

Why is Capacity Development a Growing Priority?

Capacity development (CD) can be broadly described as securing a country's ability to manage its own affairs. The Asian Development Bank (ADB) shares the growing consensus that nurturing and promoting national capacities are needed for sustainable development and aid effectiveness. Key considerations for CD include the following.

- CD is an essential prerequisite for optimizing the impact and sustainability of development aid.
- Effective approaches to CD are essential if the Millennium Development Goals are to be achieved.
- Effective CD must take account of broader historical, political, economic, and social factors.
- Nurturing national ownership, leadership, and self-esteem is pivotal, recognizing a plurality of national and donor interests.
- Recognition of the importance of knowledge and technology transfer is insufficient for sustainable national capabilities.

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. CD represents a process of constructive engagement in development, exemplified in ADB's new Enhanced Poverty Reduction Strategy (2004).

CD and ADB's Enhanced Poverty Reduction Strategy

In 2004, the review of ADB's Poverty Reduction Strategy (PRS) has recommended CD as a new thematic priority for ADB lending and technical assistance (TA) operations.

A Capacity Development Working Group (CDWG) was established in April 2004 to review and develop CD approaches, recommend ways to improve ADB strategies supporting CD in developing member countries (DMCs), and update related business processes. CD is one of the initiatives included in the ADB's Reform Agenda, which was announced in August 2004. Key milestones include preparation of a final report, with recommendations and staff instructions, in the second quarter of 2005; and implementation in the third quarter of 2005.

This leaflet provides preliminary CDWG ideas and does not preempt recommendations of the CDWG final report.

A key objective of the CD operational theme will be to improve the quality of ADB operations

A NEW THEMATIC PRIORITY

Capacity Development



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ADB assistance for capacity development focuses on nurturing national capacity and confidence to use modern information and communication technology

by (i) strengthening a strategic linkage with the Poverty Reduction Strategy, (ii) focusing more CD in country programming, (iii) improving ADB incentive structures and modalities for CD, and (iv) providing coherence across other thematic and sector priorities.

CD is an important component of ADB's approach to Managing for Development Results (MfDR).

Key Principles for Capacity Development

- **Ownership**, nurturing leadership and commitment within organizations
- **Processes**, setting clear CD targets and processes for organizational change
- **Sequencing**, phasing CD outcomes and results over the medium and long term
- **Incentives**, aligning structural changes with appropriate reward systems
- **Values**, respecting the importance of local value systems and self-esteem
- **Partnership**, ensuring shared commitment among government, private sector, funding agencies, and nongovernment organizations

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Capacity development projects will include a baseline assessment of the social, cultural, economic, and political factors needed to maximize impact

Preliminary CD Operational Categories

The CDWG has formulated preliminary categories for classifying potential CD interventions, consisting of three dimensions.

Institutional Development: to develop processes for analyzing, influencing, and implementing the formal and informal rules, which govern the behavior of the target group or organization and which are relevant for achieving its intended objective. This includes crosscutting political and public administration reform issues such as civil service; public revenue and expenditure management; anticorruption; and legal and judicial, corporate governance, and regulatory reform issues.

Organizational Development: to develop organizational and management processes necessary for achieving the intended objective, i.e., by developing (i) leadership and strategic development capacities; (ii) ability to plan, monitor, learn, and resolve issues and disputes; (iii) internal and external systems orientation; (iv) ability to introduce and maintain adequate structures and processes; (v) technical capacities, including human resource and information and communication technology capacities.

Client Relations, Network, and Partnership Development: to develop processes responsive to the needs and demands of specific clients and to develop capacity for improved communication,

information, and interaction among government agencies, private sector, nongovernment organizations (NGOs), and external partners involved in achieving the intended objective.

This framework will be further reviewed in preparing operational guidelines, including CD objectives and strategies for ADB operations by early 2005.

Lessons Learned from ADB Evaluation of Capacity Development

Over the past 10 years, the Operations Evaluation Department (OED) has conducted a comprehensive range of evaluations on CD projects in several sectors.

An overall lesson learned is that ADB-supported interventions need to be more carefully integrated into national poverty reduction and sector strategies. Another finding is that a coordinated approach with other partners—including the private sector, funding agencies, and NGOs—is critical for optimum CD impact.

These lessons learned will be incorporated into staff guidelines in preparing ADB-supported CD interventions.

Key studies include ADB Capacity Development Assistance to Lao People's Democratic Republic, 2004; Building Capacities for Managing Water Utilities, Special Evaluation Study, 2003; Special Evaluation Study on Sustainability of Policy Reforms Through Selected Advisory TA, 2001; Special Evaluation Study on Program Lending, 2001; and Special Evaluation of ADB Capacity Building TAs for Public Expenditure Management, 1999.

Information on other evaluations of CD interventions are available at the OED web site on www.adb.org/OED.

Main Findings: ADB's Evaluation of CD Assistance

- A more comprehensive CD needs assessment should be conducted.
- CD interventions at the sector level need to address carefully broader institutional factors.
- Careful phasing and sequencing of CD outcomes, based on an assessment of organizational capacity, are needed.
- Overemphasis on training and consultant inputs is vital.
- Greater focus should be placed on facilitating change management and organizational learning.

Important Steps in Designing CD Interventions

The design of CD interventions should incorporate the following:

- **institutional assessment and stakeholder analysis**, including identification of the organization which has the prime mandate for achieving the objective;
- **baseline assessment**, judging the existing capacities of the group or organization to achieve the objective on a sustainable basis;
- **action plan**, consisting of prioritized and sequenced CD activities and performance indicators for the entire results chain; and
- **operations**, for planning, implementing, and monitoring arrangements, which are results-based and sensitive to the need for national ownership and sustainable impacts.

CD interventions will be primarily aimed at supporting processes through which national organizations and groups become more capable of mobilizing and using resources to achieve agreed objectives on a sustainable basis.

The CD classification can be applied to ADB interventions in virtually all sectors and themes. Where appropriate, CD interventions will be complementary to other crosscutting themes, including sustainable economic growth, inclusive social development, gender and development, environmental sustainability, governance, regional cooperation, and private sector development.

Indicative Action Plan: Facilitating CD Theme in ADB Operations

ADB will take several steps to ensure that the CD theme is fully understood by ADB staff in ADB resident missions, headquarters, and DMCs. Key features of the operational action plan will consist of

- **classification system**, outlining how the CD theme and subthemes can be tracked and reported;
- **CD orientation**, through workshops and supporting documentation;
- **baseline assessment**, tool kits for conducting baseline CD assessments;
- **good practices**, examples of how CD thematic objectives can be incorporated into design of ADB operational support;
- **staff guidelines**, detailing how CD can be incorporated into ADB operations; and
- **operational support**, through pilot studies, staff training, and mentoring.

The report of the CDWG and the Medium-Term Action Plan for 2005–2009 is expected to be approved in 2005.

CD Assessments: What to Look Out for While on Mission

In assessing CD, a preliminary checklist could include

- potential champions and key allies;
- external factors constraining organizational change;
- clear organizational objectives and mandate;
- management, technological, and human resource opportunities and risks;
- scope for national and regional alliance building, with DMC and international partners; and
- most effective ADB-support modalities (e.g., policy dialogue, program loan, project loan covenants, and local or international consultants).

CD interventions will be primarily aimed at supporting processes through which national organizations and groups become more capable of mobilizing and using resources to achieve agreed objectives on a sustainable basis



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Capacity development interventions will include measures to strengthen communications and interaction with a range of clients and partners, including community groups



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Capacity development strategy will include an assessment of appropriate and sustainable human resource and technology development needs

ADB Supports International Alliances on CD

The UN Millennium Development Summit (2000) and the Monterrey Consensus (2002) represented important international milestones in putting national CD high on the development agenda.

ADB has continued and will continue to play the fullest role in promoting and implementing global initiatives for CD. Important international commitments have included an agreement by all multilateral development banks (MDBs) to adopt a results-oriented approach to development (June 2002); and the Rome Declaration on Harmonization called for greater priority for national CD (February 2003).

Other CD networks and web sites are being developed through the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC), United

Important Capacity Development Networks and Web Sites

- Learning Network on Capacity Development (LENCD)
www.capacitywhoiswho.net
- Learning Network in Program-Based Approaches (LENPA)
www.acdi-cida.gc.ca
- European Centre for Development Policy Management (ECPDM), OECD/DAC
www.capacity.org

Nations Development Programme (UNDP), MDBs, and bilateral agencies. The CDWG will circulate further information as it becomes available.

New International Studies on Capacity Development

ADB, along with other funding agencies, is participating in international studies on CD. A key study is being led by the European Centre for Development Policy Management (ECDPM) of the Network on Governance, operating under OECD/DAC.

Four initial case studies are available, which record and analyze reports on the development of capacity in several organizations. These studies focus on key or core capacities and the dynamics of change that produce good and sustained performance. These studies are designed to identify patterns of action that support the development of capacity in a variety of environments.

These studies focus on environmental action program in Jamaica; NGOs' CD in Bangladesh, India, and Pakistan; environmental sustainability among East Caribbean regional organizations; and hospital development in Uganda.

ADB approaches will continue to draw on such studies of international best practices. Further details are available at www.capacity.org/study.

ADB Hosts MDB Roundtable on Capacity Development

In June 2004, ADB hosted the first meeting of the MDB Harmonization Working Group on Capacity Development, Governance, and Anticorruption. The meeting agreed on priorities such as linking CD strategies with existing governance indicators, and collaborating in the implementation of common CD approaches designed by national authorities.

This cooperation will ensure that ADB's own operational strategies for CD are consistent with broader international approaches. Ongoing consultations will provide the opportunity for ADB and its partners to share experiences on CD good practices and lessons learned. ■

For more information

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