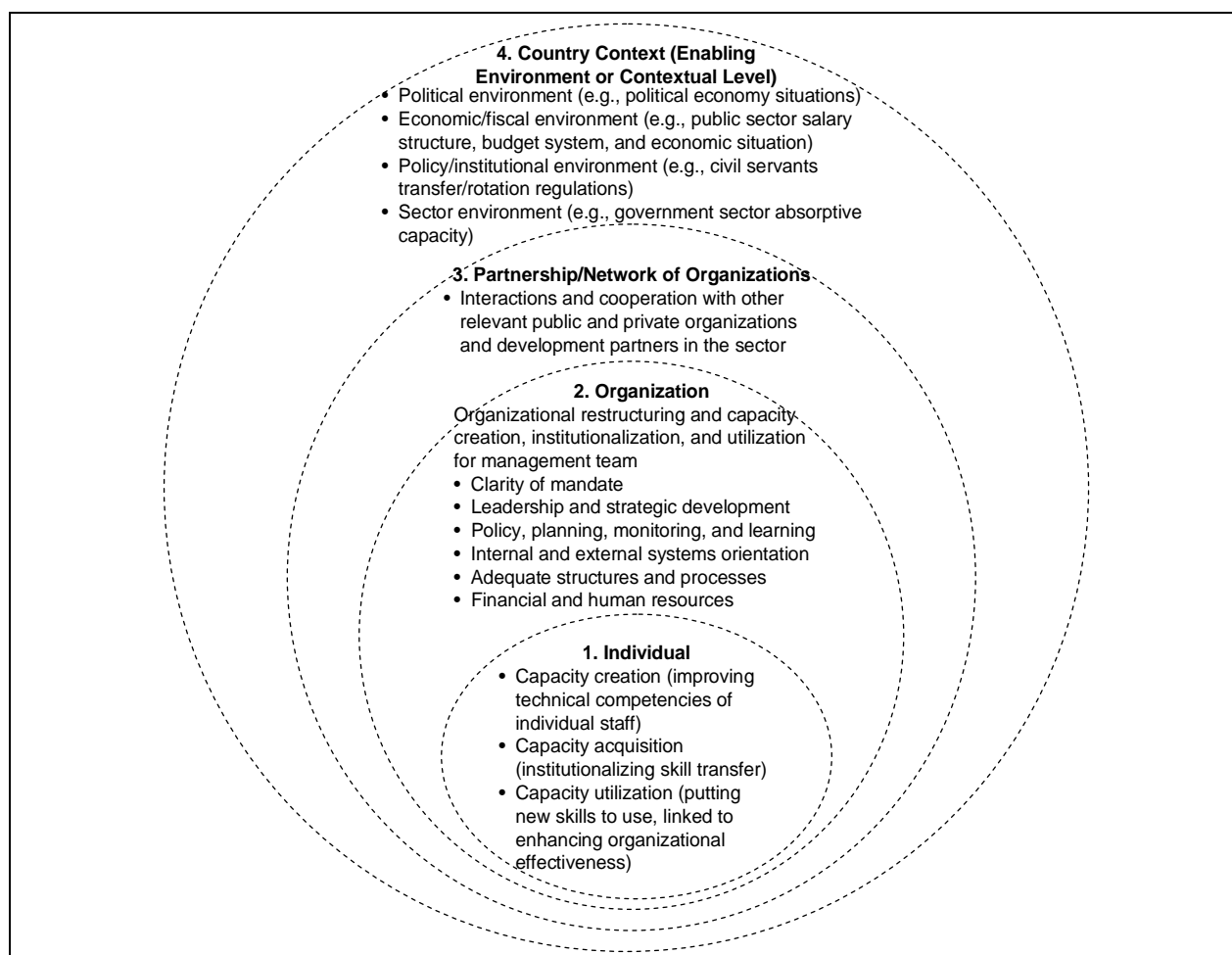
Source: ADB. 2007. *Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan*. Manila.

## B. Evaluation Methodology for Capacity Development Conceptualized by This Study

13. This SES defines “evaluation methodology” to consist of (i) framework (*essential structure of the analysis*), (ii) approach (*analytical tool/criteria applied to the analysis within the proposed framework*), and (iii) method (*process for using the analytical tool to accomplish the analysis within the proposed framework*). The SES has adopted a combination of the ADB’s and OECD-DAC’s frameworks as the *essential structure of the analysis* within which to assess CD performance, including four CD levels—individual, organizational, network of organizations, and the enabling environment (Figure 2). The SES has adopted DANIDA’s results-oriented approach as the *analytical tool* to assess the effectiveness of CD interventions. However, the SES does not adopt the DANIDA approach as is, but applies it to the four-level CD framework. As such, it

divides CD results into different CD levels. Coupled with the use of results matrixes by sector, the SES clearly traces the results chains of ADB's CD inputs and outputs, linked to contributions to CD outcomes at each of the first three CD levels and to overall sector outcomes. The results matrixes also provide links to trace internal and external factors affecting such results achievements. Since the external factors are contextual/systemic by nature, they are regarded by the SES as factors at the fourth CD level (the enabling environment) that tend to have important bearing on the CD performance at the first three CD levels. That this SES assesses CD performance at each of the three CD levels implies that while staff capacity of target agencies can be improved through training provided at the individual level, CD should not be equated with such training, but with overall institutional strengthening at the organizational and network levels.

**Figure 2: SES' Framework for Evaluating Capacity Development Performance**



ADB = Asian Development Bank, OECD-DAC = Organisation for Economic Co-operation and Development's Development Assistance Committee, SES = special evaluation study.

Sources: Adapted from (i) ADB. 2007. *Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan*. Manila; and (ii) OECD-DAC. Network on Governance. 2006. *The Challenge of Capacity Development: Working towards Good Practice*. Paris.

14. Since this SES uses a results-oriented approach, the CD performance assessed focuses on *effectiveness* and *sustainability*. Success drivers (*strengths*) and deterrence factors (*weaknesses*) affecting CD effectiveness and sustainability are also identified, and subsequently drawn as lessons. These factors are divided into four categories: (1) design/QAE factors within

ADB's control, (2) design/QAE factors beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control. The factors under *category 1* are strategic factors reflecting *relevance and positioning* of CD interventions during the design stage, over which ADB has some control. The factors in *category 3* reflect *efficiency* in resource utilization during implementation, over which ADB has some control. Since the remaining factors under *categories 2 and 4* are largely beyond ADB's control, they tend to be external/systemic factors at CD level 4 (the enabling environment or contextual level), which act as incentives (*opportunities*) or risks/constraints (*threats*) to CD interventions occurring during the design and implementation stages. Some of the risks, however, could be mitigated if CD interventions were well designed with good diagnostics at the contextual level.

15. The method used by this SES is the triangulation method, consisting of (i) desk review of relevant studies from secondary sources (e.g. CD-related reports; relevant ADB policy, strategy, and operational documents; and relevant OED evaluation studies); (ii) data collection from primary sources (e.g., consulting with RSCG and relevant operations staff; and conducting focus group discussions, key informant interviews, client/beneficiary surveys, and participatory workshops with concerned governments, aid agencies, and other stakeholders); and (iii) data analysis (e.g., assessing achievement of CD outputs and outcomes based on qualitative and quantitative data before and after ADB's CD interventions, rather than trying to establish counterfactuals, which represent the situation without ADB's interventions)<sup>14</sup> and conclusions (e.g., identifying lessons and recommendations to help improve ADB's future CD performance).

#### IV. EFFECTIVENESS OF ADB'S CAPACITY DEVELOPMENT ASSISTANCE

16. The evaluation methodology (consisting of framework, approach, and method) proposed in Section B of the preceding chapter is applied in Sections A and B of this chapter to assess the effectiveness and sustainability of ADB's CD assistance. In Section A, the assessment focuses on four sectors/areas in three countries. The four sectors/areas (education, road transport, governance, and public financial management [PFM]) were selected because of their importance in ADB's Second Medium-Term Strategy.<sup>15</sup> The three countries (Cambodia, Nepal, and Philippines)<sup>16</sup> were selected because they reflect different socioeconomic and capability levels. Detailed selection criteria are in Appendix 2, whereas lists of loans and advisory technical assistance (ADTA) grants in the three countries assessed in Section A are in Appendix 3 (Tables A3.1–A3.6). The small sample size of four sectors/areas in three countries is remedied/supplemented, in Section B, by synthesizing the findings from a large volume of OED's

<sup>14</sup> Inability to establish counterfactuals is one limitation of this SES. However, according to OED's *Guidelines for Country Assistance Program Evaluations* (CAPE), counterfactuals can be difficult to observe, particularly at the sector or country level, and different aid agencies may have diverging views on what would have happened in the absence of their assistance. The counterfactual technique itself has its own drawbacks: (i) it is difficult to do within limited time and budget; and (ii) "pure" controlled situations, which have not been influenced by the assistance of others, are difficult to find. Although counterfactuals can be identified, there is no guarantee that they will correctly represent "what would have happened had there not been ADB assistance." Given these drawbacks and the suggestion by the CAPE *Guidelines*, this SES uses a mix of qualitative and quantitative data before and after ADB's CD assistance to assess changes in CD outputs and outcomes.

<sup>15</sup> ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila. In this Second Medium-Term Strategy, education and road are classified under Group I priority sectors. Although PFM is classified under Group II, it was also selected by this study because (i) it consists of important fiduciary components (e.g., the PFM itself, governance, audit, and procurement) in support of MfDR capacity; and (ii) it has a special modality characteristic as it is normally provided through advisory TA grants (with policy-based lending to some extent), rather than through a combination of project lending and nonlending assistance as in other sectors.

<sup>16</sup> The starting points of the periods covered by this SES for the three countries differ slightly, depending on the countries' situations and the timing of their corresponding country assistance program evaluations. The periods covered for Cambodia, Nepal, and Philippines are 1992–2006, 1988–2006, and 1986–2006, respectively.

existing evaluation studies related to ADB's CD assistance. Such studies include country assistance program evaluations (CAPEs), sector assistance program evaluations (SAPEs), impact evaluation studies (IESs), project performance evaluation reports (PPERs), technical assistance performance evaluation reports (TPERs), and SESs. The findings in Sections A and B form the basis for the overall CD findings summarized in Section C.

## A. Findings from Three Countries

17. The performance of ADB's CD assistance in terms of effectiveness in achieving CD outputs and outcomes at each of the three CD levels (individual, organizational, and network of organizations), together with sustainability prospects, in the four sectors/areas of the three countries is assessed in Boxes 2–15. Details are shown in the results matrixes in Supplementary Appendix A (Tables 1–12). Success drivers and deterrence factors affecting the CD performance by country are identified at the end of each country subsection. Details by sector/area are identified in Appendix 4 (Tables A4.1–A4.12), which divide these positive and negative factors into four groups—design and implementation factors within and beyond ADB's control.

### 1. Cambodia

18. Overall, ADB's CD performance in Cambodia was effective—highly effective in education (Box 2); and effective in roads (Box 3), governance (Box 4), and PFM (Box 5). It was also effective in other areas of fiduciary arrangements—audit (Box 6) and procurement (Box 7).

#### **Box 2: What Made CD Performance Highly Successful in Cambodia's Education Sector? A Case of Sector-wide Approach (SWAP)**

Since the reestablishment of its operations in Cambodia in 1992, ADB has supported basic education with five CD-related ADTA grants and three loans, two of which are program loans including ongoing project components. At the *individual level*, while *CD outputs* (e.g., various kinds of technical training) were provided successfully and *CD outcomes* (e.g., retention and utilization of the trained teachers) were high, those of the trained technical staff of the Ministry of Education, Youth and Sports—the executing agency (EA)—were less than expected (see Supplementary Appendix A, Table 1). Many of them left the jobs due to the prevailing low public salaries and lack of an incentive system. Despite this weakness, overall performance was highly effective in achieving CD outcomes, especially at the organizational level, which contributed to achieving sector outcomes. *CD outcomes* at the *organizational level* were (i) institutionalized planning capacity of the EA, as reflected in its ability to prepare sector strategic and action plans on its own; (ii) institutionalized aid coordination and project/program management functions within the EA's regular planning operations, as reflected in its ability to subsequently adopt the SWAP and be in the driver's seat; and (iii) decentralized education management, as reflected in the deconcentration of service delivery in more than 6,000 schools and 183 district offices. *Sustainability* prospects of the CD outcomes are likely due to increased government recurrent budget allocated to education from 13.6% to 19.2% (2000–2007). These CD outcomes contributed to achieving *sector outcomes*, albeit not entirely through ADB alone: (i) increased primary net enrollment rate from 86% to 92%, with reduced gender gap from 7.4% to 2.4% (1999–2005); and (ii) increased grade 6 survival rate to 45% and transition rate to 38% (1999–2005).

This is an example of a highly successful case, reflecting a combination of many *success drivers*, especially harmonized efforts among aid agencies led by the EA through the SWAP. The process started off by ADB (as a major funding agency in basic education) providing well-sequenced ADTA grants to build up organizational capacity and ownership of the EA in aid coordination, planning, and project/program management. This was followed by an appropriate mix of modalities, with well-coordinated lending and nonlending programs, consisting of a project loan and two policy-based loans (one of which was cofinanced) and attached ADTA grants. Through this long-term, continuous process,

the EA capacity was developed enough for it to take the lead role in aid coordination and the adoption of a SWAP to avoid duplication and piecemeal efforts by development partners.

### **Box 3: CD Performance in Cambodia's Road Sector: A Case of Capacity Substitution**

During the period under study, ADB provided five CD-related ADTA grants and three projects (one of which is ongoing) to the road sector in Cambodia. Similar to the education sector, at the *individual level*, while *CD outputs* (e.g., various kinds of technical training, particularly on-the-job training) were provided successfully, *CD outcomes* (e.g., retention and utilization of the trained technical staff of the Ministry of Public Works and Transport—the EA) were less than expected (see Supplementary Appendix A, Table 2). Many of the trained staff moved to the private sector with four times higher salary scales. However, overall CD performance in the road sector is an example of a generally successful case in achieving CD outcomes, but the success is at the lower end due to some design drawbacks. These included one aspect that resulted in “*capacity substitution*,” rather than actual skills transfer. These drawbacks inhibited (i) full utilization of trained individual staff, and (ii) full organizational restructuring of the EA.

The former was due to the lack of baseline assessments at the individual level (resulting in overestimation of absorptive capacity of individual staff in one kind of training to improve their skills in English), and at the contextual level (resulting in lack of a strategy to address the risks related to the problem of low public salaries). The latter resulted in less than expected *CD outcomes* at the *organizational level* as reflected in limited role of the Transport Planning Unit, created within the EA, in doing organizational planning function. The function was instead performed by the project management unit (PMU), implying capacity substitution, instead of real skills transfer, since many trained PMU staff left after project completion. This was due to (i) lack of integration of PMU activities into the EA's normal operations, and the focus on training rather than institutionalizing skills transfer; (ii) lack of baseline assessment at the organizational level, resulting in inability to restructure the EA to function more effectively; and (iii) lack of clear results frameworks or evaluability to measure and monitor CD outcomes.

### **Box 4: CD Performance in Cambodia's Governance: A Case of High Government Demand, with ADB Acting as a Catalyst**

In Cambodia, ADB started emphasizing CD at the local level in the early 2000s by providing support to improve local governance through the Commune Council Development Project. The Ministry of Interior was the EA. The project has recently been completed, and ADB support continued with a follow-up grant. This is an example of a successful case in which significant CD outcomes were achieved at all three levels of CD interventions (see Supplementary Appendix A, Table 3). For example, at the *individual level*, *CD outputs* included long-term graduate fellowships provided to some EA technical staff, with the *CD outcome* of high retention and utilization of these staff, as none of them left.

At the *organizational level*, important *CD outputs* included annual development plans prepared by commune councils, birth certificates provided to 92% of 12.5 million population, and 80 subdecrees and laws on decentralization and deconcentration drafted (including the new Organic Law on decentralization). Significant *CD outcomes* achieved were institutionalization and operationalization of elected commune councils. The success was mainly because the government's own initiative helped create a high demand for, and ownership of, the project. ADB acted basically as a catalyst. The project came at the right time when the government wanted to strengthen the capacity of the newly elected commune councilors. However, while significant outcomes were achieved, some expected CD outcomes (e.g., institutionalization of decentralization and deconcentration, as well as consolidation of communes) were deterred by (i) lack of baseline assessment at the organizational and network levels, resulting in inability to address the fragmentation of institutions supporting commune councils; and (ii) the government's weak absorptive capacity and difficulties in proceeding quickly with the new institutional setup. These outcomes are expected to be achieved under the follow-up grant.

**Box 5: CD Performance in Cambodia's PFM: A Case of Cluster TA and Strong Aid Harmonization to Address Key Contextual-Level Constraints**

To improve capacity in Cambodia's PFM, ADB provided a cluster TA on *Strengthening PFM* (2001), followed by a joint study with the World Bank on *Integrated Fiduciary Assessment and Public Expenditure Review* (2003) and another ADTA on *Support to PFM Reform Program* (2004). ADB performance, in coordination with other aid agencies, was successful in contributing to the country's progress in achieving PFM reforms. At the *organizational level*, *CD outcomes* included achievement of many planned indicators, leading to progress in the implementation of the country's PFM reform program (see Supplementary Appendix A, Table 4). However, the expected *CD outcome* of full integration of the Medium-Term Expenditure Framework (MTEF) into the annual budget cycle has not yet been achieved. The delay was caused by (i) inadequate design for MTEF introduction, budget formulation, and strategic expenditure analysis; (ii) lack of full integration with the Technical Assistance Cooperation Program management; and (iii) weak initial absorptive capacity of the Ministry of Economy and Finance—the EA. This expected *CD outcome* is likely to be achieved because of continued support from other aid agencies. At the *network level*, the *CD outcome* was achieved in terms of an institutionalized system of aid coordination (as reflected in regular meetings of more than 18 working groups, and the introduction of the SWAP into the country's PFM reform program to ensure continued funding from various sources). The *sustainability* prospects of *CD outcomes* are likely, given the expected increase in the government's own revenues through the implementation progress of the PFM reform program itself, and the establishment of the Multi-Donor Trust Fund (managed by the World Bank) to provide salary supplements to retain relevant EA staff.

While stand-alone ADTA grants, especially one-off and/or discontinuous ones, were found to be less effective as a modality to improve *CD* in many cases, they are generally effective in this particular case due to the following support factors, which acted as *success drivers*: (i) a cluster TA was used at the beginning, which in itself is a long-term kind of assistance for sequenced reforms in a situation where the sector has been hampered by numerous constraints; (ii) strong aid harmonization to provide coherent efforts in strengthening the government's PFM reform program and in addressing one of the most important *CD constraints* at the contextual level (i.e., existing low public sector salaries, which resulted in low retention of trained staff at the individual level); and (iii) strong government ownership.

**Box 6: CD Performance in Cambodia's Audit: A Case of Strong Government Ownership**

ADB's TA support for *CD* in audit was found to be effective, especially at the *organizational level*. *CD outputs* (e.g., National Audit Authority established in 2002, and Audit Law drafted) resulted in *CD outcomes* (e.g., the Audit Law passed and implemented) (see Supplementary Appendix A, Table 4). At the *network level*, *CD outputs* (e.g., internal audit departments established and strengthened in some line ministries) led to *CD outcomes* (e.g., internal and external audit system institutionalized, as reflected in the operationalization of the audit functions within some line ministries and the National Audit Authority's ability to carry out external audit of some externally assisted projects). Given the expanded functions of the National Audit Authority, *sustainability* prospects are likely, particularly with its relative high salary structure compared with other government agencies.

**Box 7: CD Performance in Cambodia's Procurement:  
Another Case of Strong Government Ownership**

ADB's two TA grants in support of *CD* in procurement were also found to be effective, especially at the *organizational level*. *CD outputs* included (i) Department of Public Procurement established, (ii) training in procurement functions provided to staff of the Department of Public Procurement, (iii) procurement regulations and procedures developed, and (iv) Procurement Law drafted (see Supplementary Appendix A, Table 4). These led to *CD outcomes* (e.g., institutionalized public procurement system, as reflected in the operationalization of the Department of Public Procurement, and the passage and implementation of the Procurement Law). *Sustainability* prospects are likely, given the implementation of the procurement framework under the PFM reform program.

19. The findings across sectors show that, while CD outcomes at the individual level (e.g., high retention and utilization of trained technical staff) are easier to achieve than those at higher CD levels (organizational and network levels), such achievement was held back by the existing low public salaries, which was the most important deterrence factor at the contextual level in Cambodia. This CD constraint could have been mitigated somewhat had there been an appropriate baseline assessment at the contextual level to address such risk during design.

20. The following *success drivers* were generally common across sectors: (i) strong government demand and ownership during design and implementation, (ii) long-term continuity of ADB assistance and appropriate mix of modalities, (iii) good supervision by ADB, (iv) good coordination and harmonization with other aid agencies, (v) generally good consultants, and (vi) flexibility during implementation to make changes that coped with unexpected developments in ways that solved problems. Major *deterrence factors* included (i) lack of good results frameworks or evaluability to effectively measure and monitor CD, and lack of integration of the PMU's planning activities into normal operations of the EA's Transport Planning Unit in the road sector, resulting in capacity substitution provided to PMU staff, rather than real skills transfer; and (ii) lack of baseline assessments in all sectors, especially at the contextual level, resulting in lack of a strategy to address the risks associated with low public sector salaries and with the lack of an incentive system (see details by sector in Tables A4.1–A4.4).

## 2. Nepal

21. Overall, ADB's CD performance in Nepal was mixed—generally effective in education (Box 8), effective only for more recent assistance in roads (Box 9), evolving results in governance (Box 10), and ineffective in PFM (Box 11). Success was achieved in some sectors despite the country's challenging political economy situation at the contextual level.

### **Box 8: CD Performance in Nepal's Education Sector: A Case wherein Success Should Have Been More Fully Achieved**

ADB support to basic education in Nepal since the early 1990s has been provided through five loans (three of which are ongoing, one being a program loan) and five CD-related ADTA grants. This is an example of a generally successful case in which CD outcomes could have been achieved more fully had it not been for some design weaknesses in not addressing certain CD constraints, particularly at the contextual level. For example, while low salary structure in the public sector exists, as in Cambodia, it was not the main factor reducing the retention and utilization of trained teachers and head teachers at the individual level, or trained management staff at the organizational level. Rather, the main deterrence factor was the government's regulation of transferring public servants among ministries every 2 years (except for teachers and statisticians). While this frequent transfer policy did not affect trained teachers, it led to low retention and utilization of trained management staff at the Ministry of Education and Sports—the EA. Another deterrence factor that was inadequately addressed during the design stage was the nonconducive teaching environment, especially in rural areas (e.g., overcrowded classrooms, inadequate teaching and learning materials, high teacher absenteeism, and low teacher salaries).

Nonetheless, overall ADB assistance was generally effective in achieving *CD outcomes*, particularly (i) at the *organizational level* in integrating the National Center for Education Development (which was established under ADB assistance as an apex teacher training institution for primary and secondary education) into the administrative framework of the EA, as reflected in its successful implementation of the comprehensive teacher training and management training policy and plans on a regular basis; and (ii) at the *network level* in coordinating closely with other aid agencies, as reflected in the adoption of the SWAP to support the government's "Education for All" (see Supplementary Appendix A, Table 5). The key success driver was ADB's long-term support in the sector, with appropriate mix and sequencing of modalities.

**Box 9: CD Performance in Nepal's Road Sector: A Case of Mixed Results**

ADB support to the road sector in Nepal has been provided to two EAs through four projects (two of which are ongoing) and three ADTA grants (two of which are ongoing) within the Department of Roads (DOR) under the Ministry of Physical Planning and Works, and one project and one ADTA grant to the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) under the Ministry of Local Development. This is an example of mixed results—with successful results in ongoing assistance and partly successful results in the early phase for the DOR (see Supplementary Appendix A, Table 6). Although ADB has been working with the DOR for a much longer period (since 1989) than with the DOLIDAR (since 1996), the *CD outcomes* in the former have been limited, because the first two projects at the DOR focused primarily on achieving physical results, with little attention paid to CD activities. The two ongoing projects and ADTA grants at the DOR have significant CD components, with evolving *outcomes*. However, while they were generally well designed, the PMU is remotely located both physically and organizationally, so the CD activities are isolated from the DOR mainstream operations.

**Box 10: CD Performance in Nepal's Governance:  
A Case of Strong Government Commitment amid Contextual-Level Constraints**

ADB's CD-related support for governance in Nepal was provided through one program loan and two ADTA grants. This is an example of generally effective CD outcomes due to strong commitment and ownership of the EA (the Ministry of General Administration) for the program loan amid political instability (e.g., insurgencies and frequent changes in government)—a contextual-level factor causing delay in the achievement of outcomes. For example, some *CD outcomes* at the *organizational level* (e.g., endorsement by the Parliament and institutionalization of the Civil Service Act Ordinance and anticorruption acts—Anti-Money Laundry Act and Whistle Blowing Act) were delayed due to political instability (see Supplementary Appendix A, Table 7). However, the former was endorsed in August 2007.

**Box 11: CD Performance in Nepal's PFM: A Case of Lack of Strategic Direction and Continuity**

ADB CD-related support to PFM in Nepal was provided to the Ministry of Finance through three ADTA grants. This is an example of an unsuccessful case, with no achievement in CD outcomes, mainly due to scattered assistance and lack of strategic direction and continuity. For example, a one-off TA was provided in 1989 to strengthen program budgeting, project monitoring, and management information system. More than a decade later, two TA grants of modest amounts were provided to strengthen other aspects of the Ministry of Finance (e.g., public debt management and economic policy network). While these three TA grants delivered some CD outputs, they failed to achieve CD outcomes. At the *individual level*, *CD outcomes* (e.g., high retention and utilization of the trained technical skills) were limited, as most of the trained staff transferred in accordance with the nonconductive policy of transferring civil servants every 2 years (see Supplementary Appendix A, Table 8). At the *organizational level*, expected *CD outcomes* in terms of policies implementation were not achieved (e.g., the proposed public debt management system was not approved, the Nepal Macroeconomic Model was not used, and the debt software was not in operation).

22. The following *success drivers* were generally common across sectors, except for PFM: (i) ADB's appropriate mix of modalities, consisting of loans and attached ADTA; (ii) strong involvement of the EAs during design and implementation; and (iii) generally good consultants. Common *deterrence factors* across sectors were (i) lack of baseline assessment at the contextual level, resulting in inability to address the civil service requirement of frequent staff rotations, except for teachers and statisticians, every 2 years (which adversely affected the retention of trained staff) and the problem of political instability (which delayed the legislation and implementation of some CD activities); (ii) lack of baseline assessment at the organizational level, resulting in difficulties to diagnose CD deficiencies of some EAs; and (iii) long delays in recruiting consultants, especially in the education sector. Major *deterrence factors* in PFM were (i) limited

consultations with the EA, leading to lack of government involvement during TA design; (ii) lack of government commitment and ownership during implementation; (iii) lack of evaluability to measure and monitor CD; (iv) lack of strategic direction with realistic CD goals and objectives for the sector; (v) lack of long-term continuity, with scattered assistance; and (vi) lack of an appropriate mix of modalities (see details by sector in Tables A4.5–A4.8).

### 3. Philippines

23. Overall, ADB's CD performance in the Philippines was mixed—less effective in the past assistance, and evolving results in the ongoing assistance in basic education (Box 12); mixed results in roads (Box 13); less effective in local governance (Box 14); and effective and evolving results in PFM (Box 15).

#### **Box 12: CD Performance in the Philippines' Education Sector: A Case of Lack of Strategic Direction and Continuity**

ADB support to basic education in the Philippines has been provided through two projects for secondary education, with an ADTA attached to the second project. This is an example of a case with mixed results of two discontinuous projects with a 10-year gap between them. The first project was less effective in achieving *CD outcomes* at the *organizational* and *network levels*, whereas the second (ongoing) project has been effective with evolving *CD outcomes* (see Supplementary Appendix A, Table 9). Although the ongoing project appears effective so far, when considered with the first project, the overall performance is regarded as less effective due to the lack of strategic direction, long-term perspective, and continuous support. In addition, ADB assistance to education in the Philippines was not focused and was scattered throughout other subsectors, such as nonformal, technical, and tertiary education. This case also provides a good example that *CD outcomes* at the *individual level* (e.g., high retention and utilization of the trained staff) were easier to achieve than at the organizational and network levels so long as major CD constraints at the contextual level did not exist to reduce the retention and utilization of trained staff as in Cambodia (e.g., very low public sector salaries) and Nepal (e.g., frequent rotation policy for civil servants).

#### **Box 13: CD Performance in the Philippines' Road Sector: A Case of Mixed Results**

ADB support to the Philippines road sector was provided through four loans and five ADTA grants to the Department of Public Works and Highways (DPWH) for national roads, together with three ADTA grants to the Department of Interior and Local Government (DILG) for rural/subnational roads. This is an example of a case with mixed results in two different agencies, one of which (DPWH) was effective in achieving *CD outcomes* at *all three levels* and the other (DILG) was less effective (see Supplementary Appendix A, Table 10). The successful performance in the former was due mainly to ADB's appropriate mix of modalities (consisting of loans and ADTA grants); and to long-term commitment to DPWH, particularly in road maintenance. The partly successful performance in the latter was due mainly to ADB's discontinuous support (with a 10-year gap) and minimal resources through ADTA. However, although successful performance was achieved in DPWH, the problem at the network level of the low and undependable capacity of the local road contracting industry remains. As in the case of the education sector, assistance to DPWH also provides a good example that *CD outcomes* at the *individual level* (e.g., high retention and utilization of trained technical staff) are easier to achieve than at the organizational and network levels if major CD constraints at the contextual level do not exist to reduce the retention and utilization of trained staff. The kind of training (on-the-job) provided to DPWH technical staff was also found to be useful in improving capacity at the individual level due to the continuous, learning-by-doing nature of the training.

**Box 14: CD Performance in the Philippines' Local Governance:  
A Case of Scattered Assistance**

The Philippines' adoption of the Local Government Code in 1991 made local government units (LGUs) responsible for planning, financing, and implementing social and rural development and for providing basic social services. ADB has provided six ADTA grants (three of which are ongoing) to various national government agencies responsible for improving LGUs' capacity in governance. These agencies include DILG, the Land Bank of the Philippines, the Department of Budget and Management, the Department of Finance, and the National Economic and Development Authority. The three completed TA grants provided to the first three agencies did not achieve *CD outcomes*, particularly at the *organizational* and *network levels* (see Supplementary Appendix A, Table 11). The three ongoing TA grants were better designed to increase coordination among the EAs under the Joint Memorandum Circular and were expected to achieve CD outcomes in due course. However, considering both the ongoing and completed TA grants as a whole, overall CD performance in local governance is considered less effective, mainly because of scattered assistance and lack of strategic direction or long-term perspective from the beginning.

**Box 15: CD Performance in the Philippines' PFM:  
A Case of Close Coordination with Other Aid Agencies Helped Sustain CD Outcomes**

Since much of the ADB support to PFM in the Philippines has aimed to improve governance-cum-PFM capacity of LGUs, it is classified under local governance. As such, only two ADTA grants not dealing with LGUs are classified under PFM. One of them was for the Bureau of Internal Revenue, and the other is for the Department of Finance. The first TA was effective in achieving *CD outcomes* at *all three levels*, whereas the second (ongoing) TA appears to be making positive progress (see Supplementary Appendix A, Table 12). This is an example of a case in which close coordination with other aid agencies helps sustain CD outcomes at the organizational and network levels (e.g., subsequent support mobilized from the World Bank helped the Bureau of Internal Revenue sustain the value-added tax information system, with a fully functioning integrated tax system). As in the case of the education and road sectors, CD outcomes at the individual level (e.g., high retention and utilization of trained technical staff) were easier to achieve than at the organizational and network levels when major CD constraints at the contextual level did not exist to reduce the retention and utilization of trained staff. While CD performance of the first TA was effective and the second TA is evolving, overall performance in PFM could have been better had ADB provided long-term continuous support with strategic direction, rather than one-off TA grants to two separate agencies more than 10 years apart.

24. The following *success drivers* were generally common across sectors, except for local governance to some extent: (i) appropriate mix of modalities, (ii) long-term continuous support, (iii) good commitment and ownership by EAs during design and implementation, (iv) generally good consultants, (v) conducive environment through recent government decentralization efforts, and (vi) support mobilized from other aid agencies. Generally common *deterrence factors* were (i) lack of baseline assessment of CD needs at the organizational level; (ii) PMUs that were not integrated into normal EA operations; (iii) unfavorable economic conditions; (iv) lack of baseline assessment at the contextual level such as in the road sector, resulting in a lack of attention to the impact of political influences on road maintenance budgeting and selection of project priorities; (v) insufficient emphasis on monitoring and evaluation during implementation, especially in the road sector; and (vi) underestimated funding requirements for some key activities, particularly in the education sector. Major *deterrence factors* in local governance were (i) lack of devolution of national budget items to local government units; (ii) lack of long-term continuity and appropriate mix of modalities; (iii) lack of focus and strategic direction (realistic CD goals and objectives) at the sector level; (iv) lack of evaluability to measure and monitor CD; and (v) delay in consultant mobilization (see details by sector in Tables A4.9–A4.12).

#### 4. Summary of the Three Countries Studied

25. ADB-supported CD initiatives in the three countries studied have experienced mixed results. In many cases, CD outcomes have been achieved, many of which are judged sustainable. In other cases, despite the best of intentions, CD efforts resulted in little impact and few sustainable outcomes. While it is not possible to precisely quantify the degree of success versus the degree of underachievement, the results achieved by many CD initiatives leave much to be desired in terms of effectiveness and sustainability. Some systematic factors suggest lessons to explain why some CD initiatives are successful. These factors are called *success drivers*. One outstanding success driver of the education sector in Cambodia and Nepal was the EA readiness in terms of capacity, ownership, and leadership to adopt the SWAP, together with an appropriate mix of modalities, which included a series of ADTA grants as well as concomitant project and policy-based loans. The success was achieved in the education sector in Nepal despite the nonconductive political environment, which was a major CD deterrence factor in other sectors in that country. One outstanding *deterrence factor* for less successful CD assistance in thematic areas (e.g., governance and PFM) was the reliance on a single modality—mainly ADTA grants, oftentimes one-off with no follow-up. Their CD impacts (if any) do not tend to last long, unlike a combination of modalities, particularly with investment projects, which allow for more resources, time, and efforts to create synergies of CD and sector assistance over a longer period of time.

26. Various types of contextual/external factors (e.g., political, economic/fiscal, policy/institutional, and sector) at the enabling environment level tend to be nonconductive and act as deterrence factors to CD performance. In a country with political uncertainties (e.g., Nepal), a nonconductive political environment are found to dominate other kinds of contextual factors in deterring CD performance. Although other nonconductive economic and institutional deterrence factors (e.g., low public salary structure) may exist, these are not as important as broad political issues. In a country where political situations are more settled (e.g., Cambodia), economic and institutional problems are found to be the dominating deterrence factor at the contextual level. When political and economic situations are relatively more stable (e.g., Philippines), factors at the contextual level are not found to be as important as factors at the organizational level in deterring CD performance (e.g., inadequate commitment within target agencies and/or coordination with other agencies at the network level within the sector).

#### B. Synthesis of Findings from OED's Existing Evaluation Studies on Capacity Development-Related Assistance

27. This section assesses the effectiveness of ADB's CD-related assistance by synthesizing the findings of other OED evaluation studies prepared earlier from 2000 up to the present (see list in Appendix 5). Since many of these studies were not designed primarily to assess CD performance, CD outputs and outcomes, together with sustainability prospects, were not always clearly identified. Nonetheless, this SES has tried to extract some indications of CD outcomes, the details of which are synthesized in the results matrixes in Supplementary Appendix B (Tables 1–4). Success drivers and deterrence factors affecting the CD performance based on these existing OED studies are identified and divided into four categories (design and implementation factors within and beyond ADB's control) in Appendix 6 (Tables A6.1–A6.4).

##### 1. Country Assistance Program Evaluations

28. From 2000 until the present, 12 CAPEs have been prepared—in Bangladesh, Bhutan, Cambodia, People's Republic of China (PRC), Indonesia, Lao People's Democratic Republic (Lao PDR), Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, and Sri Lanka. These CAPEs

have found that CD achievements have been mixed. For example, positive CD outcomes were found by the (i) Bangladesh CAPE in the power sector; (ii) Bhutan CAPE in power, finance, urban infrastructure, education, and health; (iii) Cambodia CAPE in education, health, and roads; (iv) Mongolia CAPE in education and health; (v) Nepal CAPE in agriculture and natural resources and in rural water supply, especially at the field level; and (vi) Lao PDR CAPE in power, education, health, roads, and urban development (see details in Supplementary Appendix B, Table 1). The Lao PDR CAPE concludes that the assistance provided through many loans and attached ADTA grants made some contributions to enhance the sector capacity of government and quasigovernment agencies, although overall capacity remained low. Nonetheless, the achievement of sector outcomes in many sectors reflects an improved capacity to a certain extent.

29. The CAPEs completed in 2007 cover PRC, Pakistan, and Sri Lanka. Among the three countries, major CD outcomes were achieved in the PRC. The PRC CAPE mentions that ADB's geographic and sector focus, combined with sustained long-term efforts, contributed to the development of sophisticated capability in infrastructure (including roads, railways, urban development, and water supply) in the country. While ADB made some contributions, other factors, particularly major government initiatives, made greater contributions to the substantial improvement in CD in the PRC. Interestingly, most of these achievements appear to have been the result of project investments, rather than TA operations. The TA impacts on CD are found to be mixed. While some individual TA results were very successful, they were not highly successful as a group due to lack of a strategic focus and to inefficient management. The Sri Lanka CAPE also notes that positive CD outcomes achieved in some sectors (e.g., agriculture, education, and water supply) contributed to achieving sector outcomes.

30. On the other hand, the various CAPEs find less success with limited achievements of CD/sector outcomes in many other sectors (e.g., gas and railways in Bangladesh; agriculture in the Lao PDR; agriculture and industry in Bhutan; and some thematic areas such as public management and development planning in Cambodia, Indonesia, Lao PDR, Mongolia, Nepal, Papua New Guinea, and Philippines). Much of the CD assistance in thematic areas was provided through stand-alone, and oftentimes one-off or discontinuous, ADTA grants. The Cambodia CAPE finds less effective CD performance in development planning because of the focus on improving technical skills at the individual level, rather than institutionalizing skill transfers and improving management, planning, and resourcing systems for more effective functioning at the organization level. The Pakistan CAPE finds general lack of success in achieving CD outcomes due to political economy factors, which tended to suppress the capacities that had been developed.

31. The following *success drivers* are noted by the CAPEs: (i) caliber and commitment of both government officials and ADB staff involved; (ii) government priority to improve sector performance; (iii) strong government commitment and ownership during design and implementation; (iv) willingness of organizations to improve their capacity; (v) consistency between ADB's operations and government priorities; (vi) ADB's long-term, continued support; (vii) ADB's appropriate mix of modalities; (viii) ADB's adequate supervision; and (ix) good government policies during implementation. The following *deterrence factors* are noted by the CAPEs: (i) the focus on improving technical skills at the individual level; (ii) insufficient baseline assessments at all levels; (iii) much of the CD assistance in certain areas (e.g., PFM, governance, and policy planning) being provided through discontinuous, stand-alone ADTA grants, without long-term continuity and an exit strategy; (iv) lack of a clear results framework or evaluability to measure and monitor CD; (v) PMUs in which CD activities were located not being integrated into the mainstream activities of EAs; (vi) late assignment of key counterpart staff; (vii) high

counterpart staff turnover; (viii) lack of understanding of CD as a process; and (ix) political economy factors repressing the capacities that had been developed (see details in Table A6.1).

## 2. Sector Assistance Program Evaluations and Impact Evaluation Studies

32. The effectiveness of CD-related assistance is assessed in more detailed OED studies at the sector level. These include the IES for the power sector in Indonesia and seven SAPEs.<sup>17</sup>

33. In the power sector, CD outcomes were achieved in Bangladesh, Indonesia, and Philippines (e.g., improved commercial operations of the sector in Bangladesh and Indonesia, and improved planning capabilities of the sector in Philippines) (see details in Supplementary Appendix B, Table 2). In the transport sector in the PRC, CD outcomes were achieved in both roads and railways (e.g., greater commercial orientation and assimilation of international good practices). In India, CD outcomes (e.g., enhanced capabilities of the EA in contract and environmental management) were achieved in the road sector, while little progress was made in railways. In Pakistan, expected CD outcomes of the ongoing projects in the road sector were evolving (e.g., organizational restructuring and establishing modern road management). In the social sector, the Pakistan SAPE finds that the delivery of nonphysical outputs (e.g., CD) in the social sector was frequently well below targets, or even absent, in both quantitative and qualitative terms. This resulted in a lack of achievement of CD outcomes. In the agriculture sector, the Lao PDR SAPE finds that most of the expected CD outcomes were neither achieved nor sustained (e.g., inability to implement many policy reforms, including improved and sustained management and planning capacity of the EA).

34. The following *success drivers* are noted by the SAPEs: (i) a clear, objectives-based focus; (ii) long-term, continuous support; (iii) appropriate mix of modalities; (iv) good project design features, which introduced modern technologies and project management methods; (v) adequate diagnostics, especially at the organizational level; (vi) strong government commitment and ownership during design and implementation; (vii) adequate ADB supervision and staff dedication; and (viii) cooperation with other aid agencies. The following *deterrence factors* are noted by the SAPEs: (i) too complex and unrealistic design; (ii) lack of strategic focus, with diffused CD assistance; (iii) inadequate diagnostics; (iv) lack of government commitment and ownership; (v) long delay in consultant recruitment and implementation; (vi) insufficient coordination between consultants and counterpart staff; and (vii) staff and budget requirements in the postproject period not adequately considered (see details in Table A6.2).

## 3. Project/Program and Technical Assistance Performance Evaluation Reports

35. The PPER on the Capacity Building for Water Resources Project in Indonesia finds that, while the project was relevant at formulation and had achieved some CD outcomes (e.g., implementation of reforms in policies, legislation, management, and operations), achievements were less than planned in all cases (see details in Supplementary Appendix B, Table 3). The TPER for Capacity Building Support to Decentralization in Indonesia, which assesses four ADTA grants, indicates that, while some CD outputs (e.g., reports and training) were achieved, it was almost impossible to measure CD outcomes. The TPER for Institutional Strengthening and Policy Support to the Road Sector in Kazakhstan, Kyrgyz Republic, and Mongolia assesses five ADTA grants (three of which involved CD through training and two through policy improvements) and a regional TA in the three countries. Performance was mixed, with the three training TA activities

<sup>17</sup> For the power sectors in Bangladesh and Philippines; transport sectors in PRC, India, and Pakistan; social sector in Pakistan; and agriculture sector in Lao PDR (see Appendix 6).

successful in achieving most of the planned CD outcomes (e.g., structural reforms at the organizational level), albeit less than expected, since much of the training provided was not used due to high staff turnover. The two policy TA grants were partly successful, with lower than expected CD outcomes (e.g., implementation of policy reforms). The regional TA was unsuccessful.

36. The TPER for Institutional Development and Capacity Building in the Water Supply and Sanitation Sector in the Lao PDR and Viet Nam assesses eight ADTA grants attached to loans. All of them achieved CD outcomes (e.g., improved managerial capacity of EA staff), albeit less than anticipated. However, another TPER for the Power Sector Institutional Strengthening TA in Viet Nam, which assesses five ADTA activities, finds CD outcomes (e.g., improved organizational management, functions, and resourcing) to be limited. The PPER for the Public Sector Reform Program in the Federated States of Micronesia notes that an associated TA achieved a good number of CD outcomes (e.g., increased ability of young graduates in macroeconomics to carry on economic planning work after program completion). The TPER on public administration in the PRC finds mixed results for a series of five TA grants for audit, procurement, and evaluation. While some CD outcomes were achieved (e.g., increased capabilities of concerned agencies to carry out their own audit and procurement activities), expectations were not fully met. A TPER was undertaken to assess CD related to project performance evaluation of ADB's nonlending operations in Nepal, Philippines, and Sri Lanka. Six ADTA grants were examined (two in each country). Two of them (both in Sri Lanka) were found to have resulted in sustainable CD outcomes (e.g., establishment and continued use of a project performance management system to evaluate the performance of ADB assistance).

37. The following are *success drivers* noted in the PPERs and TPERs: (i) simple/realistic scope that was achievable within the given time frame and budget; (ii) a series of long-term, continued CD assistance activities to accumulate and sustain the outcomes, even when the past assistance may not have been initially fully successful; (iii) availability of financing for the implementation of recommendations, especially from the associated loans; (iv) realistic CD targets, and risks identified and mitigated; (v) active involvement and ownership by the EAs from design to completion; (vi) technically competent consultants; (vii) stability in staffing; (viii) strong commitment and ownership of the EAs and other network agencies; and (ix) good government policy during implementation. *Deterrence factors* noted in the PPERs and TPERs include (i) overambitious design relative to time and resources provided, (ii) inconsistencies between scope and terms of reference, (iii) lack of a holistic and long-term CD strategy for the sector, (iv) lack of demand-driven initiatives from government counterparts during design, (v) lack of government commitment during implementation, (vi) lack of effort to engage the EAs to fully participate in the design and implementation, (vii) inadequate coordination with other aid agencies, (viii) insufficient diagnostics at the organizational and network levels, (ix) lack of flexibility to make adjustments in project design, (x) low retention of trained staff due to low public sector salaries, and (xi) lack of mechanisms to translate outputs into outcomes (see details in Table A6.3).

#### 4. Special Evaluation Studies

38. OED has undertaken three SESs that focus either directly on CD or on the main instrument used to promote CD—ADTA grants.<sup>18</sup> The Lao PDR SES on CD examines loans and ADTA grants in the agriculture, power, roads, urban development, and water supply sectors

<sup>18</sup> ADB. 2004. *SES on Capacity Development Assistance of the Asian Development Bank to the Lao People's Democratic Republic*. Manila; ADB. 2006. *SES on Lessons in Capacity Development: Sectoral Studies in Sri Lanka*. Manila; and ADB. 2007. *SES on the Performance of Technical Assistance*. Manila.

approved during 1990–2003. It finds mixed results, with some sectors (e.g., urban development, power, and roads) performing better than others. An example of good CD outcomes achieved in these sectors was the improved organizational functioning of the agencies responsible for urban development and for power generation and distribution (e.g., increased ability to implement externally funded projects, generate and manage recurrent finance, and plan future development activities) (see details in Supplementary Appendix B, Table 4). The SES concludes that (i) capacities were developed in several areas, although without a consistent pattern of comprehensive coverage; (ii) many of the capacity changes were found to be capacity substitution, which is not sustainable, as it involves short-term assignments to produce an output not embedded in the organization; and (iii) the country context influenced results through existing constraints on financial and human resources.

39. The Sri Lanka SES on CD assesses the effectiveness of CD support provided through loans and ADTA grants in three sectors: education, plantation crops, and water supply. The CD outcomes achieved at the individual, organizational, and network levels were modest because there was resistance to changes in formal, established organizations. By contrast, the major CD impacts occurred at the end-user beneficiary level (or sector outcomes). These were achieved mainly through policy dialogue and training provided not only to government agencies concerned, but also to end-users, and through subsequent sustained use of the training. These CD impacts include (i) significant increase in smallholder tree crop production and consequent incomes, (ii) sustainable initiatives in developing rural water supply schemes, and (iii) significant changes in the structure and efficiency of the basic education system.

40. The SES on the evaluation of TA does not focus on assessing the performance of CD assistance per se, but of all TA, which is a major modality used by ADB for CD support. It examines a sample of 66 TA operations, 72% of which were rated as successful or highly successful. The conclusions drawn by the evaluation are as follows: (i) ADB has rarely used TA strategically to position itself as the most trusted advisor in a sector; and even when it has established strategic influence, it sometimes misses follow-up opportunities that could consolidate its role; (ii) opportunities have been lost by spreading support too thinly over too many sectors; (iii) there has been insufficient continuity in TA operations; (iv) ADB staff who have designed and administered TA did not have CD experience; (v) CD diagnostics have often been neglected or conducted without methodological rigor; (vi) TA budgets have often not been based on the intervention requirements; and (vii) country ownership is often weak.

41. *Success drivers* identified by these SESs include the following: (i) ADTA grants combined with loan projects provided longer term support and incentives for EAs to try to enhance their capacities; (ii) continuity of CD support in a sector allowed for impacts to build up and increased sustainability prospects; (iii) a realistic CD approach with proper preparation and EA participation was needed; and (iv) baseline assessments were important at all levels, especially in the sectors where responsibilities had been devolved to local levels. The SESs notes the following *deterrence factors*: (i) deficiencies in ADB's approach to CD support, most of which focused on CD inputs and outputs instead of outcomes, without explicit linkage to a strategic framework for CD at the national level; (ii) lack of clearly stated CD goals and objectives; (iii) lack of baseline assessments to identify CD needs and a strategy for addressing them; (iv) lack of a good results framework or evaluability to measure and monitor progress; (v) lack of long-term support with an exit strategy; and (vi) lack of attention to involve stakeholder participation (see details in Table A6.4).

### C. Summary of Overall Findings

42. The overall findings from Sections A and B combined reveal mixed results, with no consistent patterns of success across sectors, countries, regions, or time. However, a consistent set of factors/issues affecting CD performance has been observed and identified—both factors driving success (*success drivers* or *strengths*) and those deterring success (*deterrence factors* or *weaknesses*). These positive and negative factors can be classified into four categories: (1) design/QAE factors within ADB's control, (2) design/QAE factors beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control. Since the design/QAE and implementation factors in categories 2 and 4 are beyond ADB's control, they tend to be contextual/external level factors by nature that act as incentives (*opportunities*) or risks/constraints (*threats*) to CD performance. Detailed findings of both positive and negative factors are discussed under these four categories in Chapter V. However, since positive factors (e.g., assistance with realistic CD objectives is likely to result in successful performance) simply represent the other side of the same coin as their negative counterparts (e.g., assistance with too ambitious CD objectives is likely to result in unsuccessful performance), only the positive factors or success drivers are summarized under the four categories in Table 1.

**Table 1: Success Drivers Contributing to Effectiveness and Sustainability of CD Assistance**

1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<ul style="list-style-type: none"> <li>• Clear results framework or evaluability to measure and monitor CD</li> <li>• Strategic direction with realistic CD objectives</li> <li>• Adequate diagnostic baseline assessments at all CD levels (individual, organizational, network, and contextual levels)</li> <li>• Long-term continuity to institutionalize CD, careful phasing/sequencing, and exit strategy</li> <li>• Appropriate mix of modalities</li> <li>• Mainstreaming PIU/PMU activities into target agencies' normal operations</li> <li>• Adequate staff time and skills, and financial resources</li> <li>• Inclusive participatory approach, with strong commitment of and ownership by target agencies</li> <li>• Cooperation and harmonization with other development partners</li> </ul>	<ul style="list-style-type: none"> <li>• Conducive political environment</li> <li>• Conducive economic/fiscal environment</li> <li>• Conducive policy/institutional environment</li> <li>• Conducive sector capacity</li> </ul>
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<ul style="list-style-type: none"> <li>• Sufficient and qualified staff for implementation and supervision, including optimal use of resident missions</li> <li>• Flexibility during implementation and supervision</li> <li>• Selection of qualified consultants and limited delays in implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Continued conducive enabling environments</li> <li>• Continued commitment of and ownership by target agencies</li> <li>• Continued cooperation and harmonization with other development partners</li> </ul>

ADB = Asian Development Bank, CD = capacity development, PIU = project implementation unit, PMU = project management unit, QAE = quality-at-entry.

## **V. ISSUES/FACTORS AFFECTING CAPACITY DEVELOPMENT PERFORMANCE**

### **A. Design Factors within ADB's Control**

#### **1. Clear Results Framework or Evaluability to Measure and Monitor CD**

43. A good results framework or evaluability helps to clarify objectives and outcomes, reconcile the expectations of EAs and ADB, and link the required inputs (e.g., human resources, financial resources, and time) to expected outputs and outcomes. It can also be used to monitor progress and make midterm corrections. OED findings suggest that having a good system in place to measure and monitor CD is a major success driver, without which CD assistance is less likely to be successful. Most of ADB's CD assistance has tended to lack evaluability, making it difficult to assess its performance in terms of effectiveness or results achieved. As such, this SES has had to identify CD outputs and outcomes on its own in many cases in the results matrixes in Supplementary Appendixes A and B. These indicators can be used as a guideline for operations staff in the design of monitoring framework for CD assistance.

#### **2. Strategic Direction with Realistic CD Objectives**

44. Successful CD operates within the realm of the possible, and reflects existing individual capacity, organizational structure, enabling environment, funding provided, and time frame available for the interventions. In Indonesia's power sector and the PRC's transport sector, good strategic direction with realistic CD goals/objectives was a major success driver in reforming concerned organizations and sector policies, thus contributing to the achievement of the desired sector outcomes. Lack of strategic direction and overambitious CD goals/objectives were found by some OED studies to be a major deterrence factor underlying poor CD performance. For example, some ADTA grants for CD suffered from design weaknesses, including inconsistencies and overlaps between their scope and terms of reference, and overly ambitious scope for the amount of resources available. The Sri Lanka SES on CD suggests a phased approach to CD, since there is often resistance to change. It is often unrealistic to expect sensitive institutional reforms to occur in a short time frame, particularly in a changing political environment. Scattered assistance and piecemeal outcomes do not usually result in the achievement of CD results. Focused and consistent engagement over a decade or more are required to achieve major CD objectives. Although ADB's new business process (February 2007) requires a thorough CD analysis in the preparation of a country partnership strategy (CPS), it does not provide any guideline on how to do so. A template is needed on how CD should be analyzed to identify the right CD strategy for each DMC.

#### **3. Adequate Diagnostic Baseline Assessments at All CD Levels**

45. Given that the time and expertise requirements to undertake proper diagnostics are often not provided, it is not surprising that lack of adequate diagnostics was common and was identified as one of the most important factors deterring expected CD performance in many OED studies. Diagnostic baseline assessments at all four CD levels (individual, organizational, network, and contextual levels) during the design stage are needed to gain insight into the issues that need to be tackled at each level. Otherwise, there is a risk that CD assistance will not address the right issues or identify the right set of CD outputs and outcomes. RSCG has recently prepared a CD tool kit<sup>19</sup> that can be used as a guideline on how to prepare diagnostics. However, since ADB is not the sole funding agency for CD and it takes time and resources to come up with good

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<sup>19</sup> ADB. 2007. *Sector Assessment and Capacity Development Toolkit* (Draft). Manila.

diagnostics at various CD levels, these analyses should be undertaken in partnership with other aid agencies and DMC governments. Jointly prepared diagnostics should be a prerequisite for all CD assistance as they will (i) enhance government understanding of what the real CD issues are and how to address them, through which government commitment and ownership can be increased; and (ii) strengthen harmonization and consistencies among aid agencies' assistance programs to avoid duplicative efforts and piecemeal results.

#### **4. Long-Term Continuity to Institutionalize CD, Careful Phasing/Sequencing, and Exit Strategy**

46. Many OED studies relating to CD have identified a need for a long-term perspective and commitment to increase the probability that CD outcomes will be achieved and institutionalized for sustainable results. Experiences show that long-term, continued support creates a "critical mass" of CD beneficiaries (e.g., in Cambodia's and Nepal's education sectors). While recognizing that CD is often a long-term process, self-reliance and an exit strategy need to be kept in mind. In recent years, some alternative approaches to CD interventions have been attempted, such as the one initiated by the Results Management Unit of the Strategy and Policy Department to build long-term MfDR capacity in DMCs (Box 16).

##### **Box 16: Testing Innovative Approaches to CD: The MfDR Community of Practice**

ADB has adopted an innovative approach to building capacity for MfDR in its DMCs. Global recognition and replication in other regions followed its presentation at the Third Roundtable on MfDR held in Hanoi in February 2007.

The Community of Practice on MfDR (<http://cop-mfdr.adb.org>) is an on-line forum and virtual learning network. Its mission is to promote learning and knowledge exchange among public managers, organizations, EAs, and practitioners. The Community of Practice currently has 80 core members from 14 countries. Its most innovative feature is that it is led by developing country professionals. ADB's role is only supportive, particularly in terms of providing the internet platform and some administrative support materials.

The Community of Practice has shown early promise, with vibrant debates and exchanges of knowledge taking place. To date, it has conducted six on-line discussions on key MfDR topics over a 2-year period, generating a large number of posts from MfDR practitioners in DMCs.

#### **5. Appropriate Mix of Modalities**

47. Almost all recent CAPEs, a number of SESs, and evaluations of many ADTA projects have found that one-off, stand-alone ADTA grants that are not followed up by other operations are generally not an effective modality for achieving CD improvements.<sup>20</sup> The following factors have contributed to the less than optimal outcomes: (i) stand-alone ADTA is often prepared and implemented over a relatively short period, but it usually takes a period of years to achieve CD outcomes; (ii) limited funds are available; (iii) there is limited attention/commitment from concerned agencies; and (iv) CD initiatives are often implemented through project implementation units (PIUs) that are separate from the mainstream activities of the concerned agencies. An appropriate mix of modalities (e.g., project loans combined with ADTA grants, or project loans combined with ADTA grants and policy-based loans) that results in sustained ADB involvement over a decade or more appears more likely to deliver effective CD results, as the different

<sup>20</sup> Sometimes, it needs to be acknowledged that ADB is working with other development partners, and its apparent stand-alone TA may be part of a wider, longer term commitment by others. Nevertheless, stand-alone TA activities, particularly one-off, should be subject to careful scrutiny.

products often complement one another. For example, while nonlending elements can be used to provide more training during loan implementation and to undertake further diagnostic work, project elements can focus on utilizing the trained skills, and program elements can be used to improve the overall enabling environment (see Box 17).

**Box 17: Appropriate Mix of Modalities as a Key Success Driver in the Tree Crop Sector in Sri Lanka: Results from the Sri Lanka SES on CD**

The Sri Lanka SES on CD assesses the CD-related performance of ADB's lending and nonlending products in the tree crop sector from the mid-1980s to the end of 2005. These consisted of (i) three sector-wide program loans; (ii) three project loans aimed at improving the plantation subsector (commercial estates for tea, rubber, and coconut); (iii) two project loans aimed at smallholders in the tea subsector; and (iv) two project loans targeting the minor perennial crops subsector (coffee, spices, and fruits). These were supplemented by 10 associated ADTA grants.

Significant CD-related and sector-wide outcomes were achieved under the combination of these programs, projects, and TA grants because they were interrelated and self-reinforcing. *Outputs* from the program loans were important policy changes, including (i) removal of financial distortions; (ii) clustering of large, publicly owned estates into regional plantation companies under private management; and (iii) improvements in extension services. The resulting *outcomes* of these policy measures were positive impacts on the enabling environment under which all the three subsectors operated. The project loans for the plantation subsector carried these reform initiatives further to improve *CD-related outputs* at the individual and organizational levels (e.g., further privatizing the regional plantation companies, training to upgrade the technical and managerial capacities of staff members of private regional plantation companies, and retraining surplus estate labor for employment outside the plantation industry). These resulted in *CD-related outcomes* in terms of a more efficiently structured and financially viable plantation subsector. Similarly, the project loans for smallholders in the tea subsector and the minor perennial crops subsector produced *CD-related outputs* at the individual and organizational levels (e.g., direct farmer training, provision of credit, and establishment of research facilities). These led to significant *CD-related outcomes* in the form of increased replanting efforts, and improved cultivation and processing practices. *CD-related outputs* from the TA grants included privatization for the estates, and a strategic plan for tea production in the country. These supplemented the *CD-related outcomes* of the project investments, contributing to *sector-wide outcomes* in terms of significant increases in (i) access to credit and research and extension support, (ii) production and incomes of families involved in the sector, and (iii) foreign exchange earnings for the country.

A mixture of program loans, project loans, and ADTA grants was thus instrumental in reviving the tree crop sector (and especially the critically important tea subsector), developing significant capacity at all levels, and increasing incomes among one of the poorest sections of the country's population.

## 6. Mainstreaming PIU/PMU Activities into Target Agencies' Normal Operations

48. Some OED studies have distinguished between the terms "capacity development" and "capacity substitution." The latter implies a provision of capacity for a limited period or to a limited number of people who are not likely to continue working in the EA after a loan or TA ends. Where capacity is created exogenously, it is not usually transferred, acquired, or developed broadly in the EA, and previously existing capacity might even be eroded. This situation tends to result from the establishment of externally staffed PIUs/PMUs, separate from the EAs' usual operations.

49. The recent SES on PIUs (Box 18) indicates that as many as 90% of ADB projects have been implemented through PIUs, half of which were externally staffed. While having separate, externally staffed PIUs is useful for the purpose of implementing projects effectively, they should not be set up apart from the mainstream structure of the EAs. Otherwise, there will be no transfer of knowledge/skills, nor continuation of activities to ensure sustainability once the consultants and

outside staff leave after project completion. If CD is an expected outcome, the results are seldom effective unless PIU staff become part of the EAs' mainstream structure after project completion. Separate PIUs tend to be used in countries of particularly low capacity (e.g., Cambodia, Lao PDR, Nepal, and the Central Asian republics) to ensure that the required work is completed on time, regardless of the CD impact in terms of skills transferred/acquired.

#### **Box 18: Summary Findings of the SES on the Role of PIUs**

Around 90% of ADB's investment projects were managed using some types of PIUs. Almost a sixth of the projects used internally staffed PIUs, and a third used externally staffed PIUs; the remaining 52% of projects had a mix of internal and external staff. Forty-four percent of PIUs were temporary and scheduled to be dissolved upon completion of the project; 26% were unclear about their fate after project completion; only 12% of PIUs regarded themselves as "permanent" (i.e., they expected to find new projects to manage upon completion of the present projects), and 18% were to merge (i.e., the PIU staff would be [re-]absorbed as permanent staff of the parent agency).

PIUs are used by ADB and governments primarily as a mechanism to implement projects and to create capital assets, rather than as a tool to build human or institutional capacity. The effects of PIUs on CD in the EAs are variable. The study confirms the risk of separate, externally staffed PIUs undermining the agencies' project management capacity. There is an additional burden on DMCs of the many different requirements of external funding agencies.

#### **Recommendations:**

- If the loan modality and government preferences require the establishment of a PIU, ADB should encourage the use of a PIU that is staffed fully by the EA or implementing agency itself.
- In cases where an externally staffed PIU is deemed more efficient, the risk that it will undermine the parent agency's project management capacity needs to be assessed as a standard practice, and mitigated; ADB and the EA should agree on their exit strategy and/or transformation for the operation and maintenance phase of the project.
- The cost of project management and the development of capacity to manage projects should be more systematically analyzed during project preparation. Loan financing of project administration costs should be well justified.

## **7. Adequate Staff Time and Skills, and Financial Resources**

50. The recent SES on TA operations concludes that ADTA fact-finding missions are too short and budget constraints too limited to prepare proper CD interventions. The average time used to design an ADTA was just 2.6 staff weeks, with less than half of that time spent in the country meeting with EAs and other stakeholders. There is inadequate time to do a proper diagnosis, foster participation, assess alternative designs, and ensure that risks are adequately identified and mitigated. The preparation of most stand-alone ADTA activities was undertaken by only one staff member, often a relatively junior person who generally did not have experience in CD design. The SES also reports that the budget allocated for TA support for CD is often not needs based. Some OED studies (e.g., the Cambodia CAPE) have found that inadequate staff skills as related to CD (e.g., lack of understanding of the differences between CD outputs and outcomes, and the tendency to equate CD at the organizational level with mere training at the individual level) are a major constraint to designing the right kind of capacities that needed to be developed. With CD as ADB's new thematic priority, staff with CD expertise and understanding are needed.

## 8. Inclusive Participatory Approach, with Strong Commitment of and Ownership by Target Agencies

51. One important success driver cited by many OED studies is the need for CD assistance to be demand driven. Demand-driven CD interventions are more likely to ensure the involvement, commitment, and ownership of concerned agencies from the design stage. This, in turn, provides positive reinforcement to the CD process throughout implementation. Strong government commitment and ownership is also found to be a key success driver in the recent CD studies conducted by ADB's South Asia and Pacific Departments (Boxes 19 and 20).

### **Box 19: Summary Findings of the South Asia Department's CD Study: Government Ownership as a Key Success Driver**

In recent years, the South Asia Department has tried several modalities of CD interventions. One of them was through strengthening the policy network in India, Nepal, and later in the region. This provided governments with a forum for policy dialogue and analysis in priority areas, as well as facilitated the public and private sectors to work together to revitalize the economy through policy reform. However, the resulting CD performance through this modality is too early to assess.

The South Asia Department also has recently carried out a study on Capacity Development in South Asia<sup>a</sup> to assess the performance of its past CD interventions through traditional modalities (loans and TA) in nine EAs in three countries (Bangladesh, Nepal, and Sri Lanka). The sectors are rural infrastructure, power, capital markets, and livestock. The focus is at the organization level. Overall, the findings are that CD performance has been generally successful in the rural infrastructure sector in Bangladesh and Nepal, the livestock sector in Nepal, and the power sector in Bangladesh. This has led to more favorable policy environments and more effective/efficient project implementation. Less favorable performance is noted in the capital markets sector in Bangladesh, where improvements could not be made due to a lack of incentives for EA staff; and in the power sector in Nepal and Sri Lanka, where it proved difficult to improve the policy and enabling environments. Nonetheless, little fault is found with ADB's approach in the latter cases. The problem is more of ownership on the part of the government and target EAs as well as overall contextual constraints.

The study concludes that CD interventions be long term, carefully planned/sequenced, and tied to overall EA and project performance. It also suggests that, to foster project ownership, it is essential that target agencies take the lead in project management, including the responsibility for project identification, the conduct of feasibility studies, and implementation. The study's recommendations include the following, which should be tested first through a pilot project:

- Establish a CD fund to finance long-term CD in selected sectors in South Asian DMCs.
- Give DMCs the responsibility for managing their CD fund allocations as a way to strengthen government ownership.
- Establish and progressively strengthen a clear link between investment project loans and evidence of a DMC's commitment to progress with CD in the selected sectors.
- Use resident missions as the focal point for engaging with CD-mandated offices in the selected EAs.
- Steer the policy dialogue between ADB and DMCs using medium- and/or long-term road maps for sector development with clearly defined CD components, and focus on joint assessment of how CD has influenced investment project performance.

<sup>a</sup> ADB. 2007. *Capacity Development in South Asia*. Martin Evans. South Asia Occasional Papers Series No. 1. Manila.

**Box 20: Summary Findings of the Pacific Department's CD Study:  
Government Ownership as a Key Success Driver**

The Pacific Department recently commissioned a regional study to assess CD performance in 21 cases in 11 countries in its region.<sup>a</sup> The cases cover a range of sectors/areas from economic planning to infrastructure, health, legal reform, civil society enhancement, and fisheries, plus one regional initiative. The interim findings were shared at a workshop held at ADB headquarters in August 2007. The key factors influencing CD success include (i) government participation and ownership; (ii) leadership and vision; (iii) capacity of local stakeholders to direct or demand CD measures; (iv) relevance, readiness, and receptivity; (v) investing in understanding; (vi) getting the incentives right; (vii) an enabling environment; (viii) flexibility and adaptiveness; (ix) effective use of technical advisors; (x) ensuring sufficient time; (xi) taking a systems approach; (xii) harmonization and coordination; and (xiii) political economy considerations.

The implications of these findings are that future ADB CD-related loans and TA should (i) include demand-driven pilot initiatives in key ADB sectors/thematic areas, (ii) provide inputs to facilitate new approaches (e.g., stakeholder analysis and capacity assessments), (iii) strengthen participatory approaches to enhance the ownership and effectiveness of CD programming, (iv) make informed programming decisions based on a strategic analysis of capacity options, (v) place increased emphasis on the capacity for demand and local accountability, and (vi) examine the possibilities of CD using local and indigenous resources.

<sup>a</sup> ADB. 2007. *Pacific Capacity Development Study*. Manila.

52. Based on these findings, “ownership” can be referred to as “leadership and ability to manage the interventions.” Both aspects should be assessed early on, and arrangements for strengthening them should be explicitly included in project design, wherever necessary. In this way, ADB can help create government demand for and involvement in CD activities, rather than just responding to existing demand. Some other ways to create government demand may include starting off with small and less ambitious CD assistance, and building on progress afterwards; and/or using a participatory process to involve concerned agencies in the design stage.

## **9. Cooperation and Harmonization with Other Development Partners**

53. Many of the most successful CD initiatives are those undertaken in partnership with other aid agencies. The Indonesia CAPE reports that CD success in the power sector was the result of ADB and the World Bank taking on well-defined and shared roles. Similarly, the Lao PDR CAPE finds that good aid coordination and harmonization in the health sector contributed to successful CD outcomes. Cooperation with other development partners should be done at the strategic level, rather than on a project-by-project basis, to economize on resources, reduce the burden on and the transaction costs incurred by DMC governments, increase consistencies among aid agencies' assistance programs, and enhance results achieved. Sector expertise on CD-related activities of key aid agencies should be identified first in order to partner with them in proper activities, including preparation of diagnostic baseline assessments.

### **B. Design Factors beyond ADB's Control**

#### **1. Conducive Political Environment**

54. ADB often operates in countries that are experiencing difficult political circumstances. While these are external issues beyond ADB's control, with proper diagnostic baseline assessments at the contextual/country level, ADB can identify potential political risks and possibly mitigate them through policy dialogue/conditionalities or policy/loan covenants. But many ADB-

supported CD interventions lacked such diagnostics. Factors related to the political environment (e.g., insurgencies, frequent changes in government) typically act as deterrents to CD performance. In a country with a difficult political context, ADB needs to assign staff who not only have strong CD technical expertise, but also understand the political economy dimension of the country/sector and can provide astute advice on how to operate within this political context.

## **2. Conducive Economic/Fiscal Environment**

55. Many former centrally planned countries have experienced profound economic and fiscal changes as they have progressed toward a market economy. Insufficient counterpart funds and recurrent budgets to sustain projects have been a frequent finding of OED studies. In some countries, the extremely low salaries of public servants serve as a deterrence factor in achieving CD outcomes. The need is for better diagnostic baseline assessments of the nonconductive economic/fiscal environment at the contextual/country level to identify potential risks and mitigation mechanisms in the design of CD interventions. However, such diagnostics should not be done solely by ADB, but in partnership with other aid agencies and DMC governments to ensure that the economic/fiscal reform programs promoted by some aid agencies will not result in unintended erosion of the capacity being developed by other agencies.

## **3. Conducive Policy/Institutional Environment**

56. Policy/institutional weaknesses can deter achievement of expected CD outcomes. In Nepal, for example, the existing civil service regulation requires a rotation of staff every 2 years (except for teachers and statisticians). This kind of policy environment undermines the sustainability of the capacity that has been created. Adequate diagnostic baseline assessments at the contextual/country level should have led to a better understanding of this issue and possibly a questioning of the feasibility of the design of CD interventions. The lesson is that the CD design should be grounded in a strong sense of realism about the enabling environment and whether political, economic/fiscal, and policy/institutional factors are consistent with the objectives, scope, and timing of the planned CD interventions. Again, this points to the need to prepare proper diagnostics jointly with other aid agencies to avoid inconsistencies in policy/institutional results.

## **4. Conducive Sector Capacity**

57. In former centrally planned and fragile countries, initial capacities at the individual and sector levels are either weak or not well understood. CD measures must be designed with such constraints in mind. In countries with limited sector capacity, dramatic CD improvements should not be expected in the short term. Often, the best that can be achieved in the short to medium term is a gradual improvement in basic technical capacity at the individual level, and a fuller understanding of the role of the agency at the organizational level. Realistic baseline assessments of what can be achieved at the organizational and network/sector levels are essential, and should recognize that sometimes a radical change of mindset is needed, particularly from a centrally planned to a market economy and from a conflict to a postconflict society.

## **C. Implementation Factors within ADB's Control**

### **1. Sufficient and Qualified Staff for Implementation and Supervision, Including Optimal Use of Resident Missions**

58. In ADB, ADTA supervision normally gets low priority among operational activities. In addition to increasing the number of qualified technical staff, delegating more projects to appropriately staffed resident missions might help to address this problem. Strong supervision by ADB staff was an important success driver in education, governance, and PFM in Cambodia. Delegating these projects to the resident mission contributed to these successful outcomes. However, the quality of supervising staff is also found to matter. To ensure achievement of CD results and to avoid conflicting CD results, each operational department should have at least one CD specialist for looking at CD objectives from the whole program perspective of each country, rather than from a narrow sector perspective.

### **2. Flexibility during Implementation and Supervision**

59. Much of ADB's CD assistance takes place in unstable and changing environments, especially in fragile/transition states. Many of the changes cannot be foreseen or captured in diagnostic baseline assessments. Thus, flexibility during implementation and supervision is needed to help adjust CD activities to achieve target outcomes. To be successful, this implies the need for more delegated authority for scope changes during implementation.

### **3. Selection of Qualified Consultants and Limited Delays in Implementation**

60. While not all selected consultants performed well, the majority are rated as competent by EAs and ADB staff. High-quality consultants attuned to broader CD issues, rather than just providing training or preparing reports, are cited by many OED studies as a success driver for CD. Problems found by these studies include not properly sequencing activities; underestimating the time allowed for the consulting services to be delivered; insufficient budget; inadequate terms of reference of consultants; and long delays in the recruitment of consultants, which could erode momentum and commitment in the EAs. In some cases, reluctance of some EAs to engage foreign consultants, notwithstanding earlier agreements to do so, is found to have deterred achievement of expected CD outcomes. In such cases, ADB may need to be prepared to suspend/cancel TA assistance. There might be a need to build local consultant expertise.

## **D. Implementation Factors beyond ADB's Control**

### **1. Continued Conducive Enabling Environments**

61. In some cases, a nonconductive environment during TA and project design did not continue long into implementation, but in many cases, problems continued long enough to adversely affect CD performance. In other cases, problems did not exist during the design stage but developed unexpectedly during implementation. Adverse political economy factors can sometimes result in a repression of institutional capacities that have been developed.

62. A nonconductive economic/fiscal environment (e.g., inadequate government budgets) that existed during the design of many TA and loan projects continued into implementation. This made expected CD outcomes more difficult to achieve. In some cases, the problems in the economic/fiscal environment were so severe that it was not possible to address their impacts on CD initiatives during implementation. In such cases, it would have been better to recognize the

risks and not approve the TA or loan. In other cases, the nonconductive environment during implementation (e.g., financial crises) could not be foreseen during the design stage.

63. The lack of diagnostic baseline assessments at the contextual level at the design stage contributed to the inability to address and mitigate the risks associated with these problems, which adversely affected CD performance during implementation. While such assessments may provide guidance on how to address the problems, doing so will require special efforts on the part of ADB during implementation. Given the persistent weaknesses related to loan and TA administration documented in many OED studies, one must question if it is reasonable to expect more than normal supervision efforts, even in cases of difficult external environments. ADB may need to be more willing to suspend/cancel TA assistance if the context turns unfavorable.

## **2. Continued Commitment of and Ownership by Target Agencies**

64. Government commitment and ownership of CD initiatives is an important CD success driver. This should start from the design stage and continue during and after implementation. A measure of commitment during implementation is the provision of sufficient counterpart funds/staff and recurrent funding support to sustain CD outcomes. Some CAPEs find continued strong government commitment, which resulted in successful CD and sector performance. This may have been due, in part, to the fact that many of the agencies concerned were self-financing and able to provide appropriate salaries and incentives for their staff. The CD SES finds that the provision of adequate recurrent cost financing during and after implementation is a good proxy indicator of the continued strong commitment and ownership of the government. Conversely, delays in implementing some important institutional reforms are indicators of weak government ownership, which might result from lack of an incentive system. Ways must be found to restructure the CD design to increase government ownership during implementation (e.g., by identifying the right proxies of government ownership at the design stage and monitoring them closely during implementation).

## **3. Continued Cooperation and Harmonization with Other Development Partners**

65. OED findings indicate that close coordination and partnership with other aid agencies from design to implementation is an important success driver of CD performance in many cases. However, the findings reveal that ADB tended to have more control on coordination with other aid agencies at the time of project/TA design (e.g., through the use of a participatory approach in the design process) than during implementation. There are times when aid agencies work at cross purposes because they have their own agendas, which are not always harmonized. DMC governments sometimes find it difficult to efficiently coordinate them to focus on the priorities in the country's development agenda. Such instances can have negative impacts on CD activities. The lesson is that efforts need to be made during implementation to ensure that the actions of one partner do not adversely affect the programs of others. If problems of agencies working at cross purposes are identified, additional resources must be invested in aid coordination during implementation to ensure that CD objectives are achieved.

# **VI. CONCLUSIONS: MOVING FORWARD**

## **A. Lessons Identified as Good Practices for Capacity Development**

66. As summarized in para. 42, the findings on ADB's CD performance reveal mixed results, with no consistent patterns across sectors, countries, regions, or time. Nonetheless, consistent factors—both success drivers (*strengths*) and deterrence factors (*weaknesses*)—affecting CD

performance have been observed and classified into four categories: (1) design/QAE factors within ADB's control, (2) design/QAE factors beyond ADB's control, (3) implementation factors within ADB's control, and (4) implementation factors beyond ADB's control.

67. Lessons to improve CD performance can be drawn from the success drivers summarized under these four categories (as shown in Table 1 and elaborated on in Chapter V). These should be considered as a set of good practice standards for ADB's future CD assistance. Since the success drivers in categories 1 and 3 are design/QAE and implementation factors within ADB's control, they can be achieved through improvement in ADB's design and implementation practices for CD interventions. Since the success drivers in categories 2 and 4 are design/QAE and implementation factors beyond ADB's control, which are contextual/external level factors by nature, they tend to act as incentives (*opportunities*) to CD performance. However, the negative side of these factors will tend to act as risks/constraints (*threats*) to CD 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 CD interventions or deferring them until some of these risks are addressed.

68. As stated in the paper on CD produced by the European Commission/EuropeAid: *Institutional Assessment and Capacity Development: Why, What, and How?* (footnote 11), aid agencies can, by doing less and doing it well, often do better for CD. Since this statement is consistent with the overall findings of this SES, it should be used as a guiding principle for ADB's CD activities. However, even less ambitious CD initiatives need to be supported by other aspects of good CD practices or success drivers (Table 1), particularly within ADB's control (e.g., clear results framework, adequate diagnostics to identify and mitigate risks beyond/outside ADB's control, long-term engagement, appropriate mix of modalities, increased participation and harmonization by target agencies and relevant partners, improved staff skills in CD, increased time allocated to TA and project supervision, increased use of resident missions, and more flexible implementation procedures).

## B. Recommendations of Future Actions

69. Much remains to be done by ADB to improve some internal business practices to put the preconditions for these good CD practices in place. Specific and actionable recommendations are provided in Table 2.

**Table 2: Recommendations of Future Actions**

Recommended Actions	Responsibility	Time Frame
<ul style="list-style-type: none"> <li><b>Provide Guidance for Assessing Country CD Needs and Strategies, and Identify an Appropriate Location for the Presentation of the Analysis in the CPS Template.</b> While ADB's new business process requires a thorough CD analysis in the preparation of a CPS, there is little guidance available on how to do so. Such guidance should be provided, focusing on how to analyze country CD strategies and sector-specific CD needs in order to identify country demand and ADB's comparative advantage for providing CD support. This will allow for systematic rather than ad hoc identification of CD</li> </ul>	RSCG, Strategy and Policy Department	2008

Recommended Actions	Responsibility	Time Frame
<p>interventions. In its current form, the CPS template does not provide a place where the findings of the country CD analysis can be summarized. To ensure that CD analyses will be prepared in all CPSs, the CPS template should be adjusted accordingly (e.g., by adding Section H to the current Chapter I).</p>		
<ul style="list-style-type: none"> <li>• <b>Identify Appropriate Modalities for a Long-Term and Country-Led Engagement in Major CD Initiatives in CPSs.</b> In view of the evaluation findings that one-time, stand-alone ADTA grants have seldom been an effective tool for CD, ADB's CPSs should include clear strategic road maps for a long-term engagement in major CD initiatives using an appropriate mix of loans; TA grants; and economic, thematic, and sector work. This should increasingly include piloting new financing mechanisms directed at strengthening country leadership in the identification and management of their own CD processes (i.e., CD facilities, and CD trust funds [see Box 19]).</li> </ul>	<p>CPS teams (including resident missions) with support from RSCG</p>	<p>2008 onward</p>
<ul style="list-style-type: none"> <li>• <b>Build Country Ownership and Demand for CD.</b> Since country/government ownership is found to be among the key success drivers for CD interventions, it is important to build and systematically nurture ownership during the design and implementation stage. This can be done in several ways: (i) ADB should assess country leadership and capacity to manage CD interventions more systematically, and adopt facilitative approaches to all CD interventions; (ii) ADB should seek demand-driven, harmonized ways of explicitly addressing CD in all the SWAPs in which it is engaging. The aim should be to make CD not only the overall thrust of the SWAP, but also a separate component of the SWAP, focusing on specific areas important for program implementation. This recommendation is consistent with recent findings of other studies.<sup>21</sup></li> </ul>	<p>CPS teams (including resident missions) with support from RSCG</p>	<p>2008 onward</p>
<ul style="list-style-type: none"> <li>• <b>Continue to Pay Strategic Attention to the Quality of CD Interventions.</b> Regional departments need to systematically monitor the quality of CD interventions through performance management systems. Further operational support and knowledge management will be needed to expose senior management and key operations staff (mission leaders, sector specialists, and staff of resident missions) to CD concept and issues and to support piloting of innovative approaches. RSCG and the Human Resources Division (BPHR) have started in-house trainings for sector operations staff. This should be continued and updated at least once a year, and higher level staff should be encouraged to participate. The programs should be designed to utilize (i) RSCG's recently-prepared CD tool kits; (ii) the findings of regional</li> </ul>	<p>RSCG (for in-house briefings) and BPHR (for training programs)</p>	<p>Continued from 2008 onward</p>

<sup>21</sup> Boesen, Nils and Desiree Dietvorst. 2007. *SWAPs in Motion*. Joint Donors' Competence Development Network.

Recommended Actions	Responsibility	Time Frame
<p>departments' recent CD studies; and (iii) the findings of this SES, including the checklist of success drivers and deterrence factors identified in detail in Appendixes 4 and 6. This is to ensure that (i) past lessons will be addressed in future CD interventions to avoid reinventing the wheel each time, and (ii) future CD interventions will be based on sound diagnostics of existing capacities and of barriers to improved capacities.</p>		
<ul style="list-style-type: none"> <li>• <b>Pilot Test Alternative CD Approaches.</b> RSCG is currently preparing a regional TA to pilot test, in three countries, the preparation of CD action plans in terms of CD design and implementation. The pilot test should also take into account the lessons identified in this SES. Experience from the pilot test should subsequently be used to update the CD tool kits and in-house briefing/training programs, and disseminated to operations staff in order to improve future CD design and implementation.</li> </ul>	RSCG	Continued from 2008 onward
<ul style="list-style-type: none"> <li>• <b>Adjust Staff Recruitment Skills Mix to Emphasize the Soft Skills Required for CD.</b> Since CD has been made a thematic priority of ADB and is found to be important for the success of ADB operations, there is no other option but to increase efforts to bring in new staff with CD experience. This does not mean substituting technical expertise with CD experience in the staff recruitment process or increasing the budget to recruit more staff, but rather giving priority to applicants who have both technical expertise and CD experience. This option cannot be replaced by just hiring consultants, who can only provide advice and training on CD temporarily.</li> </ul>	BPHR (for consideration in recruiting future staff)	2008 onward
<ul style="list-style-type: none"> <li>• <b>Make Optimal Use of Resident Missions.</b> Staff with CD expertise should be assigned to the resident missions that have identified CD as an important issue in their CPSs. Resident missions should also be staffed with sector specialists for the sectors that operate on the SWAP basis to ensure solid sector and CD background.</li> </ul>	Regional departments	2008 onward

## HOW DOES ADB ASSIST IN DEVELOPING CAPACITY IN PARTNER COUNTRIES?

1. Although the Asian Development Bank (ADB) has recently adopted a new project classification system with capacity development (CD) as a new thematic priority since 2005, this does not mean that ADB did not provide any CD support under its lending and nonlending assistance prior to 2005. In fact, prior to 2005, many advisory technical assistance (ADTA) operations generally had CD as their main objective. Many loan projects approved prior to 2005 also had CD as one of their components. But these were not classified as CD simply because of the lack of CD priority in the project classification system. However, considering 2005 alone—after the CD classification system had been applied—eight loans for \$688 million (13% of total ADB lending) and 64 technical assistance (TA) grants for \$38 million (19% of total ADB TA operations), including 43 ADTA grants for \$23 million (27% of total ADB ADTA grants) were classified as CD (Table A1.1). Thus, ADTA was the major source of CD funding.

**Table A1.1: CD TA Grants Approved in 2005, by TA Type**

TA Type	CD TA Grants Approved				Total TA Grants Approved				Share of CD TA Approved as % of Total TA Grants	
	No.	%	Amount (\$'000)	%	No.	%	Amount (\$'000)	%	% (No.)	% (Amount)
ADTA	43	67.2	23,348	61.7	152	50.8	85,850	43.4	28.3	27.2
RETA	15	23.4	10,133	26.8	79	26.4	68,866	34.8	19.0	14.7
PPTA	6	9.4	4,350	11.5	68	22.7	43,005	21.8	8.8	10.1
<b>Total</b>	<b>64</b>	<b>100.0</b>	<b>37,831</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>	<b>197,721</b>	<b>100.0</b>	<b>21.4</b>	<b>19.1</b>

ADTA = advisory technical assistance, CD = capacity development, No. = number, PPTA = project preparatory technical assistance, RETA = regional technical assistance, TA = technical assistance.

Source: ADB. 2007. *Capacity Development Thematic Report*. Manila.

2. The breakdown by sector (Table A1.2) shows that, of the 64 CD TA grants approved in 2005, the largest amount (32%) went to the law, economic management, and public policy sector, followed by multisector (25%), then agriculture and natural resources (11%). Other sectors each accounted for less than 10% of total CD TA grants—chiefly, transport and communications (9%), finance (8%), energy (7%), education (4%), and water supply and sanitation (4%). Similarly, the sector breakdown of the eight CD loans (\$688 million) approved in 2005 also shows that the largest amount (77%) was for the law, economic management, and public policy sector; followed by education (8%); water supply and sanitation (7%); and multisector (7%) (Table A1.3).

Sector	CD TA Grants Approved				Total TA Grants Approved				Share of CD TA Approved as % of Total TA Grants	
	No.	%	Amount (\$'000)	%	No.	%	Amount (\$'000)	%	% (No.)	% (Amount)
Agriculture and Natural Resources	9	14.1	4,030	10.7	48	16.1	50,471	25.4	18.8	8.0
Education	4	6.3	1,370	3.6	14	4.7	11,755	5.9	28.6	11.7
Energy	4	6.3	2,625	6.9	25	8.4	15,070	7.6	16.0	17.4
Finance	7	10.9	3,078	8.1	28	9.4	13,178	6.6	25.0	23.4
Health, Nutrition, and Social Protection	0	0.0	0	0.0	12	4.0	5,985	3.0	0.0	0.0
Industry and Trade	1	1.6	400	1.1	6	2.0	3,100	1.6	16.7	12.9
Law, Economic Management, and Public Policy	22	34.4	12,210	32.3	70	23.4	36,279	18.3	31.4	33.7
Multisector	10	15.6	9,418	24.9	49	16.4	36,150	18.2	20.4	26.1
Transport and Communication	5	7.8	3,300	8.7	34	11.4	21,224	10.7	14.7	15.5
Water Supply and Sanitation	2	3.1	1,400	3.7	13	4.3	5,510	2.8	15.4	25.4
<b>Total</b>	<b>64</b>	<b>100.0</b>	<b>37,831</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>	<b>198,722</b>	<b>100.0</b>	<b>21.4</b>	<b>19.0</b>

CD = capacity development, No. = number, TA = technical assistance.  
Source: ADB. 2007. *Capacity Development Thematic Report*. Manila.

**Table A1.3: CD Loans Approved in 2005, by Sector**

Sector	No.	%	Amount (\$ million)	%
Agriculture and Natural Resources	0	0.0	0.0	0.0
Education	3	37.5	58.1	8.4
Energy	0	0.0	0.0	0.0
Finance	0	0.0	0.0	0.0
Health, Nutrition, and Social Protection	0	0.0	0.0	0.0
Industry and Trade	0	0.0	0.0	0.0
LEMPP	3	37.5	530.0	77.0
Multisector	1	12.5	50.0	7.3
Transport and Communication	0	0.0	0.0	0.0
Water Supply and Sanitation	1	12.5	50.0	7.3
<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>688.1</b>	<b>100.0</b>

LEMPP = law, economic management, and public policy, No. = number.

Source: ADB. 2007. *Capacity Development Thematic Report*. Manila.

3. In terms of regional breakdown, of the 64 CD TA grants approved in 2005, more than a third of the amount (36%) was approved by the South Asia Regional Department prior to realignment (Table A1.4). This was followed by the then Mekong Regional Department (25%), the then East and Central Asia Regional Department (15%), the then Southeast Asia Regional Department (10%), regional (10%), and the Pacific Regional Department (5%). As for loans, since four of the eight CD loans approved in 2005 went to Indonesia, the then Southeast Asia Regional Department was found to have approved the highest number (50%) and the biggest amount of \$580 million (84%) of the total CD loans (Table A1.5). The remaining CD loans included two to Sri Lanka under the then South Asia Regional Department for \$70 million (10%), and one each to Uzbekistan under the then East and Central Asia Regional Department for \$30 million (4%) and to Samoa under the Pacific Regional Department for \$8 million (1%).

**Table A1.4: CD TA Grants Approved in 2005, by Regional Department (Prior to Realignment)**

Regional Department	CD TA Grants Approved				Total TA Grants Approved				Share of CD TA Approved as % of Total TA Grants Approved	
	No.	%	Amount (\$'000)	%	No.	%	Amount (\$'000)	%	% (No.)	% (Amount)
ECRD	11	17.2	5,650	14.9	70	23.4	38,410	19.3	15.7	14.7
MKRD	12	18.8	9,323	24.6	66	22.1	64,286	32.3	18.2	14.5
PARD	4	6.3	1,853	4.9	26	8.7	15,015	7.6	15.4	12.3
SARD	23	35.9	13,495	35.7	83	27.8	47,874	24.1	27.7	28.2
SERD	4	6.3	3,700	9.8	14	4.7	15,450	7.8	28.6	23.9
Regional	10	15.6	3,810	10.1	40	13.4	17,687	8.9	25.0	21.5
<b>Total</b>	<b>64</b>	<b>100.0</b>	<b>37,831</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>	<b>198,722</b>	<b>100.0</b>	<b>21.4</b>	<b>19.0</b>

CD = capacity development, ECRD = East and Central Asia Department, MKRD = Mekong Department, No. = number, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department, TA = technical assistance.

Source: ADB. 2007. *Capacity Development Thematic Report*. Manila.

**Table A1.5: CD Loans Approved in 2005, by Regional Department (Prior to Realignment)**

Regional Department	No.	%	Amount (\$ million)	%
ECRD	1	12.5	30.0	4.4
MKRD	0	0.0	0.0	0.0
PARD	1	12.5	8.1	1.2
SARD	2	25.0	70.0	10.2
SERD	4	50.0	580.0	84.3
<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>688.1</b>	<b>100.0</b>

ECRD = East and Central Asia Department, MKRD = Mekong Department, No. = number, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: ADB. 2007. *Capacity Development Thematic Report*. Manila.

## COUNTRY SELECTION CRITERIA, AND COVERAGE OF PERIODS AND ADB'S PRODUCTS AND SERVICES

### A. Country Selection Criteria

1. The criteria used by this special evaluation study (SES) in the selection of the three countries (Cambodia, Nepal, and Philippines) were the differences in various development aspects—economic, social, and capability gaps—so that the findings and lessons would be more widely applicable to the Asian Development Bank's (ADB) partner countries. Among the three countries, Table A2 shows that the Philippines ranks highest in terms of economic, social, and capability performance, followed by Cambodia and Nepal, respectively. On the economic front, some recent data show that gross domestic product per capita of the Philippines has been the highest (\$1,351 in 2006), compared with Cambodia and Nepal (\$513 and \$311, respectively). The Philippines also has better social performance than Cambodia and Nepal, as indicated by higher adult literacy rate (93% versus 74% and 49%, respectively), higher human development index (0.763 versus 0.583 and 0.527, respectively), lower human poverty index (15.3% versus 39.3% and 38.7%, respectively), and lower poverty incidence (24.7% versus 34.7% and 31.0%, respectively). All of these social indicators are reflective of the Philippines' better human resources capacity compared with Cambodia and Nepal. In terms of government performance, the three government's capability gap indicators (security, health services provision, and accountability) are available only for relatively low-income countries under stress, including Cambodia and Nepal, but not available for a better-off country like the Philippines. For Cambodia and Nepal, while two of the three capability gap indicators (health services provision and accountability) are more or less the same, the former is considered better off than the latter when it comes to security gap due to the high frequency of major conflicts/wars recently taking place in the latter.

2. In sum, the Philippines represents the most developed country among the three, while Nepal represents the least developed—a fragile state afflicted with conflicts and minor wars. Cambodia represents a medium-level country in between these two. While the choice of selecting a medium-level country could be fluid (i.e., many countries could fit this category), the selection criteria for choosing Cambodia were capacity development (CD)-specific as follows: (i) ADB has provided CD support as a main plank of its country strategy in Cambodia for more than a decade; (ii) Cambodia has a mix of transition and fragile issues; (iii) despite the fact that Cambodia was at the lowest level of fragile state at the time when ADB started its lending program in 1992, ADB's CD assistance in such sectors as education has been considered by other aid agencies as a successful example, so it is interesting and useful to find out the reasons underlying such success, which could be replicated elsewhere.

**Table A2: Comparison of Economic, Social, and Capability Indicators in Cambodia, Nepal, and Philippines**

Item	Cambodia		Nepal		Philippines	
	Early to Late 1990s	Latest Year	Early to Late 1990s	Latest Year	Early to Late 1990s	Latest Year
<b>Economic Indicators</b>						
GDP Growth (% constant)	6.9 (1995)	10.4 (2006)	3.3 (1995)	2.4 (2006)	4.7 (1995)	5.4 (2006)
GDP per Capita (\$, current)	322 (1995)	513 (2006)	211 (1995)	311 (2006)	1,084 (1995)	1,351 (2006)
<b>Social Indicators</b>						
Population (million)	10.5 (1990)	14.1 (2006)	17.9 (1990)	25.9 (2006)	60.7 (1990)	87.0 (2006)
Population Growth (%)	2.7 (1990)	2.0 (2006)	2.1 (1990)	2.3 (2006)	2.4 (1990)	2.3 (2006)
Infant Mortality Rate (below 1 year/1,000 live births)	91.0 (1992)	66.0 (2005)	102.1 (1990)	61.0 (2005)	57.0 (1990)	27.0 (2003)
Adult Literacy Rate (%)	62.0 (1990)	73.6 (2004)	30.5 (1990)	48.6 (2003)	91.2 (1990)	92.7 (2003)
Human Development Index	0.512 (1990)	0.583 (2004)	0.423 (1990)	0.53 (2004)	0.713 (1991)	0.763 (2004)
Human Poverty Index	42.8 (2001)	39.3 (2004)	41.9 (2001)	38.7 (2004)	17.7 (1995)	15.3 (2004)
Poverty Incidence (%)	39.0 (1993)	34.7 (2004)	42.0 (1996)	31.0 (2004)	39.9 (1991)	24.7 (2003)
<b>Government's Capability Gap Indicators<sup>a</sup></b>						
Security Gap		intermediate conflicts/wars		major conflicts/wars		NA
Health Services Gap		second-lowest quintile		middle quintile		NA
Accountability Gap		middle quintile		middle quintile		NA

ADB = Asian Development Bank; CGD = Center for Global Development; DPT = diphtheria, pertussis, and tetanus; GDP = gross domestic product; NA = not applicable; UNDP = United Nations Development Programme.

<sup>a</sup> Government's capability gap indicators consist of security gap, social services provision gap, and accountability gap. The *security gap* reflects the frequency of conflicts/wars in low-income countries. Major conflict/war was defined as any conflict/war with at least 1,000 battle-related deaths in any given year during 1998–2003. Intermediate conflict/war was defined as any conflict/war with at least 25 (but fewer than 1,000) battle-related deaths in any given year and an accumulated total of at least 1,000 deaths over 1998–2003. The *health services provision gap* reflects the capacity of government to meet basic needs in terms of immunization rate. The index was a combination of the United Nations' measles immunization rate and the World Health Organization's data on immunizations for DPT and measles. The *accountability gap* reflects political freedom and transparency. The index was drawn from the measure of voice and accountability of Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton at the World Bank (see Steven Radelet. CGD. 2003. *Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account*. Washington, DC.

Sources: Ministry of Planning. 2004. *Cambodia Inter-Censal Population Survey, Cambodia Socioeconomic Survey*. Phnom Penh; ADB. 2005. *Cambodia Country Strategy and Program Update (2005–2009)*. Manila; ADB. 2007. *Cambodia Country and Strategy Mid-term Review*. Manila; ADB. 2006. *Nepal Country Operations and Business Plan (2007–2009)*. Manila; ADB. 2005. *Philippines Country Strategy and Program (2005–2007)*. Manila; ADB. 2006. *Key Indicators 2007: Inequality in Asia*. Manila; UNDP. 2006. *Human Development Report*. New York; CGD. 2004. *On the Brink: Weak States and United States National Security*. Washington, DC. Available: <http://census.gov.ph/>.

## B. Coverage of Periods and ADB's Products and Services

3. Since ADB has recently applied the new project classification system with CD as a new thematic priority in 2005, the number of technical assistance (TA) operations and loan projects that have CD as a priority area remains small. They are also unlikely to produce any CD outcomes yet. However, this does not mean that ADB had not provided any CD support prior to 2005. In fact, many TA and loan projects approved prior to 2005 had CD as one of their components, but were not classified under the CD priority simply because of the lack of such priority in the project classification system. As a result, this SES does not focus on the advisory technical assistance (ADTA) operations and loan projects approved from 2005 with CD as a thematic priority. Rather, it covers project and program loans approved much earlier than 2005 up to end-2006 in the four selected sectors (education, roads, governance, and public financial management), in addition to covering policy dialogue and ADTA that have generally been

designed to focus on CD. The starting points of the period covered by this SES for the three selected countries differ slightly, depending upon the countries' situations and the timing of the Operations Evaluation Department's country assistance program evaluations for the countries.<sup>1</sup> In this case, the periods under study for Cambodia, Nepal, and Philippines are 1992–2006, 1988–2006, and 1986–2006, respectively. However, this SES pays attention to more recent ADTA and loan projects, with a selected sample based on the availability of data/information.

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<sup>1</sup> ADB. 2004. *Cambodia Country Assistance Program Evaluation*. Manila; ADB. 2005. *Nepal Country Assistance Program Evaluation*. Manila; ADB. 2003. *Philippines Country Assistance Program Evaluation*. Manila.

## CAPACITY DEVELOPMENT-RELATED LOANS AND ADVISORY TECHNICAL ASSISTANCE GRANTS BY SECTOR AND COUNTRY

### Table A3.1: Approved CD-Related Loans by Sector in Cambodia (1992–2006)

Loan No.	Title	Poverty/Thematic Targeting Classification and Thematic Priority	Approved Amount		Approval Date	Completion Date	Rating	
			\$ million	%			PCR	PPER
<b>Basic Education</b>								
1446(SF)	Basic Education Textbook	HD	20.00		20-Jun-96	30-Apr-02	HS	
1864 <sup>a</sup> (SF)	Education Sector Development Program (Program)	PI/HD/GG	20.00		4-Dec-01	29-Nov-04		
1865 <sup>a</sup> (SF)	Education Sector Development Program (Project)	PI/HD	18.00		4-Dec-01	Ongoing (expected completion Dec 2007)		
2121(SF)	Second Education Sector Development Program (Program Loan)	TI (MDG2, MDG3)/ISD	20.00		9-Dec-04	Ongoing (expected completion Jun 2008)		
2122(SF)	Second Education Sector Development Program (Project Loan)	TI (MDG2, MDG3)/ISD	25.00		9-Dec-04	Ongoing (expected completion Jun 2010)		
<b>Sector Total</b>			<b>103.00</b>	<b>38.0</b>				
<b>Road Transport</b>								
1659(SF)	GMS: Phnom Penh to Ho Chi Minh City Highway (Cambodia)	Pro-poor Growth/RC	40.00		15-Dec-98	Jun-02		
1697(SF)	Primary Roads Restoration	Pro-poor Growth/GG	68.00		21-Sep-99	Jul-03	S	
1945 <sup>a</sup> (SF)	GMS: Cambodia Road Improvement	PI/ECO	50.00		26-Nov-02	Ongoing (expected completion Jun 2009)		
<b>Sector Total</b>			<b>158.00</b>	<b>58.3</b>				
<b>Governance</b>								
1953(SF)	Commune Council Development	GG/PI	10.00		3-Dec-02	Mar-07		
<b>Sector Total</b>			<b>10.00</b>	<b>3.7</b>				
<b>Total</b>			<b>271.00</b>	<b>100.0</b>				

CD = capacity development, ECO = sustainable economic growth, GG = good governance, GMS = Greater Mekong Subregion, HD = human development, HS = highly successful, ISD = inclusive social development, JFPR = Japan Fund for Poverty Reduction, MDG2 = Millennium Development Goal 2, MDG3 = Millennium Development Goal 3, No. = number, PCR = project completion report, PI = poverty intervention, PPER = project performance evaluation report, RC = regional cooperation, S = successful, SF = Special Funds, TI = targeted intervention.

<sup>a</sup> For loans 1864 and 1865, its counterpart grant is JFPR grant 9028: Targeted Assistance for Education of Poor Girls and Indigenous Children, approved 25 November 2002 for an amount of \$3.0 million. For loan 1945, its counterpart grant is JFPR grant 9048: Mainstreaming Labor-Based Road Maintenance to the National Roads Network, approved 17 June 2004 for an amount of \$2.2 million.

Sources: Loan and Technical Assistance Database; project performance reports.

**Table A3.2: Approved CD-Related Advisory Technical Assistance Grants by Sector in Cambodia (1992–2006)**

ADTA No.	Title	Total ADB Amount <sup>a</sup>		Approval Date	Rating	
		\$	%		TCR	TPER
<b>Basic Education</b>						
2331	Basic Education Management and Coordination	500,000		10-May-95		
2555	Textbook Publishing Planning and Management	0		15-Apr-96	GS	
3169	Secondary Education Investment Plan	650,000		8-Mar-99	GS	
3415	Education Strategic Support	150,000		15-Mar-00		
3858	Performance Management in the Education Sector	0		18-Apr-02	GS	
	<b>Sector Total</b>	<b>1,300,000</b>	<b>10.2</b>			
<b>Road Transport</b>						
1866	Transport Rehabilitation Study	0		31-Mar-93	GS	GS
2416	Developing a Planning Capability in the Ministry of Public Works and Transport	0		2-Oct-95		PS
3164	Project Preparation and Implementation Assistance to the Ministry of Public Works and Transport	150,000		3-Feb-99		
3257	Strengthening the Maintenance Planning and Management Capabilities at Ministry of Public Works and Transport	0		21-Sep-99	GS	
3651	Transport Sector Strategy	0		27-Apr-01	GS	
	<b>Sector Total</b>	<b>150,000</b>	<b>1.2</b>			
<b>Governance</b>						
0066	Commune Council Development 2 <sup>b</sup>	7,800,000		12-Dec-06 (ongoing)		
	<b>Sector Total</b>	<b>7,800,000</b>	<b>61.1</b>			
<b>Public Financial Management</b>						
2150	Establishment of a Central Procurement Office and Regulations and Procedures for Procurement of Goods and Works	600,000		14-Sep-94		
2427	Institutional Strengthening of the Department of Public Procurement	520,000		17-Oct-95		
2566	Developing Capacity in Audit and Inspectorate Function	600,000		8-May-96	GS	
3634	Strengthening Public Financial Management (TA Cluster)	1,200,000		22-Feb-01	GS	
4441	Support to Public Financial Management Reform Program	600,000		19-Nov-04	GS	
	<b>Sector Total</b>	<b>3,520,000</b>	<b>27.6</b>			
	<b>Total</b>	<b>12,770,000</b>	<b>100.0</b>			

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, GS = generally successful, No. = number, PS = partly successful, TA = technical assistance, TCR = technical assistance completion report, TPER = technical assistance performance evaluation report.

<sup>a</sup> Projects with total ADB amount equivalent to \$0 are financed either by the Japan Special Fund or other bilateral sources and administered by ADB.

<sup>b</sup> This is a grant for implementing a project, not TA.

Sources: Loan and Technical Assistance Database; project performance reports.

**Table A3.3: Approved CD-Related Loans by Sector in Nepal (1988–2006)**

Loan No.	Title	Poverty/Thematic Targeting Classification and Thematic Priority	Approved Amount		Approval Date	Completion Date	Rating	
			\$ million	%			PCR	PPER
<b>Basic Education</b>								
1141(SF)	Primary Education Development	HD	19.5		5-Dec-91	30-Jun-98	S	
1196(SF)	Secondary Education Development	HD/GD	12.6		24-Nov-92	30-Jun-00	S	S
1840(SF)	Teacher Education	HD/ODI	19.3		24-Sep-01	Ongoing (expected completion Jun 08)		
1917(SF)	Secondary Education Support	HD/GD/PI	30.0		20-Sep-02	Ongoing (expected completion Aug 08)		
2277(SF)	Education Sector Program I	ISD/CD/HD/ID/TI	30.0		1-Dec-06	Ongoing (expected completion Dec 09)		
<b>Sector Total</b>			<b>111.4</b>	<b>36.0</b>				
<b>Road Transport</b>								
0982(SF)	Second Road Improvement	EG	50.0		9-Nov-89	30-Jun-98	S	
1377(SF)	Third Road Improvement	EG	40.0		21-Sep-95	30-Jun-00	S	
1450(SF)	Rural Infrastructure Development	GD/GG/PR	12.2		27-Jun-96	30-Jun-05	S	
1876(SF)	Road Network Development	EG/PI	46.0		13-Dec-01	Ongoing (expected completion Dec 2008)		
2097(SF)	Subregional Transport Facilitation	EG/PI	20.0		4-Nov-04	Ongoing (expected completion Dec 2009)		
<b>Sector Total</b>			<b>168.2</b>	<b>54.3</b>				
<b>Governance</b>								
1861(SF)	Governance Reform Program	EG	30.0		27-Nov-01	18-Jul-07		
<b>Sector Total</b>			<b>30.0</b>	<b>9.7</b>				
<b>Total</b>			<b>309.6</b>	<b>100.0</b>				

CD = capacity development, EG = economic growth, GD = gender development, GG = good governance, HD = human development, ID = institutional development, ISD = inclusive social development, No. = number, ODI = other development intervention, PCR = project completion report, PI = poverty intervention, PPER = project performance evaluation report, PR = poverty reduction, S = successful, SF = Special Funds, TI = targeted intervention.

Sources: Loan and Technical Assistance Database; project performance reports.

**Table A3.4: Approved CD-Related Advisory Technical Assistance Grants by Sector in Nepal (1988–2006)**

ADTA No.	Title	Total ADB Amount <sup>a</sup>		Approval Date	Rating	
		\$	%		TCR	TPER
<b>Basic Education</b>						
1623	Strengthening of the Ministry of Education and Culture	400,000		5 Dec 1991		
1838	Primary Education Development	0		22 Dec 1992		
2421	Education and Health Sectors Assistance Strategy	0		13 Oct 1995	GS	
3865	Capacity Building for Teacher Education	500,000		17 May 2002	GS	
4326	Education Sector Development Policy and Strategy	150,000		12 Apr 2004		
4326	Education Sector Development Policy and Strategy (Supplementary)	50,000		15 Oct 2004		
4326	Education Sector Development Policy and Strategy (Supplementary)	150,000		20 Dec 2004		
4326	Preparation of Education Sector Development Policy and Strategy (Supplementary)	110,000		1 Dec 2005		
	<b>Sector Total</b>	<b>1,360,000</b>	<b>27.0</b>			
<b>Road Transport</b>						
1216	Road and Road Transport Institutional Development	0		9 Nov 1989		
2556	Institutional Strengthening for Rural Infrastructure Development	0		18 Apr 1996	GS	
4760	Enhancing Poverty Reduction Impact of Road Projects	0		3 Jan 2006 (ongoing)		
4825	Capacity Building in Road Feasibility Study and Construction and Contract Management	300,000		10 Aug 2006 (ongoing)		
	<b>Sector Total</b>	<b>300,000</b>	<b>5.9</b>			
<b>Governance</b>						
3117	Formulating an Action Plan on Civil Service Reforms	630,000		14 Dec 1998	GS	
3117	Formulating and Action Plan on Civil Service (Supplementary)	30,000		3 Aug 2000		
3622	Institutional Support for Governance Reforms	1,525,000		18 Jan 2001		
	<b>Sector Total</b>	<b>2,185,000</b>	<b>43.3</b>			
<b>Public Financial Management</b>						
1196	Program Budgeting, Project Monitoring and Management Information Systems, Phase III	600,000		14 Aug 1989		
4017	Strengthening Institutional Capacity for Public Debt Management	400,000		6 Dec 2002	S	
4288	Establishing Economic Policy Network	200,000		18 Dec 2003		
	<b>Sector Total</b>	<b>1,200,000</b>	<b>23.8</b>			
	<b>Total</b>	<b>5,045,000</b>	<b>100.0</b>			

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, GS = generally successful, No. = number, S = successful, TCR = technical assistance completion report, TPER = technical assistance performance evaluation report.

<sup>a</sup> Projects with total ADB amount equivalent to \$0 are financed either by the Japan Special Fund or other bilateral sources and administered by ADB.

Sources: Loan and Technical Assistance Database; project performance reports.

**Table A3.5: Approved CD-Related Loans by Sector in the Philippines (1986–2006)**

Loan No.	Title	Poverty/Thematic Targeting Classification and Thematic Priority	Approved Amount		Approval Date	Completion Date	Rating	
			\$ million	%			PCR	PPER
<b>Basic Education</b>								
0898(SF)	Secondary Education Development Sector	HD/PR	70.00		11-Aug-88	15-Jul-95	GS	PS
1654	Secondary Education Development and Improvement	HD/PR	53.00		11-Dec-98	Ongoing (expected completion Dec 2007)		
<b>Sector Total</b>			<b>123.00</b>	<b>19.1</b>				
<b>Road Transport</b>								
0801	Fourth Road Improvement	EG	82.00		25-Nov-86	Jan-95	PS	
1322	Fourth Road Improvement (Supplementary)	EG	23.50		29-Sep-94	May-98	PS	
1046(SF)/								
1047	Road and Road Transport Sector Program	EG	100.00		8-Nov-90	Sep-92	GS	PS
1058	Fifth Road Improvement	EG	150.00		29-Nov-90	Jan-98	PS	
1473	Sixth Road	EG	167.00		30-Sep-96	May-06		
<b>Sector Total</b>			<b>522.50</b>	<b>80.9</b>				
<b>Total</b>			<b>645.50</b>	<b>100.0</b>				

ADTA = advisory technical assistance, EG = economic growth, GS = generally successful, HD = human development, No. = number, PCR = project completion report, PR = poverty reduction, PPER = project performance evaluation report, PS = partly successful, SF= Special Funds.

Sources: Loan and Technical Assistance Database; project performance reports.

**Table A3.6: Approved CD-Related Advisory Technical Assistance Grants by Sector in the Philippines (1986–2006)**

ADTA No.	Title	Total ADB Amount <sup>a</sup>		Approval Date	Rating	
		\$	%		TCR	TPER
<b>Basic Education</b>						
3115	Decentralization of Basic Education Management	0		11 Dec 1998	GS	
	<b>Sector Total</b>	<b>0</b>	<b>0.0</b>			
<b>Road Transport</b>						
0821	Pilot Program for Contract Maintenance of National Roads	400,000		25 Nov 1986		GS
1412	Road Classification Study	0		8 Nov 1990		
1413	Provincial Road Passenger Transport Study and Program Monitoring	0		8 Nov 1990		
1414	Study on Vehicular Emission Control Planning in Metro Manila	0		8 Nov 1990		PS
2317	Impact Evaluation Study of Bank Assistance in the Roads Sector	100,000		3 Apr 1995		
2487	Preparation of a National Transport Strategy	0		19 Dec 1995		
2652	Privatization of DPWH Equipment and Workshops	0		30 Sep 1996	GS	GS
3805	Rural Road Development Policy Framework	720,000		18 Dec 2001	GS	
	<b>Sector Total</b>	<b>1,220,000</b>	<b>16.9</b>			
<b>Governance</b>						
3145	Strengthening Public Finance and Planning of Local Government Units	870,000		23 Dec 1998		PS
3349	Capacity Building in Local Government Unit Financing	600,000		20 Dec 1999	GS	
3959	Support for the Local Governance Performance Measurement System	200,000		30 Oct 2002	GS	
4512	Strengthening Provincial and Local Planning and Expenditure Management	350,000		20 Dec 2004 (ongoing)		
4556	Local Government Finance and Budget Reform	850,000		23 Dec 2004 (ongoing)		
4778	Local Governance and Fiscal Management	1,800,000		3 Apr 2006 (ongoing)		
	<b>Sector Total</b>	<b>4,670,000</b>	<b>64.8</b>			
<b>Public Financial Management</b>						
1497	Institutional Strengthening of the Bureau of Internal Revenue	599,000		20 Mar 1991		
4717	Debt and Risk Management	720,000		7 Dec 2005 (ongoing)		
	<b>Sector Total</b>	<b>1,319,000</b>	<b>18.3</b>			
	<b>Total</b>	<b>7,209,000</b>	<b>100.0</b>			

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, DPWH = Department of Public Works and Highways, GS = generally successful, No. = number, PS = partly successful, TCR = technical assistance completion report, TPER = technical assistance performance evaluation report.

<sup>a</sup> Projects with total ADB amount equivalent to \$0 are financed either by the Japan Special Fund or other bilateral sources and administered by ADB.

Sources: Loan and Technical Assistance Database; project performance reports.

## SUCCESS DRIVERS AND DETERRENCE FACTORS AFFECTING CAPACITY DEVELOPMENT PERFORMANCE BY SECTOR AND COUNTRY

### A. Cambodia

1. The Asian Development Bank's (ADB) capacity development (CD) performance in Cambodia is found to be highly effective in the basic education sector; and effective in the road, governance, and public financial management (PFM) sectors. While being dominated by many positive factors (*success drivers*), the overall successful CD performance was also affected by some negative factors (*deterrence factors*) acting against full achievement of CD outcomes, as shown in Tables A4.1–A4.4.

<b>Table A4.1: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Cambodia's Basic Education Sector</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Appropriate mix of modalities, with a series of well-coordinated ADTA grants as well as project and program loans adopted through the SWAP</li> <li>• Well-sequenced assistance, with long-term continuity such that successive initiatives could build on the success achieved earlier</li> <li>• Strong involvement of MOEYS and other key stakeholders (including TPC and other relevant aid agencies) during the design stage</li> <li>• PMU functions being designed to be integrated into the normal MOEYS operations</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of baseline assessment of CD constraints at the contextual level, so the risks related to very low public sector salaries and TPC's too much autonomy were not addressed</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Low public sector salaries and lack of an appropriate incentive system during the design stage</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Continuity of key consultants during implementation</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Conducive system of retaining teachers</li> <li>• MOEYS' strong ownership and commitment to take the lead role in coordinating aid agencies under the SWAP</li> <li>• Continued involvement of other key stakeholders during implementation</li> <li>• Government's financial commitment to increase and maintain high recurrent budget share for BE</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>Continued low public sector salaries and lack of an incentive system, resulting in low retention of trained MOEYS staff (excluding teachers)</li> </ul>

ADB = Asian Development Bank; ADTA = advisory technical assistance; BE = basic education; CD = capacity development; MOEYS = Ministry of Education, Youth, and Sports; PMU = project management unit; QAE = quality-at-entry; SWAP = sector-wide approach; TPC = Textbook Publishing Company.

<b>Table A4.2: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Cambodia's Road Sector</b>	
1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>Appropriate mix of modalities (loans and attached ADTA grants, together with some prior stand-alone ADTA grants to lay the groundwork for CD)</li> <li>Long-term continuity and early entry into the sector, with ADB's continued lead role</li> <li>Acquisition of skills through OJT, which was the right kind of training as it was a continuous, learning-by-doing process</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>Lack of a clear results framework or evaluability to measure and monitor CD (e.g., target indicators, baseline data, and monitoring system)</li> <li>Lack of baseline assessments at all CD levels: <ul style="list-style-type: none"> <li>unable to address the problem of low incentives system in the public sector, at the contextual level</li> <li>unable to restructure TPU for more effective functioning, at the organizational level</li> <li>overestimated ability of technical staff to absorb formal classroom training in English, at the individual level</li> </ul> </li> <li>Other design drawbacks (e.g., PMU activities not being designed to be integrated into the normal MPWT operations; and CD focused on individual training, rather than institutionalizing skills transfer)</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>Low public sector salaries and lack of an appropriate incentive system during the design stage</li> </ul>
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>Generally good consultants and workshops during implementation</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>MPWT's strong commitment and ownership</li> <li>MPWT's close coordination with MEF and private entities during implementation</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
	<ul style="list-style-type: none"> <li>• MEF's willingness to increase the road maintenance budget</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Continued low public sector salaries and lack of an incentive system, resulting in low retention of trained MPWT staff</li> </ul>

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, MEF = Ministry of Economy and Finance, MPWT = Ministry of Public Works and Transport, OJT = on-the-job training, PMU = project management unit, QAE = quality-at-entry, TA = technical assistance, TPU = Transport Planning Unit.

**Table A4.3: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Cambodia's Governance**

1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Appropriate mix of modalities and continuity of support to firm up achievements</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of baseline assessments at the organizational and network levels, so the risks related to fragmentation of institutions supporting commune councils were not addressed</li> <li>• Lack of a plan to train the newly elected councilors</li> <li>• Initial lack of effective coordination with other key aid agencies during design</li> </ul>	
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Delegation of supervision to ADB's Cambodia Resident Mission</li> <li>• Selection of good consultants and flexibility of the terms of references</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• MOI's strong commitment and ownership, as the project was provided just when it was needed to strengthen the capacity of the newly elected commune councilors</li> <li>• High motivation of trained persons, given the nature of their work at the grassroots level</li> <li>• Adequate involvement of other key stakeholders, some of which later provided additional grants</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Government's weak absorptive capacity and reluctance to proceed quickly with the new institutional setup (e.g., delay in the approval of the new Organic Law)</li> </ul>

ADB = Asian Development Bank, CD = capacity development, MOI = Ministry of Interior, QAE = quality-at-entry.

<b>Table A4.4: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Cambodia's Public Financial Management and Fiduciary Arrangements</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Long-term continuity of ADB support</li> <li>• The EAs' strong demand and involvement in most cases</li> <li>• Strong aid coordination during design (with ADB focusing on PFM reform, leaving other aspects to other key aid agencies)</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Inadequate design of the MTEF (e.g., budget formulation and strategic expenditure analysis), causing delays in fully integrating it into the annual budget cycle</li> </ul>	
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Good supervision by ADB</li> <li>• Generally competent consultants in most cases</li> <li>• Cost-effective arrangement for MEF to place a local consultant on a permanent basis</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of full integration with the TACP management</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• The EAs' continued commitment during implementation in most cases</li> <li>• Continuity of counterpart staff teams</li> <li>• Strong involvement of other aid agencies during implementation, resulting in additional funding mobilized through the SWAP</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Weak MEF's initial absorptive capacity</li> </ul>

ADB = Asian Development Bank, CD = capacity development, EA = executing agency, MEF = Ministry of Economy and Finance, MTEF = Medium-Term Expenditure Framework, PFM = public financial management, QAE = quality-at-entry, SWAP = sector-wide approach, TACP = Technical Assistance Cooperation Program.

**B. Nepal**

2. ADB's CD performance in Nepal is found to be mixed—generally effective in basic education, effective only for more recent assistance in roads, evolving results in governance, and ineffective in PFM. A combination of *success drivers* and *deterrence factors* contributed to the mixed performance, as shown in Tables A4.5–A4.8.

<b>Table A4.5: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Nepal's Basic Education Sector</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Appropriate mix and sequencing of modalities (project and program loans with attached ADTA grants)</li> <li>• Long-term continuity of support to firm up earlier achievements</li> <li>• Strong commitment and involvement of MOES and NCED during design</li> <li>• Strong coordination with other aid agencies, through the SWAP, some of which cofinanced the CD components in more recent assistance</li> <li>• Integration of PIU into the regular NCED system in more recent design</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of baseline assessments at various CD levels, resulting in inability to address important CD constraints during design which subsequently affected the utilization of trained staff</li> <li>• Top-down process of CD design, not addressing CD needs at the school-based management level</li> <li>• Other design weaknesses which did not adequately address some important issues (e.g., overcrowded classrooms, high teacher absenteeism, lack of effective mechanism to monitor teachers' classroom practice performance, and lack of public-private partnership policy)</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Political and civil conflicts</li> <li>• High teacher politicization due to affiliations of teacher unions with political parties</li> <li>• Nonconductive policy of transferring civil servants (except for teachers and statisticians) every 2 years which subsequently affected the retention of trained staff who were not teachers</li> <li>• Low public salary structure, resulting in low teacher motivation</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Generally qualified consultants</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Continued strong commitment and involvement of MOES and NCED during implementation</li> <li>• Strong involvement of other key aid agencies during implementation</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Long delays in recruiting consultants</li> </ul>	<ul style="list-style-type: none"> <li>• Conducive regulation which did not permit teachers to transfer, thus retaining trained teachers and head teachers</li> <li>• Increased government recurrent budget shares of primary and secondary education alongside contributions by aid agencies to pooled funding support</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Continuation of all the deterrence factors during design (in quadrant 2 above) into implementation</li> </ul>

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, MOES = Ministry of Education and Sports, NCED = National Center for Education Development, PIU = project implementation unit, QAE = quality-at-entry, SWAP = sector-wide approach.

Table A4.6: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Nepal's Road Sector	
1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Appropriate mix of modalities, consisting of loans and ADTA grants in more recent assistance</li> <li>• Good involvement during design on part of DOLIDAR (and DOR in more recent assistance)</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of diagnostic baseline assessments at various CD levels in early assistance</li> <li>• Lack of DOR's involvement in early assistance</li> <li>• PIUs being designed to be located remotely (even in more recent assistance)—both physically and organizationally—from the DOR mainstream operations, resulting in isolated CD activities</li> </ul>	
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Generally good consultants in more recent assistance</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Good commitment and ownership on part of DOLIDAR (and DOR in more recent assistance) during implementation</li> <li>• Government's continued funding to the Road Board Nepal, which is responsible for road maintenance</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of security in many project areas</li> <li>• Lack of DOR's commitment and ownership during implementation in early assistance</li> </ul>

ADB = Asian Development Bank, ADBA = advisory technical assistance, CD = capacity development, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, DOR = Department of Roads, PIU = project implementation unit, QAE = quality-at-entry.

<b>Table A4.7: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Nepal's Governance</b>	
1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Supply-driven process, since the design did not fully involve MOGA</li> <li>• Inadequate baseline assessments at all CD levels</li> </ul>	
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• MOGA's strong commitment and ownership during implementation</li> <li>• Conducive enabling environment during implementation to improve governance (e.g., through increased pressure by civil society and exposure by media against corruption)</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Nonconducive environment (e.g., rural-based insurgencies, and suspension of Parliament)</li> <li>• Delays in the legal process associated with political instability (e.g., prolonged conflicts with fragile political system)</li> </ul>

ADB = Asian Development Bank, CD = capacity development, MOGA = Ministry of General Administration, QAE = quality-at-entry.

<b>Table A4.8: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in Nepal's Public Financial Management</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Limited consultations with MOF during design, leading to lack of government involvement</li> <li>• Lack of a clear results framework or evaluability to measure and monitor CD (e.g., target indicators, baseline data, and monitoring system)</li> <li>• Lack of strategic direction, realistic CD goals/objectives, and long-term continuity, leading to scattered assistance in the sector</li> <li>• Lack of appropriate mix of modalities</li> <li>• Lack of baseline assessment at the organizational level, resulting in inability during design to diagnose CD deficiencies of MOF</li> <li>• Lack of baseline assessment at the contextual level, resulting in lack of strategy during design to address the risks related to <ul style="list-style-type: none"> <li>– political instability, with insurgencies and frequent changes in government; and</li> <li>– nonconductive policy of transferring civil servants every 2 years</li> </ul> </li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Political instability, with insurgencies and frequent changes in government, during design</li> <li>• Nonconductive policy of transferring civil servants every 2 years</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Continued political instability, with insurgencies and frequent changes in government</li> <li>• Continued nonconductive policy of transferring civil servants every 2 years</li> <li>• Lack of MOF's commitment and ownership during implementation</li> <li>• Lack of motivation by trained staff to use the skills learned</li> </ul>

ADB = Asian Development Bank, CD = capacity development, MOF = Ministry of Finance, QAE = quality-at-entry.

### C. Philippines

3. ADB's CD performance in the Philippines is found to be mixed—less effective in the past assistance, and evolving results in the ongoing assistance in basic education; mixed results in roads; less effective in local governance; and effective and evolving results in PFM. A combination of *success drivers* and *deterrence factors* contributed to the mixed performance, as shown in Tables A4.9–A4.12.

<b>Table A4.9: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in the Philippines' Basic Education Sector</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Good baseline assessment on training needs at the individual level, which was designed to be conducted annually to create support networks</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of baseline assessment of CD needs at the organizational level</li> <li>• BME located in the PMU, which was not designed to be integrated into the normal BSE operations</li> <li>• Lack of policy dialogue and strategic direction to formulate sector development framework for providing long-term, continuous support</li> </ul>	
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Generally good consultants, who used a highly participatory approach to coordinate closely with other stakeholders</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Delayed availability of research results</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Substantial improvement in teachers salaries</li> <li>• BSE's strong commitment and ownership to implement decentralization of basic education</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Insufficient government funding of postproject activities</li> </ul>

ADB = Asian Development Bank, BME = benefit monitoring and evaluation, BSE = Bureau of Secondary Education, CD = capacity development, PMU = project management unit, QAE = quality-at-entry.

<b>Table A4.10: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in the Philippines' Road Sector</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Appropriate mix of modalities of assistance to DPWH, consisting of loans and attached ADTA grants</li> <li>• Long-term support to DPWH, and to road maintenance in particular</li> <li>• DPWH's good involvement and ownership during design</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of baseline assessment at the contextual level for DPWH, contributing to limited attention to address the impacts of political influences on road maintenance budgeting, and on the selection of project priorities and contractors</li> <li>• Lack of baseline assessments at the organizational and network levels, resulting in inadequate understanding of the relationship between DPWH and the road construction industry</li> <li>• Lack of a clear results framework or evaluability to measure and monitor CD (e.g., target indicators, baseline data, and monitoring system) for DPWT and DILG</li> <li>• Inadequate financial resources in support of DILG</li> <li>• Lack of long-term continuity and appropriate mix of modalities in support of DILG</li> </ul>	
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Generally good consultants for DPWH</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• ADB's insufficient supervision/emphasis on BME of DPWH projects</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• DPWH's continued involvement and ownership during implementation</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• DPWH's reluctance to undertake some recommended changes, especially in upgrading the capacity of the road construction industry</li> </ul>

ADB = Asian Development Bank, ADTA = advisory technical assistance, BME = benefit monitoring and evaluation, CD = capacity development, DILG = Department of Interior and Local Government, DPWH = Department of Public Works and Highways, QAE = quality-at-entry.

<b>Table A4.11: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in the Philippines' Local Governance</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Provision of training to the right staff at the local level (e.g., LGU planning officers)</li> <li>• DILG's involvement and ownership during design</li> <li>• PMU functions being designed to be integrated into the normal DILG operations</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Fragmentation of ADB support provided on an ad hoc basis, without long-term support for one NGA</li> <li>• Lack of clear results frameworks or evaluability to measure and monitor CD (e.g., target indicators, baseline data, and monitoring system)</li> <li>• Selection of EA was guided by government protocol, rather than by ADTA purposes</li> <li>• Lack of appropriate mix of modalities</li> <li>• Lack of baseline assessments at the organizational level, hence ineffective mechanism to check consistency of manuals produced by the four NGAs</li> <li>• Lack of baseline assessments at the network level, hence isolated LGUs' CD programs by the four NGAs</li> <li>• Lack of mechanism for closer cooperation among the four NGAs</li> <li>• Inadequate ADTA budget allocated, resulting in inability to replicate the pilot-tested CD programs</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Fragmentation of NGAs' local governance functions</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• DILG's continued commitment and ownership during implementation</li> <li>• Recent effective coordination role played by NEDA through JMC</li> <li>• Conducive environment through recent government decentralization efforts</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Delay in consultants mobilization</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Unfavorable economic conditions</li> <li>• Lack of political will to identify NGAs' budget items to be devolved to LGUs</li> </ul>

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, DILG = Department of Interior and Local Government, EA = executing agency, JMC = joint memorandum circular, LGU = local government unit, NEDA = National Economic and Development Authority, NGA = national government agency, PMU = project management unit, QAE = quality-at-entry.

Table A4.12: Success Drivers and Deterrence Factors Affecting ADB's CD Performance in the Philippines' Public Financial Management	
1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Adequate baseline assessments at the organizational level to improve both the VATIS and DRM functions at BIR and DOF, respectively</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of long-term perspective and strategic direction with realistic CD goals/objectives for the sector</li> <li>• Lack of appropriate mix of modalities of assistance, as only ADTA grants were provided</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Conducive environment for retaining staff due to high recognition of civil service</li> </ul>
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Inadequate TA review</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• DOF's commitment to coordinate DRM functions at the network level</li> <li>• Support from WB to sustain VATIS</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Delay due to time required by the government in the complex choice of the organizational model</li> </ul>

ADB = Asian Development Bank, BIR = Bureau of Internal Revenue, CD = capacity development, DOF = Department of Finance, DRM = debt and risk management, QAE = quality-at-entry, TA = technical assistance, VATIS = value-added tax information system, WB = World Bank.

## EXISTING OED STUDIES USED

### I. Country Assistance Program Evaluations

- ADB. 2002. *Country Assistance Program Evaluation for Mongolia*. Manila.
- ADB. 2003. *Country Assistance Program Evaluation for Bangladesh*. Manila.
- ADB. 2003. *Country Assistance Program Evaluation for Papua New Guinea*. Manila.
- ADB. 2003. *Country Assistance Program Evaluation for the Philippines*. Manila.
- ADB. 2004. *Country Assistance Program Evaluation for Cambodia*. Manila.
- ADB. 2004. *Country Assistance Program Evaluation for Nepal*. Manila.
- ADB. 2005. *Country Assistance Program Evaluation for Bhutan*. Manila.
- ADB. 2005. *Country Assistance Program Evaluation for Indonesia*. Manila.
- ADB. 2006. *Country Assistance Program Evaluation for Lao People's Democratic Republic*. Manila.
- ADB. 2007. *Country Assistance Program Evaluation for Pakistan*. Manila.
- ADB. 2007. *Country Assistance Program Evaluation for the People's Republic of China*. Manila.
- ADB. 2007. *Country Assistance Program Evaluation for Sri Lanka*. Manila.

### II. Sector Assistance Program Evaluations and Impact Evaluation Studies

- ADB. 2003. *Impact Evaluation of Asian Development Bank Assistance to the Power Sector in Indonesia*. Manila.
- ADB. 2003. *Sector Assistance Program Evaluation of Asian Development Bank Assistance to Bangladesh Power Sector*. Manila.
- ADB. 2005. *Sector Assistance Program Evaluation for the Agriculture and Natural Resources Sector in the Lao Peoples' Democratic Republic*. Manila.
- ADB. 2005. *Sector Assistance Program Evaluation for the Social Sectors in Pakistan*. Manila.
- ADB. 2005. *Sector Assistance Program Evaluation of Asian Development Bank Assistance to Philippines Power Sector*. Manila.
- ADB. 2006. *Sector Assistance Program Evaluation for the Road Sector in Pakistan*. Manila.
- ADB. 2006. *Sector Assistance Program Evaluation for the Transport Sector in India*. Manila.
- ADB. 2007. *Sector Assistance Program Evaluation of Asian Development Bank Assistance for Roads and Railways in the People's Republic of China*. Manila.

### III. Project/Program and Technical Assistance Performance Evaluation Reports

- ADB. 2002. *Technical Assistance Performance Audit Report on Institutional Strengthening and Policy Support to the Road Sector in Kazakhstan, Kyrgyz Republic, and Mongolia*. Manila.
- ADB. 2003. *Program Performance Audit Report on the Public Sector Reform Program in the Federated States of Micronesia*. Manila.
- ADB. 2003. *Technical Assistance Performance Audit Report on Institutional Strengthening and Policy Support to the Power Sector in Bhutan*. Manila.
- ADB. 2003. *Technical Assistance Performance Audit Report on Selected Advisory Technical Assistance for Institutional Development and Capacity Building in the Water Supply and Sanitation Sector in the Lao People's Democratic Republic and Viet Nam*. Manila.
- ADB. 2004. *Technical Assistance Performance Audit Report on Advisory Technical Assistance for Power Sector Institutional Strengthening in Viet Nam*. Manila.
- ADB. 2006. *People's Republic of China: Technical Assistance Performance Audit Report for Technical Assistance Projects in Public Administration*. Manila.
- ADB. 2006. *Project Performance Evaluation Report on Indonesia: Capacity Building for Water Resources*. Manila.
- ADB. 2006. *Program Performance Evaluation Report on Indonesia: Social Protection Sector Development Program*. Manila.
- ADB. 2006. *Technical Assistance Performance Evaluation Report on Capacity Building Support to Decentralization in Indonesia*. Manila.

**IV. Special Evaluation Studies**

ADB. 2004. *Special Evaluation Study on Capacity Development Assistance of the Asian Development Bank to the Lao People's Democratic Republic*. Manila.

ADB. 2005. *Special Evaluation Study on the Role of Project Implementation Units*. Manila.

ADB. 2006. *Special Evaluation Study on Lessons in Capacity Development: Sectoral Studies in Sri Lanka*. Manila.

ADB. 2007. *Special Evaluation Study on the Performance of Technical Assistance*. Manila.

**SUCCESS DRIVERS AND DETERRENCE FACTORS AFFECTING CAPACITY  
DEVELOPMENT PERFORMANCE BASED ON OED'S EXISTING STUDIES**

<b>Table A6.1: Success Drivers and Deterrence Factors Affecting ADB's CD Performance Based on the Findings of OED's CAPEs</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Caliber and commitment of both government officials and ADB staff involved during design in some cases</li> <li>• Strong government ownership during design in some cases</li> <li>• Emphasis being placed on organizations willing to improve their capacity, restructuring at the organizational level, and grassroots level training in some cases</li> <li>• Long-term involvement of CD interventions in some cases</li> <li>• Consistency between ADB's operations and government priorities in many cases</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of evaluability or indicators for measuring and monitoring CD outcomes in many cases</li> <li>• Lack of strategic focus in many cases</li> <li>• Lack of understanding of CD as a process and diagnostic baseline assessments in designing organizational parameters (roles, responsibilities, structures, etc.) in many cases</li> <li>• CD focus being placed on improving technical skills at the individual level (rather than institutionalizing skill transfers as well as improving management, planning, and resourcing for more effective functioning at the organizational level) in many cases</li> <li>• Lack of long-term continuity and exit strategy in much of the CD assistance, as it was provided through stand-alone, one-off ADTA grants</li> <li>• PMUs not being designed to be integrated into the mainstream activities of agencies concerned in many cases</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Extent of political importance attached to improving the performance of particular sectors</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Unstable political environment</li> <li>• Low public sector salaries relative to those of the private sector</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Adequate supervision</li> <li>• Competent consultants</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Inadequate orientation provided to the EAs that were not familiar with ADB implementation procedures</li> <li>• Inadequate supervision</li> <li>• Inadequate delegation to resident missions</li> <li>• Lack of flexibility during implementation</li> <li>• Incompetent consultants</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Willingness of organizations to improve their capacities during implementation</li> <li>• Strong government commitment and ownership during implementation</li> <li>• Conducive government policies during implementation</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Continued unstable political environment, resulting in frequent changes in government staff, delayed approval of the required policy changes, and repression of expressed capacity</li> <li>• Continued low public sector salaries relative to those of the private sector, resulting in low retention of trained staff</li> <li>• Late assignment of key counterpart staff and high counterpart staff turnover</li> </ul>

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, CAPE = country assistance program evaluation, EA = executing agency, OED = Operations Evaluation Department, PMU = project management unit, QAE = quality-at-entry.

<b>Table A6.2: Success Drivers and Deterrence Factors Affecting ADB's CD Performance Based on the Findings of OED's SAPEs</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Emphasis placed on organizations willing to improve their capacity</li> <li>• Focused, long-term CD support</li> <li>• Appropriate mix of modalities (loans; TA grants; and economic, thematic and sector work)</li> <li>• Strong government involvement during design</li> <li>• Good project design, which introduced modern technologies and project management methods</li> <li>• Close cooperation with other aid agencies</li> <li>• Adequate diagnostic baseline assessments</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Inadequate diagnostic baseline assessments</li> <li>• Too complex and unrealistic expectations by ADB, given limited government absorptive capacity</li> <li>• Lack of strategic focus during design, with too short, intermittent, and diffused CD interventions</li> <li>• Staff and budget requirements in the postproject period were not adequately considered at design</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Extent of political importance attached to improving the performance of particular sectors</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Unstable political environment</li> <li>• Low public sector salaries relative to those of the private sector</li> </ul>
<b>3. Implementation Factors within ADB's Control</b>	<b>4. Implementation Factors beyond ADB's Control</b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Dedication of ADB staff concerned and adequate supervision</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Insufficient coordination between consultants and counterpart staff</li> <li>• Long delay in consultant recruitment and lack of full recruitment of consultants, particularly international ones</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Willingness of organizations to improve their capacities during implementation</li> <li>• Strong government commitment and ownership during implementation</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Continued unstable political environment</li> <li>• Continued low public sector salaries relative to those of the private sector, resulting in low retention of trained staff</li> <li>• Lack of government commitment and ownership during implementation</li> </ul>

ADB = Asian Development Bank, CD = capacity development, OED = Operations Evaluation Department, QAE = quality-at-entry, SAPE = sector assistance program evaluation, TA = technical assistance.

**Table A6.3: Success Drivers and Deterrence Factors Affecting ADB's CD Performance Based on the Findings of OED's PPERs and TPERs**

1. Design/QAE Factors within ADB's Control	2. Design/QAE Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Good evaluability (e.g., realistic CD targets, and risks identified and mitigated)</li> <li>• Simple/realistic scope achievable within the given time frame</li> <li>• A series of long-term CD assistance, with appropriate mix of modalities (loans and attached ADTAs), to accumulate/sustain the outcomes</li> <li>• Availability of sufficient funding, estimated during design, to implement recommendations</li> <li>• Active involvement by EAs during design</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Overambitious TA design relative to time, resources, and absorptive capacity</li> <li>• Inconsistencies between scope and TOR</li> <li>• Insufficient diagnostics of the organizations and network of organizations</li> <li>• Other design weaknesses (e.g., lack of mechanisms to translate outputs into outcomes, including translation of the reports produced and utilization of the skills trained)</li> <li>• Lack of a holistic and long-term strategy to CD</li> <li>• Lack of efforts on part of ADB to engage EAs to fully participate in the design of the CD work</li> <li>• Lack of close coordination with other aid agencies</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of demand-driven initiatives from government counterparts at project design</li> <li>• Significant changes at the individual and organizational levels within government agencies, which made it difficult to identify the most appropriate EAs</li> <li>• Low public sector salaries relative to those of the private sector</li> </ul>
3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Generally competent consultants, who also prepared good training materials in formats that could be easily updated</li> </ul>	<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Active involvement of the EAs and other network agencies during implementation</li> <li>• High-level support in key places within and outside the EAs during implementation</li> <li>• Stability in staffing, with high retention of trained staff in the tasks for which they were trained</li> <li>• Good government policy during implementation</li> </ul>

3. Implementation Factors within ADB's Control	4. Implementation Factors beyond ADB's Control
<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of flexibility to make adjustment in project design after the decentralization plan had been adopted</li> <li>• Lack of efforts on part of ADB to engage the EAs to fully participate in the implementation of the CD work</li> <li>• The pace of TA implementation was not driven by the EAs' sense of ownership and commitment, but by deadlines imposed by the schedule</li> </ul>	<p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Lack of government commitment and ownership during implementation</li> <li>• Continued low public sector salaries relative to those of the private sector, resulting in high turnover of trained staff</li> </ul>

ADB = Asian Development Bank, ADBA = advisory technical assistance, CD = capacity development, EA = executing agency, OED = Operations Evaluation Department, PPER = project/program performance evaluation report, QAE = quality-at-entry, TA = technical assistance, TOR = terms of reference, TPER = technical assistance performance evaluation report.

<b>Table A6.4: Success Drivers and Deterrence Factors Affecting ADB's CD Performance Based on the Findings of OED's SESs</b>	
<b>1. Design/QAE Factors within ADB's Control</b>	<b>2. Design/QAE Factors beyond ADB's Control<sup>a</sup></b>
<p><b>Success Drivers:</b></p> <ul style="list-style-type: none"> <li>• Adequate CD diagnostics at all levels, especially in the sectors where responsibilities had been devolved to provinces, districts, and/or subdistricts</li> <li>• Appropriate mix of modalities (projects combined with ADTA grants) which provided incentives for the EAs to try to enhance their capacities</li> <li>• Long-term continuity of CD support in the sector, resulting in accumulation of outcomes/impacts</li> <li>• Adequate participation by EAs and coordination with other aid agencies</li> </ul> <p><b>Deterrence Factors:</b></p> <ul style="list-style-type: none"> <li>• Deficiencies in ADB's approach to CD support, most of which focused on inputs instead of outcomes and on the sector level, without explicit linkage to a strategic framework for CD at the national level</li> <li>• Lack of clearly stated CD goals/objectives</li> <li>• Lack of target indicators for measuring CD and monitoring progress</li> <li>• Lack of comprehensive diagnostics to identify CD needs and a strategy for addressing them</li> <li>• Lack of long-term support with exit strategy</li> <li>• Lack of attention to involve stakeholder participation</li> </ul>	
<b>3. Implementation Factors within ADB's Control<sup>a</sup></b>	<b>4. Implementation Factors beyond ADB's Control<sup>a</sup></b>

ADB = Asian Development Bank, ADTA = advisory technical assistance, CD = capacity development, EA = executing agency, OED = Operations Evaluation Department, QAE = quality-at-entry, SES = special evaluation study.

<sup>a</sup> Since the contributions to the CD performance were dominated by factors in category 1, no significant factors under the other three categories were emphasized by these SESs.

## **MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON EFFECTIVENESS OF ADB'S CAPACITY DEVELOPMENT ASSISTANCE: HOW TO GET INSTITUTIONS RIGHT**

On 18 April 2008, Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### **I. General Comments**

1. We welcome OED's Special Evaluation Study (SES) on Effectiveness of ADB's Capacity Development (CD) Assistance: How to Get Institutions Right. We find the study to be fairly exhaustive, yet having a sharp focus on specific countries which allows for a more in-depth analysis of the impact of ADB assistance for CD.

2. We also appreciate that the study has taken into consideration implementation progress on ADB's CD Medium-Term Framework and Action Plan (CD Action Plan)<sup>1</sup> together with lessons learned from recent activities, including the Pacific Department's CD Study.

3. We generally support the findings of the SES, namely that ADB CD Assistance has yielded mixed results, with no consistent patterns of success across sectors, countries, regions or time. The findings are similar to those identified during the preparation of the CD Action Plan. We hope that the application of ADB's Framework for CD Interventions (Figure 1 of SES) together with the continuing implementation of the CD Action Plan will lead to more consistent performance and better development impact in the future.

4. We further note that many of the recommendations of the SES are consistent with key actions identified and currently being implemented as part of the CD Action Plan.

### **II. Specific Recommendations**

**Recommendation: Provide guidance for assessing country CD needs and strategies and identify an appropriate location for the presentation of the analysis in the Country Partnership Strategy (CPS) template**

5. We support this recommendation. However, we note that when considering how best to incorporate CD approaches into CPS preparation, it should be kept in mind that CD is a highly complex area to assess; it pervades all spheres of governance and government. Guidance prepared should (i) be practical and pragmatic, (ii) focus on partnership where possible and (iii) provide sufficient flexibility to allow country teams to determine the nature and extent of CD analysis that is most appropriate for the particular country context. This can be achieved by strengthening CD assessment in CPS sector analysis, rather than treating the capacity assessment as a separate stand alone exercise.

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<sup>1</sup> ADB. 2007. *Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan*. Manila.

**Recommendation: Identify appropriate modalities for a long-term and county-led engagement in major CD initiatives in CPSs**

6. We support this recommendation, noting that CD is not best addressed through ad hoc interventions, but rather in a systematic medium- to long-term manner.

**Recommendation: Build country ownership and demand for CD**

7. We agree with the SES observation that country ownership is a critical success factor for effective CD. The SES also suggests that ADB assess country ownership and seek demand-driven, harmonized approaches to explicitly address CD in Sector-Wide Approaches. However, this seems to focus on the need to engage in CD activities where appropriate ownership exists, rather than suggesting specific guidance on how exactly ADB can “build” ownership. We believe that ownership, particularly for CD, needs to be seen as a process and requires active involvement by ADB. Extensive use of consultation and participation in each planning step of CD are key in this endeavor.

**Recommendation: Continue to pay strategic attention to the quality of CD interventions**

8. We support this recommendation. We are in the process of developing a training curriculum that would incorporate governance, anticorruption, and CD topics into the overall learning program of ADB. We note that appendices 4 and 6 of the SES provide an excellent checklist.

**Recommendation: Pilot test alternative CD approaches**

9. We support this recommendation. We note that it is a key feature of the CD Action Plan. We also note that with support from RSDD, regional departments are testing pilot CD approaches.

**Recommendation: Adjust staff recruitment skills mix to emphasize the soft skills required for CD**

10. CD requirements can vary significantly across institutions, sectors and countries. Therefore, we note that recruiting staff with CD experience should not be the primary solution, but rather should be part of an overall approach to ensuring that sector staff have the capacity to assess CD needs and design CD interventions. It is through a more holistic approach that CD will be mainstreamed throughout ADB operations.

**Recommendation: Make optimal use of resident missions**

11. We concur with this recommendation, which is consistent with the recommendations in the CD Action Plan. However, we note that we need to recognize the resource constraints this could impose.