



PACIFIC CHOICE

# LEARNING FROM SUCCESS

Asian Development Bank



CAPACITY DEVELOPMENT SERIES

PACIFIC CHOICE

# Learning from Success

(Financed by the ADB Poverty Reduction Cooperation Fund  
and the Australian Agency for International Development)

By Joe Bolger

Asian Development Bank

## Capacity Development Series

This sub-series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some of the opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues and effective use of external resources. It is our hope that the findings in these reports will help to guide future capacity building efforts in the Pacific.

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# ABBREVIATIONS

ADB	Asian Development Bank
AMD	Aid Management Division (Cook Islands)
AusAID	Australian Agency for International Development
CBSC	Capacity Building Service Centre (PNG)
CD	capacity development
CDWG	Capacity Development Working Group (ADB)
CJLU	Community Justice Liaison Unit (PNG)
CPS	country partnership strategy
CSP	country strategy and program
DAC	Development Assistance Committee
DMC	developing member country
DPLGA	Department of Provincial and Local Government Affairs (PNG)
ECDPM	European Centre for Development Policy Management
FHSIP	Fiji Health Sector Improvement Program
FTF	Falekaupule Trust Fund (Tuvalu)
LJSP	Law and Justice Sector Program (PNG)
MoH	Ministry of Health
MID	Ministry of Infrastructure Development (Solomon Islands)
NZAID	New Zealand's International Aid and Development Agency
OECD	Organisation for Economic Co-operation and Development
OLPLLG	Organic Law on Provincial and Local Level Government (PNG)
PARD	Pacific Department
PDMC	Pacific developing member country
PNG	Papua New Guinea
PPII	Provincial Performance Improvement Initiative (PNG)
RMI	Republic of the Marshall Islands
SMIHL	Star Mountain Investment Holding Limited (PNG)
TA	technical assistance
UNDP	United Nations Development Programme
USP	University of the South Pacific
WMA	wildlife management area
WWF	World Wildlife Fund

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# FOREWORD

Donors have invested heavily in strengthening the capacity of Pacific developing member countries (PDMCs) over the past three decades. The results of all this investment have been mixed at best. Most PDMCs are just as heavily reliant today on externally financed technical assistance and training and other means to build capacity as they have ever been.

A review, entitled *Governance in the Pacific: Focus for Action 2005–2009*, funded by the Asian Development Bank (ADB), concluded that “inadequate capacity building, coupled with the loss of senior staff who have management and technical skills, is common in many Pacific DMCs.” The ADB review noted that “the failure of most Pacific DMCs to train and retain many of their most skilled and motivated people, especially in Polynesia but increasingly in other countries, is a long-standing contributor to concerns over the quality of governance and institutions.” Furthermore, according to ADB’s Pacific strategy for 2005–2009, “too often, capacity building has been related to the objectives of the project rather than to those of the host organization, or capacity building requirements have been insufficiently analyzed, planned, or coordinated.”

The continuing need to build domestic capacity remains important for three key result areas of ADB’s Pacific strategy: (i) establishing an effective institutional framework for developing skills in response to labor market demands; (ii) managing and delivering quality basic social services; and (iii) strengthening capacity of PDMC governments, civil society, and private sector groups to plan and manage for development results.

Despite the historical challenges and shortcomings, public sector capacity has been successfully built and sustained in each of the PDMCs. Central government departments, for example, have built and sustained their capacity to supply improved health and education services. In some PDMCs, state-owned enterprises have strengthened and maintained their capacity to provide efficient and effective services to the public, while independent authorities have been established and have successfully maintained their ability to deliver services. In addition, civil society groups in the region have enhanced their capacity to mobilize communities, advocate reforms, and deliver services to Pacific island communities.

As noted in the cases described in this study, the “successes” can be attributed to a number of factors, such as strong leadership, effective community participation or demand, solid understanding of the programming context, getting the incentives right, or effective use of technical advisors. However, our understanding of the reasons for success has tended to be project or program specific, or anecdotal, and after decades of external assistance to build capacity in the Pacific, it is time that the Pacific stakeholders and their development partners better understand how capacity can be successfully built and sustained. This study seeks to contribute to that objective.



Capacity development has long been a challenge for PDMCs and something of an enigma for external assistance agencies. A basic problem is, as the author of this report, Joe Bolger, observes, that capacity development in the Pacific can be seen as “a prism-like phenomenon that yields different images depending on how you look at it.” To capture all perspectives of this prism, the study contracted a series of 20 case studies from 11 countries across the region, prepared primarily by consultants from the Pacific islands. They cover a range of programming experiences—from economic planning, to infrastructure development, health and legal sector reform, civil society enhancement, fisheries, and one regional initiative. The cases include programming funded by various bilateral and multilateral donors.

The study contains analyses and recommendations on the approaches to capacity development that work best and the conditions that have been conducive to their success, the unique challenges faced by PDMCs in addressing capacity constraints, and the implications for future interventions at both the strategic and operational levels.

A separate report, entitled *A Framework for Capacity Development in the Pacific Islands*, by Michael Heppell, explores the capacity needs and prerequisites for capacity development of critical government agencies in PDMCs. It includes a framework to establish appropriate conditions for future capacity development interventions, and a regional action plan.

I hope that the findings and recommendations contained in these two reports will help guide future capacity building efforts in the Pacific.

Finally, I would like to express my gratitude to the Australian Agency for International Development for cofinancing this initiative and offering valuable technical advice. I would also be remiss if I did not express sincere appreciation for the collaboration of participating PDMCs and other donor agencies without whose cooperation this study would not have been possible.



Sultan Hafeez Rahman  
Director General  
Pacific Department

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The author would like to thank the following people for their support during the research phase and in the preparation of this report. First of all, a nod of gratitude to Steve Pollard, the ADB task manager for this initiative, whose support and guidance throughout was always coupled with a dose of good humor. Thanks also to Melissa Dayrit, , Ophelia Iriberry and Tara Mehretab of ADB's Pacific department (PARD) for pulling together documentation, organizing meetings and workshops, and otherwise helping to move the process forward. Alexander Pascual for excellent layout. ADB consultant Pete Malvicini's facilitation of the Sydney writeshop and the Manila retreat also helped to animate the process and keep us on target.

Additional thanks to Mike Heppell for his feedback on the final draft report, to the other consultants who reviewed the individual case studies, Patricia Lyon of AusAID for her wise counsel, and Heather Baser for reviewing a draft report and contributing, in particular, to the content on technical assistance. And a special thanks to Jay Maclean for his patient editing of the final document.

Finally, and most importantly, a special note of appreciation to my Pacific colleagues for their wisdom, insights, hospitality, and friendship. Without them, none of this would have been possible.

As always, any shortcomings or errors are solely the responsibility of the author.

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# EXECUTIVE SUMMARY

In 2004, the Asian Development Bank (ADB) Board of Directors adopted capacity development (CD) as a thematic priority. ADB staff since developed a medium-term framework and action plan for strengthening assistance for CD in ADB's developing member countries (DMCs). The action plan calls for ADB-sponsored CD efforts to be more efficient, effective, and demand-driven. More effective CD interventions should contribute to better and more sustainable results by DMC organizations and groups, and ultimately to improved quality and coverage of public services, as well as reduced poverty in the region.

To advance this agenda and better understand CD in the Pacific region, ADB's Pacific department commissioned a regional study in the latter part of 2006. The study is based on 20 case studies from 11 countries across the region, prepared by Pacific island consultants. This report includes findings and recommendations that have benefited from inputs from an August 2007 capacity development retreat at ADB headquarters. ADB intends to use the findings and recommendations of the study to guide future capacity-building efforts in the Pacific.

The cases chosen for the study represent a cross section of experiences in the region by sector, thematic area, and source of funding. They cover programming experiences from economic planning, to infrastructure development, health and legal sector reform, civil society enhancement, fisheries, and one regional initiative. The study also explored approaches to CD relying on different modalities. While the research was intended to reflect a wide range of experiences, relatively greater weight was given to initiatives considered by stakeholders to be "successful." Initiatives that were contemporary, including some that would help to deepen understanding of emerging practices in the region, were also emphasized.

## Capacity Development: The Concept

Increased interest in CD in the 1980s onward has largely been a response to acknowledged shortcomings in development assistance, in particular, concerns about the effectiveness of technical assistance and the sustainability of capacity gains. Over the years, the concept has evolved with increased attention to capacity of larger systems, "soft capacities," and recognition that CD is strongly context and situation specific. The discussion of CD in this report is guided by the definition developed by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) and adopted by ADB:

"Capacity development is the process whereby people, organizations, and society as a whole unleash, strengthen, create, adapt and maintain capacity over time."

## Overview of Findings

Most of the case studies reflected a tendency, not unique to the Pacific region, to think of capacity primarily in terms of individual skills or organizational competencies. "Capacity development" is, thus, frequently equated with training or support for some type of organizational development process. Few of the cases demonstrated a systematic approach to analyzing or addressing capacity issues during the planning and design stages or in monitoring and evaluation. However, some of the experiences highlighted movement toward a broader sense of CD, that is, to more attention to capacity "systems," interorganizational concerns, or enabling conditions, even if not always articulated in CD terms.

The study identifies different approaches to, or entry points for CD in the Pacific, including those focusing on individual skills and competencies, organizational capacity, interorganizational collaboration, effective use of existing capacity, gap filling, and policy and institutional reform. The study also examines several examples of increasing Pacific island capacity to further develop its own capacity. Such CD efforts focused on empowering community groups, including use of innovative financing mechanisms for capacity strengthening, as well as one regional approach to CD. One case study looked at a community-based CD initiative that involved no donors.

Several key factors influencing "success" in the case studies were found, including participation and ownership, leadership and vision, capacity to demand, relevance, readiness and receptivity, investing in understanding, getting the incentives right, an enabling environment, flexibility and

"...the ultimate goal of capacity development programs is to support the development of better skilled and oriented individuals, more responsive and effective institutions and a better policy environment for pursuing development objectives. A key message is the importance of going beyond mere skills transfer towards supporting country leadership and strategic decision-making, accountability systems, and a culture of learning and innovation. ... Capacity development is as much about skills and systems as it is about incentives and behavior; much more than a technical exercise, capacity development is rooted in the political economy of a country..."

Operational Task Force on Capacity Development in Africa (World Bank), "Effective States and Engaged Societies: Capacity Development for Growth, Service Delivery, Empowerment and Security in Africa," 4 April 2005.

"Long-term development should be a nationally led and managed process that builds upon existing capacity in designing and implementing effective strategies to further boost capacity development. Our approach in nurturing MDG-based national development strategies integrates capacity diagnostics and strategies into the heart of that process. Capacity development must be taken into the core of development planning, policy and financing if it is not to be an ineffective add-on or after-thought. Even when requested to do so, UNDP should operate in a way where we do not provide direct support services in the short to medium term without a capacity-development exit strategy."

Statement by Kemal Dervis, United Nations Development Programme (UNDP) Administrator to the Executive Board of UNDP/UN Population Fund, 11 September 2006.

adaptivity, effective use of technical advisors, ensuring sufficient time, taking a systems approach, and harmonization of efforts.

While some capacity challenges are more or less common to developing countries at large, others are unique to, or exist to a greater extent, in the Pacific. These include: significant gaps in capacity in strategically important areas—such as trade and telecommunications—regular outflows of human capital (for some PDMCs), weak undiversified economies, relatively young states often struggling with issues of legitimacy, ongoing tensions between modern and traditional institutions, and limited capacity for effective demand. However, the region exhibits a multitude of diverse conditions, even within individual countries. In addition, there are particular capacity challenges in fragile and post-conflict states in the region.

Four themes emerge from the study: the importance of (i) understanding the context; (ii) thinking strategically about capacity—the dynamics of the capacity system, soft capacities (such as leadership, legitimacy, trust, motivations, and values), the relationship between capacity and performance, and the role to be played by the external intervener; (iii) programming strategically for sustainable capacity; and (iv) learning from experience.

## Implications for ADB

A number of possible implications for ADB, bilateral donors, and DMCs arise from the study in terms of their approach to CD. Three areas are seen to be of particular significance to ADB:

- Institutionalizing a CD approach in ADB's country programs, for example, by strengthening mechanisms to ensure a better understanding of the programming context as a basis for the country partnership strategy;
- Enhancing capacity development programming, such as through demand-driven pilots, fostering new approaches, and increased reliance on local capacity-building options; and
- Updating ADB's business processes and internal support systems. This would include strengthening internal capacity for CD and modifying consultant selection and recruitment processes. A number of the options for moving forward draw on the work of ADB's capacity development working group and recent ADB reviews of technical assistance effectiveness and programming in weakly performing countries.

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# The Pacific Choice





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# I. INTRODUCTION

What are the three most important things? *He tangata, he tangata, he tangata* - the people, the people, the people. (Maori saying)



## A. Background

The idea of capacity development (CD) has gained increasing prominence in the international development community over the past two decades. In 1993, World Bank Vice President Edward (Kim) Jaycox declared CD to be “the missing link in African development.” In 1997, the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) issued the document *Shaping the 21st Century*<sup>[1]</sup>, which described a new approach to development cooperation, including greater emphasis on CD within “effective partnerships.” In 2004, Francis Fukuyama<sup>[2]</sup> declared that donors should define capacity as the primary objective of all development assistance, rather than focusing on services, infrastructure, or other results.

1 OECD-DAC, *Shaping the 21st Century: The Contribution of Development Cooperation*, Paris, May, 1996.

2 Fukuyama 2004.

In 2005, the Paris Declaration on Aid Effectiveness affirmed the importance of CD, as well as ownership, harmonization, alignment, results, and mutual accountability. The Paris Declaration specifically described “capacity to plan, manage, implement and account for results of policies and programmes (as) critical for achieving development objectives from analysis and dialogue through implementation, monitoring and evaluation.” These references to CD were embraced under the Pacific Principles for Effective Aid.<sup>[3]</sup>

In 2004, the Asian Development Bank (ADB) adopted CD as a thematic priority and viewed strengthening developing-country capacity not only as a means to enhance performance but also as a goal in its own right. ADB has since developed a medium-term framework and action plan<sup>[4]</sup> for strengthening assistance for CD in developing member countries (DMCs). ADB’s action plan calls for ADB-sponsored CD efforts to be more efficient, effective, and demand-driven. More effective CD interventions with DMC partners are expected to contribute to better and more sustainable results by DMC organizations and groups that will help them realize intermediate outcomes, such as improved service delivery and better legal and regulatory enforcement. The anticipated long-term impact is better quality and expanded coverage of public services, and ultimately reduced poverty in the region. The action plan also reaffirms ADB’s commitment, articulated in the Paris Declaration on Aid Effectiveness, to increase the “alignment of their aid with partner countries’ priorities, systems and procedures and helping to strengthen their capacities.”

The objectives outlined in ADB’s medium-term framework and action plan are highly relevant to the Pacific region, given the number of weakly performing countries. Many countries in the Pacific are constrained by policy and institutional weaknesses

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3 Two of the Pacific aid effectiveness principles refer specifically to capacity development (the corresponding Paris Declaration Principles are noted in parentheses): Principle 5: Strengthened institutional mechanisms and capacity in countries to enable increased use of local systems by development partners. (Paris Declaration 17, 21, 22-24, 31; Indicator 4, 6, 8). Principle 6: (i) Provision of technical assistance (TA), including in aid coordination/management, in such a way that ensures that capacity is built with tangible benefits to the country to support national ownership. Provision of an appropriate level of counterpart resources through established procedures and mechanisms. (ii) Short-term TA, that addresses local skills gaps to conduct studies, is culturally sensitive. (Paris Declaration 22–24; Indicator 4).

4 ADB 2006g.

and limited organizational or individual capacity, while some countries have been badly affected by conflict in recent years, with its attendant capacity implications.

ADB's Pacific department (PARD) commissioned a regional study in 2006 to better understand the roles, responsibilities, and approaches of Pacific governments and development partners, including civil society actors, in CD. ADB intends to use the findings and recommendations to guide future capacity-building efforts in the Pacific. The study was based on a series of 20 case studies from 11 countries across the region, prepared mainly by Pacific island consultants (see Appendix 1 for a list of cases and researchers). A questionnaire was provided to the consultants as the basis for developing each case study (Appendix 2). An interim report was presented at a workshop at ADB headquarters in August 2007. The report was modified based on feedback from workshop participants.

The study, and associated dialogue with regional partners, also supports ADB's objective of "forming successful partnerships in the Pacific islands to build public sector capacity as a means to guiding more effective CD interventions in the future."

## **B. Scope of Study and the Process**

This study had three phases. During the first phase, the team leader met ADB and other donor agency representatives in Australia, Papua New Guinea, and the Philippines to (i) establish key issues from donor experience; (ii) produce a long list of possible case studies; (iii) validate the proposed focus of the study; and (iv) suggest a process for further Pacific island country reviews and for further donor discussions, while preparing an initial framework for the case studies.

The second phase entailed identification and hiring of consultant researchers from the Pacific Islands and preparation of the first group of case studies to affirm key issues and themes. These case studies were presented by the researchers at an ADB-sponsored "writeshop" in Sydney in April 2007. Based on feedback from writeshop participants (i.e., the other researchers, plus selected resource persons and donor representatives), the researchers

finalized their reports with the support of resource persons<sup>[5]</sup> and the team leader.

At the writeshop, Pacific islanders suggested follow-up on this initiative in the region. Toward that end, Vaine Wichman, the case researcher from the Cook Islands, made a presentation on the study at the July 2007 Forum Economic Ministers Meeting (FEMM) in Palau.

The August 2007 workshop in Manila was part of the third phase of the study. It provided an opportunity to present the interim findings and to reflect on options for moving the CD agenda forward in PARD. Participants included PARD staff, selected Pacific island consultants, resource persons, donor representatives, and the team leader. The workshop was followed by a session with donors on 20–21 August, at which ADB reported the study findings.

The cases chosen for the study represent a cross section of experiences in the region by sector and thematic area, as well as source of funding. Most of the cases were ADB-funded initiatives, with others being supported by the Australian Agency for International Development (AusAID), New Zealand's International Aid and Development Agency (NZAID), United Nations Development Programme (UNDP), and the World Bank. The cases covered programming experiences from economic planning to infrastructure development, health and legal sector reform, civil society enhancement, fisheries, and one regional initiative. The study also explored the different approaches to CD (including bilateral projects, advisory support, sector reforms, and TA facilities) and different country experiences, including post-conflict countries. The distribution of the studies is shown below.

Sector or Thematic Area	Number of Cases
Public Sector Reform	7
Economic Sector	3
Social Sector	2
Civil Society Enhancement	3
Technical Assistance Management	1
Harmonization	1
Country Strategy Development	1
Trust Funds	1
Regional	1

5 Resource persons have included Tony Hughes (Solomon Islands), Lynn Pieper (Timor-Leste), Tim O'Meara (Samoa), and Steve Pollard (Kiribati, Republic of the Marshall Islands, Nauru, Tuvalu). Patricia Lyon, senior capacity development specialist, Australian Agency for International Development, also served as a resource person at the writeshop.

In addition, the cases were selected taking into account the likelihood that they would yield lessons on

- the importance of Pacific developing member country (PDMC) leadership or ownership in CD initiatives,
- the value of strategic attention to capacity issues (e.g., in project designs, national or sector strategies, use of innovative mechanisms),
- "hard" as well as "soft" capacity issues, and
- the effective use of external resources for CD.

While the research was intended to reflect a wide range of experiences, greater weight was given to initiatives that were considered "successful." Initiatives that were contemporary, including cases that would help to deepen understanding of emerging practices in the region, were also emphasized.

Throughout this process, the consultants worked closely with ADB and other donors, including AusAID, which generously contributed to the implementation of the study.

Further details relating to case selection are outlined in the terms of reference for the Pacific Islands consultants (Appendix 3).

## **C. Organization of the Report**

The first two sections of the report provide some background on the study and on CD, including the origins and evolution of the concept, its precise meaning, discussion on the "how to" of CD, and ADB's approach.

The third section offers an overview of the findings from the cases, presented under three categories: conceptualization and planning of CD interventions, implementation, and monitoring and evaluation. It also examines country-specific issues and gives some details of capacity challenges in the Pacific region, as well as in fragile or post-conflict states.

The conclusions section draws out key themes and issues emerging from the research, such as the importance of context, thinking strategically about capacity, and the sustainability challenge.



The final sections of the report outline some of the implications for ADB arising from the research. These include considerations relating to development of country strategies, CD programming (including use of technical advisors), and ADB's internal systems and business processes.

## **D. Limitations**

Some limitations should be noted. First, the preliminary scoping study by the team leader was not as extensive as planned, due to cancellation of a visit to meet various stakeholders in Fiji as a result of the coup there in December 2006.

Second, the Pacific island consultants tasked with preparing the case studies were given a challenging task. They had to immerse themselves in the complexities of CD over a relatively short time and were asked to prepare the cases using a story-telling approach. Ultimately, the case studies reflect our collective, ongoing learning about what CD actually means in the Pacific in the early days of the 21<sup>st</sup> century, while hopefully being true to Pacific story-telling traditions.

## II. CAPACITY DEVELOPMENT

### A. Why Capacity Development? Origins and Evolution of the Concept

Increased interest in CD in the 1980s and 1990s was largely a response to acknowledged shortcomings in development assistance over the preceding 40 years, in particular, concerns about the effectiveness of technical assistance (TA) and limited apparent success in realizing sustainable capacity gains. This led increasingly to calls for more systematic and holistic approaches, and with greater emphasis on country ownership and sustainable results.

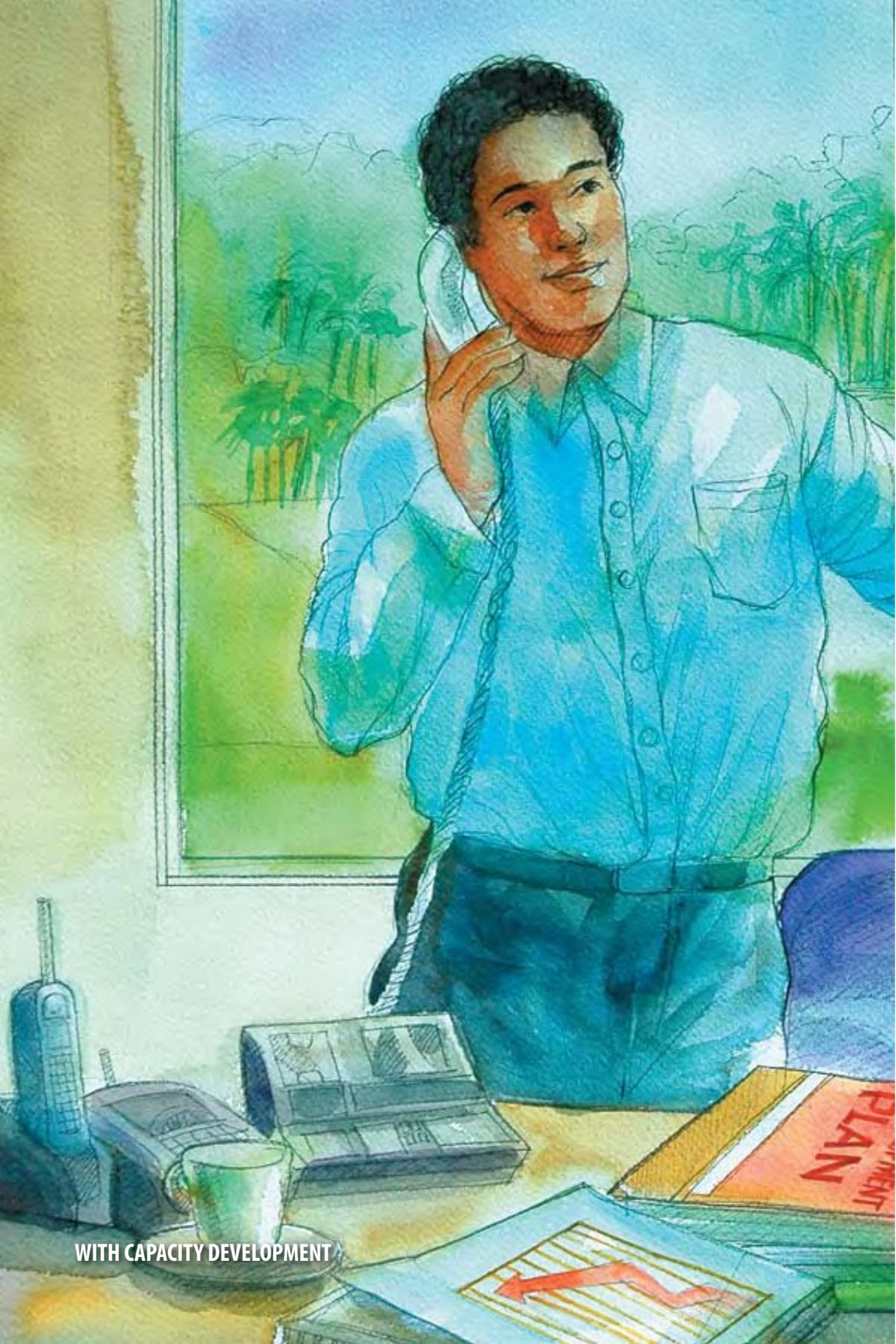
Since CD came to the fore in the 1990s, numerous reports, studies, papers, and official donor documents have reflected an increasingly sophisticated perspective on the concept. Recent trends in thinking about CD include the following:<sup>[6]</sup>

- Movement away from thinking exclusively about individual and organizational capacity to capacity of networks and larger systems.
- Greater recognition of the importance of “soft capacities,” such as leadership, relationships, legitimacy, incentives, motivations, and culture.
- Recognition that CD is a dynamic process and strongly context and situation specific—no “one size fits all.”
- CD cannot be “rolled out from the top;” it is a process of “decentralized social learning.”
- CD is not necessarily neutral; it can change, or can be affected by social, political, cultural, and economic relations.

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6 Ubels et al. 2005.





WITH CAPACITY DEVELOPMENT

## B. What Do We Mean by Capacity Development?

This discussion of CD is guided by the definition developed by the DAC and adopted by ADB, among other agencies:

“Capacity development is the process whereby people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time.”

This definition highlights several important considerations: the idea of CD as a multidimensional phenomenon (i.e., involving people, organizations, and society as a whole) that is country-owned, open to the lessons of experience and the flexibility to modify approaches, while maintaining a focus on sustainability.

However, as Morgan,<sup>[7]</sup> among others, noted, numerous frameworks have been developed to improve analysis of capacity issues, each of which reflects a different theory of change or view of human behavior. The various CD frameworks or perspectives draw on different disciplines or bodies of knowledge, including organizational development, political economy, institutional economics, strategic management, and systems thinking or complexity theory.

This report acknowledges the value of all of these perspectives, each of which was represented in varying degrees in the case studies. Some cases, for example, emphasized systems thinking as a way of understanding and responding to capacity challenges. This reflected the reality observed in many of the cases that involved complex change processes involving multiple actors operating within and across diverse systems. Other cases focused more on political economy issues, strategic management, or application of organizational development principles.

Beyond the diverse views on capacity development alluded to here, there is general agreement on certain underlying principles and orientations that collectively distinguish CD from other approaches to, or perspectives on, development. The principles are that CD is based on

- broad-based participation and a locally driven agenda,

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7 Morgan 2006.

- understanding of the context,
- building on local capacities,
- ongoing learning and adaptation,
- long-term investments,
- integration of activities at various levels to address complex problems.

## C. The “How to” of Capacity Development

The strategies or “how to” of CD embraced by practitioners, managers, or analysts usually reflect the school of thought to which they subscribe. Nongovernment organizations, for example, tend to follow an organizational development model, drawing occasionally on political economy analyses. Private sector organizational specialists tend to think in terms of institutional economics—supply and demand and incentives that drive behavior. Some donors, such as the United Kingdom’s Department for International Development (DFID) draw on a political economy perspective emphasizing power and “drivers of change.” Most other donor agencies tend to take an instrumental view of capacity issues, relying on strategic management tools and results-based management, with a particular emphasis on technical and managerial capacities required for performance improvement, often to the relative exclusion of social, political, or cultural dimensions that might influence behavior.

Operational strategies for CD<sup>[8]</sup> include

- eliminating old or inappropriate capacity,
- reducing demand on existing capacity,
- making better use of existing capacity and strengthening it,
- providing space for innovation or creative use of capacities, and
- creating new capacity.

Experience suggests that project or program planners often gravitate instinctively toward strengthening capacity or creating new capacity (through training or by focusing on new organizational structures) in response to development problems.

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8 Morgan 1998.



However, this has frequently proven to be inadequate, particularly when dealing with deeply rooted political or socioeconomic problems.

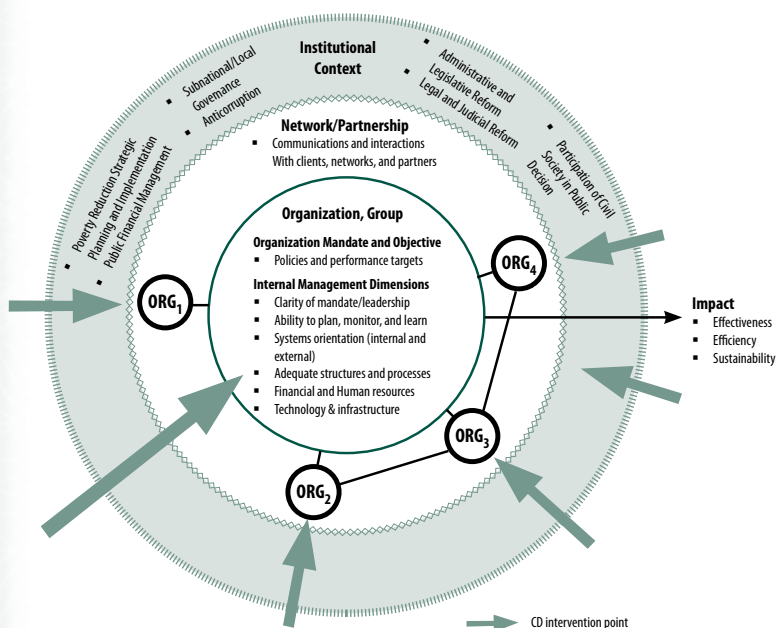
The tendency toward "developing" new capacity has also led many observers to suggest that other options, such as making better use of existing capacity, should be considered first in the interest of sustainability and local ownership. The latter might involve, for example, reviewing an organization's incentive systems (e.g., benefits, incentives, opportunities for professional advancement) before committing to a significant investment in training. Similarly, promoting collaboration among organizations (e.g., a coalition of health agencies) may lead to better use of existing capacity and be more effective than seeking to redress capacity gaps in each organization.

## **D. ADB's Approach to Capacity Development**

As noted above, ADB has endorsed the DAC's definition of CD. However, ADB also recognizes the multiplicity of definitions and that different stakeholders have their own definition or characterization of capacity and CD. ADB's framework and action plan rely on a template that draws on common features from various definitions but allows the Pacific countries to determine their own definition or concept of CD. ADB's perspective on CD is rooted in an assumption that public sector agencies will remain the key entry points for ADB's CD operations, but that other key organizations and groups, such as the private sector and civil society, also have significant roles to play.

ADB's CD framework is based on a systems perspective with three main dimensions: (i) organizations, (ii) institutions, and (iii) interorganizational and/or group relations. As illustrated in Figure 1, entry points for CD can be at the organizational, institutional, or network/partnership level. The framework also acknowledges the possibility of interventions that cut across the system, dealing simultaneously or sequentially with capacity issues at different levels.

**Figure 1: Framework for Capacity Development**



Source: ADB capacity development working group discussions

ADB's medium-term framework and action plan distinguish between capacity development and governance, noting: "Governance and CD differ insofar as governance is a normative concept that identifies certain standards, such as transparency and accountability, and measures country circumstances against these standards. In contrast, CD places emphasis on achieving objectives identified by DMC organizations and other relevant stakeholders. CD is instrumental to achieve governance objectives as it is to achieve environment, gender or sector objectives."<sup>[9]</sup> The action plan also notes that governance and capacity development are mutually supportive, because realization of governance objectives, such as improved accountability, often requires an investment in capacity just as strengthening capacity frequently depends on adequate governance conditions.

Finally, it is worth reiterating that ADB has endorsed the Paris Declaration on Aid Effectiveness, with its commitments to increased country ownership, harmonization, alignment, and capacity development.

<sup>9</sup> ADB 2006g, p. 15.

# III. THE STUDY - OVERVIEW OF FINDINGS

Data for this review came from various sources, including the case studies, articles, papers, reviews, and evaluations relating to CD and aid effectiveness (See references and additional source material). Information on ADB initiatives also came from evaluations and technical assistance completion reports prepared by ADB staff. It should be noted that while ADB has recently introduced a classification system for CD, it is only beginning to report on CD systematically. At this stage, most of the focus in CD reporting is on "quality-at-entry" considerations.

AusAID staff and consultants also provided material for this review, including evaluation reports and lessons-learned documents that capture AusAID's experience in CD in a range of sectors and thematic areas.

## A. Conceptualization and Planning of Capacity Development Programming

### 1. Articulation of Capacity Issues

One aspect of this study was to learn how PDMC stakeholders think about "capacity" and what "capacity development" means to them—conceptually and operationally. Most of the cases, as well as the material reviewed for the study, reflect a tendency, not unique to the Pacific region, to think of "capacity" primarily in terms of individual skills or organizational competencies. Thus, "capacity development" is frequently equated with training or support for some type of organizational development process.

This perspective is reflected in Esekia Solofa's case study on the Samoa Public Sector Improvement Facility which notes: "Ever since the start of the New Zealand scholarship scheme for Samoa

(which predated Samoa's independence by several years), Samoa has always understood the capacity building and development purpose behind aid, although in its narrow sense of human resource development (HRD)."<sup>[10]</sup>

However, some cases highlight movement toward an emerging international "consensus" on CD, with increased attention to capacity systems, interorganizational relationships and enabling conditions, even if they are not always articulated in CD terms.

The way capacity and CD are conceived in the Pacific region was seen as worthy of attention because much of the literature, guides, tool boxes, etc., on CD has emerged from the donor community; and CD is consistently referred to in those documents as an endogenous or locally-driven process. The question that arises is whose view or concept prevails. Is it the definition adopted by donors through the DAC, which sees CD as endogenous process, based on a notion of levels and a systemic approach,<sup>[11]</sup> or is it a conceptualization that focuses largely on human resource development and the capabilities of individual organizations? Or are we seeing a convergence of views over time? The cases suggest there is some convergence, although the language and practices between donors and developing-country partners still differ.

## 2. Capacity Assessment Processes

Consistent with the perspectives on CD noted above, few of the cases revealed a systematic approach to analyzing or addressing capacity issues during the planning and design stages. To the extent that it was done, there was a tendency to focus on "capacity gaps" or deficiencies, but with limited systematic attention to capacity systems, e.g., the capacity of organizations to work together, or the potentially constraining impact of "capacity-negative" policies or institutional rules. The cases also demonstrated little attention specifically to soft capacities, such as leadership, legitimacy, values, or identity as

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<sup>10</sup> Solofa 2007a. p. 14.

<sup>11</sup> DAC uses the term "systemic approach" to refer to the interaction between capacity levels (individual, organizational, and enabling environment). This language is used interchangeably throughout this report with the idea of a systems approach or systems thinking, with a recognition that the latter is backed up by a much more complex body of theory, which we do not endeavor to unbundle.

part of the assessment process. This does not necessarily mean that stakeholders were not attentive to such issues, rather, that they simply were not part of the formal assessment process.

Among the exceptions was the Tuvalu Trust Fund case, which incorporated a more purposeful approach to capacity issues from the start. The Government requested technical assistance (TA) from ADB to develop the idea of a trust fund into a project. It was agreed that the approach would, among other things: “Determine the critical success factors for capacity development at the island level and develop a model that could be applied, building on strengths and supporting weaknesses.”<sup>[12]</sup> The TA focused on strengthening the capacity of central and local governments in planning, managing, and implementing development projects.

Similarly, the Provincial Performance Improvement Initiative (PPII), an AusAID-funded project in Papua New Guinea (PNG), has built on an extensive diagnosis of service delivery in the country while its own feasibility study examined key institutional constraints. The latter was followed in PPII’s first phase by a “systematic analysis of the capacities of the provincial, district and local level government administration in relation to service delivery.”<sup>[13]</sup> This led in turn to provincial corporate plans and provided a basis for supporting CD plans for participating provinces.

The designs of other cases were clearly responsive to shifts within broader capacity systems that often opened up space to advance new policies or ways of using or strengthening domestic capacity. However, they were not usually informed by detailed capacity analyses leading to specific CD plans, as in PPII.

### **3. Role of PDMC Stakeholders**

The extent to which PDMC stakeholders were involved in the planning and design of CD interventions varied among the case studies. Most of the countries in the study are considered fragile states or weakly performing countries, which means that they often have limited capacity to engage in assessment and design processes. ADB’s 2007 report on weakly performing countries

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<sup>12</sup> Bell 2007, p. 2.

<sup>13</sup> Saldanha 2007, p. 3.



addresses this issue and the associated challenges, including how to promote ownership when capacity is weak and national institutions are fragile.<sup>[14]</sup>

Nevertheless, a great deal of the success in the case studies can be attributed to the engagement of local stakeholders, whether through consultative processes, participatory designs, or outright leadership in identification, planning, and design. The pattern for engagement varied significantly from clear local identification of the issue(s) to be addressed to reliance on external change agents to identify options for reform, which were picked up by local partners. These variations raise questions about how we define ownership, particularly in fragile states with serious capacity constraints— an issue touched on later in this report.

In the Tonga health management case study, author Kaveinga Tu'itahi speaks of the ministry staff defining the key directions for the project. He quotes one of the senior managers in the Government as follows: “I can say that effectively all they (AusAID) did was ask us what we needed, then they just coached us along and facilitated our journey in this project.”<sup>[15]</sup> ADB's Implementation of the Urban Planning and Management Strategy (TA No. 3860), 2002–2004, in Samoa also underlined the significance of participatory processes and broad stakeholder support, including in the TA design. Government agencies and the TA steering committee actively participated, and the Government demonstrated its ongoing commitment. In other case studies, including Samson Rihuoha's examination of institutional strengthening of Solomon Islands Ministry of Infrastructure Development, local leadership in setting directions was less evident (although not totally absent), given the severe capacity constraints the ministry was facing in the aftermath of that country's ethnic conflict.

## 4. Defining Capacity Objectives

As suggested above, capacity objectives were rarely defined explicitly in the cases. In fact, in most cases, objectives were

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14 ADB 2007a. This report contains ADB's approach to engaging with weakly performing countries. According to the report, ADB has modified its own processes to reflect the realities on the ground in weakly performing countries.

15 Tu'itahi 2007a. p. 8.



WITH CAPACITY DEVELOPMENT



WITHOUT CAPACITY DEVELOPMENT



defined in terms of expected performance improvements, with improved capacity almost an implicit feature of the design.

It was even rarer for a project to incorporate a "grand design" for CD. When capacity objectives were spelled out, it was usually in relation to specific perceived shortcomings in local skills, competencies, or organizational capacities that were seen as key to addressing a specific performance deficiency, such as poor water and sanitation or health services. There were some exceptions, particularly in some of the larger reform programs, for example, the PPII and the Capacity Building Service Centre, both in PNG, where capacity objectives have been defined more explicitly and in more holistic terms than elsewhere. In these cases, the project designers made clear links between individual competencies, organizational capacity, policies, and institutional conditions required to support and sustain capacity improvements.

Some cases focused specifically on higher-level capacity issues, such as linking different or complementary capacities through networking, or seeking to create more enabling conditions for capacity utilization via policy reform. Again, these were rarely, if at all, described as "capacity" strategies, or even acknowledged as strategies that could have a capacity benefit, for example, unleashing capacity, removing binding constraints to capacity, or institutionalizing incentives for more effective capacity utilization.

The experiences described above raise some questions about how capacity and CD are conceived and factored into the design of development projects or programs. In some cases, capacity issues were dealt with explicitly, but more often they were not. Some of the cases highlight CD as a planned process with inputs sequenced in a "building block" approach, whereas in others, the approach was emergent, in many respects informal, although at times informed by reasonably systematic processes of reflection and learning. And finally, while some cases embraced a holistic approach to capacity issues, others focused on "pieces of the puzzle" that were well (or less well) connected to the larger whole.

While acknowledging that most interventions lacked an explicit or detailed capacity strategy, many were actually guided by what

may be described as a mental model or view of how change would unfold. This is consistent with the findings from some of the case studies in the European Centre for Development Policy Management study on capacity, change and performance,<sup>[16]</sup> which noted:

“...everybody in the cases, be they analysts or practitioners, who dealt with capacity issues had tacit mental models or ‘frames’ of change and capacity development. They subscribed to certain principles and assumptions about what motivated people and organizations. They operated on the basis of assumptions about what caused what and what led to what. Or what made people and systems become effective. Or what issues mattered more than others. Their perspectives led to views about where to start a process of capacity development and what to do and in what order. Each way of thinking, in practice, reflected different theories of change and different perspectives on human nature.”<sup>[17]</sup>

In some of the cases from the Pacific, the “mental model” was clearly based on principles of organizational development. Others, as suggested above, drew on aspects of systems thinking, while those seeking to strengthen civil society and local communities relied more on mental models rooted in notions of participation, engagement, and empowerment. Donors drew on these various mental models in their designs to varying degrees, usually with an overlay of bureaucratic planning, emphasizing results-based management and performance improvements. These diverse realities reinforce a view of CD as a prism-like phenomenon that yields different images depending on how you look at it.

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16 The European Centre for Development Policy Management study (GOVNET 2005) has been carried out under the aegis of GOVNET, the working group on governance and capacity development of the DAC of the OECD. It includes 18 case studies and various theme papers.

17 Morgan, Baser and Land 2007.

## B. Implementation

### 1. Different Approaches to Capacity Development

As the sections above imply, there are various ways to frame a discussion about approaches to CD. For example, one could draw on the different conceptualizations of CD—institutional economics (supply and demand, incentives), drivers of change (power), organizational development, systems or complexity theory, demand-driven approach, instrumental approach (plan and control), iterative or emergent—as a way of analyzing or drawing out lessons about strategies or approaches. Another way of framing the analysis would be to focus on the nature of the inputs. Appendix 4, for example, outlines a range of CD intervention options, from provision of advisors to training, infrastructure support, and financing of programming for CD processes. A third option would be to examine how “capacity strategies,” explicit or otherwise, played themselves out in the various cases, in relation to the level of intervention (individual, organizational, sectoral). The next section provides a blended approach, looking partly at CD approaches by intervention level, while also focusing on different mechanisms or strategies that warranted particular attention.

#### a. Enhancing Individual Skills and Competencies

In the early days of development assistance in the Pacific, considerable emphasis was placed on development of individual skills and competencies through scholarship programs, work placements, study tours, and other means. As noted in one of the case studies: “Samoa has been generously supported for human resources development by the New Zealand scholarship scheme, which has been operating non-stop since it started some sixty years ago, and by the Australian scholarship scheme which is now approaching 30 years’ continuous operation.”<sup>[18]</sup>

The Samoa case goes on to note that human resources development has remained “a core driver for public agency involvement with aid-funded development schemes,” providing opportunities that have directly benefited individual public servants.

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<sup>18</sup> Solofa 2007b, p. 14.



WITH CAPACITY DEVELOPMENT



Commitment to human resources development is reflected in several of the cases, with some being more successful than others in ensuring that benefits accrue not only to the individuals involved but their home organization as well.

The case study, *Revamping the Cook Islands Public Sector: Rightsizing, Enhancing Skills and Changing Attitudes*<sup>[19]</sup>, examines attempts to enhance individual skills through training, although within a broader economic and governance reform process. As the title suggests, the case focuses on CD interventions linked to the rightsizing<sup>[20]</sup> component of the Cook Islands' economic reform program, which was undertaken in the 1990s. The interventions included training and skill upgrades to facilitate a shift for individuals either to the reformed public sector or the private sector.

The Cook Islands case highlighted some of the opportunities as well as risks of CD programming that focuses on the needs of individuals. On the positive side, it underscored the potential for a well-targeted training program to contribute to a broader reform agenda. It did this by focusing on specific skills required under the public service reform process, such as performance-based management, and by engaging a critical mass of mid- to senior-level staff in a well-regarded training program (the executive development program of New Zealand's Massey University). As important as the new skills though, was the shift that it effected in the "culture of governance" in the Cook Islands administration. At the same time, the case demonstrated how the benefits of such programs risk fading over time as "reform fatigue" sets in, key leaders move on, and the conditions that drove the initial reforms slip down the government agenda—in other words, the challenge of sustaining the capacity transformation.

The case also raised questions about the extent to which the human resource focus should have been on individual competencies or strengthening local institutional capacity to provide relevant training to Cook Islanders on an ongoing basis. As noted in the case, while the initial focus was on key individuals from the Cook Islands Government, there was recognition over time of the

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19 Wichman, 2007b. *Revamping The Cook Islands Public Sector: Rightsizing, Enhancing Skills and Changing Attitudes*. Manila: Asian Development Bank. Draft.

20 Rightsizing refers to the reduction or downsizing of the work force in the Cook Islands public service.

need to establish local institutional capacity to provide training of this type for future generations of participants. This was done eventually through an arrangement with the University of the South Pacific.

The case study on legal sector reform process in Vanuatu also had a strong, although not exclusive, focus on individual skills required within the sector to support a broader sector reform process. Once again, the case underlined some of the advantages of situating human resource efforts in a broader reform process, but also showed how capacity gains can be limited by institutional constraints, including difficulties, in Vanuatu's case, in retaining professional staff.

#### Box 1: Does Training Work?

Mark Nelson of the World Bank Institute explores this question in a 2006 *Capacity Development Brief*, which examines donor-sponsored training programs. As Nelsons notes, "the dominant finding of most evaluations of training in a development context is that it has proved less effective than expected. Donors have often supported training programs as a way of addressing a variety of institutional, organizational, and individual skills weaknesses that they assume training of key individuals can correct or improve. These expectations are seldom met." However, not all is bleak. As Nelson declares, "programs can be effective when done under favourable conditions and when country demand, motivation, and ownership are high." He concludes with a number of recommendations for improving training outcomes, urging that training should be

- designed and financed by the employer;
- focused on specific organizational outputs and outcomes;
- take place in a results-based organizational environment; and
- operate within a favorable institutional, legal, economic, and political environment with demonstrable demand.

Source: Nelson, Mark. 2006. Does Training Work? Re-examining Donor-Sponsored Training Programs in Developing Countries. *Capacity Development Briefs* 15. Washington, DC: World Bank Institute. February.

Samoa case writer Esekia Solofa acknowledged the need for ongoing human resource development in Pacific countries, such as Samoa, but the challenge according to him is how to turn such individual capacity transactions into sustainable organizational



capacity transformations.<sup>[21]</sup> This issue is discussed in subsequent sections.

A related issue in several cases was the appropriateness of training in the given context. In some instances, the focus was ensuring that training materials were relevant to the local context. The Cook Islands case offered a positive example; case study material for the program with Massey University was based on local experiences identified by Cook Islands participants. In other cases, the focus was the relationship between the level of the training materials and the capabilities or knowledge base of participants. The latter was noted in several cases of training provided for local leaders. As a local consultant cautioned in the Tuvalu Trust Fund case: “international agencies need to step back from international best practice and pitch advice at a level appropriate to the recipients.”<sup>[22]</sup>

## **b. Strategies for Effective Use of Existing Capacity**

Rather than relying on training, some cases revealed strategies aimed at unlocking or making better use of existing capacity, usually relying on human resource management tools and strategies. As with the training examples above, these cases highlighted the possibilities as well as the limitations of addressing capacity constraints or leakage through such means.

Pay reform was one option employed in several cases to try to ensure staff would not leave government for “greener pastures,” including staff who had already been trained through government and/or donor-funded programs. This strategy worked to varying degrees, depending on the specific incentives the government was able to offer and how they compared to opportunities outside the public sector. In some cases, there seemed to be an expectation that loss of public servants was all but inevitable, and that those who left would simply be replaced by the next generation of graduates, who would gain quality, entry-level work experience

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21 The United Kingdom’s Department for International Development publication (DFID 2006), *How to Provide Technical Cooperation Personnel*, distinguishes between initiatives that are transactional in nature, e.g., “to help a state or private sector organisation to establish new systems and technology, and deliver specific outputs” and others that are “more ambitious and transformational – to support the organisation’s sustainable capacity to deliver its main outputs in the future.”

22 Bell 2007. p. 12.

that would, in turn, be followed by their departure from the public service.

In the Tongan health management case, the author described how the project harnessed the ministry's capacity through effective use of workshops, on-site discussions, interactive meetings, and use of committees and working groups with staff from relevant areas. This was referred to as "developing Tongan solutions to Tongan problems"<sup>[23]</sup> and was seen as one means of trying to motivate and make better use of existing staff.

Other cases, described further below, displayed how a strong sense of ownership or commitment to a cause (for example, improved water and sanitation) among local stakeholders, or the creation of a more positive work environment by employers, created better conditions to retain and use local capacity.

The few examples described above, along with the training cases, illustrate two important points. First is that training and strategies to make better use of existing capacity, such as pay reform, are necessary but usually insufficient by themselves to address broader capacity challenges. Second, the experiences underline how institutional disincentives and weaknesses in human resource planning and management capacity—including how to assess needs, use TA effectively, and link human resource interventions to broader reform processes—can further limit the contribution of training or human resource reforms to sustainable capacity changes.

### **c. Gap Filling**

Absolute gaps in specific capacity areas are an ongoing challenge for some Pacific island countries, given weaknesses in education systems and sometimes mobile populations, such as in the Cook Islands and Republic of the Marshall Islands. These countries are vulnerable, in capacity terms, quite often in areas of high strategic importance, such as trade negotiations, anticorruption and money laundering, and telecommunications. In these circumstances, evidence suggests that "traditional" CD strategies, such as training public servants, may not be the optimal strategy, or may need to be combined with other approaches.

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<sup>23</sup> See Tonga Health Sector Planning & Management Project - Phase II - Project Design Document - AusAID & Government of Tonga, March 2001. p. 9.

Rather than allowing these gaps to shut down a whole system, gap filling is often used to ensure continuity in the system. A 2005 review of the Commonwealth Secretariat's Strategic Gap Filling Program<sup>[24]</sup> noted the different approaches—each of which was seen as having merit in light of the prevailing capacity situation—taken by long-term advisors under that program. They included

- operational gap filling (sometimes with secondary responsibilities for skills transfer or systems development);
- assuming an advisory role (e.g., on strategic policy or programming priorities); and
- mentoring and/or skills transfer role (time limited from a centralized or regional base), including “in and out” mentoring.

Gap filling in this sense is different from the often criticized scenario where expatriates assume roles that could otherwise be filled by national actors. Nevertheless, gap filling is still criticized for not responding sufficiently to long-term capacity needs or doing enough to break cycles of dependency on external expertise. The Commonwealth Secretariat review found that the gap-filling assignments were not always clear on counterpart arrangements, or where they belonged in broader capacity-building strategies. However, the report also found that if properly designed, gap-filling TA can contribute to CD, particularly if it is tailored to the particular needs of the beneficiary country. And by responding to strategic priorities at key junctures, it can reduce a country's vulnerability and provide a stronger base for use of existing capacity in the country.<sup>[25]</sup>

The need for ongoing gap filling in the Pacific reflects the reality that many countries in the region are not able to either develop or retain the skills they require, the net result being that they either have to buy the skills on international markets,

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24 The review was undertaken by the European Centre for Development Policy Management and included a review of the Commonwealth Secretariat's program in the Pacific.

25 Examples of this include a “gap-filling” trade policy adviser enhancing the potential for small to medium-size entrepreneurs to function effectively under a new trade regime, or advisors to national law offices increasing the capacity of local officers to address money laundering issues.

rely on technical assistance provided by donor agencies, or do without. Gap filling, as a phenomenon, also reflects increasing globalization, with skills being transferred regularly across international borders. In that sense, all countries, industrialized or other, engage in gap filling.

The term gap filling was not used in any of the cases covered in this study. However, some of the TA interventions were consistent with the description above. For example, as detailed further below, the advisor to the ADB-sponsored Republic of Marshall Islands (RMI) fisheries project became involved in marketing of RMI as a destination for investment on behalf of the Government and took part in negotiations on the Government's behalf. These activities were beyond his terms of reference but reflected the acknowledged and strategically important weaknesses in the RMI Government. This "gap filling" provided an opportunity for the Government to address issues that would lead to more effective use of capacity in the country's private sector. In the Solomon Islands infrastructure development case, the consultants provided training and advisory support, but also took an active role in implementation, partly due to capacity gaps in the ministry in the aftermath of the recent conflict. The implications of this approach in a post-conflict scenario, such as Solomon Islands, are discussed further below.<sup>[26]</sup>

#### **d. Supporting Organizational Capacity Development**

The Tonga health management case is an example of a TA project focused primarily on organizational-level capacity issues, specifically in the country's Ministry of Health (MoH). The case study describes how pressures on the health care system had intensified over years leading to the determination that the "core problem" was a need for improved planning, management, and coordination in the MoH. It was anticipated that the proposed changes would strengthen the ministry's planning, human resource management, training, and communications, as well as work practices, procedures, performance measurement, and monitoring. The last mentioned, in turn, would help to identify solutions to difficulties faced in specific areas, such as medical records and procedures for patient admission, transfer, and discharge.

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26 For more on gap filling and other approaches to TA, see Land 2007.

The project had three phases. The first involved intensive diagnosis of capacity issues in MoH and assessment of MoH's absorptive capacity for changes proposed for the next phase. The second phase built on activities from the first phase, extending them to the division and section levels, and the third phase focused on consolidation of achievements and development of a model that other government agencies could use.

According to the case study author, Kaveinga Tu'itahi, the positive achievements could be attributed, in large measure, to the management team and the conditions they provided for the change process. The case speaks to "their vigilance in addressing the various challenges and taking a clear visionary and focused strategic approach to the tasks they face."<sup>[27]</sup> Much of the credit was given to the minister who was described as "young and open to meaningful change" and who put "the full weight of his office" behind the initiative. The importance of leadership, vision, and senior-level support to organizational change processes, including efforts to address capacity issues, is a theme that also emerged in other cases and is addressed further in the section on key success factors.

The aforementioned Solomon Islands case study on Reconstruction of a Fragile State examines efforts to reestablish the capacity of the Ministry of Infrastructure Development (MID) after the ethnic conflict in that country. Once the country was secure, the Government drew up a medium-term development strategy to contribute to the stabilization and restoration of the economy. The plan's fifth key strategic area was revitalization of the productive sector and rebuilding of supporting infrastructure. However, as the case notes, "MID officials believed that before SI's [Solomon Islands'] medium and long term reconstruction issues could be addressed effectively, MID's internal capacity would have to be strengthened."<sup>[28]</sup> This led to a request to the ADB for TA to strengthen the capacity of MID to plan, manage, and finance infrastructure development "in a sustainable manner." Besides training professional staff, the TA helped the Government prepare a national transport plan, and establish a transport policy and planning unit, as well as a national transport fund.

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<sup>27</sup> Tu'itahi 2007a. p. 4.

<sup>28</sup> Rihuoha 2007. p. 4.



The Solomon Islands initiative was seen as a success in terms of meeting its expected deliverables, but this could be attributed, at least in part, to the significant role played by the advisors, such as in developing the plans and designing new organizational structures. However, the case also shows the challenges of taking on a complex organizational CD initiative in the early recovery stage following a conflict. An evaluation of the project noted that while skills were effectively transferred in such areas as project management, the project was less successful in sustaining skills in areas where local staff had limited prior experience. The evaluation went on to state that “No evidence can be found that any training, either formal or on the job training, was provided in the creation of new institutional structures and procedures within MID”<sup>[29]</sup>—something which would seem to be key to sustainability.

Some of the perceived shortcomings in the Solomon Islands project were attributed to an inaccurate assessment of MID’s capacity (including its ability to absorb training) and lack of time provided for follow-up support. The evaluation also noted that the many vacant positions in the ministry after the conflict affected efforts to improve MID’s internal capacity, as did the Government’s slowness in recruiting new staff due to a recruitment freeze.

In brief, the two cases described above highlight the importance of leadership, senior-level support, and enabling conditions to effective organizational change. The Solomon Islands case, in particular, also shows the need to assess capacity accurately in advance and to calibrate expectations accordingly, especially when dealing with post-conflict situations. These themes and the Solomon Islands case are discussed further in subsequent sections.

## **e. Enhancing Capacity for Sector Reforms**

Sector reforms lend themselves to a systems approach to CD, given the need for coordination and collaboration across government systems, and with nongovernment actors. This was the case in the AusAID-funded legal sector strengthening

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<sup>29</sup> ADB 2006b, p. 13.

program in Vanuatu, which tackled issues in the legal sector—staff development, relationship building, administrative reform, review of existing laws and structures, and improvements in accommodation for justice sector offices. The program was also aligned with Vanuatu’s ADB-financed comprehensive reform program, which included a broader reform agenda covering such areas as governance, public sector reform, and private sector development.

Sector reforms, such as sector-wide approaches and CD processes, are expected to reinforce or build on host country ownership, working through local institutional structures. However, the experience with the Vanuatu legal sector strengthening program and other sector reforms also demonstrates how they can be “capacity-demanding” because of the need for the lead ministry to advance policy and institutional reforms, enhance collaboration with domestic partners, and harmonize with external actors—all areas requiring significant capacity that is often in short supply. The ability of the lead ministry to advance reforms can also be compromised by factors in other parts of the system, such as remuneration packages for lawyers in the case of legal sector strengthening, which were not seen as competitive enough to sustain legal careers in Vanuatu’s public sector.

In both RMI case studies (fisheries and youth services), author Ben Graham noted how ADB collaborated with the Government to address capacity issues. The key stakeholders recognized the need to address a spectrum of issues in an integrated manner—simultaneously or sequentially—in order to realize the expected objectives. In the RMI fisheries case, there was an explicit recognition of the need to deal with both policy and organizational issues in the sector, reported as “a rethinking of fisheries development” that could only be supported by a broad-based, multiyear reform program to deal with the fisheries sector as a whole system.

The youth project, while not strictly a sector reform program, had two streams, one of which focused on developing the enabling environment (policies, strengthening the responsible ministry as well as nonstate actors, and enhancing collaboration among the diverse actors involved). The other focused on “Development of Youth,” addressing issues from improved school retention rates to enhanced service delivery capacity and engagement



of youth in civic affairs. Similar to the Vanuatu case, a lesson arising was that while a broad approach to problem analysis and intervention design is appropriate, it does not necessarily lead to the expected results at the broader systems level, particularly if a binding constraint intervenes, such as a capacity gap, a lack of commitment, poor relationships among relevant stakeholders, a disabling policy environment, or any combination of such factors.

The difficulties described briefly above reflect the inherent challenges in reforms that involve diverse stakeholders in an extended capacity system. They point to the need to invest in understanding the "system," to identify strategic entry points<sup>[30]</sup> and appropriate sequencing of inputs, and the need for flexibility and capacity to adjust to changing contextual realities—in other words, a clear strategy for CD, including how such inputs as TA are used to support it. Providing sufficient time is another important consideration for sector reforms, discussed further in the section on key success factors.

## **f. Policy and Institutional Reform**

Some case studies had an explicit focus on policy or institutional reforms, usually as part of a broader reform process. The Vanuatu legal sector reforms discussed above, for example, involved support to strengthen the capacity of key sector institutions and to review existing laws to identify priorities for legislative action. The latter led to drafting, amending, or passage of key legislation, such as the legal profession bill, criminal procedure code, and penal code.

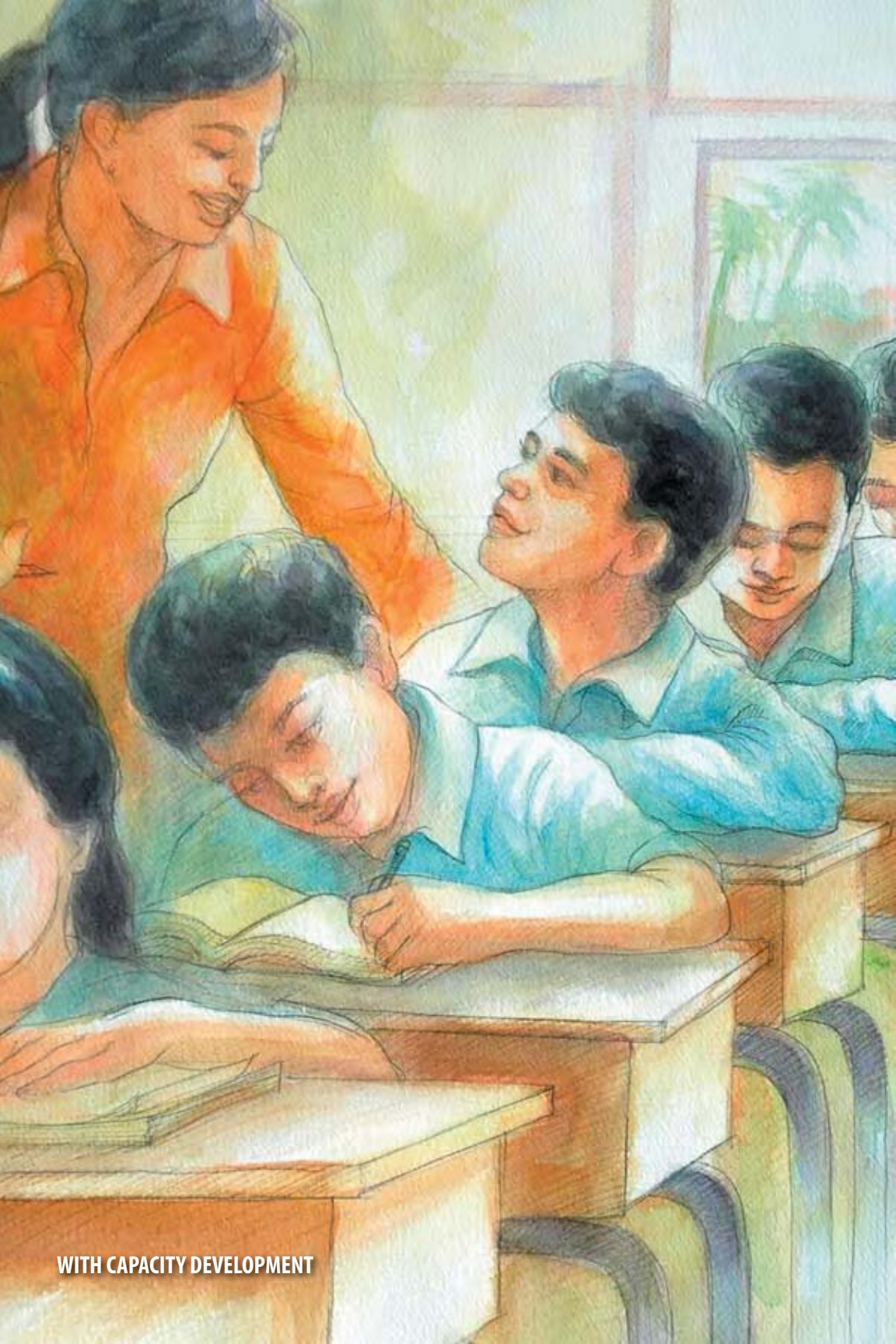
In the Kiribati case study on water and sanitation, there was a recognized need to deal with several issues—community health, education, water supply, sanitation, appropriate technology, institutional strengthening, and management aspects—in a coordinated approach, including the development of "suitable strategies and policies for addressing the issues."<sup>[31]</sup>

Both RMI cases also recognized the need to update or develop new policies to provide an enabling environment for planned reforms.

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<sup>30</sup> For example, the RMI youth services case referred to "following the energy" in the system.

<sup>31</sup> Mackenzie 2007. p. 2.



In the youth services case, this was combined with interventions to strengthen the capacity of the Ministry of Internal Affairs (including the Youth Bureau) and the Marshall Islands Youth Congress, and to increase cross-sector collaboration.

In none of the cases was support for policy and institutional reform described specifically as a "capacity development" initiative, although in some cases external advisors worked with Pacific islanders to strengthen policy development skills, usually in a learning-by-doing mode. Nevertheless, the experiences point to the potential for relying on policy and institutional reform as a "capacity strategy" that can provide space for effective use of capacity in the local or national context, for example, by removing such constraints as disabling policies, or by reforming institutions that might otherwise limit reform processes.

## **g. Strengthening Interorganizational Collaboration**

The AusAID-funded Provincial Performance Improvement Initiative (PPII) is a PNG Government initiative (started in 2004) led by the Department of Provincial and Local Government Affairs (DPLGA) in partnership with Department of National Planning and Monitoring. For AusAID, support to PPII represents part of their subnational strategy. The objective of the initiative is to improve public administration at the subnational level, but it also includes support for national initiatives that affect lower levels of government, such as intergovernmental financing, legal structures, coordination with provinces, and local governments.

Given the nature of the intended reforms, there is a real need to strengthen capacity for interorganizational collaboration at the provincial level, but also in terms of federal-provincial relations. In fact, one of the objectives during the pilot phases was to "Strengthen national agency linkages with provincial/district/Local Level Government administrations." This has led to specific interventions linking national agencies to the provinces working on service improvement, including consultative forums. AusAID supports this process, in part, by "co-locating" Australia-based and locally engaged AusAID staff in key national government departments and provincial administrations.

The PPII is still underway at the time of writing and is likely to yield interesting lessons over time, including how to engender



or strengthen capacity to collaborate—a particular challenge in a context like PNG, with its significant capacity constraints (especially at the decentralized level), where the approach to decentralization remains controversial and where incentives have not always favored collaboration.

In the RMI youth services case, as noted above, project stakeholders recognized the need for interorganizational collaboration, but also saw weaknesses in government capacity as a potential obstacle. A decision was made to designate the National Training Council (NTC) as lead agency for the reforms. This required an overhaul of NTC, including updating legislation, formulating a new strategic plan, hiring a new director, identifying new board members, and providing organizational strengthening support from ADB. This was done with an understanding that NTC would continue to operate under the direction of the Ministry of Internal Affairs. However, as the case revealed, the Ministry of Internal Affairs was not up to the challenge given leadership, human resource, and other capacity shortcomings. A conclusion from the case study was that some of the recommendations from the ADB TA were unlikely to ever be implemented given various constraints, including the challenge of coordinating the agencies required to support improvement of youth services in the country.

The Tonga health management case offers a somewhat more optimistic example of interorganizational collaboration. The Tongan Ministry of Health secured the support of other agencies in government, including Ministry of Finance, Central Planning Department, and other key public service agencies, to advance their reforms. Collaboration also relied on policy and executive committees, as well as human resource training and development committees. As the case study noted, “This ensured a wider network for mutual support and essential and effective networking.” The other Tongan case study, which examined an ADB TA aimed at enhanced integrated strategic planning, offered a similar picture; it brought “the strategic planning process in harmony with fiscal planning in the Ministry of Finance,”<sup>[32]</sup> by enhancing collaboration between the Central Planning Department and the Ministry of Finance.

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32 Tu’itahi 2007b, p. 5.

## h. Regional Strategies for Capacity Development

The vision statement in the Pacific regional plan recognizes the “limited capacity and fragile and vulnerable environment” of the region’s small island states, leading to a call for more “regional approaches to overcoming capacity limitations in service delivery at a national level, and increasing economic opportunities through market integration.”<sup>[33]</sup> Toward that end, one of the strategic objectives of the plan is “the building of strong partnerships with national and regional stakeholders.... (including) regional volunteer schemes and other forms of regional exchanges for capacity building.”

One case study, *The Role of USPNet in Capacity Development in the South Pacific Region*<sup>[34]</sup>, was chosen specifically to garner insights on the role of regional institutions in CD in the Pacific. As authors Ron Duncan and James McMaster note, the case study “tells the complex story of how a regional university has changed its delivery systems for teaching and learning to serve the growing needs for tertiary education of students living on thousands of small islands in the Pacific Ocean (including) the development and use of its communications technology system called USPNet.”<sup>[35]</sup>

The University of the South Pacific (USP) distance education program in the region started in 1970, focusing mainly on in-service teachers. By 1976, USP had a total of 90 distance education students enrolled in 16 courses through four university centers and four education departments. By 2006, there were more than 10,000 distance education students (almost half of USP’s total student population) enrolled in over 200 courses. Initially, USPNet only had voice capacity, but with recent upgrades now offers instruction using a multimedia format that has increased the quality of the educational experience for students and helped reduce attrition rates.

The case study describes how USPNet has contributed to capacity at various levels in the region: at USP headquarters, through

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33 Pacific Islands Forum Secretariat. 2006. The Pacific Plan includes 21 references to the word capacity, showing its importance.

34 Duncan, Ron, and James McMaster. 2007. *The Role of USPNet in Capacity Development in the South Pacific Region*. Manila: Asian Development Bank. (Draft)

35 Duncan and McMaster 2007. p. 5.

enhanced capacity to deliver regional programs and to serve as a knowledge facilitator or regional hub; in the 12 university campuses around the region, as an access point for knowledge and expertise and a source of service delivery; and among the thousands of university students who have come to rely on it as a source of access to knowledge at low cost. The case also suggests that USPNet still has considerable untapped potential to contribute to strengthening capacity in the public and private sector, and to civil society in the region.

From a CD perspective, the case offers interesting insights on both the opportunities and challenges associated with relying on regional institutions to address capacity issues. To begin with, it reflects what would appear to be an increasing interest in the Pacific, and elsewhere, in regional or "network-like" responses to capacity challenges. Such responses include the South Pacific Forum, South Pacific Regional Environmental Programme, and Forum Fisheries Agency. As suggested in the development literature,<sup>[36]</sup> networks, coalitions, and other types of partnership arrangements are increasingly being relied on to respond to such complex issues as environmental management, economic cooperation, and HIV/AIDS. They also reflect a desire to bring capacity together to respond more efficiently and effectively to rapidly changing conditions, something that has been greatly helped by advances in information and communications technology, including reduced costs.

The USPNet case draws attention to some of the capacities or capabilities required to make networks work effectively: leadership (more "distributed" than in other organizational forms); legitimacy and collective identity; technical capacity; and capacity to manage or serve the network, including facilitating participatory approaches, knowledge management, and adaptability. It also shows the potential for relying on regional mechanisms, knowledge networks, communities of practice, and professional associations as networks of, or facilitators of, CD. This type of collaborative capacity is particularly important in Pacific island countries given their weak (or nonexistent) local institutions, limited skills base, and often mobile populations.

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36 See, for example, Taschereau and Bolger 2007.



## **i. Enhancing Domestic Capacity to Develop Capacity**

The research team selected several cases intended to bring to the fore issues relating to the use of TA facilities. One of these, Samoa's Public Sector Improvement Facility, has been completed, but the others (Advisory Support Facility and Capacity Building Service Centre, both in PNG) had to be put aside as the consultant identified was not able to undertake the work. Nevertheless, some comments are offered below on the two PNG initiatives based on review of relevant material. Examining experiences in the region with TA facilities was seen as important for several reasons: (i) TA remains at the core of much CD work in the Pacific; (ii) the use and management of TA, particularly in pursuit of sustainable capacity, continues to be controversial; and (iii) TA facilities represent an alternative approach to TA, with increased emphasis on local management and control of TA, including ensuring responsiveness to domestic priorities.

According to the AusAID design document, the Samoa Public Sector Improvement Facility was based on a desire to “design a facility appropriate to Samoa's social and cultural context, environment and economy that will support the Government of Samoa to build the capacity of its public service to implement its national development priorities. (It will) .... address priority small-scale needs in support of economic and public sector reform within the key GoS public sector agencies.”<sup>[37]</sup> The mechanism is managed by a facility management unit in the Ministry of the Prime Minister and is supported by a contracted support team. An overarching strategy is to strengthen cooperation among public sector agencies involved in public sector reform and between those actors and civil society and private sector interests. The facility has been operating for several years. Like PNG's Capacity Building Service Centre (CBSC), discussed below, the start-up years are seen as a transition period that will involve enhancing the capacity of the government team to assume full management responsibility for the facility over time.

The experience to date with the Samoan facility highlights some of the challenges associated with establishing such a locally-managed mechanism. As the case study notes, “the story of the Facility so far is entirely about building (practically from

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37 AusAID 2004c. p. iv.

scratch) the capacity of the Samoa government to manage the Facility.”<sup>[38]</sup> Part of this can be attributed to the fact that the facility is only a few years old. However, the author provides other reasons: incorrect assumptions about the capacity of the Government to run such a facility, lack of skilled and innovative leaders and an organizational culture amenable to supporting such a facility, and emigration, which has drawn away some of Samoa’s best and brightest to overseas destinations, such as Australia and New Zealand.

The CBSC in PNG’s health sector was established in 2005 to “improve the health of all Papua New Guineans by developing competencies and capabilities of individual, organizations and systems in the PNG health sector.”<sup>[39]</sup> It represents a relatively new modality for AusAID: the partnering approach. This approach entails joint participation by the Government, AusAID, and the CBSC contractor in a charter board and management group intended to allow the three parties to share responsibility for the direction and performance of the center, while providing the flexibility to adjust its operations to address emerging needs.

The CBSC takes a fairly comprehensive approach to capacity issues in PNG’s health system, addressing sector-specific needs (technical and managerial) at various levels and governance and administrative arrangements affecting the sector, while supporting learning about CD innovations. It has also invested in professionalizing the procedures for recruitment and selection of TA personnel, as well as performance measurement of advisors. The establishment of the CBSC itself is also noteworthy, like the Samoa facility, as a donor-funded mechanism, supported by a contracting agency that, over the longer-term, is intended to be integrated into the national government.

As of 2007, the PNG Advisory Support Facility (ASF) had over 50 advisors working in 22 government departments and agencies or supporting specific initiatives in the country, including the Public Sector Workforce Development Initiative (PSWDI), Department of Provincial and Local Government Affairs, National Economic Fiscal Commission, National AIDS Council, and Treasury Department. One difference between the CBSC and ASF is that

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<sup>38</sup> Solofa 2007a. p. 13.

<sup>39</sup> Statement taken from Capacity Building Service Centre Charter between AusAID, Papua New Guinea Government, and the Australian managing contractor.

ASF is more of a “free standing” facility that responds to demand in many government departments and agencies rather than being dedicated or limited to a specific sector. A mid-term review of the ASF noted the following key success factors:

- active, involved board of management;
- a strategic plan linked to government priorities for public sector reform;
- professional recruitment and government selection of advisors;
- comprehensive induction and ongoing support; and
- incentives for quality of advice provided versus outputs.

The facilities described above are attempts to address the important issue of TA management, and use of TA for effective CD, with local stakeholders in the driver’s seat, from identification of need to recruitment, selection, and assessment of performance. While these facilities show promise—including ensuring greater flexibility, responsiveness, and ownership—they also have their own capacity issues, as the Samoa case highlights. Questions worthy of further exploration as these facilities progress include how effective they have actually been in localizing management of TA, reducing dependency on external advisors, and increasing the overall quality of CD processes.

Other issues that merit further exploration include the different governance and/or management arrangements and approaches used by the facilities, the effectiveness of the “counterpart system,” incentives for various stakeholders, and how impact on the host agency’s capacity is measured. Finally, it will be important to learn more about how “demand” for TA and CD support is managed, how requests from local partners are reconciled with sector priorities, and how capacity is used for sustainable benefit.<sup>[40]</sup> Positive findings on these and other considerations would improve the prospects for increasing reliance on such facilities for addressing capacity issues in other settings.

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<sup>40</sup> For example, it would be worthwhile to establish a clearer sense of the so-called “free good” syndrome and whether facilities encourage more critical consideration of the costs and benefits of different technical assistance options.





Village meeting at Serki, South Fly (Source: Ok Tedi Mine CMCA Review - [www.wanbelistap.com](http://www.wanbelistap.com))

## j. Voice, Empowerment, and Accountability

PNG's law and justice sector program (LJSP) supports the country's national strategy for law and justice. The overall objective of this AusAID-funded program is to increase the responsiveness of the justice system to community needs, including improved delivery of legal and judicial services and law enforcement. Key principles underlying the program are working through national systems to ensure PNG ownership; building linkages between the informal and formal systems of justice; acknowledging the strong social and cultural context of law and justice in PNG; and working with communities to resolve disputes and achieve good order, peace, and harmony.<sup>[41]</sup>

The case study on this program focuses on the community justice liaison unit (CJLU), which was established under LJSP to enhance the capacity of PNG civil society and to facilitate its involvement in policy development and delivery of services in the justice sector. The CJLU emerged from consultations in 2003 on how to engage civil society and community representatives more effectively in sector planning and implementation. It now has a mandate to facilitate partnerships between formal law and justice agencies and civil society. Achievements in its first few years include

- facilitation of civil society participation in development of PNG's sector strategic framework;
- participation of community representatives in the development of the sector performance monitoring framework;
- securing civil society's role as key collectors of performance data;
- creation of a law and justice sector nongovernment organization focal group; and
- establishment of two pilot projects for improved law and order in Port Moresby, leading to integration of new approaches by local administrators.

While the CJLU is still in its early stages, it has shown promise as a mechanism for enhancing the voice of PNG communities, an important demand-side capacity. The case is also noteworthy

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41 McQueen (undated).



for demonstrating the potential for external agents to tap into and support traditional institutions—such as PNG approaches to mediation and restorative justice— while encouraging links between the formal and informal aspects of the justice system. Nevertheless, PNG stakeholders acknowledge that challenges remain, including how to institutionalize the capacity that has been built up in PNG civil society in a manner that will allow civil society actors to continue to deliver services and hold government accountable on justice sector issues. An associated, practical challenge will be how to diminish reliance over time on donor funding and government support.

The Nauru case study, *Nauru National Sustainable Development Strategy: Building Capacity through Participation*<sup>[42]</sup>, examines a joint effort of the Government, ADB, AusAID, and Pacific Islands Forum Secretariat. The project, which took place in 2005, assisted the Government and people of Nauru to determine and prioritize long-term development options. While the key outcome of the project was to be a new development plan and implementation strategy, the project team saw the process as an opportunity to develop domestic capacity, consistent with the OECD's statement that a national sustainable development strategy is "a strategic and participatory process of analysis, debate, *capacity strengthening*, planning and action towards sustainable development."<sup>[43]</sup>

As the author of the Nauru case noted:

"The participatory planning approaches had particular power in building capacity because they presumed every citizen's experience has 'gold' to offer and sought to actively 'mine', process and celebrate this resource. Because people's experience and thinking was recognized and valued, they are more likely to feel a sense of engagement and ownership. And from this came motivation to 'be part of' the something new and different taking shape. In Nauru, as with other societies where large groups of individuals are traditionally 'disempowered,' participation on this scale

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42 Balm, Kevin. 2007. *Capacity Building for Financial and Economic Management: Nauru National Sustainable Development Strategy: Capacity Development Study*. Manila: Asian Development Bank. (Draft)

43 OECD 1999.

is a potentially 'radical' offering - yet due to the .... methods, the 'mining and processing' of individual experience was gentle and honoring."<sup>[44]</sup>

The case described the various types of capacity strengthened through this process, including participatory leadership, civil society strengthening, and institutional capacity for development policy and planning. It also noted the perceived need among stakeholders to shift "from 'silo' thinking toward more holistic, integrated thinking" and a parallel shift from "a tradition of few individuals or institutions involved in finding solutions to shared problems, to ordinary citizens seeing they have a role to play, the belief that it could be done, and that an individual could make a difference."<sup>[45]</sup>

#### **Box 2: Tonga: *faka'apa'apa* (respect)**

"Directly engaging in dialogue with people is symbolic of the closely related core Tongan values of *faka'apa'apa* (respect, in a general sense) and *toka'i* (to specifically defer to and allow others to express opinions, out of respect for their wisdom, values, dignity, and needs as fellow humans). In this sense, the concept of *toka'i* is also a dimension of the discussion of *justice* as virtue. Whilst the ethical values of respect, deference and distributive justice may not be uniquely Tongan, consulting people (was a) recognition that they do have a right to be heard as the programs scheduled through SDP8 would affect their lives."

SDP = strategic development plan.

Source: Tu'itahi, Kaveinga. 2007b. *Demand Driven Development, Capacity Enhancement for Participatory Strategic Planning in Tonga*. Manila: Asian Development Bank. Draft. p. 7.

In the case study on Tonga's integrated strategic planning initiative, the director of the Central Planning Department noted that "SDP [Strategic Development Plan]-8 stands or falls on public engagement and dialogue."<sup>[46]</sup> A cultural aspect of this is shown in Box 2. As the case writer described, the participatory approach "was effectively a capacity development exercise" because it "built people's capabilities in identifying and articulating their needs and then negotiating these directly

<sup>44</sup> Balm 2007. p. 11.

<sup>45</sup> Balm 2007. p. 13.

<sup>46</sup> Tu'itahi 2007b, p. 5.

with government.”<sup>[47]</sup> The case underlined how this approach strengthened local ownership, “a pre-condition for effective capacity development,” while giving the Government confidence that the strategic plan reflected the aspirations of the people.

An issue that emerged in some cases was the relationship or balance between demand and supply. In several cases described above, interventions helped to strengthen capacity of local stakeholders to advocate or support reforms. However, in some instances this was not matched by capacity or commitment on the supply side to respond with equal force. From a programming perspective, this raises questions about how to ensure a reasonable balance between supply and demand, or how interventions encouraging both can be synchronized or sequenced most effectively. The cases also raise the question of demand from whom—demand in some cases came primarily from local leaders or elites, while in others it clearly emerged from the community. Each of these is likely to have different consequences in terms of the “legitimacy” of the demands and how, or if, support for them will be sustained. It also raises questions about whose capacity for enhanced voice or demand is being developed.

#### **k. Financing Mechanisms for Capacity Strengthening and Utilization**

One case study, on Tuvalu’s Falekaupule<sup>[48]</sup> trust fund (FTF), looked specifically at use of a funding mechanism to support CD. The FTF was conceived in the 1990s as a mechanism to help build capacity for outer island development, building on the experience of the Tuvalu trust fund, which had already demonstrated its worth since 1987.

The FTF was seen as a response to difficulties experienced with other development programming modalities. As the case study author Brian Bell noted:

“Having just observed the difficulties of implementing projects under existing modalities it was clear a different approach was needed. Donors or central government drove the development process. Very few

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<sup>47</sup> Balm 2007, p. 6.

<sup>48</sup> *Falekaupule*: the traditional assembly on the islands.

projects really seemed to take root and be sustainable with the island communities. The usual outcome was an initial burst of enthusiasm followed by a gradual spiral down of effort and impact once the expatriate advisor had left, central government support faded away and the practical difficulties of implementing small projects in remote, resource poor conditions took effect. People from outside always seem to know better than those living with the daily issues of island life. The difficulties obtaining spare parts in a timely and cost effective way, the lack of key skills, and access to practical advice when needed seemed to be overwhelming.”<sup>[49]</sup>

As Bell noted, there was also very little by way of resources and capacity to “balance up the negatives.” This led to the idea of a fund that would “put the power in the hands of the community members, where they could decide which projects were funded, and where there was access to skills and advice at critical times to lift the participation and sustainability level.”<sup>[50]</sup> Communities invested their savings in the fund (matched by government funds),<sup>[51]</sup> which provided a significant incentive for local contributions, resulting in a strong sense of ownership in fund-related development activities.

One lesson from the FTF case was the importance of widespread education programs to ensure understanding of and broad-based commitment to the fund. However, the case also recognized that FTF, and other similar funds, are likely to require ongoing TA, given the significant capacity constraints faced by micro states, such as Tuvalu. Among the constraints noted was the absence of counterpart staff from the executing agency, some of whom were away on long-term training during the project period. Looking to the future, the case also identified the difficulties faced by the responsible ministry in retaining staff because of its “perceived lack of prestige,” another capacity constraint.

Nevertheless, according to the case author and ADB’s own assessment, the program was successful. “The technical assistance achieved its outputs. Capacity has been built in the Ministry of

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49 Bell 2007. p. 1.

50 Bell 2007. p. 2.

51 Matching was initially on a dollar-for-dollar basis but eventually was capped.

Home Affairs and Rural Development and the establishment of the FTF has provided a source of development revenue for island communities. Recent poor performance on financial markets has affected returns from the FTF, but the fund should provide a sustainable source of revenue over the long-term.”<sup>[52]</sup>

## I. Doing it Without Donors

One of the case studies chosen for this research was selected, at least in part, because it has not involved any support from an external donor agency. The Star Mountain Investment Holding Limited (SMIHL) is a PNG landowner holding company operating in Western Province of PNG, in the shadows of the huge Ok Tedi mine. The case tells the story of how SMIHL and its constituent parts mobilized themselves and enhanced their collective capacity as agents for sustainable economic development, drawing on the Lamin Trust, the Future Generation Fund for the mine area community.

The initiative evolved out of years of frustration with wasted opportunities for economic development in the mine area, despite massive generation of wealth by Ok Tedi. The case study attributed these missed opportunities to such factors as lack of organizational and economic development capacity in the mine community, capture of benefits by local elites, and the lack of consensus on how to address the community's long-term interests. The mismanagement of economic opportunities was discussed with local communities using a *bilum* (string bag) analogy.<sup>[53]</sup> As case author Paulina Siop indicated: “The community was told that ‘there were many holes in their benefits - *bilum* - so there was a need to patch up all the holes so food does not drop from the holes.’”<sup>[54]</sup>

SMIHL came into existence following an extensive community consultation process, facilitated by Papua New Guineans, which drew in the three generations of mine stakeholders. Soon after its establishment, SMIHL bid on and won a contract; the Tabubil Super Store business became Star Mountain's first investment. According to the case study, SMIHL has progressed well since

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52 Bell 2007. p. 18.

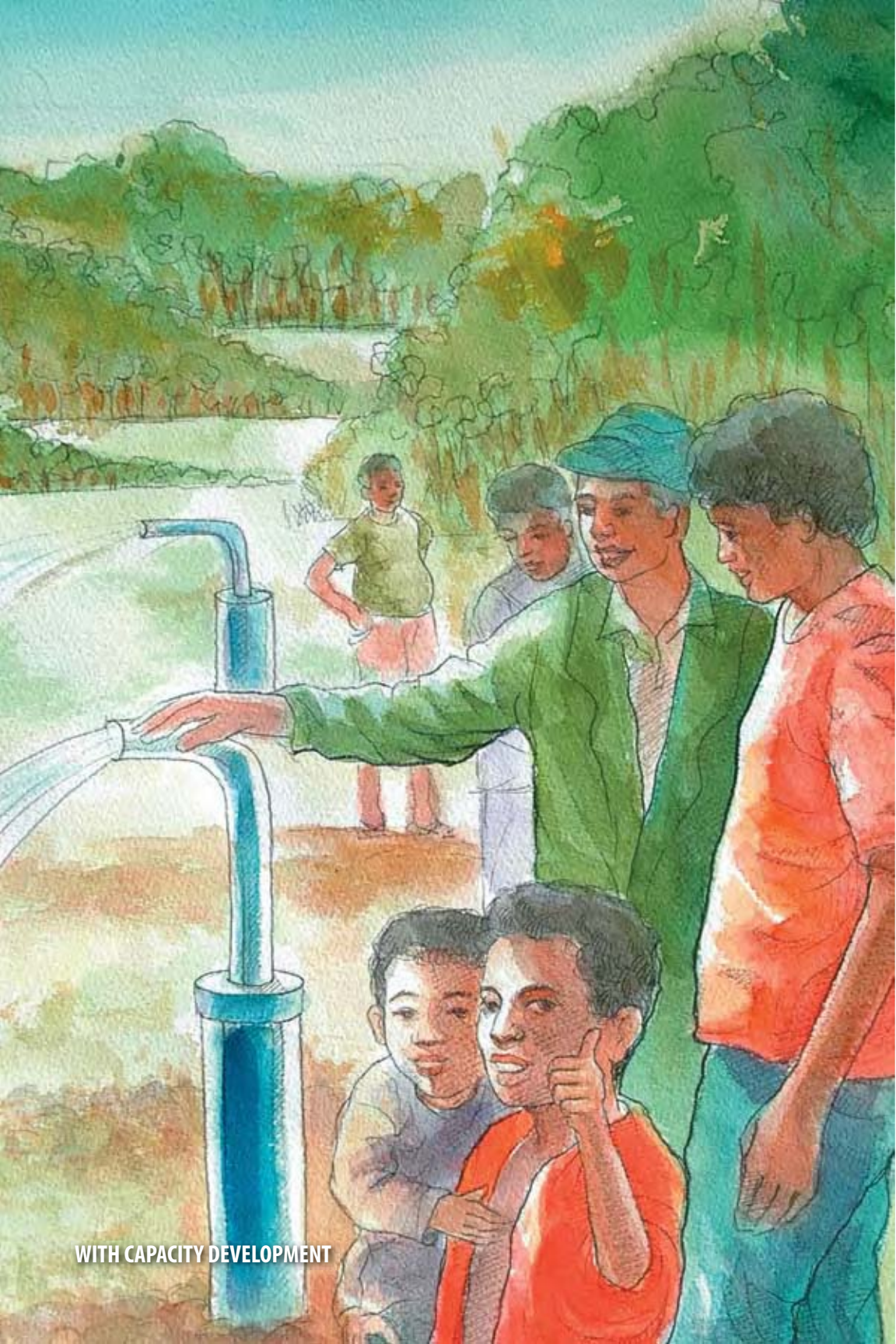
53 A *bilum* is a traditional string bag used in Papua New Guinea to carry various items, from food to babies.

54 Siop 2007. p. 8.





Ok Tedi mine (Source: Ok Tedi Mine CMCA Review - [www.wanbelistap.com](http://www.wanbelistap.com))



WITH CAPACITY DEVELOPMENT



then, displaying “solid performances over the last three years.” Just a few years after start up, the company is worth “over K7 million<sup>[55]</sup> with three subsidiary companies, and a property development and transport business divisions. SMIHL also has a management development program to support the local businesses of the community and the company employs up to thirty persons in its operation. The future growth potential for the company is enormous. It is currently negotiating a joint venture arrangement with an Australian company for a major contract with Ok Tedi Mining Limited on a mine waste disposal project.”<sup>[56]</sup>

Among other things, the case highlights the value of locally-led and facilitated change processes, with all the concomitant understanding of local cultural dynamics and capacity issues. Community consultation was also seen as key because it “paved the way for community acceptance and cooperation with the program. In a community that had no savings and investment culture and that had developed a general distrust for local businesses, the consultation approach had to be carefully planned. The community needed to have a sense of ownership toward the program but most importantly take proactive steps to change its savings and investment behavior.”<sup>[57]</sup> So far that objective seems to have been realized.

## 2. Key Factors Influencing “Success”

The case studies and the literature reviewed for this report point to a number of factors that appear to be common to the more “successful” examples of CD. Many of these reflect the “aid effectiveness” agenda (Paris Declaration and Pacific Principles for Effective Aid). These are explored below, with particular attention to how they relate specifically to CD.

### a. Participation and Ownership

The case studies and other initiatives covered in this review displayed a relatively high level of developing-country ownership at various levels, including key stakeholders and

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<sup>55</sup> 1 kina = US\$0.35.

<sup>56</sup> Siop 2007, p. 11.

<sup>57</sup> Siop 2007, p. 8.

opinion leaders. This sense of ownership was usually associated with a common vision (often emerging from participatory approaches) and coordination among key actors—not just within single departments or agencies, but across governments and with civil society.

AusAID's institutional strengthening project (ISP) with Vanuatu's Ministry of Finance and Economic Management (not a case study), for example, was described as being based on a "strong sense from individuals of what they wanted." The fact that the project was based out of the treasury department, rather than being run through a project implementation unit contributed to this sense of ownership. A similar sentiment was conveyed in the PPII case study, which showed an intent under that program to "support existing systems and processes and to build on them," partly out of a recognition that introducing new systems would "inevitably create dissonances."

The treasury institutional strengthening project in Samoa (AusAID), also not a case study, but linked to other reforms being studied by case researchers, underlined the importance of government capacity to mobilize and coordinate donor resources, another important aspect of ownership. According to a review of the project, the project also reflected a "deep commitment to organizational capacity building" on the part of the Government of Samoa and a participatory approach to organizational reforms.

An advisory group review of the Tonga health sector planning and management project (AusAID) noted the strong and committed leadership from the minister and director (as having) "helped to bring about significant change in the management, culture and work practices of the Ministry." The report also referred to the "parallel development of a number of wider public sector reforms that reinforce, and are reinforced by, the project."

The Tongan and Samoan cases described above are both examples of the convergence of clear local ownership (from the highest levels), based on a shared vision and sense of ownership and a purposeful approach to capacity issues, including recognition of the importance of management and organizational issues and interorganizational collaboration to sector performance (i.e., a systems approach).

Several other examples from a desk review of ADB TA also highlighted the importance of local ownership and broad-based participation. Under the improving corporate management in government services TA (Cook Islands), ADB helped government ministries, agencies, and outer island councils establish an approach to strategy development and business planning. The commitment and ownership of various stakeholders, effective counterpart teams, and the regular convening of the steering committee were seen as centrally important in this initiative. Lessons from the project included the importance of participation from the beginning, sharing ideas, testing ideas in a nonthreatening environment, and peer reviews.

In the strengthening capacity for macroeconomic analysis, planning and policy formation ADB-sponsored TA (Samoa), the Government insisted on a leadership role (the deputy secretary served as team leader), which led to or reinforced the sense of commitment or ownership by local stakeholders. Through this TA, the capacity of the treasury department to undertake macroeconomic analysis and policy formulation was “significantly enhanced,” according to the completion report.

Harmonization is supposed to enhance local ownership in development cooperation processes. As the Cook Islands case study on aid harmonization notes: “The Aid Management Division (AMD) has, in fact, increased its capacity to ensure that the key executing agencies in the Cook Islands are aware of their responsibilities vis à vis the harmonized program... (The) capacity to manage implementation of the harmonized aid program does not rest solely with the AMD only, but needs to be assumed as well by all implementing agencies—government, private sector, or NGO. AMD has fostered this broader sense of ownership in the aid harmonization process, working with the Office of the Prime Minister (OPM) to support the NSDP [National Sustainable Development Plan], and the national M&E [monitoring and evaluation] system that the OPM’s Policy Division is designing.”<sup>[58]</sup>

The PPII also displays a high level of ownership. According to the case study, this has been aided by corporate strengthening support under the program to DPLGA, which allowed it to

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58 Wichman 2007, p. 14.



“reinvent itself” and take on “enthusiastic leadership” of PPII. This has led to increased support for DPLGA from PNG’s central agencies, including higher budget allocations, which is key to sustainability of the program. PPII has also displayed a high level of local ownership in the approach to CD; PNG stakeholders have played a central role in the diagnosis of capacity weaknesses and the preparation of CD plans, with the provincial administration team taking the lead in determining what capacity issues are to be addressed and how, in their province.

The significance of developing-country ownership has been echoed in many reviews and evaluations, including the 2005 International Monetary Fund evaluation of technical assistance, which found, among other things, a strong correlation between the level of ownership and involvement of local authorities in preparation of terms of reference.<sup>[59]</sup> In the RMI youth services case, Marie Madison, who served with the largest women’s nongovernment organization in the country at the time of the initiative, noted that “One of the good points about the TA project was the consultative exchanges with the youth and community members. Problem assessment techniques and planning exercises provided for real people (particularly youth) participation.”<sup>[60]</sup>

The case study on development of Nauru’s national sustainable development strategy described how a Nauruan social development analyst was included on the contract team and two government officials were appointed to the project out of recognition of the need for local ownership and with a view to strengthening internal capacity through the initiative. Designation of the Ministry of Finance as the executing agency also reinforced the sense of ownership, and gave the project team high-level policy and decision-making access.

In the Tuvalu trust fund case, devolving responsibility to manage outer island development was seen as key, particularly in light of the shortcomings in previous centrally-driven approaches. It was anticipated that such a shift would enhance ownership of initiatives arising from the new trust fund, but as the planners recognized, it would have to be accompanied by a process to increase local capacity. Under the fund arrangements, as

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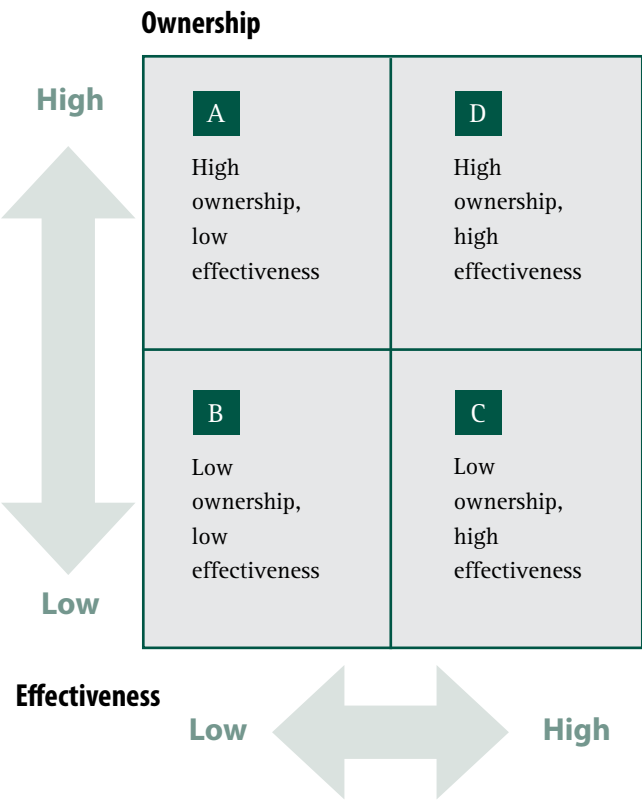
59 International Monetary Fund, Independent Evaluation Office 2005.

60 Graham 2007b, p. 7.

noted, communities invested their savings in fund-sponsored development initiatives, which further enhanced their sense of ownership in the fund and associated development activities.

While ownership is uniformly recognized as being central to CD efforts, it can also be illusory in the absence of capacity, or where capacity is weak. Despite the generally positive examples cited above, this remains a challenge throughout the Pacific, given the fragility of state institutions and, in many instances, the limited involvement of communities in development processes. In recognition of that, ADB’s *2006 Capacity Development Thematic Report*<sup>[61]</sup> noted a need for ADB to strengthen local ownership and leadership and to facilitate change management processes more effectively than it already does.

The graphic below offers a simple characterization of the relationship between ownership and effectiveness, with some of the capacity implications cited in Box 3.



61 ADB 2006h.

### Box 3: Capacity Development Ownership versus Effectiveness

**Quadrant A:** High ownership, low effectiveness – This can be the case at the outset of an initiative when developing-country partners have taken a strong interest or leadership role, but do not have sufficient capacity at that stage to translate clear intentions into effective performance. Nevertheless, potential is there to facilitate transition to ‘D’.

**Quadrant B:** Low ownership, low effectiveness – This is typical of initiatives driven by external stakeholders. They get “stuck” in this quadrant and fail to move beyond it because local stakeholders do not commit resources (human, financial, physical) to support sustainable change.

**Quadrant C:** Low ownership, high effectiveness – This quadrant is characteristic of initiatives run by project implementation units. They may be efficient and effective in terms of delivering services or providing support, but are not likely to lead to sustainable capacity changes because they are not imbedded in local systems; thus, they are considered low in terms of ownership.

**Quadrant D:** High ownership, high effectiveness – This is the ideal, but may not be realized in the short to medium term due to either capacity shortcomings or constraints in the enabling environment. Interventions should focus on facilitating movement towards this quadrant.

## b. Leadership and Vision

Various case studies—including the Tonga health sector planning and management project, and the ADB-funded strengthening capacity for macroeconomic analysis, planning, and policy formation in Samoa—underlined the importance of local leadership to the success of reform processes, including those focused on CD. In the various cases, local champions provided the space, leadership, and legitimacy for processes that led to effective utilization of local capacity or ensured that capacity deficiencies could be addressed in an open and systematic manner. While leaders or champions often came from the ranks of politicians or senior bureaucrats, they also came from civil society, e.g., nongovernment organizations, church, or youth leaders whose drive, energy, or vision opened up possibilities for addressing capacity issues for the benefit of their fellow citizens.

The Cook Islands donor harmonization case cited above illustrates the importance of leadership capacity. In this case,

the leadership provided by the Aid Management Division (AMD) contributed to a new vision and development plan for the country, which also positioned that division to assume more of a leadership role in development cooperation issues, an important consideration in light of the Cook Islands' move toward increased harmonization. AMD's leadership not only led the aid reforms but also recognized the necessity of dealing explicitly with internal capacity issues, specifically enhancing the size and capabilities of the AMD for planning and so that they could offer better support to other government units. In the process, AMD's leadership set out to "institutionalize" their new responsibilities. This example highlights a distinction between "leadership of a cause"—an important role—and leadership that is reflective on and able to address capacity issues effectively. Often one occurs without the other, but in this case, it was the combination of these two leadership qualities that helped explain AMD's ability to progress as it did.

In the RMI youth services case, government leadership was seen as necessary, given the holistic nature of the interventions and the need to engage a range of actors, including nongovernment organizations and other nonstate actors. In this case though, lack of leadership and political support ultimately diminished the impact of the interventions, despite well-laid plans and strategies.

Leadership manifested itself in different ways. In PPII, the capacity building division of DPLGA serves as "strategic manager," while PPII's steering committee "led" by bringing together national agencies and provinces. PPII also actively encourages provincial leadership through the provincial management teams. Several other cases highlighted how a generational change in leadership opened the door to new ideas and thinking in the country, creating a more enabling environment for change.

Some case studies also highlighted the importance of domestic capacity to develop a clear and shared vision to effectiveness of CD efforts. The Cook Islands case on *Harmonizing Aid Delivery in the Cook Islands, Making things simpler?*<sup>[62]</sup> tells that story

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62 Wichman, V. 2007a. *Harmonizing Aid Delivery in the Cook Islands, Making things simpler?* Manila: Asian Development Bank. (Draft)

from the perspective of Garth Henderson, director of AMD. As described in the case:

“The organizational landscape in the AMD was fairly rugged at the time. For one thing, Garth had to come to terms with the fact that the Division was poorly resourced, in terms of staffing, equipment and technical support. There was also a low sense of ownership of the aid programs in the country; limited capacity in national and sector planning, and project analysis and implementation; no shared national vision due to repeated changes of government, poor integration with other agencies of government involved in implementing aid projects; political interventions at inappropriate stages that influenced delivery of projects; and under expenditure throughout the aid programs.” ... “To develop this capacity within the AMD, and with partner agencies, he believed it important that a national vision and shared sense of direction be developed by all stakeholders”...“This realization led to the National Sustainable Development Plan (NSDP), a document that “lays out the country’s overall direction and priorities for development (and, therefore, national and aid funding).” Garth saw this plan as “a step in the right direction that will dramatically improve the extent to which we plan and implement development in the future. As he stated, ‘We cannot effectively engage with donors unless we know where we are going. NSDP is a start’”.<sup>[63]</sup>

### **c. Capacity to Demand**

This section explores the role of developing-country actors in articulating and shaping demand for change. Of particular interest are (i) cases in which CD initiatives came about as a result of “demands” of local stakeholders, and (ii) initiatives that focused explicitly on enhancing local capacity for demand, such as through support for nongovernment organizations or community-based groups.

The community justice liaison unit (CJLU) in PNG, as noted above, is still in its early stages, but offers some insights on

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63 Wichman 2007a. p. 6, 7, 10.



the possibilities of increasing civil society capacity for demand, service delivery, and advocacy, especially in the context of broadly-based ownership of a reform process and shared interests among civil society and government actors.

Several of the ADB TAs reviewed for this study yielded other insights on the potential for externally-funded TA to enhance domestic capacity for demand. The ADB TA for Kiribati - community development and sustainable participation, 2002–2005, for example, was complementary to an ongoing ADB loan to support improvements in sanitation, public health, and environment. The TA concentrated on mobilizing community support and is described in the case study from Kiribati – *A Tale of Two CDs*<sup>64</sup>, which notes that the first generation of water and sanitation (WATSAN) reforms in the country—which had focused mainly on hardware—had fallen short of expectations. However, the next generation of interventions, which are covered in the case study, brought in the community participation component that the Government of Kiribati had come to recognize as key to sustainability. The second generation of interventions was supported by ADB-sponsored TA projects, which sought to institutionalize community participation in Kiribati’s WATSAN efforts. The interventions involved consultations with 75 community groups and improving their capacity to address community issues and to influence attitudes and behavior regarding WATSAN issues.

In RMI, the ADB-funded TA, preparing the youth social services project, 2004–2005, assisted the Government to refocus policies and expenditures on priority issues affecting youth. It also actively encouraged demand for youth-specific services, through participatory workshops and use of the media to raise awareness of relevant issues. The TA completion report highlighted the importance of participatory processes and the provision of key staff by government. The initiative was described as “an example for the region” and the case study highlighted how the TA intervention helped civil society actors and youth articulate their interests and demands for change.

The desk review identified an example in PNG that highlights the experience of a national affiliate of an international

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64 Mackenzie, Ueantabo. 2007. *A Tale of Two CDs: Capacity Development and Community Development in Water and Sanitation Projects in Kiribati*. Manila: Asian Development Bank. (Draft)

nongovernment organization (World Wildlife Fund [WWF] PNG) in giving voice (capacity) to communities. With support from the European Union, WWF PNG has supported local communities interested in setting up wildlife management areas (WMAs). In the PNG context, landowners need to secure the permission of the Minister of Environment and Conservation to set up a WMA. WWF is authorized to work with communities that have expressed an interest to do so, and once the WMA is gazetted, WWF actively supports the community's efforts to protect wildlife and to support environmentally sensitive economic development activities.

The interesting aspect of the WMA process from a CD perspective is the "10 Steps for Landowners." Through a 10-step process, the whole community chooses the type of conservation area they want. They establish an agreement among themselves, decide on rules and sanctions and a wildlife management committee, before asking the government to declare a WMA. The process is one of community empowerment; WWF supports the process of decision making, disengaging as appropriate when communities need to make decisions on their own, and then re-entering when the communities have decided on the type of support they want from WWF. WWF's role is recognized by the Government and the WMA is sanctioned under national legislation, giving legitimacy to the process.

#### **d. Relevance, Readiness, and Receptivity**

Some cases highlight how "success" was more likely when external CD interventions were linked to processes and priorities seen as highly relevant by local stakeholders. For example, the 2005 AusAID technical advisory group review of the Tonga health sector planning and management project (1999–2007) underlined the importance of its project design, which focused on "the needs identified by the Ministry of Health staff themselves." The Tuvalu trust fund and the Kiribati revenue equalization reserve fund were also seen as relevant by local stakeholders because they helped to secure much needed long-term public sector finance. Similarly, CD in the Nauru case study was aligned with development of their national sustainable development strategy, a centrally important planning document for the country. While identifying "relevance" as an important success factor may seem self evident, the apparent lack of commitment by local



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stakeholders in some initiatives suggests that relevance needs to be validated, for example, through participatory consultative processes, rather than assumed.

"Appropriateness" is another success factor that may seem self evident, i.e., making sure that CD inputs match development and capacity needs, whether it be technical advisors, institutional or policy support, linkages, or twinning arrangements. What the cases show, as does the CD literature, is that interventions need to be appropriate in the given country or community context. In other words, context (in all its meanings) matters greatly. Consequently, there can be no blueprint for CD, no "one size fits all." This means that the key features of the programming context (such as policy environment, relationships among stakeholders, capacity strengths and shortcomings, and political economy factors) need to be captured during assessment processes. Nevertheless, designs for CD interventions are still often overly ambitious and assumptions about capacity or the project context are wrong, resulting in few sustainable achievements. Even many of the "successes" reviewed for this study highlighted concerns about sustaining capacity gains realized during the course of the investment, in part due to inadequate initial analysis of relevant factors.

The case studies also point to the importance of readiness or receptivity as a precondition or enabling factor for effective CD. Much of this relates to, or is rooted in, some of the points discussed above—ownership, the existence of local champions, or effective demand. In Vanuatu's institutional strengthening project with the Ministry of Finance and Economic Management, the emphasis in the initial stage on stakeholders' becoming familiar with each other enhanced organizational readiness to change. The combination of organizational readiness, enabling factors (e.g., the existence of appropriate legislation), ensuring sufficient time for the initiative to unfold, and provision of valued inputs in this case led to an upward virtuous cycle of change that included increased confidence in the Government among external stakeholders and resulted in direct budgetary support and funding through the Millennium Challenge Account.

In several cases, readiness or receptivity to change was increased, or even provoked, by the onset of a crisis (political, economic, or climate-related). In these cases, the crises appeared to open

up space for thinking about things differently. In the Cook Islands, for example, the Government was headed toward an economic crisis in the mid-1990s, which provided the impetus for the economic reform program that followed. However, the case writer invoked a biblical story, cautioning that “the seed that falls on rocky ground will not grow properly,” suggesting that while the crisis provided the opportunity, it did not really constitute ideal circumstances for enduring benefits.

The RMI fishery reforms were also borne out of a crisis in the sector that led to sector stakeholders recognizing that fundamental changes were required. This led to the changes described in the case study, but in this instance, the reforms have largely been sustained due to the real and measurable improvements in the sector, and leadership capacity that has driven the process over an extended period of time.

Crisis or not, the cases suggest that relevance, readiness, and receptivity to change are important factors meriting attention at the outset, particularly in fragile states with limited planning, management, and technical capacity, significant institutional constraints, political tensions, civil unrest, and weak economies.

### **e. Investing in Understanding**

The case studies provided substantial evidence on the importance of understanding the programming context—a constant theme in the CD literature. This point was brought home in the RMI youth social services case: “A large part of the TA was spent up front on the situation analysis. This analysis brought together a substantial amount of information which related to youth issues and the research was enhanced by information collected through the participatory workshops.”<sup>[65]</sup>

Similarly, the development of the Nauru Sustainable Development Strategy was grounded in a broadly participatory process that improved understanding of community aspirations, while strengthening their capacity to be active participants in such processes.

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65 Graham 2007b, p. 7.



As suggested earlier, investing specifically in understanding capacity issues was less apparent in the cases, being a significant feature only in those initiatives with a clear CD mandate, as in PPII and the TA facilities in PNG.

## **f. Getting the Incentives Right**

Incentives and motivations played a significant part in several case studies. Incentives generally refer to such measures as salaries or indirect benefits (scholarships, access to training programs, subsidized housing, etc.), but can also include less tangible benefits, such as recognition for performance or provision of a positive, affirming, and professionally rewarding work environment. Individuals in some case studies were also motivated by less self-interested considerations, including commitment to an organizational goal or broader community interests. The cases also demonstrated the influence of negative motivators, such as the debilitating influence of unstable environments, the absence of rule of law, or lack of engagement of civil society, any of which can undermine capacity or drive it away.

As reported in the PPII case, progressive demoralization and disillusionment of provincial administrative staff were significant capacity weaknesses and a risk that had to be addressed. One way PPII has addressed the incentives issue at the institutional level is to make "graduation" from one phase of the program to the next contingent on provincial teams' meeting specified capacity criteria, such as completion of a capacity building plan, or improvement in public administration systems. Incentives provided in the program include up to K250,000 per year for capacity building programs (Phase I) and K0.5 million–1.0 million per annum for infrastructure support (Phase II).

In the Kiribati water and sanitation case, stakeholders relied on a combination of public education and mobilization and legislative changes to induce changes in behavior—positive and negative motivators. In this case, the approach chosen was based on a recognition that mobilizing or educating people to "do the right thing" may not always be enough and may need to be combined with sanctions for behavior that goes against public interest—in this case, amendments to the penal code to increase penalties for people who vandalized water and sanitation facilities.

The Tonga health management case highlighted the potential limitations of more altruistic motivations. As noted: “On entry into the service, doctors were slotted into departments where it was assumed that tending to the needs of patients would be sufficient incentive for them to perform and to stay engaged. However...frustration or thirst for further knowledge or experiences usually drove them to leave the service either through retirement, resignation, or migration.”<sup>[66]</sup> The Tongan Government recognized the need to respond or see its medical capacity diminish. According to the case, the Government succeeded by providing refresher courses and rotating young doctors to different locations, which not only exposed them to a broad range of experiences, but also gave them an opportunity to acquire valuable management experience.

Other examples from the cases that have, explicitly or otherwise, relied on incentives or tapped into individual or organizational motivations include using locally-managed development funds; providing local personnel space to use and further develop or consolidate their own capacity in the absence of external advisors; encouraging and rewarding local innovation; respecting local knowledge and traditions; bringing civil society actors into the policy and programming mainstream; and aligning donor systems with those of the Pacific island countries.

Finally on the issue of incentives, Peter Morgan reminds us of the potential for a disconnection between donors, with their traditional focus on outputs and outcomes, and developing-country partners that do not necessarily reward or sanction on the basis of predicted, measured results.<sup>[67]</sup> Such differences, which reflect different institutional incentives, can affect collaboration and shared sense of responsibility for results, including those aimed at enhancing capacity, between donors and recipient countries.

## **g. Enabling Environment**

According to various CD definitions, the “enabling environment” refers to the policies, institutional arrangements, attitudes, values, and other factors in the project or program context

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<sup>66</sup> Tu’itahi 2007a. p. 3.

<sup>67</sup> Morgan 2007. p. 4.

that can potentially support or detract from CD processes. The ADB CD framework refers specifically to the "public sector institutional framework" as an important aspect of the broader enabling environment. For ADB, this includes poverty reduction strategies and plans, public financial management, subnational governance, administrative and legislative reforms, and civil society participation, among other dimensions. The "success" of some cases in this study can be attributed, to a considerable degree, to factors in the enabling environment that enabled the initiatives to proceed better than might otherwise have been the case. Many of these factors have already been referred to in the sections above and include committed leadership, appropriate policies, organizational readiness, and broad societal consensus rooted in participatory processes.

Interestingly, the European Centre for Development Policy Management (ECDPM) study on capacity, change, and performance, which included two cases studies from the Pacific region, pointed out that:

"It is not always true, as conventional wisdom would suggest, that the 'enabling environment', needed to be positive. Organizations in seemingly adverse conditions went from strength to strength while those in overtly much more favourable circumstances did less well."<sup>[68]</sup>

This somewhat counterintuitive finding was attributed in the ECDPM cases to inspired leadership, shared values among stakeholders, strong relationships, and incentive systems that contributed to the flourishing of capacity and performance in adverse circumstances. The study noted, however, that contexts are dynamic and can change, so the relationship between context, capacity, and performance likewise can be fluid and unpredictable. Some ECDPM cases also reflected on the capacity of stakeholders to manage or influence the context in which they operate and the implications of that for CD efforts.

This "capacity to manage the environment" was evident in several Pacific cases, examples of which are described above. Other cases benefited from a broad reform environment that

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68 Zinke 2006. p. 4.

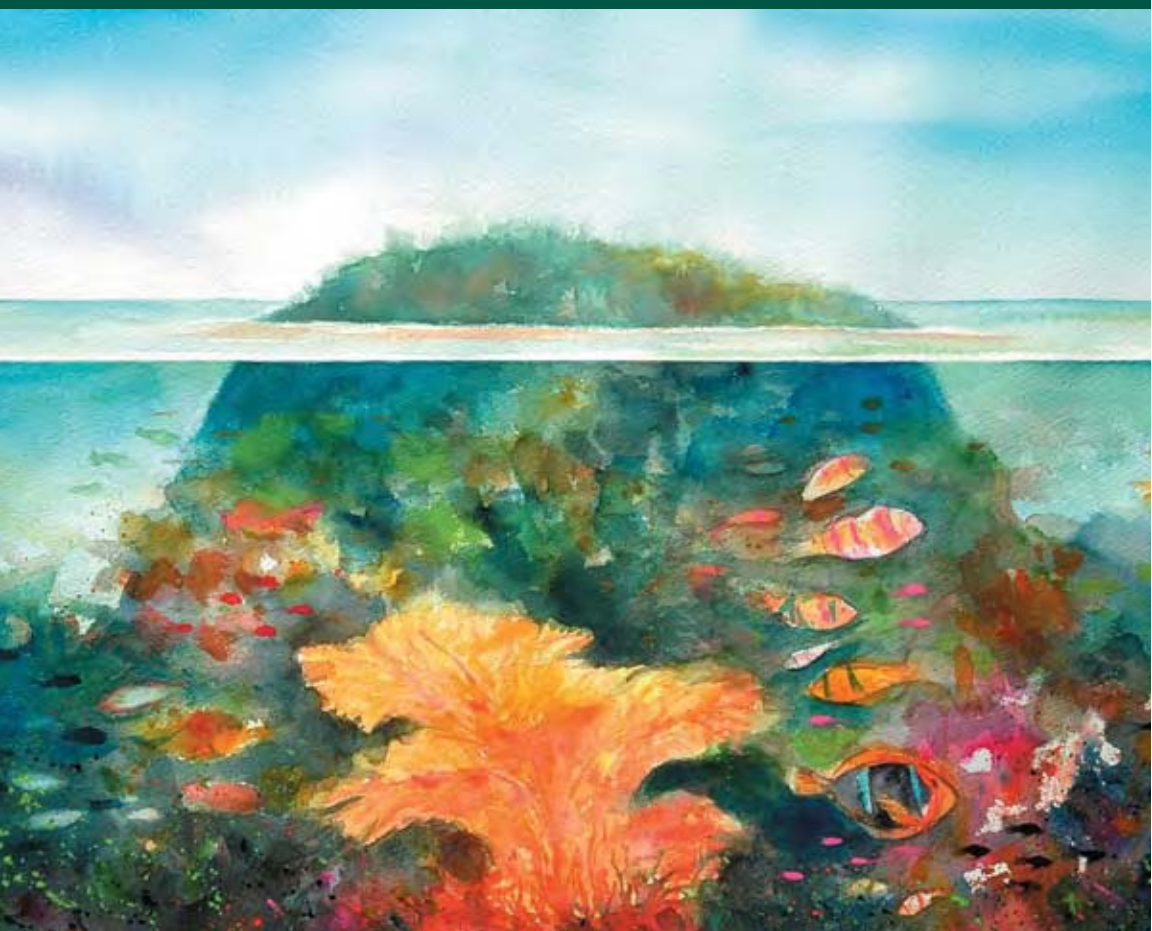




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provided the enabling conditions for sector- or organizational-level reforms to proceed, including dealing with capacity issues, for example, RMI's fishery reforms and Tonga's health reforms. The Nauru case study also noted the importance of the enabling environment, which, the author remarked, included institutional, political, and informal leadership that "helps to give permission to the new approach, legitimizes the outputs from the new approach, and affirms the outcomes."<sup>[69]</sup>

## **h. Flexibility and Adaptivity**

While it may be intuitive to think that "successful" CD efforts need be rooted in clearly structured, systematic approaches,<sup>[70]</sup> experience suggests it is not necessarily so. One factor is the complexity of the issue(s) being addressed—the implication being that change involving a broad set of actors or capacity levels is likely to require a more coordinated, systematic approach. Another factor is the stability of the programming environment. Most initiatives reviewed for this study could be described as systematic in their approach, although many were also flexible, adapting to changing demands and contextual realities as required.

ADB's support for the Marshall Islands fisheries development plan used a systematic approach based on up-front analysis, sequencing of inputs, and attention to sustainability and the social dimensions required to ensure broad-based ownership. The initial support was a US\$600,000 TA grant for the development of the national plan, including an in-depth review of the fisheries—institutional analysis, legislation, policies, marine resources, and environmental management. The review looked in particular at the role of the private sector, commercialization, and potential for privatization. The purpose of the follow-up TA was to "convert policy into practice," such as private sector management practices, institutional reform, and a trust fund to spread the benefits of the expanding tuna fishery. ADB's future assistance was intended to strengthen public sector governance and productivity, increase community participation, and improve basic services.

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<sup>69</sup> Balm 2007. p. 20.

<sup>70</sup> By systematic is meant methodical, well-thought out plans and implementation strategies.

PNG's PPII, discussed above, has also taken a systematic approach, building on diagnoses carried out during the pilot phase and moving sequentially from one phase to the next based on agreed criteria for advancement. Other initiatives examined as part of this study, including Kiribati's water and sanitation project, also recognized the value of sequencing capacity interventions and dovetailing activities, for example, public education programs and infrastructure development.

While the above examples point to the value of systematic or structured approaches to CD, other examples from the international literature<sup>[71]</sup> suggest that effective CD is not always a product of tightly scripted designs. Rather it can be emergent and responsive to shifting local dynamics, as well as ongoing learning and adaptation. PNG's PPII, for example, which was described above as a relatively structured or systematic intervention, also emphasizes moving at an "appropriate pace" (phased approach), providing "space" for PNG colleagues to work out issues on their own, and supporting competency development and systemic issues simultaneously, suggesting a recognition of the need to balance structure—including a clear vision—and flexibility.

### **i. Effective Use of Technical Advisors**

Extensive reliance on international technical advisors has been widely criticized in the development literature, with critics often characterizing it as ineffective and expensive.<sup>[72]</sup> However, a 2006 OECD report suggested that "...although heavily criticized, technical co-operation is not 'good' or 'bad' – it depends on *how* it is used ..."<sup>[73]</sup>

Various approaches to the use of TA advisors were revealed in the case studies. These included long-term advisors, short-term advisors, intermittent advisors, locally based resident international advisors, regionally based advisors, and local advisors. Some "advised," while others trained, mentored, or facilitated; some served as change agents or controllers; some focused on systems development or policy reform, or assumed implementing roles. Some shared international best practices,

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71 See, for example, Morgan, Land, and Baser 2005.

72 See, for example, Berg 1993.

73 OECD 2006b, p. 3.

while others worked carefully within local systems to facilitate indigenous solutions while helping to improve local capacity. In many cases, it was a combination of roles and approaches (see Appendix 4 for a list of different approaches to TA).

The international consultants in the RMI fisheries case, for example, were engaged as advisors but over time moved beyond that role. They supported the Government's privatization efforts and negotiation of fishery access agreements; they supported implementation of national policies and strategies, and participated in public hearings, and industry and regional meetings. The consultants also became involved in marketing RMI as a destination for onshore investments in fisheries, including through overseas visits on behalf of the Government—initiatives that were seen as opportunities to build local capacity for marketing. In addition, the consultants initiated a stock taking of the relevant ministry's strengths and weaknesses, an exercise which was institutionalized as an ongoing board-level activity. According to the case study, this broadening of the advisor's role was possible because of the "strong level of trust" that had been developed between the ministry and lead consultant.

In the Tongan strategic planning case, among others, the advisors served as change agents or facilitators as much as technical advisors, exposing local stakeholders to options for moving beyond deeply ingrained practices, such as highly centralized and controlled planning processes, to more open and participatory approaches.

The Tuvalu case study also talks about the value of relying on local consultants. Referring to a 2000 UNDP evaluation, it indicates: "The fact that a Tuvaluan carried out the review was extremely important as it allowed access to views, information, and insights that are extremely difficult to obtain by an ex-pat consultant."<sup>[74]</sup>

The literature on technical assistance and CD has a great deal to say about the importance of getting the right advisor—the right mix of technical capabilities, personal attributes, cultural

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74 Bell 2007. p. 5.

sensitivity, and openness to learning. As one source noted in this review:

“Consultants or advisors need to be culturally sensitive, good listeners, and effective at facilitating change. You do not always need the most highly ‘qualified’ expert.”

This sentiment was echoed in the completion report for ADB’s implementation of state owned enterprise reforms TA in Samoa, which suggested that technical assistance personnel provided for such interventions must be “apt communicators and capacity builders.”

Other successes identified in this study also highlighted the importance of such factors as good personal relationships with local colleagues, solid knowledge of the local or national context, ability to speak the local language, long-term engagement, and an ability to function in an advisory capacity and transfer skills while leaving space for local colleagues to “get on with their jobs.”

Long-term engagement of advisors was noted as a success factor in ADB’s capacity building of the legal sector TA in Vanuatu, 2001–2002. The completion report noted that this intervention “significantly improved capacity” in the state law office and helped cultural change in the legal system. The report attributed this to the continuity and quality of the TA provided (a retired Queen’s counsel); the fact that the advisor was based in-country; and the mentoring approach, which was seen as building the confidence of local counterparts. Other interviewees also commented on the value of “continuous, ongoing support” (versus fly-in, fly-out advisors).

While continuity of advisors was clearly a positive factor in some cases, others demonstrated the value of short-term, intermittent engagement. In the ADB-funded Kiribati water and sanitation case, for example, neither the team leader nor the specialists on the international consultant team were residents in Kiribati for the full duration of the project. This presented some challenges, particularly given difficulties in communications, but it gave the national coordinator and other local staff space to carry out their work with a degree of independence based on agreed work plans. The case study on this initiative also referred to the importance of the relationship between the advisors and the local partners, describing it as “cordial and collaborative.” Similarly,



the Nauru case study refers to the intermittent presence of the team leader and development economist, which provided local members of the project team “space and opportunity to assume responsibility.”

As various examples above suggest, the effectiveness of TA depends to a large extent on human dynamics. This is shaped, to a considerable degree, by the personal and professional qualities of the advisor. However, much of it also hinges on the extent to which the process allows indigenous partners to use their own capacity (existing or emergent) to find their own solutions to their particular challenges. This issue is addressed in Box 4.

**Box 4: Helping People Help Themselves**

Former World Bank official David Ellerman, in his book *Helping People Help Themselves*, discusses what he calls the “helping conundrum”: “how can an outside party (‘helper’) assist those who are undertaking autonomous activities (the ‘doers’) without overriding or undercutting their autonomy?” Ellerman draws on eight thinkers from different fields (including Dewey, Rogers, Freire, and Schumacher) highlighting points of commonality using a framework of “helpers” trying to provide “autonomy-compatible assistance” to “doers.” The points of commonality he identifies are as follows:

- help must start from the present situation of the doers—not from a “blank slate”,
- helpers must see the situation through the eyes of the doers—not just through their own eyes,
- help cannot be imposed upon the doers—as that directly violates their autonomy,
- nor can doers receive help as a benevolent gift— as that creates dependency, and
- doers must be “in the driver’s seat”—which is the basic idea of autonomous self-direction.

Source: Ellerman, David. 2005. *Helping People Help Themselves*. Ann Arbor: University of Michigan Press.

Given the diversity of roles described above, and in Appendix 4, it is clear that there is no “one size fits all” for TA advisors. Nevertheless, the cases suggest, consistent with the Paris Declaration and the Pacific Principles, that emphasis in TA assignments should clearly be on improving local capacity, or finding ways to make more effective use of it, with a clear view to what lasts rather than simply what might work in the short term.



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## j. Ensuring Sufficient Time

A 1993 assessment by an AusAID team suggested that the water and sanitation problem in South Tarawa, Kiribati, was “critical and that it should be addressed in as comprehensive a manner as possible if sustainable and effective development is to be achieved.”<sup>[75]</sup> The team recommended a multidisciplinary, 10-year program to deal with the various dimensions in a coordinated manner. The need for a long-term commitment was reflected in the design document which recognized that “attitudinal and behavioural change cannot occur overnight.”

The PPII is another example of an initiative with a long-term perspective, a projected time frame of 15–20 years. The PPII design also recognized the need to proceed at a pace consistent with the capabilities and absorptive capacity of the provinces and districts involved. As indicated in the case study: “The focus and pace of the CD process in each province is completely dictated and controlled by each provincial administration.”<sup>[76]</sup> The capacity building service centre in PNG has also taken a long-term view with respect to building capacity of the Department of Health and other sector actors.

However, most of the cases reviewed were based on short time frames, with expectations for “deliverable results,” in anywhere from 6 months to 4 years. In some instances, the time frames were insufficient to address relevant capacity concerns and, in the absence of follow-up support, local stakeholders were concerned about sliding back to pre-project conditions.

## k. Taking a Systems Approach

As suggested earlier, the idea of systems thinking has gained currency in the discourse on CD. A systems approach can be contrasted with what may be described as more linear or reductionist perspectives on capacity, i.e., input ‘a’ leads to output or outcome ‘b,’ which leads to change in performance ‘c’. According to systems thinking, rather than reducing capacity to its constituent parts and dealing with them as isolated entities,

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<sup>75</sup> Mackenzie 2007, p. 2.

<sup>76</sup> Saldanha 2007, p. 8.

capacity is seen as emerging from and being influenced by a broader capacity system. Advocates of this perspective suggest that interventions should be sensitive to capacity in different parts of the system, including how it evolves over time and, most importantly, the relationships among capacity components.

ADB's CD framework, for example, is described as "a system" with three main dimensions: organizations, institutions, and interorganization and/or group relations. As noted in ADB's medium-term framework and action plan, "The third dimension emphasizes systems...the need for various government and nongovernment organizations and groups to act in partnership to achieve agreed objectives. It focuses on...a system of organizations and groups in DMCs that are primarily responsible for achieving certain development objectives."<sup>[77]</sup> The enhanced attention to capacity systems parallels an increasing reliance on broader, more comprehensive approaches to development, such as sector-wide approaches and program-based approaches. Its value is in trying to explain complex systems with multiple actors, operating in sometimes unpredictable contexts.

A number of initiatives reviewed for this study reflect aspects of a systems approach. Health sector reforms in PNG, for example, have increasingly sought to address governance challenges, including those relating to decentralization, which are seen as potentially constraining sector reforms. This has required active collaboration among health sector actors, central agencies, and provincial authorities, and has led to legislative changes and the introduction of administrative mechanisms to improve PNG's decentralized system. These system-wide interventions have been done in parallel with individual and organizational capacity-building initiatives with actors within the sector.

The UNDP provincial capacity building project in PNG seeks to strengthen national and provincial financial management. As with the health reforms mentioned above, the UNDP project has assisted provincial governments with their requirements under the 1995 Organic Law on Provincial Governments and Local Level Governments (OLPGLLG)—PNG's key decentralization legislation. Thus, the project is intended to be responsive to institutional and policy challenges affecting performance at

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77 ADB 2006g, p. 14.



provincial and district levels, in particular those associated with the OLPGLLG.

Experiences with a systems approach described in this paper underline the need to invest in understanding the “system,” including an appreciation of the dynamics of the capacity system, possible strategic entry points, and a sense of how inputs might be sequenced.

Finally, experience suggests that in embracing a systems approach, actors may have to make choices about trade-offs between the potential for gaining access to new capacities, such as through formalizing structures, and the potential for loss of ownership and flexibility. In other words, the incentives do not always favor such approaches. Program-based approaches, for example, that require collaboration among many actors (sector ministries, central agencies, nongovernment organizations, private sector service providers, etc.), have to deal with this challenge on an ongoing basis. Ultimately, the extent to which the program-based approach succeeds may depend as much on incentives, leadership, or the quality of personal relationships within the system as on the formal structures or mechanisms that seek to hold the broader program together.

**I. Harmonization, Coordination, and Partnership**

The Cook Islands harmonization story tells how government capacity (mainly the Aid Management Division [AMD]) was enhanced to support harmonization and alignment with New Zealand and Australia. As indicated in Box 5, the agreements signed by the three parties had five primary objectives. While the Cook Islands’ harmonization objectives were not explicit on the

Box 5: Cook Islands Harmonization Objectives

- Reduce workloads of all parties involved.
- Refine each government’s focus within the aid management delivery process.
- Recognize and implement the aligning of donor policies with Cook Islands’ development priorities.
- Contribute to efficiency gains in policy consultation, and increase the scale and flexibility with a larger program.
- Increase resources and access to a wider (and more relevant) range of technical assistance.

issue of capacity, it was anticipated that harmonization would have positive capacity impacts, including reducing demands on the Government's administrative capacity and helping to make more efficient use of existing capacity. In fact, the case study shows that demands on government capacity increased in the early days, which was partly what drove the AMD to push for increased staffing to address the new harmonization agenda.

Under the harmonization arrangement, the assistance programs were aligned with national priorities, and both donors adhered to the Government's tendering, contracting, and procurement arrangements. However, the case study suggests that the partners may have entered into the agreement with different assumptions about collaboration and alignment of systems. As the author commented: "The environment at the time was flavored by donor concerns about...their own reporting obligations and accountabilities to their agencies and parliaments."<sup>[78]</sup> Ultimately, this meant that introducing the new initiative as a pilot was a good idea because it allowed the parties to learn from the experience and adapt over time.

From a capacity perspective, the aid harmonization pilot provided the impetus for the Government and, in particular, the AMD to innovate and to gain the knowledge and wherewithal to "turn things around in an agency that had been reactive rather than proactive, and to enhance its capacity so that it could take on a leadership role in aid management and coordination issues in the country."<sup>[79]</sup> The case concludes: "In the process, AMD's capacity to lead reforms in the area of development cooperation has been enhanced. Whether they can be sustained will be a story for another day."<sup>[80]</sup>

The AusAID-funded Fiji health sector improvement program (FHSIP) (not one of the cases for this study) highlights the potential for different ways of collaborating with developing-country partners under AusAID's partnering arrangement. The expectation articulated in FHSIP's request for tender (RFT) was that the program would be developed following the Ministry of Health (MoH) plans and relying on MoH leadership. As stated in the RFT: "As far as possible, the structure and function of

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<sup>78</sup> Wichman 2007. p. 15.

<sup>79</sup> Wichman 2007. p. 15.

<sup>80</sup> Wichman 2007. p. 15.

Program arrangements will follow the Fiji management structures and organizational relationships”.[<sup>81</sup>] Consistent with this intent, the current program director is a Fijian who was selected jointly by the various program partners and who is permanently based in the MoH head office. This approach is consistent with the Pacific Aid Effectiveness Principles, specifically a call for “use of local systems” and reliance on TA that “ensures that capacity is built with tangible benefits to the country to support national ownership.”

The Kiribati water and sanitation case offers an example of country-level cooperation and its potential for harnessing the capacity of actors with shared interests. The case study describes how various water, waste management, and community development projects worked closely together, eventually forming the *Kiribati Te Boboto* (Make Kiribati Beautiful) Coalition: “The combined efforts of these various projects have contributed to building the capacity of individuals and households to better understand and manage their wastes....The result of the combined efforts has (also) been very visible in the general cleanliness of South Tarawa and the virtual disappearance of recyclable cans.”[<sup>82</sup>] One of the local stakeholders noted that: “CDSP (the ADB-funded intervention) was very good at being open to working with others in the community working in the same issues area. Many projects can be insular, protecting their own turf, but the monthly meetings of the stakeholders provided a good place for wider input (which) resulted in a much greater collective output than otherwise.”[<sup>83</sup>]

Various capacity lessons can be drawn from the preceding examples. By coming together through different types of collaborative mechanisms, the initiatives were able to

- minimize competition and duplication, and optimize use of available capacity;
- share experiences, knowledge, and resources; and
- build up collective capacity to affect change.

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<sup>81</sup> JTA International 2005, p. 3.

<sup>82</sup> Mackenzie 2007, p. 6.

<sup>83</sup> Mackenzie 2007, p. 6–7.

### m. Political Economy Considerations

For some analysts, political economy considerations are central to explaining the effectiveness (or lack thereof) of development interventions in low-income countries. Political economy factors include social and political structures and behaviors, such as clientelism, patronage, and "state capture" by local elites. These practices are often deeply entrenched and can seriously circumscribe reform efforts or attempts to develop or use capacity. Political economy considerations were a factor to varying degrees in the case studies prepared for this broader study, such as clientelism and the *wantok* system<sup>[84]</sup> in PNG, *faaSamoa* (Samoan culture and way of seeing the world), and the *matai* system, which is Samoa's political tradition whereby political leadership is vested in community elders.

As the preceding description suggests, political economy considerations are often linked to traditional power systems or attempts to adapt them in a "modern" context. As Turnbull notes:

"It is not the structure of the state that is the main impediment preventing it (from) improving the living standards of ordinary Solomon Islanders. It is the way that practices based on the power relationships and means of social control practiced in traditional societies pervade the state today. Solutions need to be found to several problems. There needs to be ways of 1. avoiding the unchecked self-interest within the state at all levels; 2. reducing the time and energy that individuals spend on ensuring their political survival rather than on implementing policies for development; and 3. establishing a pattern of long-term cooperation between the state and various communities so that they can work towards mutual development".<sup>[85]</sup>

Partly because many Pacific island states are still relatively young, they are faced with the challenge of managing tensions between modern state institutions and traditional customs and institutional arrangements—the latter frequently having

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84 *Wantok* literally means "one language" in pidgin, but more generally refers to the set of traditional customs and obligations associated with being a member of a social group.

85 Turnbull 2002. p. 200.

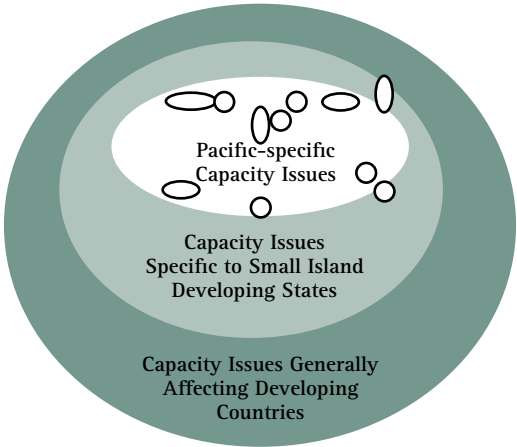


greater legitimacy and influence. As suggested in a number of the cases, this has implications for the functioning of the state in these countries and efforts to strengthen their capacity. It also underlines, once again, the importance of investing in understanding the context before engaging in CD processes. This includes understanding traditional culture and informal power arrangements, as well as their relationship to more formal structures and processes in society.

### 3. Capacity Challenges in the Pacific – What is Different?

Before focusing on what is different about the Pacific, it is worth acknowledging the capacity challenges that Pacific island states share with other developing countries. These include weak institutions, uneven policies, and limited availability of highly skilled and economically productive human resources. Collectively, these are represented in the largest, outer portion of the diagram below (Figure 2).

**Figure 2: Capacity Issues: Universal to Pacific-specific**



Aside from these shared challenges that are, more or less, common to developing countries at large, are the particular challenges usually associated with small island developing states:

- small populations, with correspondingly limited skills base and specialized expertise,
- geographic isolation,

- poor access to markets,
- limited economic diversification,
- dis-economies of scale,
- vulnerability (economically, environmentally, culturally),
- loss of capacity through emigration, and
- limited capacity to be represented effectively in global forums.

At the next level are those challenges unique to, or present to a greater extent in, Pacific island states. These include

- gaps in capacity in strategically important areas, which contribute to vulnerability and dependency;
- relatively young states, frequently struggling with issues of legitimacy;
- ongoing tensions between modern and traditional institutions;
- internal divisions (including active conflicts) that diminish capacity, discourage citizens, and undermine state institutions;
- limited broad-based consensus on national priorities;
- limited capacity for effective demand, or to hold governments accountable—strong leaders are often unchecked in the absence of a sizeable and capable middle class;
- limited capacity for effective regional collaboration;
- significant aid dependency, coupled with limited capacity to manage it effectively; and
- challenges of leaders juggling multiple responsibilities.

The cases also highlight various features of Pacific island states that could be described as "capacity positive":

- strong social capital, including legitimacy of traditional institutions that can play an effective role in development or use of local capacity, if supported properly;

- small communities and local organizations that can be mobilized relatively quickly for change processes if effective leadership is in place; and
- systems of engagement for the common good (such as the wantok system).

The smaller shapes within the Pacific-specific oblong in Figure 2 represent the diversity of the region and are included to underline the fact that capacity challenges vary depending on whether one is referring to an isolated micro state, a medium-size island state with higher level of economic diversity and strong institutions, or a state with weak institutions emerging from conflict. Capacity challenges are also situation-specific; the challenges facing Cook Islanders 10 years ago, for example, may be quite different from the ones they are dealing with today. Similarly, the challenges facing residents of the capital island, Rarotonga, are quite likely to be different than those facing residents of the outer islands.

Further, on the issue of Pacific capacity challenges, a 2004 ADB-funded review of governance in the Pacific suggested that “inadequate capacity building, coupled with the loss of senior staff who have management and technical skills, is common in many PDMCs.”<sup>[86]</sup> This failure to train and retain many of the most skilled people was seen as “a long-standing contributor to concerns over the quality of governance and institutions,”<sup>[87]</sup> particularly in Polynesia, but increasingly in other countries in the region.

While not a uniquely Pacific concern, ADB’s Pacific strategy also notes that “too often, capacity building (in the region) has been related to the objectives of the project rather than to those of the host organization, or capacity building requirements have been insufficiently analyzed, planned, or coordinated.”<sup>[88]</sup>

Despite these challenges, there are, as identified in the case studies included in this review, examples of successful CD in central Government departments, state-owned enterprises, and civil society groups in the region. The challenge flowing from this is to understand better the relevant success factors,

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<sup>86</sup> ADB 2004a.

<sup>87</sup> See footnote 2.

<sup>88</sup> ADB 2005a.

particularly those especially applicable in the Pacific, whether strong leadership, effective engagement of citizens and nonstate actors, organizational legitimacy, or social stability.

### **a. Country-specific Issues**

While people often talk in general terms about the “Pacific region,” the region, as the diagram and text above suggest, represents a multitude of cultural, environmental, political, and social conditions. Many countries in the region do share common cultural characteristics, even histories, but each is also unique in various respects—size, the nature of the economy, social institutions, and governance arrangements. The Cook Islands, for example, operates under a “free association” arrangement negotiated with New Zealand in 1965. Under this special relationship, Cook Islanders hold New Zealand citizenship and are able to travel freely to New Zealand. The levels of migration fluctuate over time, but during periods of economic downturn on the islands, rates tend to increase. “In 1974, for example, when the international airport opened on the main island of Rarotonga, an exodus of over 5,000 people was recorded over the next five years. The next major exodus was a result of the economic downturn in 1995–96, when over 1,000 people left.”<sup>[89]</sup> Given Cook Islands small population (approximately 18,000), shifts of this magnitude can have a significant impact on the country, including loss of important skills.

The RMI is a sovereign nation linked to the United States (US) through a Compact of Free Association that entered into force on 21 October 1986. Under the arrangement, the US is responsible for RMI’s security and defense. The US is also obliged to provide the RMI at least US\$57 million per year until 2023, including contributions to a jointly managed trust fund. This relationship is important to RMI in terms of the revenues it brings in; it also influences decisions on development investments in the country and affects the flow of human capacity out of the country.

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89 Wichman 2007, p. 12.



Tuvalu is the fourth smallest country in the world, with an estimated population in 2005 of 10,440. As noted in the case study on the trust fund, Tuvalu is a “small, isolated, resource-poor country made up of nine low lying coral atolls about two hours flying time north of Fiji. .... Having virtually no physical exports, the main sources of foreign exchange generated locally are royalties from distant-water fishing nations for access to Tuvalu’s exclusive economic zone and remittances sent home by maritime workers on foreign merchant vessels. The once flourishing philatelic bureau revenue has dwindled to almost nothing. International development assistance from bilateral and multilateral sources supports the standard of living by providing essential infrastructure, operational supplies, and technical assistance.”<sup>[90]</sup> The country also has a chronic budget deficit and has minimal infrastructure left over from colonial days. These were among the challenges that led the Government to pursue the idea of a trust fund as an alternative mechanism for development, with the objective that it would increase economic self reliance.

PNG is the largest PDMC, with a population of just under 6 million spread across 18 provinces. The country is incredibly diverse geographically and culturally; it is home to approximately 800 different language groups (more than a quarter of the languages in the world). PNG also has significant resource wealth, although it has struggled to use that wealth effectively for broad-based development. The country has been independent since 1976 but has a significant ongoing bilateral relationship with Australia, including a large development assistance program. Governance and security issues continue to plague the country and serve as a brake on development.

As important as the geographic and environmental characteristics of Pacific island countries is their culture and how it defines the uniqueness of each country and the communities therein. Traditions relating to decision making, power sharing, and role of women are often deeply rooted and can significantly influence domestic change processes, including those aimed at developing domestic capacity. All of these are reasons to look beyond the capacity characteristics of the region to the particulars of the individual country or community when

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90 Bell 2007, p. 3.

contemplating investments in change processes. A brief history of events related to CD in the Pacific is shown in Box 6.

**Box 6: (Partial) History of Capacity Development in the Pacific\***

- 1948 - Secretariat of the Pacific Community created
- 1950s - Scholarship programs initiated by various countries
- 1960s - Volunteer sending (especially teachers, e.g., United States Peace Corps)
- 1960s - New Zealand funds allocated to establish tobacco factories for newly independent Samoa
- 1965–1979 - countries prepared for independence
- 1968 - University of South Pacific opened
- 1971 - Pacific Forum founded - first “serious attempt” at regional collaboration
- 1980s - Staffing assistance schemes; substitution gap filling
- 1980s - Increased emphasis on integrated rural development programs and participation of communities; trust funds; UNDP localization.
- 1987, 2000, 2006 - coups d’état in Fiji; implications for domestic capacity
- 1990, 1991 (Samoa) - cyclones Ofat & Val; Polynesian airline crisis, taro blight – setbacks in CD; cyclones accelerated recovery with arrival of aid
- 1990s - institutional strengthening projects with line agencies
- Mid 1990s - emigration started in the Marshall Islands (the story of American chicken company Tyson Foods)
- 1990s – emphasis on public sector reform
- PNG since independence - increased involvement of donors, growing instability and conflict, ongoing capacity issues, issues of state legitimacy
- 1999 World Bank Report – emphasizes importance of policy environment to development
- 2000s - Millennium Development Goals signed by islands – raises question of CD for what; increased emphasis on development effectiveness, development results, environment sustainability, harmonization, and alignment
- 2000s - Increased emphasis on fragile states; more interventionist approaches, security focus, capacity substitution
- 2000s - New sources of aid money, e.g., People’s Republic of China
- 2001 - ADB’s Pacific department established (then Office of Pacific Operations)
- 2002 - Pacific Paradox report
- 2004 - AusAID and ADB recognize CD as a priority

- 2005 - Paris Declaration (capacity as core requirement); Pacific Plan endorsed by regional leaders
- 2007 - Pacific aid effectiveness principles embraced
- RMI compact with United States - increasing money in recent years for infrastructure, education, etc., as opposed to CD
- 2003 - Australia's Enhanced Cooperation Program with PNG - emphasis on security, stability; reliance on capacity substitution; gave rise to dialogue and realization that CD requires long-term approaches
- 2006 - ADB CD framework approved, followed by CD regional study

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CD = capacity development, PNG = Papua New Guinea, UNDP = United Nations Development Programme.

\*Participants at ADB's 2007 CD retreat were asked to recall milestones and key events related to CD in the Pacific and mark them on a time line. This table, while incomplete, reflects the results of that exercise.

## b. Capacity Challenges of Fragile or Post-conflict States

Most of the approaches to CD described in this report would be applicable in most developing countries. However, fragile, weakly performing and post-conflict states face additional capacity challenges. Furthermore, those challenges vary by fragile state, whether the country is in decline, emerging from conflict, or chronically weak. Post-conflict states, in particular, are usually under pressure to quickly restore security, services, and state institutions at a time when capacity is weak and infrastructure may have been destroyed, while public institutions are barely functioning, are without staff, and may lack legitimacy in the eyes of citizens.

The ADB's April 2007 report on weakly performing countries<sup>[91]</sup> outlines key points about operating in weakly performing countries. It suggests that no single or standardized approach applies and that it is important to "re-examine local conditions to find ways to work effectively." That entails, in part, ensuring a clear understanding of the reasons for the fragility of the state. In conflict, or post-conflict situations, this includes gaining an understanding of the reasons for the conflict. However, as a

recent AusAID report on Timor-Leste indicated, “some advisors appear to be conflict blind .... waiting for things to ‘return to normal,’”<sup>[92]</sup> which leads to the suggestion that conflict analysis need be undertaken to ensure that interventions avoid a “business as usual” approach.

Derick Brinkerhoff<sup>[93]</sup> has identified four scenarios, shown in Figure 3 below, that can help to frame thinking about capacity issues in fragile states and how to engage governments on reforms:

**Figure 3: Fragile States: Capacity and Willingness**

		Willingness	
		Weak	Strong
Capacity	Weak	At risk or failed	Weak but willing
	Strong	Strong but unresponsive	Good performer

Source: Brinkerhoff, adapted from Department for International Development (DFID). 2006. How to Provide Technical Cooperation Personnel. *How to Note*. London: DFID.<sup>[94]</sup>

As Brinkerhoff notes, all but the “good performers” in Figure 3 are considered fragile states, either because of weak capacity or weak willingness, or both. Brinkerhoff cautions, however, that fragile states are not static; they evolve and shift over time depending on a myriad of factors that can influence the capacity of the state and the commitment of key stakeholders to reforms. The two conflict-related cases reviewed for this study—Solomon Islands and Timor-Leste—can probably be described as having weak capacity and weak to strong willingness or commitment.

The case study on Solomon Islands’ Ministry of Infrastructure Development (MID) describes how MID went through a significant change process, with ADB support, following the conflict in that country. Solomon Islands was at the time of the project in an

<sup>92</sup> AusAID 2007, p. 8.

<sup>93</sup> Brinkerhoff 2007.

<sup>94</sup> Brinkerhoff 2007, p. 1. Under the broader category of failed state, the study describes PNG as “deteriorating” and Solomon Islands as being in “early recovery.”





The intervention was seen as a success because of the application of “complementary policy and capacity building interventions”, including

- preparation of a national poverty assessment report (which provided necessary statistical data and baseline information),
- human resources needs assessment,
- establishment of capacity development coordination unit,
- completion of first national development plan, and
- development of a capacity development program for the National Planning and Development Agency.<sup>[95]</sup>

Process factors contributing to success included a learning-by-doing approach, responsiveness of the project, participatory planning processes, and being complementary to other initiatives, which helped to foster a climate of trust and collaboration.

UNDP concluded that the three-pillar model was a “good model”, but that it focused too much on skills and knowledge (at the expense of systems issues), and that there was a need to “better capture local realities and dynamics.” UNDP also saw the advisor model as being of “doubtful” effectiveness, given the limitations of a one-to-one approach, and felt that use of nonresident coaches and mentors had been overlooked in favor of resident assignments.<sup>[96]</sup>

## **4. Monitoring and Evaluation of Capacity Development**

### **a. What is being Measured?**

Monitoring and evaluation (M&E) in most of the cases did not have an explicit focus on capacity issues. This is not inconsistent with findings in other CD studies, which have found that, by and large, M&E of development projects and programs tend to focus on changes in performance (primarily output and outcome

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<sup>95</sup> Based on brief paper entitled *Planning for a Society in Transition: Creating Institutions and Building Capacity* (Timor-Leste) (case study is incomplete).

<sup>96</sup> AusAID 2007, p. 14–15.

level). There are various reasons for this: changes in capacity are often difficult to measure, especially soft capacities, such as leadership, or the collective capacity of multiple organizations working together. It is also difficult to measure change in capacity systems (as compared to individual or organizational-level change). Furthermore, donor incentive systems and monitoring frameworks are still geared predominantly toward measuring and being accountable for "performance results."

There are several exceptions in the cases studied. In the Cook Islands harmonization case, the M&E framework focused, in part, on the capacity of the AMD. The participatory monitoring and evaluation surveys referred to in the Tuvalu trust fund case included awareness and participation in decision-making processes, which can be considered measures of community empowerment or capacity.

The PNG TA facilities and the PPII, given their mandate and orientation, have taken a more focused approach to monitoring capacity changes. They also rely on different approaches. For example, monitoring of the Capacity Building Service Centre's managing contractor in PNG's health sector emphasizes "quality of inputs," as opposed to outputs realized. This is due to several factors: the clear emphasis on capacity building in the advisor's role, recognition by AusAID and the managing contractor of the importance of quality of inputs and the nature of the advisor engagement vis à vis realization of capacity objectives, and recognition that many factors (often beyond the control of the advisor) are likely to affect outputs or outcomes.

Similarly, under the AusAID-funded Fiji health sector improvement program (FHSIP), long-term advisors are subject to annual performance assessments that measure progress against their capacity building plans, their work plans, and performance competencies. The last mentioned includes such considerations as ability to share ideas and information with others, ability to adjust capacity-building plans, and appropriateness of behavior. The performance assessment process is based on feedback from the advisor, his or her counterpart, the FHSIP program director, and/or a representative from the Australian managing contractor.

In the PPII, participants are monitoring capacity results (it is too early to demonstrate results in service delivery or sector performance). Capacity changes being measured include the extent to which initiatives have strengthened provincial management, budget, and human resource systems; coordination between provinces and districts; and links between the national and provincial governments.

Increasing attention is being given to monitoring capacity, given its stated centrality as a development priority.<sup>[97]</sup> This includes exploring ways of assessing changes in hard and soft capacities, and relying on more qualitative measures, including those that can incorporate intermediate capacity changes while not losing sight of longer-term capacity results. Part of the challenge is in reconciling long-term capacity interests with donors' usual commitment to "objectively verifiable indicators" of change in time frames of 4–5 years or less. Despite recent experimentation and increased attention to M&E of capacity, as in the initiatives above, it remains a work in progress.

### **b. Who is Measuring? For What Purpose?**

As with other projects covered in the case studies, the Kiribati water and sanitation case noted how the government implementing agency for the TA project had no formal mechanism to assess the TA, including its impact. This led the case authors to suggest that too often there is an over-dependence on donors for M&E of projects.

This is consistent with findings from other reviews, which have characterized M&E as a largely extractive process, with data mainly being mined by donors for their accountability purposes with modest engagement by local stakeholders. The exceptions, once again, appear to be the PNG TA facilities and the PPII, which have encouraged PNG leadership in defining capacity objectives and measuring corresponding results.

### **c. Are there Lessons and Are They being Learned?**

From the observations above, it would be safe to conclude that, with several exceptions, the cases studied yielded few examples of

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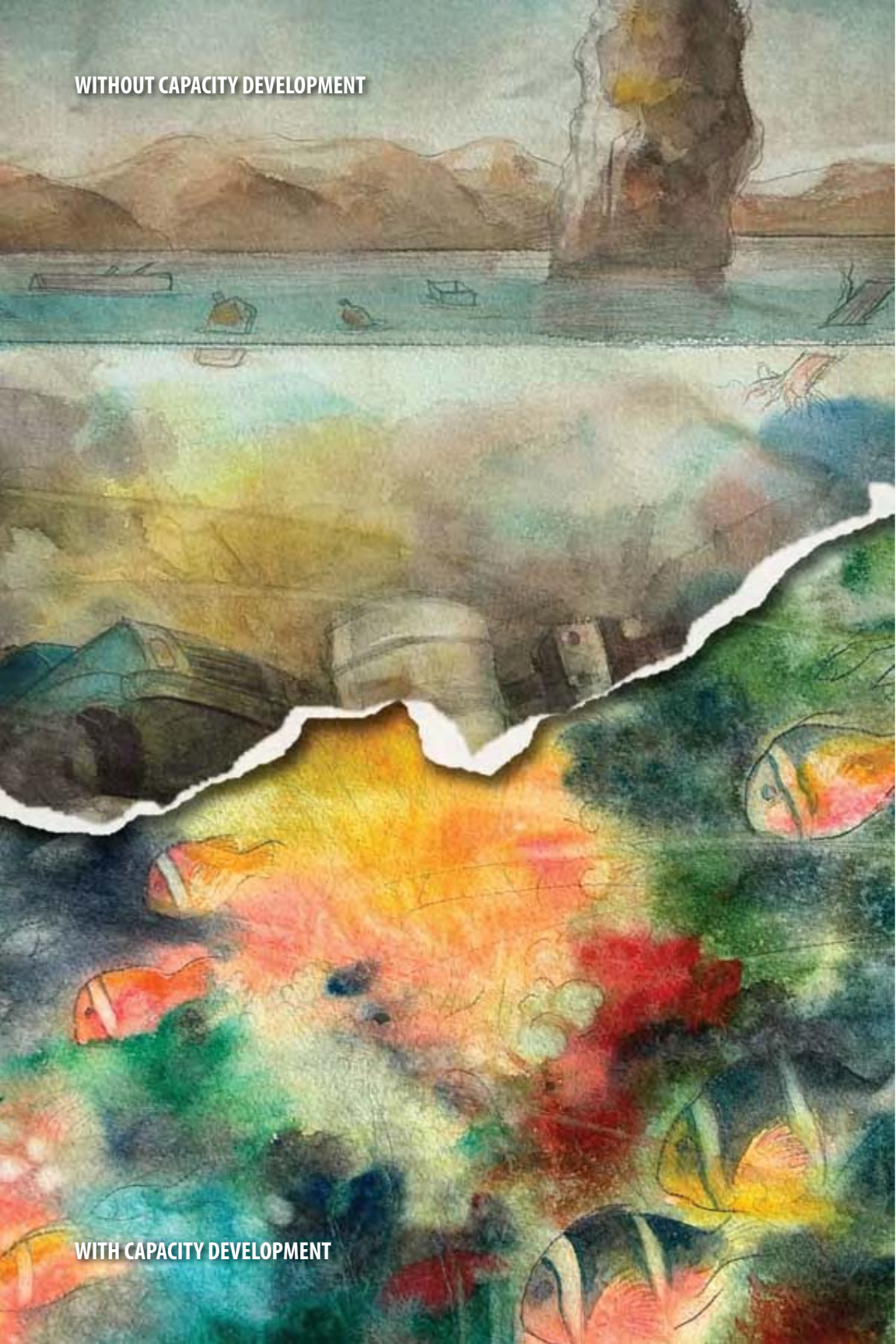
97 See, for example, Engel, Land, and Keizer 2006.



systematic learning about CD through formal M&E frameworks. This means limited systematic learning about design processes for CD interventions, about implementation strategies, or about the effectiveness of advisors in contributing to sustainable changes in PDMC capacity.

Nevertheless, the more "successful" projects among the cases reviewed had an above-average ability to learn and adapt as they proceeded. This adaptive capacity<sup>[98]</sup> is seen as an important characteristic of vibrant, well functioning organizations or systems and includes the ability to learn from experience, reflect, and shift directions in response to learning or changing conditions in the programming context. The challenge is how to foster that capacity and use it to improve analysis and understanding of CD processes.

WITHOUT CAPACITY DEVELOPMENT



WITH CAPACITY DEVELOPMENT

## IV. CONCLUSIONS – KEY THEMES

Based on the study findings, four main themes appear to be key to advancing the CD agenda within ADB's Pacific department: the importance of context and capacity systems, thinking strategically about capacity, programming strategically for sustainable capacity, and learning from experience. These are discussed below.

### A. The Importance of Context and Capacity Systems

One theme reflected in the case studies, and a constant in the literature on CD, is the importance of the programming context in influencing opportunities for and the shape of CD processes. The "stronger" projects in this study were those that understood the context, either through extensive consultative and participatory processes, by building on locally articulated policies or priorities, or by relying on advisors who had a solid understanding of the local context. As Simon Tiller, the lead consultant on the ADB-sponsored RMI fisheries project noted: "It is absolutely imperative to get under the skin of the environment you are working in. That was happening towards the end of the first TA and it was a major part of why we were able to move so quickly with the second TA."<sup>[99]</sup> Case writer Ben Graham noted that before arriving at a key turning point in the project, the lead consultant: "had not yet fully recognized the less obvious informal decision-making processes that exist beneath the more formal government processes and procedures. As Tiller commented, these connections 'were not on any organization

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<sup>99</sup> Graham 2007a, p. 5.



chart.' Tiller added, 'For the first time I felt we were partners and from that point on we began to make real progress.'"<sup>[100]</sup>

With Tuvalu's Falekaupule trust fund, stakeholders made a clear decision to proceed "from an understanding of what works at the island level (and) develop processes that build on traditions and integrate these into internationally recognized development processes."<sup>[101]</sup> This example highlights, as do others, the importance of understanding local traditions and culture as well as power dynamics and informal relationships.

Aside from the fairly local contexts above are the national contexts in the Pacific discussed earlier. Each includes factors that influence, one way or the other, attempts to strengthen or utilize capacity. The Solomon Islands and Timor-Leste case studies, for example, highlight the significant effect of the conflicts in those countries on efforts to restore or otherwise address capacity concerns. Other projects reviewed point to the influence of political economy or sociocultural issues, the *wantok* system in PNG, or the role of the kingdoms in Polynesia.

Political, economic, aid, and associational links among PDMCs and with larger regional countries, can also be important contextual factors, such as the Cook Islands historical link with New Zealand, RMI's free association arrangement with the US, PNG's sizeable development assistance program with Australia, and the various regional arrangements that link Pacific island countries. In addition, new donors, particularly the People's Republic of China and Taipei, China, are influencing parts of the region and have begun to influence the overall landscape of external assistance and approaches to "development" activities.

Thus, mechanisms are needed for external stakeholders, in particular, to develop a solid understanding of the programming context (regional, national, and local), including capacity issues therein, before programming decisions are made. Several reviews have noted this as an area where ADB could be strengthened, including recommendations for "more joint analytical work" and "political economy analysis."<sup>[102]</sup> The emphasis in the analysis is likely to vary by circumstance but, based on prominent issues in this review, would probably include institutional,

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100 Graham 2007a, p. 5.

101 Bell 2007, p. 3.

102 See, for example, ADB 2007a.



policy, political, or security issues; stakeholder relationships; interorganizational issues; organizational culture; leadership; technical and managerial capacity; incentives; informal rules; legitimacy; and demand-side capacity.

Mechanisms or processes likely to be effective in that respect include

- locally-based, participatory consultative processes;
- surveys;
- contextual analyses;
- capacity mapping;
- institutional assessments;
- SWOT (strengths, weaknesses, opportunities, and threats) analyses;
- stakeholder analysis;
- sector assessments;
- capacity and vulnerability analyses; and
- policy environment mapping.

## B. Thinking Strategically about Capacity

Once a reasonably clear understanding of the programming context has been established, the next step is to think strategically about capacity opportunities and constraints in that context. The findings from the case studies and other reviews offer some guidance on this. First is the importance of thinking in terms of capacity systems, specifically ensuring that analyses and programming strategies are based on an understanding of the dynamics of the broader capacity system and relationships within it.

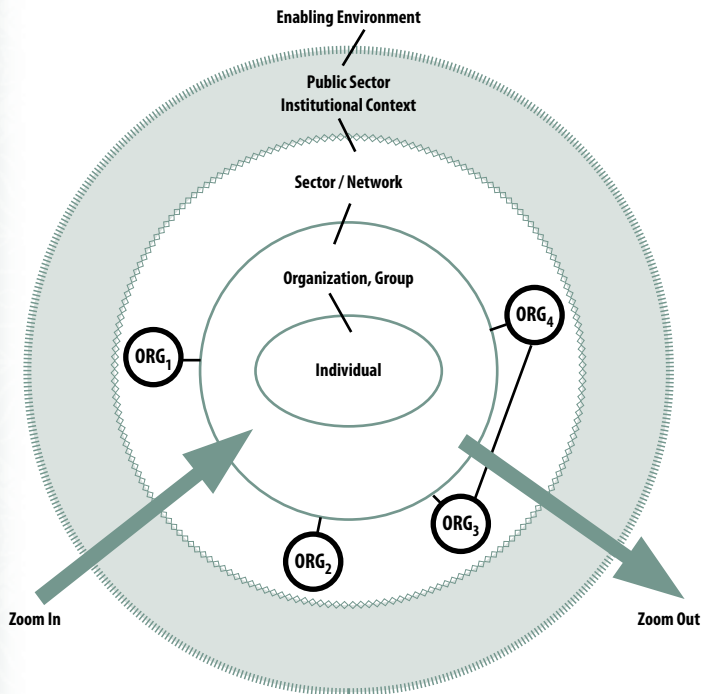
The conceptual framework in Figure 5 offers a way of thinking about the relationships among the different capacity levels.<sup>[103]</sup> The framework suggests that the various levels are linked, and that changes planned in one level are likely to be influenced by factors in other parts of the system. For example, efforts to enhance organizational capacity or performance are likely to be shaped as much by forces in the enabling environment (such as laws, regulations, attitudes, and values) as by factors internal to the organization, (skills, systems, leadership, relationships,

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<sup>103</sup> This framework is a variation of the ADB framework shown earlier in this report. Among other things, it adds reference to individuals and the enabling environment.

etc.). Similarly, the success of a training program is likely to be contingent as much on conditions in the participating organization—such as incentives, supportive management, or finances—as the quality of the training inputs.

**Figure 5: Conceptual Framework: Capacity Levels**



The small lines in Figure 5 represent the links between the various capacity dimensions or levels. The larger arrows underline the importance of “zooming in and out,” to use UNDP’s language, in the analysis of the capacity challenge and in the search for possible solutions. By zooming in and out, planners and practitioners are able to assess opportunities and constraints at various levels, their potential impact on one another, and determine the most appropriate level(s) or type(s) of intervention.

Interventions, for example, may zoom in on an organizational change process, or alternately seek to address an issue(s) across several levels. Decisions about specific programming interventions are likely to be based on several variables, including the nature of the development problem, existing programs, current capacity strengths or weaknesses in the various levels, and opportunities

or inhibitors in the enabling environment. In sum, the framework calls for systematic analysis of opportunities and constraints, identification of windows of opportunity, strategic entry points, and promotion of integrated responses. This perspective represents, arguably, the most important contribution of CD—a systematic recognition of the importance of thinking about individuals, organizations, programs, and policies as part of a greater whole.

It is important to note, as does the World Bank’s study on effective states and engaged societies<sup>[104]</sup>, that interventions that are “systemic” do not necessarily need to be comprehensive in scope. In fact, the scope and timing of an intervention should be sensitive to the absorptive capacity of local partners and their readiness to implement change. This may lead to “strategic incrementalism” which itself needs to be built on an understanding of the dynamics of the capacity system and a sense of how inputs might be sequenced to maximize effectiveness.

Table 1 highlights specific capacity issues to consider in the various levels of the CD framework in Figure 5.

**Table 1: Strategic Capacity-related Issues to Consider**

Capacity-related Issues (a sampling)	
Enabling Environment	<ul style="list-style-type: none"><li>▪ Macroeconomic situation</li><li>▪ Government policies, legal and/or administrative environment</li><li>▪ Regulatory environment</li><li>▪ Sociocultural environment</li><li>▪ Views of prospective stakeholders</li><li>▪ Political will, including historical and contemporary explanations</li><li>▪ Power structures and formal and informal institutions</li><li>▪ Incentives</li></ul>
Public Sector Institutional Context	<ul style="list-style-type: none"><li>▪ Poverty reduction strategies and plans</li><li>▪ Public financial management</li><li>▪ Subnational governance</li><li>▪ Administrative and legislative reforms</li><li>▪ Civil society participation</li><li>▪ Legitimacy and credibility of state institutions</li></ul>

104 World Bank, 2005a. *Building Effective States, Forging Engaged Societies*. Task Force on Capacity Development in Africa. Washington, DC (September).

<b>Sector/Thematic</b>	<ul style="list-style-type: none"> <li>▪ Sector policies</li> <li>▪ Sector programming framework</li> <li>▪ Capacity of lead or prospective partner institutions</li> <li>▪ Sector or network leadership</li> <li>▪ Collaborative mechanisms</li> </ul>
<b>Organization</b>	<ul style="list-style-type: none"> <li>▪ Strategic leadership capacity</li> <li>▪ Credibility in the sector or field</li> <li>▪ Strategic links and/or relationships</li> <li>▪ Operational and management capacity</li> <li>▪ Organizational incentives</li> <li>▪ Informal aspects of organizations</li> </ul>
<b>Individual</b>	<ul style="list-style-type: none"> <li>▪ Skills, such as planning, management, and operational</li> <li>▪ Incentives</li> <li>▪ Training programs, appraisal and reward systems</li> <li>▪ Work environment</li> </ul>

Source: Various, including Lusthaus et al (1999) and Hildebrand and Grindle (1994)

Based on the research findings, a second area requiring strategic consideration during design and implementation is the issue of "soft" versus "hard" capacities. Hard capacities usually refer to individual or organizational competencies, such as financial planning, engineering, or resource management. Soft capacities include leadership; legitimacy; trust; and ability to facilitate, motivate, or strengthen identity, values, or a shared sense of mission. Soft capacities also include the notion of adaptive capacity, as well as the capacity to collaborate, network, or otherwise strengthen partnerships. Various reviews and analyses suggest that CD efforts often fail, or fall short of expectations, due to a lack of attention to these less tangible, "soft" capacity issues. Part of the reason is that it is usually easier to address hard capacities, which are more likely to yield objectively measurable results in the short to medium term.

The Cook Islands aid coordination case exemplified the importance of "soft" capacities—leadership, diplomacy, and negotiation skills to deal with misunderstandings as they arose. These capacities were not necessarily cultivated through the project but already existed to a sufficient extent to allow the initiative to progress successfully, including dealing with hard capacities, such as management capability in AMD. The RMI youth services case also underlined the importance of leadership, although in this



case, it was the lack of leadership that ultimately limited its success, despite significant investments in policy development and delivery systems.

The Nauru case study on its national sustainable development strategy offered a lesson on the issue of legitimacy as a soft capacity. The case study describes how limited trust and confidence in state institutions led to a more purposeful engagement of civil society (“a new kind of participation”) to ensure that the national sustainable development strategy would have legitimacy in the eyes of the public.

A third strategic consideration to take into account at the planning stage is the relationship between capacity and performance. The European Centre for Development Policy Management study on capacity, change, and performance has addressed this issue. The study’s interim report highlighted several key issues:

- The relationship between capacity and performance is complex, particularly given the multitude of intervening variables at play within a capacity system at any point in time.
- Most discussions about capacity are really about performance and how to improve it.
- Short-term gains in performance are often important to sustain momentum in long-term CD programs but can be mistaken for sustainable changes in local capacity.
- There are few incentives or rewards for focusing on long-term capacity in a context where pressures to improve performance are intense. This is particularly so in highly destabilized (such as post-conflict) or politicized environments.<sup>[105]</sup>

Table 2 highlights some of the differences between a focus on development performance or results and developing capacity.

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105 European Centre for Development Policy Management 2005a, p. 17–18.

**Table 2: Development Performance and Capacity Development**

Aspects of Change	Performance (results)	Capacity Development
Purpose	maximizing	developing
Approach to capacity issues	development results seen as secondary	capacity seen as an end in itself
Leadership	means in support of performance ends	more participatory and inclusive
Main focus	more directed and top down	individual and collective skills, culture, and mindset
Planning application	structure and systems, incentives, demand pressures	emergent and more incremental
Tangibles and intangibles	systematic and solution-driven	responsive and varied
Motivation	standardized and uniform	more emphasis on the intangibles
Emphasis on learning and experimentation	more emphasis on the tangibles	incentives lag critical focus on capacity
Monitoring and evaluation	incentives lead modest focus on results	
Use of external technical assistance	intensive and focused on task achievement	less intensive and focused on process and facilitation

Source: Morgan, Baser, and Land 2007.

Most of the Pacific case studies had a fairly explicit emphasis on performance improvement (consistent with the middle column in Table 2), as opposed to a strategic focus on capacity, that is, how to develop, strengthen, or discover ways to use it more effectively. Among the exceptions were the TA facilities in PNG, which have a more clearly defined commitment to capacity—of individuals, organizations, and whole systems—in their mandates. A fundamental question for program planners is how they frame their investments: as long-term CD efforts or as initiatives that seek primarily to increase performance over the short to medium term. Or is there a way to support short- to medium-term performance improvement while also encouraging, or at least not undermining, longer-term capacity interests?

A fourth strategic consideration, based on the findings from the case studies, is the role of the external intervener. CD specialist Peter Morgan has suggested that there are broadly four

approaches to external interventions in development projects; they can be plotted along a continuum as follows:

- 1) External interveners doing the work and hoping that capacity will be developed through modeling or exposure (country systems tend to be bypassed).
- 2) External interveners design and control the approach, but try to engage local counterparts through consultation, participation, on-the-job training, and other measures (the "direct" approach).
- 3) External interveners work within developing-country processes, building on local motivations and facilitating change (accompaniment or the "indirect" approach).
- 4) Providing payments for demonstrated progress ("hands-off" approach) <sup>[106]</sup>

The implication is that the third approach is most consistent with CD and aid effectiveness principles, unless PDMCs are positioned to benefit from direct financial support without other external inputs as per option 4.

A final strategic capacity consideration to address early in any CD initiative is the sustainability challenge: how to ensure a focus on what lasts versus simply "what works now." This is, of course, linked to the previous points, including the relative emphasis to be placed, and over what period of time, on capacity versus performance results.

The case studies did not yield a great deal of hard evidence on the issue of sustainability, partly because some of the projects and programs reviewed were still ongoing. Nevertheless, concerns were expressed in some cases with respect to the likelihood of sustaining results, whether they be performance or capacity results. The Cook Islands public sector reform case, for example, illustrated the challenge of maintaining capacity reforms over a decade with changing leadership and shifting government priorities. This and other similar experiences beg the question: what combination of inputs and enabling conditions is most likely to ensure sustainable capacity results? Expressed differently, how does one turn a series of capacity transactions, and under what types of conditions, into durable capacity transformations?

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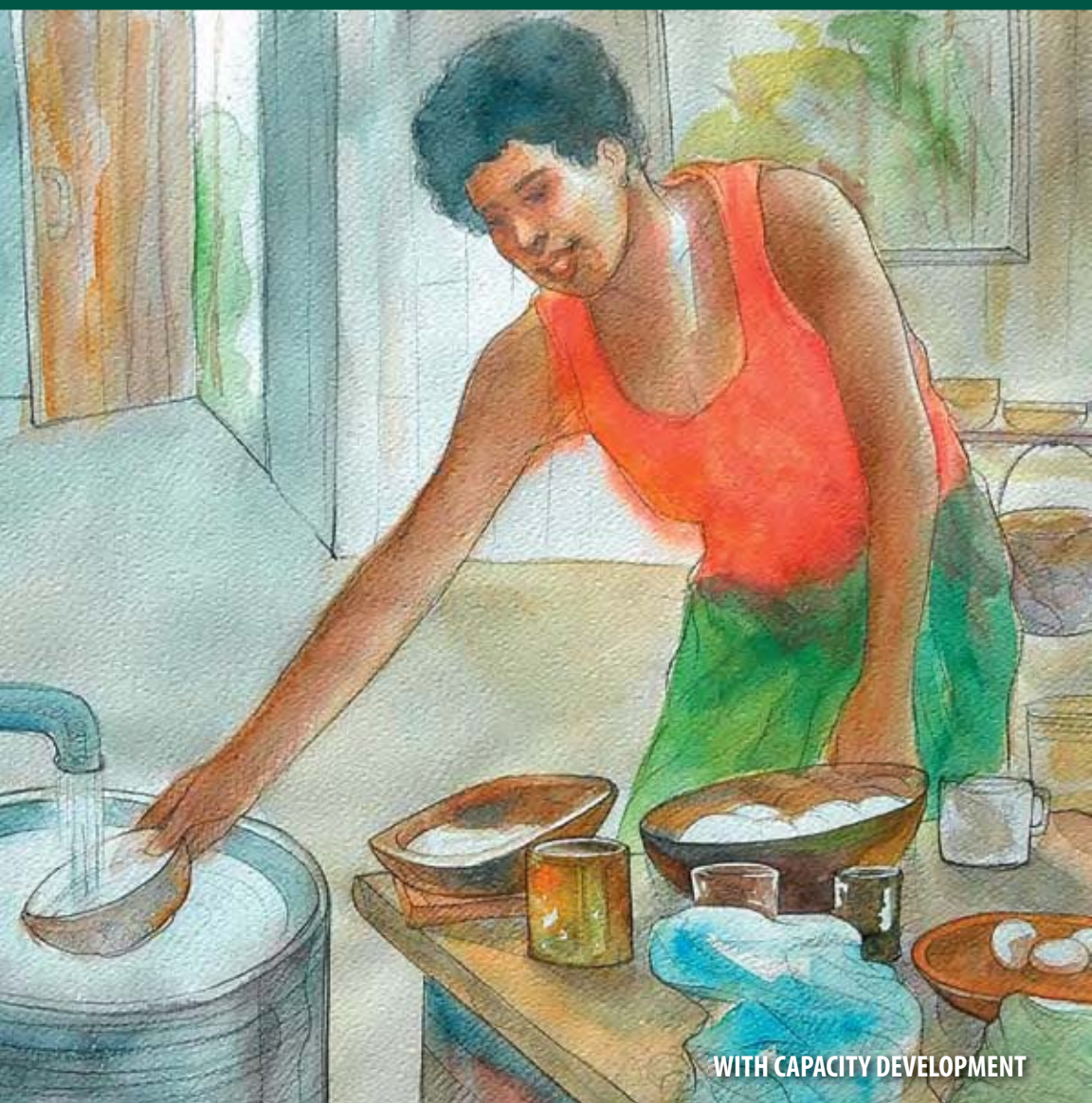
106 Based on correspondence with Peter Morgan.

## C. Programming Strategically for Sustainable Capacity

As the preceding sections suggest, the overall focus in any CD intervention should be on ensuring sustainable changes in capacity. At the same time, it is recognized that there can be tensions to be managed between the desire for short-term results (on the part of various stakeholders) and the longer-term process of CD. This is particularly true in fragile states anxious to improve services or strengthen the role of state institutions. Thus, there must be agreement among stakeholders on strategies, time frames, and processes for monitoring, learning, and adjusting approaches. Based on the experiences from the cases and CD principles adopted by donor agencies, implementation of CD projects and programs should be guided by the following considerations:

- Local ownership and leadership are of paramount importance.
- Projects and programs should build on existing developing-country capacities, using external resources only when value is clearly added.
- Participatory approaches are necessary to reinforce ownership, ensure legitimacy, and strengthen capacity of local stakeholders—follow the local lead.
- Priority should be given to supporting developing-country programs.
- The primary role of the external partner should be facilitative and supportive.
- Donor coordination should be encouraged to ensure coherent approaches and to minimize demands on developing-country partners.
- Investments should be geared to the long term.
- Expectations should be realistic, i.e., based on capacity assessments and agreed targets.
- Donors should be flexible in their approaches and requirements.





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- Projects and programs should rely on iterative approaches, ongoing learning, and adaptation; this implies less distinction between design and implementation.
- Projects and programs should be managed for results and avoid excessive focus on management of inputs.
- Expected results should be seen as strategic directions that will change over time as a result of learning.

Decisions also have to be made about the overarching capacity strategy, which may or may not involve "development" of capacity. As mentioned earlier in the report, options include

- eliminating old or inappropriate capacity,
- reducing demand on existing capacity,
- making better use of existing capacity,
- strengthening existing capacity,
- providing space for innovation or creative use of capacities,
- creating new capacity, or
- creating more enabling conditions for CD or capacity use.

## D. Learning from Experience

The fourth key theme for advancing the CD agenda in PARD is learning. As noted earlier, not a great deal of systematic learning from experience was noted in the case studies, specifically on the issue of CD. This is a reflection of the orientation of the projects; once again, the projects most likely to yield capacity lessons are those with a clear focus on CD in their design. The charter agreement for the Capacity Building Service Centre in PNG, for example, commits all partners to "innovation, outstanding performance, best practice and dissemination of lessons learned to continuously improve the performance of the Service Centre." The charter also provides for the establishment of a learning and innovation panel, which was intended to, among other things, "enable the Service Centre to develop and synthesize knowledge, skills, lessons learned, and techniques to continuously improve capacity building within PNG."

As noted previously, many of the cases reviewed did display a capacity to learn and adapt in response to emerging opportunities or changes in the programming environment, but lessons were rarely captured in capacity terms. Consistent with the description in the last few sections, learning on CD could include

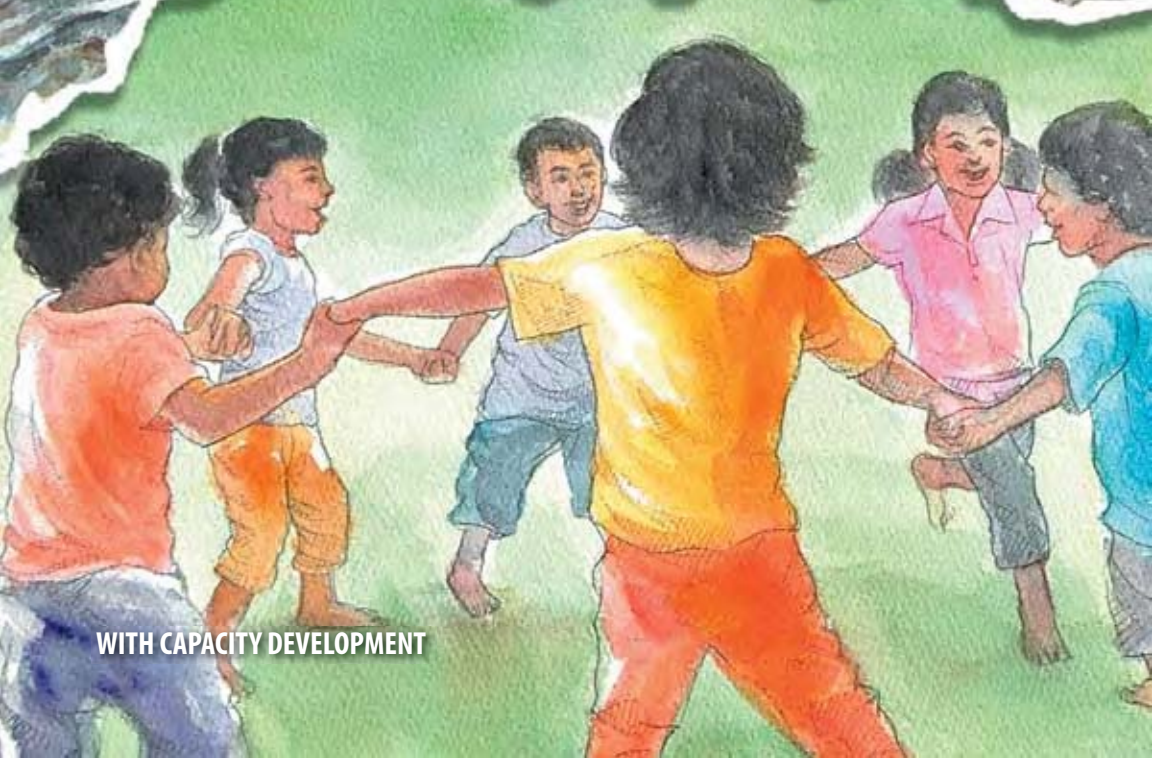
- analysis of changes in the enabling environment, such as policies, institutional rules, and their impact on capacity utilization, participation of citizen or community groups, and awareness raising;
- analysis of organizational change processes to assess their impact on strategic leadership capability, planning or service delivery, financial management, and collaboration;
- tracking of individual capacity enhancement to determine effects on organizational capacity and performance; and
- analysis of incentive systems and their impact on capacity strengthening and retention.

Encouraging organizations to focus on monitoring and learning can be, in and of itself, a valuable capacity-strengthening exercise with potential to contribute to long-term organizational well-being and improved performance.

The main conclusion on this issue is that if development planners and practitioners are to strengthen CD efforts, greater emphasis needs to be placed on documenting experiences and lessons, sharing them through various means, and incorporating lessons in project and program designs. This is discussed further in the next chapter.



WITHOUT CAPACITY DEVELOPMENT



WITH CAPACITY DEVELOPMENT



## V. IMPLICATIONS FOR ADB

The findings and observations in this report have implications for ADB, bilateral donors, and DMCs in their approach to CD. These implications are addressed in the sections below.

First, several projects reviewed for this study have stressed the value of working from a clear initial understanding of capacity issues, as well as the social, economic, cultural, and political factors that can affect CD processes. From the perspective of external interveners, the “successes” reviewed highlight the value of highly participatory planning and design processes, as well as the usefulness of looking beyond technical issues in assessment processes to factors in the various capacity levels (including “soft” capacities) that could have a bearing on implementation. In addition, the experiences show the value of encouraging “demand” as one way of ensuring local ownership of change processes while enhancing the capacity of citizens to function effectively in democratic states.

Consistent with this study’s findings, ADB’s first CD thematic report (December 2006) noted the importance of ADB’s country partnership strategy (CPS)<sup>[107]</sup> to strengthening demand orientation and effectiveness of CD. It acknowledges that ADB is endeavoring to integrate CD into CPS priorities and to take a more strategic approach, but suggests that CD still needs to be mainstreamed in sector development. The report also indicates that there is potential to expand capacity assessments and that further work needs to be done to mainstream participatory approaches. It also calls for better support for local ownership and leadership, better change management processes, and better diagnostics.

Several of the cases have underscored the particular challenges in dealing effectively with capacity issues in post-conflict

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<sup>107</sup> The CPS replaced ADB’s country strategy and program in 2006 to reflect an enhanced emphasis on partnership-based approaches.

countries. At core is the dilemma of how to respond to demands for restoration of peace, security, and government services while remaining focused on long-term capacity issues. The conflict-related cases reviewed in this study, and the broader literature, suggest particular requirements at the planning and design stage as highlighted earlier.

The findings from the various case studies also have implications for capacity programming, including a need to be responsive to contextual factors, to be careful to build on what exists, to pay attention to broader systems issues, and to recognize the need for adequate time to progress at an appropriate pace.

As this study has shown, M&E can be challenging at the best of times. This is due, in part, to the ambiguous nature of "capacity" and the corresponding difficulty in measuring change in capacity over time. It is also challenged by a general tendency to focus M&E on performance results as opposed to capacity results.

In the ADB context, the 2006 CD thematic report notes that only 21% of ADB-sponsored TA is presently classified as CD, which suggests that 79% of TA is still not monitored or evaluated in relation to its impact on capacity.

Some of the initiatives reviewed attempted to take a more systematic approach to assessing the impact of inputs on domestic capacity. Closer examination of these and similar experiences provides an opportunity for ADB to learn and adopt methods for improving M&E of CD initiatives.<sup>[108]</sup> The case studies have also provided an opportunity to consider the incentives for M&E of CD, and the relatively limited feedback on this suggests that it is strongly driven by donor requirements rather than demands of local stakeholders.

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108 Starting points for information on monitoring and evaluation of capacity development include (i) MandE News, <http://www.mande.co.uk/> and (ii) Watson, D. 2005. *Monitoring and Evaluation of Capacity and Capacity Development*. Theme Paper. Maastricht: European Centre for Development Policy Management. November. [http://spiderman.ecdpm.org/Web\\_ECDDPM/Web/Content/Download.nsf/0/4EB26B200266AED5C12570C1003E28A2/\\$FILE/Watson%20\\_M&E%20of%20CD2\\_November%202005.pdf](http://spiderman.ecdpm.org/Web_ECDDPM/Web/Content/Download.nsf/0/4EB26B200266AED5C12570C1003E28A2/$FILE/Watson%20_M&E%20of%20CD2_November%202005.pdf)

# Moving the Capacity Development Agenda Forward

Considerable work has already been done in ADB to move the CD agenda forward following its adoption of CD as a thematic priority. Of particular note is the work of the capacity development working group (CDWG), which was responsible for the November 2006 document: *Integrating Capacity Development into Country Programs and Operations, Proposed Medium-Term Framework and Action Plan*.<sup>[109]</sup> ADB has recently also produced various reports evaluating TA effectiveness and how to achieve development effectiveness in weakly performing countries.

This section draws on those sources, as well as the findings of the Pacific CD study and the results of ADB's August 2007 Pacific capacity development retreat to offer some thoughts about how to move the CD agenda forward in PARL.

## 1. Institutionalizing a CD Approach in Country Programs

According to the CDWG November 2006 report, "... there is general agreement that in the past sector road maps have been generally weak. Road maps are often not based on a good understanding of country capacities and CD priorities, and it is not always clear to what extent ADB's program contributes to the larger reform agenda within a sector or theme. The understanding of the political economy context is often weak. It also appears that the rationale for sector or thematic prioritization often does not reflect a discussion among country teams of the relative capacities of key crosscutting and sector agencies. Assessments of basic change management issues, such as leadership, ownership, and stakeholder buy-in, are frequently not reflected in CSPs. In view of the required greater reliance on country systems, there is a need for a more effective strategic prioritization of such critical country capacities as public financial management and results-based management and for a clearer integration of ADB sector support into DMC sector strategies. CPS review processes need to build on endogenous CD progress reviews at crosscutting thematic, sector, and local government levels."<sup>[110]</sup>

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<sup>109</sup> ADB 2006g.

<sup>110</sup> ADB 2006g.

The CDWG recommended that ADB respond to these shortcomings by (i) working with country teams to identify priority organizations in DMCs to work with on CD initiatives, (ii) determine which institutional elements of the enabling environment should be assisted as part of the CPS, (iii) determine key stakeholders and partnerships or systems to be supported, and (iv) determine how these initiatives will fit into sector plans in the country partnership strategy. Box 7 summarizes these points. Specific expected results and associated activities identified in the CDWG's final report relating to country strategy and programs and how to institutionalize a CD approach are outlined in Appendix 5.

**Box 7: Summary of Implications for ADB on Institutionalizing a CD Approach**

The findings from this study, Asian Development Bank (ADB) capacity development working group (CDWG) report, and 2007 CD retreat suggest that ADB needs to

- » strengthen mechanisms to enhance understanding of the programming context, including capacity issues, as a basis for country partnership strategies (CPSs), including political economy issues, leadership, ownership, commitment, and capacities associated with key cross-cutting and sector issues. Political economy analyses should be done with local stakeholders and analyses carried out by other donors should be used where possible;
- » draw on this enhanced understanding to secure agreement with Pacific developing member countries on CD priorities and strategies to be reflected in the CPS as well as sector strategies and plans;
- » see the country CD strategy process as an ongoing, country-led process guided by participatory methods; and
- » through consultations on the CPS, ensure a better fit between ADB programming strategies (including CD strategies), Pacific country programming and CD priorities, and the broader reform agenda in the country.

Other suggestions raised by retreat participants relating to CD and country programs included the following:

- Mainstream CD in country partnership strategy formulation.
- Assist countries to analyze political economy issues (drivers of change).
- Involve more players, beyond government, at the CPS stage.



- Use country processes and the right local people to assess capacity.
- Do consultation and participation, as they are “absolutely necessary.”
- Hire people who know and understand the area.
- Avoid multiple donor-led CD plans.
- Do not just focus on “technical fixes.”
- Focus on the country strategy but approve allocations annually.
- Do not focus solely on money; look into other solutions.
- Improve incentives for staff.

Retreat participants recognized the challenge of understanding the drivers of change as well as capacities of communities—a process that is made more difficult by the limited time allocated for community engagement and strategy development. A possible solution identified for ADB was to partner with an organization that has comparative advantage, has been doing political economy, and is “living” in partner countries, such as UNDP—which also has a set of default principles for capacity development (Appendix 6).

Other issues for ADB consideration include

- the nature of the consultation and participation processes required to ensure CD issues are addressed adequately in the CPS;
- how to frame capacity issues in the CPS, including how to address them from a systems perspective;
- role of ADB’s resident missions in the CPS process;
- roles for CD specialist or advisor in supporting development of the CPS, including integration of CD principles and strategies;
- special needs and requirements of small PDMCs—do they require different assessment processes?;
- how to monitor capacity results linked to the CPS; and
- the particular challenges of fragile or post-conflict states—how do these affect the CPS process?

ADB’s April 2007 report on weakly performing countries addresses the last point, indicating that ADB’s response has been

to modify its own processes to reflect conditions on the ground. Recommendations from the report could provide a reference point for determining how to deal with such countries in the CPS process.

## 2. Capacity Development Programming

In considering how to move forward with new programming approaches, the Pacific department will have to determine whether it views CD as an "add-on" or as something to be mainstreamed into its operations. The case studies offered a mix of experiences in this respect, but with the majority treating CD as an add-on to support other project objectives. The CDWG has suggested piloting activities leading over time to a more mainstreamed approach.

Specifically, the CDWG report recommends "using the new conceptual framework and principles on a pilot basis (selecting one or two key executing agencies per developing member country) and in sectors in which ADB has a substantial presence, such as transport, energy, or education."<sup>[111]</sup> The report also recommends a demand-driven approach in the selection of key executing agencies (to ensure ownership), sharing lessons from the pilots, and supporting a gradual shift in approaches (such as by facilitating stakeholder analyses, organizational and institutional analyses, and establishing performance benchmarks and databases). In addition, the report calls for "disciplined analysis" of executing agency capacity and the roles of other stakeholders, including consideration of soft capacities and enabling factors. See Appendix 5 for outputs and activities specified in the CDWG report.

At ADB's CD retreat, participants were asked what needs to be done differently to integrate CD more effectively in Pacific operations. They offered the following recommendations:

- Fund participatory processes and make them the norm for strategy, design, and implementation, to establish "real demand" for development.

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<sup>111</sup> ADB 2006g, p. 25.

- Listen to and assess the needs of government, civil society, and nongovernment organizations in all interventions for sustainable capacity.
- Invest in understanding what is appropriate and will last and let that inform decisions on approaches and modalities.
- Promote a systems or program approach to CD, such as funding clusters of technical assistance projects for weakly performing countries.
- Support longer-term interventions.

Other issues relating to CD programming for consideration by the Pacific department include

- how to strengthen participatory processes in support of CD programming (what works in what context);
- how to assess capacity issues in advance of CD programming decisions;
- how to determine the right programming fit; the varied and changing contexts, including shifts in local capacity, suggest that interveners need to draw upon a range of approaches and modalities when addressing capacity issues;
- what are the roles of trust funds or CD funds;
- how to determine the appropriate entry point and approach, for example,
  - contributing to a more enabling environment (e.g., policy advice);
  - strengthening interorganizational capacity (e.g., through advice, incentives);
  - building local capacity to build capacity (e.g., facilities);
  - enhancing individual skills, such as in country training, mentoring, secondments, placements, overseas scholarships, exchanges, placements;
  - duration of CD interventions and exit strategies;
- how to enhance capacity for demand and local accountability;

- what are the roles and responsibilities of various partners, for example, assignment of counterpart staff by executing agencies;
- how to monitor capacity results; and
- what is the role of ADB resident missions.

The CD retreat included a session specifically on TA management given the importance of TA to many CD processes. Table 3 highlights suggestions that emerged from that discussion.

**Table 3: Suggestions for Technical Assistance Management in Capacity Development**

Processes for Managing TA	
Identification	Redefine process of TA identification (e.g., be more government-driven). Use fewer, longer-term, larger TAs in cluster or phased modes. Provide budget for Pacific-based selection, identification, and conceptualization of TA.
Recruitment and Contracting	Governments should be given more of a free hand in selecting TA personnel; nationally-driven. Introduce new recruitment and contracting modalities (e.g., framework contracts). Delegate contracting and recruitment of individual consultants to PARD and/or resident missions, with Central Operations Services Office having an oversight function. Advertise through E-Consult.
Orientation and Preparation	There should be a formal induction process for each TA, incorporating cultural and country elements.
Management	Implementation should be supported as part of the TA.  The TA should report to the executing agency.  There should be mutual accountability between donor and executing agency.
Monitoring and Evaluation	Monitoring and evaluation should be based on CD indicators.

CD = capacity development, PARD = Pacific department, TA = technical assistance.

Source: Recommendations from August 2007 ADB CD Retreat.



In the retreat discussion, it was suggested that ADB may not be ready to delegate recruitment to executing agencies. However, participants highlighted different options that could increase Pacific developing member countries' role in recruitment without placing new administrative burdens on them.

The discussion on TA also noted the ongoing need for capacity substitution in the region, given gaps in Pacific labor markets. It was suggested that capacity substitution is required when no local person with technical or professional competency, or specialization, is available, or when there is such a person but who has no experience (for example, a new law graduate who may be considered as director for public prosecutions). Some participants underlined the importance of thinking in terms of "strategic gap filling" within a long-term capacity strategy. Specific strategies such as "two-in-a-box," were also considered—two people filling one position but dividing responsibilities with emphasis on technology or skills transfer and an exit strategy. Finally, as one participant noted, it is important to be clear on the reasons for existing gaps, particularly in countries with a long history of externally funded training programs.

Retreat participants offered the following "rules of thumb" with respect to capacity substitution or gap filling for weakly performing states, post-conflict states, or micro states:

- Determine whether the need is real or perceived (Pacific developing member country perspective).
- Consider gap filling strategically (including whether the contribution can be sustained).
- Understand the reasons for the gap (e.g., political economy issues) rather than filling it without question.
- Focus on gap filling within an appropriate institutional framework (avoid tactical responses).
- Fill gaps within a long-term CD strategy and long-term political and socioeconomic growth strategy.
- Avoid approaches that are potentially capacity negative or foster dependency.
- Recognize capacity substitution as a valid public policy option.
- Support longer-term interventions.

- Consider volunteers as an option, especially in small communities.
- Agree on an exit strategy for long-term TA.
- Encourage pooled regional capacity, where appropriate, for national needs.
- Be selective about which sector to support.
- Favor “essential” sectors (e.g., education and health).
- Require full beneficiary “buy-in,” including dedicated counterpart support.

Other issues relating to the role of advisors touched on at the retreat or in the case studies include

- how to ensure clear, locally owned terms of reference, including who drafts them, and who approves them;
- how to link work plans of advisors not only to key performance indicators but also mutually agreed key capacity indicators;
- naming the role—advising, training or mentoring, systems development, or gap filling. As indicated in AusAID’s recent discussion paper on technical assistance and capacity building in Timor-Leste, “naming the role matters.” Many advisors end up performing in-line functions, either because a counterpart is not available, or simply to fill an existing gap that may have been the unspoken intent. The AusAID paper concludes: “Being clear about the purpose enables more accurate terms of reference, better matching of potential candidates to the role, and helps establish transparent performance expectations;”<sup>[112]</sup>
- how to recruit and select effective advisors, with the right combination of technical skills, experience, local knowledge, ability to facilitate, transfer skills, etc.;
- value of long-term versus short-term TA. Long-term TA is frequently seen as a preferred option, given the importance of understanding the context, developing relationships with local stakeholders, and the greater potential for focusing on long-term capacity needs.

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112 AusAID 2007b, p. 5.

Some cases demonstrated a preference for short-term and/or intermittent TA because it allowed local partners to benefit from specialized expertise while ensuring local ownership of the process;

- how use of local consultants can be enhanced to increase ownership, strengthen local consultancy capacity, and ensure better understanding of the local context (e.g., culture, traditions, power dynamics, informal systems, reasons for capacity problems); and
- monitoring advisors' inputs, results, or performance. This requires enhanced attention to monitoring and evaluation, including developing domestic capacity; it can also provide a boost to local accountability.

Box 8 summarizes the study's implications on CD planning.

**Box 8: Summary of Implications for the Asian Development Bank on Capacity Development Programming**

- » Select "demand-driven" pilots in key Asian Development Bank sectors or thematic areas in the countries to provide a basis for initiating new capacity development (CD) approaches.
- » Provide inputs to encourage new approaches, such as stakeholder analysis, capacity assessments.
- » Strengthen participatory approaches to enhance ownership and effectiveness of capacity development programming.
- » Ensure programming decisions are based on strategic analysis of capacity options (e.g., best entry points, modalities, sustainability and an exit strategy).
- » Ensure programming in conflict-affected communities is informed by proper analyses.
- » Increase emphasis on capacity for demand and local accountability.
- » Explore possibilities for increasing reliance on local capacity-building options, such as facilities, exchanges, and use of local consultants.

As noted, special consideration is needed for CD interventions in conflict or post-conflict situations. The following factors have been highlighted by the Development Assistance Committee

Network on Governance, among other sources, and are relevant to such situations in the Pacific region:

- Carefully analyze the country context, including the current (and prospective) capacity situation before committing to reforms (e.g., capacity deficits resulting from the conflict, financial limitations, role of traditional institutions).
- Ensure a clear understanding of the conflict (e.g., history of the conflict, reasons for it, potential for relapse).
- Ensure an understanding of stakeholders' commitment to reforms.
- Jointly develop an approach that is likely to work in the given circumstances, being realistic about what can be achieved in light of contextual factors.
- Promote multistakeholder involvement to bring communities together, build a critical mass in favor of change, and increase prospects for sustainability.
- Give priority to CD efforts that reduce fragility or prevent a return to conflict or state collapse.
- Identify partners carefully and support them over the long term.
- Where state capacity is weak but political will is present, CD efforts should focus selectively on restoring core state functions (to create conditions for restoration of a broader range of state services).
- Think about the confluence of security, development, and diplomatic efforts, and how development efforts can best fit.
- Respect local ownership and leadership (e.g., by setting realistic goals and thinking long term).
- Where state capacity is severely challenged, consider channeling support through nonstate actors.
- Coordinate with other development partners to minimize demands on existing administrative capacity.



### 3. ADB's Business Processes and Internal Support Systems

Various reports on CD have highlighted the need for funding and supporting agencies to enhance their capability for addressing capacity issues in developing countries. Many of these agencies have high technical capacity (such as in engineering, health, or economic management) but often less capacity in facilitation, skills transfer, or design of consultative and participatory processes.

The CDWG's final report and other ADB documents have highlighted areas for improving ADB's business processes and internal support systems. The recent report on improving ADB's TA program, for example, notes various procedural areas requiring attention including "apparent lack of focus for parts of the TA program; internal procedures, which can be time consuming while adding limited value to project design; an emphasis on processing until approval rather than implementation; the risk of a supply-driven approach with insufficient ownership by DMCs and executing agencies; and constraints in ADB internal TA management."<sup>[113]</sup> Priorities from the CDWG report are outlined in Appendix 5.

The CD retreat identified areas where ADB and other donor agencies could improve business processes and support systems for CD. For example, participants indicated a need for donor organizations to help staff become specialists on the Pacific, as well as on participatory methods. Others spoke of the need for ADB to emphasize its role as a development institution, beyond the banking side of its mandate.

Specific suggestions from the CD retreat on this topic included the following:

- Commit more resources to TA design and TA implementation.
- Use a more selective approach in application of resources.
- Design CD TA in Pacific countries, not in ADB headquarters in Manila.

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- Encourage joint donor approaches.
- Recognize and give importance to CD in ADB departments' work plans.
- Rely on staff with Pacific and CD experience.
- Encourage application of innovative tools for mobilization of consultants (e.g., framework or indefinite delivery contracts).
- Streamline access to funds.
- Use flexible and adaptive designs that allow changes through the implementation phase.
- Do not lose sight of the value of small, flexible, rapid TA to respond to urgent capacity needs.
- Strengthen national consulting capacity in the Pacific.
- Re-examine internal incentives; accountability and rewards should be for outcomes, not loan designs or programming.
- Seek board and management approval (exception) to fund Pacific country strategies rather than TA for weakly performing Pacific countries.

Box 9 provides a summary of the capacity development implications for ADB's businesses processes and internal support systems.

**Box 9: Summary of Implications for the Asian Development Bank's Business Processes and Internal Support Systems**

- » Strengthen internal capacity for capacity development programming in relevant areas, such as results-based management systems, staff skills and incentives, human resource management, accountability and reporting, knowledge management, and demand orientation.
- » Examine options for modifying consultant recruitment and selection, including increasing the role of Pacific country partners.
- » Consider options for Pacific island consultant rosters and reliance on framework agreements.

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# APPENDIX 1

## PACIFIC CAPACITY DEVELOPMENT CASE STUDIES BY COUNTRY AND AUTHOR

Country	Author	Project or Program Covered in the Case Study (Supporting Agency)
Cook Islands	Vaine Wichman	Economic Restructuring Program, 1996–1998 (ADB)  AusAID–NZAID Donor Coordination
Kiribati	Dr. Ueantabo Mackenzie	Community Development and Sustainable Participation, 2002–2005 (ADB)  Integrated Urban Planning and Program Study 1996 (ADB)
Marshall Islands	Ben Graham	National Fisheries Development Plan, 1996–1999 (ADB)  Preparing the Youth Social Services Project 2004–2005 (ADB)
Nauru	Kevin Balm	Nauru National Sustainable Development Strategy, 2005 (ADB, AusAID, Pacific Islands Forum Secretariat)
Papua New Guinea	Cedric Saldanha	Provincial Performance Improvement Initiative, 2004–2019 (AusAID)
Papua New Guinea	Tom Seta	Community Justice Liaison Unit, 2003–2008 (AusAID)
Papua New Guinea	Paulina Siop	Ok Tedi Mine Area Community Economic Capacity Development (Western Province)
Samoa	Esekia Solofa	Samoa Public Sector Improvement Facility (AusAID and NZAID)
	Esekia Solofa	Strengthening Capacity for Macroeconomic Analysis, Planning and Policy Formulation, 2000–2002 (ADB)
	Epa Tuioti	State-Owned Enterprise Reforms (ADB)
Solomon Islands	Samson Rihuoha	Institutional Strengthening of the Ministry of Infrastructure Development (ADB)
Timor-Leste	Helio Augusto	Planning For A Society In Transition: Creating Institutions and Building Capacity (UNDP)
Tonga	Kaveinga Tu'itahi	Tonga Health Sector Planning and Management Project, 1999–2007 (AusAID)
		Integrated Strategic Planning, Medium-Term Fiscal Framework and Budgeting, 2006 (ADB)
Tuvalu	Brian Bell	Falekaupule Trust Fund, 1999 (ADB, NZAID)
Vanuatu	Henry Vira	Vanuatu Legal Sector Strengthening Program, (AusAID)
Regional	Ron Duncan and Jim McMaster	USPNet

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, NZAID = New Zealand's International Aid and Development Agency, UNDP = United Nations Development Programme.

Source: ADB regional technical assistance (RETA 6245): Strengthening Pro-poor Policy in the Pacific.

# APPENDIX 2

## QUESTIONNAIRE FOR THE STUDY

### I. Feasibility and Design

- 1) What were the overall objectives of the project/program? To what extent did the objectives focus on capacity issues? How were capacity issues defined or framed in the design?
- 2) To what extent, and how, were capacity issues dealt with in the identification process; e.g., capacity assessments, stakeholder analysis? Were the analyses, diagnoses, planning processes (including results orientation) sufficient? Could they have been strengthened?
- 3) How were capacity issues factored into the design, e.g., in the articulation of objectives, strategies?
- 4) What was the role of developing-country stakeholders in the feasibility and design of the initiative, including the defining of capacity development objectives?

### II. Implementation

- 5) What strategies were used to support, strengthen, or ensure more effective utilization of local capacity, e.g., TA, training, study tours, institutional linkages, provision of financing, ensuring “space” for local actors to pursue their own agenda, stimulating demand for change?
- 6) What levels(s) did capacity interventions focus on (individual, organizational, multiorganizational, institutional, policy)? How were the various levels linked?
- 7) What strategies were more or less successful, and why?
- 8) What were the key factors influencing the “success” of the initiative (e.g., organizational readiness, an enabling environment, local leadership, legitimacy, good relationships, adaptivity, demand, the nature of the external support)?
- 9) To what extent have sociocultural or political factors or relationships either prevented or promoted CD? How?
- 10) Was the capacity development intervention a good “fit” in light of country policies, strategies, and the prevailing institutional and political context?
- 11) How did contextual factors (e.g., social, political, economic, organizational) either support or hinder capacity development efforts?

- 12) Was the capacity development intervention implemented as per plan? Or was it more of an iterative, evolving process?
- 13) Was sufficient time allocated for the initiative in light of the objectives outlined?

### **III. Monitoring and Evaluation (M&E)**

- 14) How were changes in capacity monitored and evaluated? Who was responsible for collecting and managing data?
- 15) To what extent were M&E tools used to facilitate learning about capacity development and to adjust practices as the project/program proceeded?
- 16) What was learned about the relevance, efficiency, efficacy, sustainability, and overall impact of capacity development through this initiative?

### **IV. Key Lessons**

- 17) What were the key factors contributing to success, or failure (or something in between)? Which factors or conditions were most determinant, and how?
- 18) What key issues and lessons emerge from this case with respect to capacity development? (Detail, in particular, lessons regarding local ownership, leadership, organization and management, participation and demand.) Essentially, what makes for “good CD practice,” and what are the main reasons for success?
- 19) What are the implications of these lessons for: a) developing-country partners, and b) donor agencies; e.g., conceptualization of CD, country strategies, program/project formulation?

# APPENDIX 3

## PREPARATION OF THE CASE STUDIES

### Terms of Reference

Pacific Islands consultants, with background in capacity development (CD), in depth local or regional experience and clearly demonstrated skills in research, analysis and writing, are required to prepare a case study (or studies) as part of a broader Asian Development Bank (ADB) research project on capacity development<sup>[114]</sup> in the Pacific region. The broader study will include a series of case studies of capacity development highlighting a range of experiences by sector, theme, region, and source of external support. Particular attention will be given in the studies to more “successful” examples of CD while at the same time highlighting less successful initiatives and the reasons for them.

Selection of the cases for research has been based on, among other things, the extent to which they are likely to yield lessons on

- importance of Pacific developing member country (PDMC) leadership or ownership in capacity development initiatives (from identification through to implementation),
- strategic attention to capacity issues (e.g., in national or sector strategies and plans, project design, use of innovative mechanisms),
- “hard” as well as “soft” capacity issues, and
- effective use of external resources for capacity development or utilization.

The research will place relatively greater emphasis on newer projects, programs, mechanisms, and modalities so as to draw out lessons from emerging practices. This will also help to ensure ready access to relevant materials and stakeholders for the researcher(s).

As the points above suggest, the cases selected (notably the more successful ones) will reflect situations where developing-country partners have given systematic attention to capacity issues and have demonstrated a clear sense of leadership or ownership. The cases will also look beyond the usual “hard” capacity issues (e.g., skills, organizational structures, etc.) and draw out the significance of “soft” capacities (e.g., leadership, strength of community organization, relationships, legitimacy) to success.

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<sup>114</sup> ADB defines capacity development as “the process whereby people, organizations, and society as a whole, unleash, strengthen, create, adapt, and maintain capacity over time.”



The field work for the case studies will be guided by a series of questions (see Appendix 2). In an overall sense though, the research will test this basic hypothesis:

*Prospects for developing or effectively utilizing domestic capacity are enhanced when a) capacity issues (individual, organizational and institutional) are addressed systematically and on an ongoing basis, and b) the approach to CD is rooted in host country vision and leadership.*

The findings from the various case studies (e.g., what makes for “good practice”, the reasons for success) will be distilled in a final report with a view to providing guidance to ADB and all development partners to improve future assistance for capacity development in the region.

The consultants will be hired for a period of up to six weeks, on an intermittent basis, commencing as soon as possible, with a completion date of 18 May 2007. S/he will be expected to undertake a review of the relevant documentation, followed by interviews and other field work in the relevant country after which s/he will submit a draft report and participate in a “writeshop” tentatively scheduled to be held in Manila during the second half of April. A final report will be prepared subsequent to the writeshop and provision of feedback from ADB and the team leader for the study. The field work will require a period of up to 1 month. (The precise number of days required will be determined, in part, by the number of cases involved). The remaining time in the contract will be for a) attendance at the writeshop, and b) follow up work subsequent to the writeshop on issues requiring further investigation.

The team leader for the broader ADB initiative is Joe Bolger, a Canadian-based ADB-funded consultant with considerable experience in the South Pacific (e-mail: jbolger@videotron.ca tel/fax: (613) 446-1080). He will oversee and support the work of the Pacific Islands consultants engaged to prepare the case studies. The task manager is Stephen J. Pollard, principal economist, ADB (e-mail: spollard@adb.org, tel (632) 632-5784). A panel of other international consultants will also support the work.

The consultant will undertake the following specific tasks:

- (i) Review relevant documentation pertaining to CD in the country being studied. This will include PDMC national and sectoral plans, strategies, evaluations, and reviews.
- (ii) Review relevant ADB corporate documents relating to CD and technical assistance (TA).
- (iii) Review other relevant development partner CD documentation (e.g., research studies, evaluations) pertaining to the country in question.
- (iv) Identify key principal(s) responsible for helping develop capacity in the example to be studied.
- (v) Conduct a field study on CD in sector x in country y based on the questionnaire and framework developed for this study (see Appendix 2). The field study will include interviews and focus groups (as appropriate) with relevant stakeholders and key informants; e.g., government partners, private sector interests, civil society

organizations, academics, development partners. The researcher will also endeavor to secure personal reflections from key practitioners who have been involved in CD initiatives.

- (vi) Prepare a paper (20–25 pages) which will include a background section describing, among other things, the origins of the initiative(s) studied and the context in which they were implemented, as well as a *detailed analysis of key issues and lessons learned with respect to capacity development*. Consistent with the emphasis in the study noted above, particular attention will be given to PDMC strategies for CD, the influence of local ownership, leadership, participation, and demand on the initiative. In addition, the paper will identify themes, practices, and principles that might guide future CD in the Pacific. (Note: additional information will be provided to guide the research, including ADB's CD framework and other relevant literature on capacity development from the international development community.)

## Output, Report Requirements

A draft report will be submitted to ADB by early to mid-March, and will be finalized by 30 April 2007, reflecting feedback from ADB, including the team leader, the task manager, CD panelists, and writeshop participants.

## Places of Assignment

The documentation review will primarily be conducted at home office. Initial briefings by the team leader will be by telephone and via e-mail exchanges. The consultant will either work in or visit the relevant country in February–April 2007 and complete preparation of the report at home office.

Note: These terms of reference may be amended either before or during the study based on anticipated feedback from development partners, CD panelists, and Pacific specialists.

# APPENDIX 4

## CAPACITY DEVELOPMENT – POSSIBLE APPROACHES<sup>[115]</sup>

	Pros	Cons / Risks
<b>A. Technical Assistance (Expert Advisors)</b>		
<ul style="list-style-type: none"> <li>Long-term international advisor (resident in country) – advisory role</li> </ul>	<ul style="list-style-type: none"> <li>provides continuity, enhances prospects of building solid relationships and understanding the local context</li> <li>focus on provision of advice and building capacity</li> <li>able to take a “long view” and avoid unrealistic pressures for “short-term results”</li> </ul>	<ul style="list-style-type: none"> <li>risks increasing dependency</li> <li>may be question of accountability to whom – contractor? Local partner?</li> </ul>
<ul style="list-style-type: none"> <li>Long-term international advisor (resident in country, in-line role)</li> </ul>	<ul style="list-style-type: none"> <li>provides continuity, enhances prospects of building solid relationships and understanding of the local context</li> <li>able to take a “long view” and avoid unrealistic pressures for “short-term results”</li> </ul>	<ul style="list-style-type: none"> <li>risks increasing dependency, especially if advisor is in a line position</li> <li>may be question of accountability to whom – contractor? Local partner?</li> </ul>
<ul style="list-style-type: none"> <li>Strategic gap filling (often long term)</li> </ul>	<ul style="list-style-type: none"> <li>can advise on issues requiring highly specialized skills not available locally, e.g., trade, anticorruption, telecommunications</li> <li>can provide operational or policy support in areas critical to functioning of government, e.g., judges, legislative drafting (very important in small island states with limited specialized capacity)</li> <li>can serve as change agent, bringing in international expertise, ideas, practices</li> </ul>	<ul style="list-style-type: none"> <li>does not necessarily address longer-term capacity needs or systemic constraints</li> </ul>
<ul style="list-style-type: none"> <li>Long-term international advisor (in-and-out)</li> </ul>	<ul style="list-style-type: none"> <li>provides “space” for local staff to develop new skills independently between visits</li> <li>stronger sense of ownership</li> </ul>	<ul style="list-style-type: none"> <li>advisor may have limited understanding of organizational culture, capacity issues, informal systems</li> <li>may be more inclined to respond to pressures for short-term “results” or deliverables versus focusing on capacity issues</li> </ul>
<ul style="list-style-type: none"> <li>Short-term international advisor (specialist expertise)</li> </ul>	<ul style="list-style-type: none"> <li>responds to specific need at a particular point in time</li> </ul>	<ul style="list-style-type: none"> <li>advisor may have limited understanding of organizational culture, capacity issues, informal systems</li> <li>more inclined to respond to short-term needs or pressures for “deliverables” versus longer-term capacity issues</li> </ul>

115 Some of these options are adapted from AusAID internal documents and the Fiji health support improvement program.

	Pros	Cons / Risks
<ul style="list-style-type: none"> <li>▪ Short-term international specialist (supported by regional institution)</li> </ul>	<ul style="list-style-type: none"> <li>– broadens base of support for local institution</li> <li>– draws on regional capacity and encourages ongoing links (sustainability)</li> <li>– cost savings</li> <li>– local ownership</li> </ul>	<ul style="list-style-type: none"> <li>– potential to bypass local institutions</li> </ul>
<ul style="list-style-type: none"> <li>▪ Local expert</li> </ul>	<ul style="list-style-type: none"> <li>– work done in country; reliance on local systems, procedures</li> <li>– in-depth knowledge of context, including political economy, organizational culture, etc.</li> <li>– costs savings</li> <li>– local ownership</li> </ul>	<ul style="list-style-type: none"> <li>– limits opportunities to draw in international expertise or build up external links</li> </ul>
<ul style="list-style-type: none"> <li>▪ Local expert (supported by specialist in short-term technical assistance [TA])</li> </ul>	<ul style="list-style-type: none"> <li>– majority of work done in-country with long-distance support (e.g., e-mail, teleconference) or short visits</li> <li>– in-depth knowledge of context, including political economy, organizational culture, etc.</li> <li>– cost savings</li> <li>– local ownership</li> </ul>	<ul style="list-style-type: none"> <li>– Seconding local staff to project team can (potentially) diminish capacity of local partner in short to medium term</li> <li>– immediacy of support can be diminished by not having locally-based specialists</li> </ul>
<ul style="list-style-type: none"> <li>▪ TA through twinning</li> </ul>	<ul style="list-style-type: none"> <li>– works where there is high ownership, such as for pre-accession states to European Union</li> <li>– ongoing links to range of institutional capacities (experts, network partners, interactive websites)</li> <li>– can enhance credibility of local partner (incentive for staff)</li> </ul>	<ul style="list-style-type: none"> <li>– most examples show few relevant outcomes in organizational strengthening</li> <li>– activities tend to become routine</li> <li>– capacity development objectives have to be well defined</li> <li>– focus more on training than learning so recourse to formal courses rather than on-the-job learning</li> </ul>
<ul style="list-style-type: none"> <li>▪ TA through partnership with professional associations</li> </ul>	<ul style="list-style-type: none"> <li>– as above</li> </ul>	<ul style="list-style-type: none"> <li>– as above</li> </ul>
<ul style="list-style-type: none"> <li>▪ TA through pooling at different levels:</li> <li>▪ Full – untied with procurement and strategic management by partner country;</li> <li>▪ Mixed – tied or untied with procurement managed by donors and strategic management by partner country;</li> <li>▪ Loose – tied or untied with procurement managed by donors and strategic management shared by donors and partner country</li> </ul>	<ul style="list-style-type: none"> <li>– full – government in charge, makes decisions on TA; can reduce transaction costs in long run, less opportunity for donor to put nondevelopmental demands on TA; transparent costs</li> <li>– mixed – less time to put in place; relieves governments with limited capacity of management responsibilities; can reduce coordination costs in long run</li> <li>– loose – can be put in place relatively quickly; little pressure on partner country management systems</li> </ul>	<ul style="list-style-type: none"> <li>– can take a long time to put in place; lowest common denominator way of thinking; individual foreign TA may be unwilling to sign contracts with partner country; risk of corruption</li> <li>– no opportunity to build up local procurement capabilities through experience; pool could be donor-led and undermine ownership; little transparency on costs</li> <li>– no opportunity to build up local procurement capabilities; government needs and preferences may not be given adequate attention, thus reducing ownership; no transparency on costs; possibility of overwhelming government</li> </ul>



	Pros	Cons / Risks
<ul style="list-style-type: none"> <li>▪ TA through delegated cooperation – one donor asks another to manage its program in a particular country</li> </ul>	<ul style="list-style-type: none"> <li>– fewer donors for partner to deal with</li> <li>– implementing donor is usually chosen because of its comparative advantage in sector</li> <li>– diplomatic interim step to complete withdrawal from a country</li> </ul>	<ul style="list-style-type: none"> <li>– loss of visibility for donor delegating its programs</li> </ul>
<b>B. Training</b>	<ul style="list-style-type: none"> <li>– can directly respond to expressed needs and priorities (very important if strategic gaps need to be addressed)</li> <li>– can serve as an incentive to help retain staff</li> <li>– more effective if ongoing or linked to other activities</li> </ul>	<ul style="list-style-type: none"> <li>– most analysis suggests that training is less effective than expected</li> <li>– rarely an effective tool for organizational and institutional capacity development</li> <li>– not always clearly linked to long-term organizational capacity requirements</li> <li>– trainee may move on to unrelated job with no enduring benefit for participating organization</li> </ul>
<b>In-country</b>	<ul style="list-style-type: none"> <li>– can link to local experiences (e.g., cases, placements)</li> <li>– enhances opportunities for ongoing learning</li> </ul>	<ul style="list-style-type: none"> <li>– reinforces connections with other national colleagues and/or practitioners</li> <li>– focus on knowledge and skills gaps versus organizational requirements</li> </ul>
<ul style="list-style-type: none"> <li>▪ formal training</li> </ul>	<ul style="list-style-type: none"> <li>– accreditation; formal recognition</li> <li>– works best</li> <li>– course content closely aligned with work responsibilities,</li> <li>– individuals have opportunities to apply learning in practical assignments or in their jobs,</li> <li>– culture or institution is ready for new ideas or practices,</li> <li>– training fits into broader development strategy either for institution or country more broadly</li> </ul>	<ul style="list-style-type: none"> <li>– can adversely affect capacity of agency in short to medium term</li> <li>– sustainability of skills depends on conditions and incentives in host organization</li> </ul>
<ul style="list-style-type: none"> <li>▪ on-the-job (mentoring, 1-on-1, 1-on-many)</li> </ul>	<ul style="list-style-type: none"> <li>– can be more practical, relevant to trainee</li> <li>– 1-on-many increases prospects for sustainable impact</li> </ul>	<ul style="list-style-type: none"> <li>– benefits may be lost if capacity gains not institutionalized (can be mitigated by focusing on 1-on-many versus 1-on-1.)</li> </ul>
<ul style="list-style-type: none"> <li>▪ distance education</li> </ul>	<ul style="list-style-type: none"> <li>– can access higher numbers of trainees</li> </ul>	<ul style="list-style-type: none"> <li>– may be some trade-off on quality of training, follow-up, reinforcement of learning</li> </ul>
<ul style="list-style-type: none"> <li>▪ continuous learning through communities of practice and other ways of keeping in touch with experts and practitioners dealing with similar issues (beyond a single course)</li> </ul>	<ul style="list-style-type: none"> <li>– ongoing support and mentoring</li> <li>– opportunity to make contact and exchange with peers</li> <li>– continuing exposure to new ideas and information</li> </ul>	<ul style="list-style-type: none"> <li>– needs leadership and preferably some funding to keep going</li> </ul>
<ul style="list-style-type: none"> <li>▪ train the trainer</li> </ul>	<ul style="list-style-type: none"> <li>– can enhance domestic training capacity and reduced dependence on external trainers and advisors</li> </ul>	<ul style="list-style-type: none"> <li>– advisor or trainee may not have requisite training skills</li> </ul>
<ul style="list-style-type: none"> <li>▪ domestic work placement</li> </ul>	<ul style="list-style-type: none"> <li>– transfer knowledge and skills in a “comfortable” environment, i.e., same language, organizational culture</li> <li>– strengthen relationships</li> </ul>	<ul style="list-style-type: none"> <li>– capacity building objectives need be clearly identified</li> <li>– colleagues need to have skills to transfer knowledge and skills</li> </ul>

	Pros	Cons / Risks
<b>Regional</b> <ul style="list-style-type: none"> <li>▪ formal training</li> <li>▪ work placements, exchanges</li> <li>▪ university degrees or</li> <li>▪ diploma or certificate programs</li> </ul>	<ul style="list-style-type: none"> <li>– reinforce regional links; provides basis for future professional links</li> <li>– connect with regional practitioners and colleagues</li> <li>– expose to new practices</li> <li>– build capacity for future cooperation</li> <li>– motivate staff</li> </ul>	<ul style="list-style-type: none"> <li>– can adversely affect capacity of agency in short to medium term</li> <li>– need to ensure training is relevant to host organization</li> </ul>
<b>International</b> (outside the region) <ul style="list-style-type: none"> <li>▪ formal training</li> <li>▪ work placements, exchanges</li> <li>▪ study tours</li> <li>▪ university degrees or diploma or certificate programs</li> </ul>	<ul style="list-style-type: none"> <li>– connect with international practitioners and colleagues</li> <li>– expose to new practices</li> <li>– build capacity for future cooperation</li> <li>– motivate staff</li> <li>–</li> </ul>	<ul style="list-style-type: none"> <li>– can adversely affect capacity of agency in short to medium term</li> <li>– no benefits for regional training organizations or institutes</li> <li>– need to ensure training is relevant to host organization</li> </ul>
<b>C. Infrastructure and Equipment</b>	<ul style="list-style-type: none"> <li>– may be key to effective use or strengthening of domestic capacity</li> </ul>	<ul style="list-style-type: none"> <li>– need to ensure that capacity exists (financial and human) to operate and maintain equipment on an ongoing basis (if not, relevant support can be provided as part of assistance)</li> </ul>
<b>D. Financing</b>	<ul style="list-style-type: none"> <li>– can create opportunities for effective use or strengthening of domestic capacity (removes a potentially binding constraint)</li> <li>– agreement to provide financial support usually reflects shared vision and agreement on policy and programming priorities</li> </ul>	<ul style="list-style-type: none"> <li>– financial contributions should be linked to, or be informed by, long-term vision on capacity</li> </ul>

# APPENDIX 5

## EXPECTED RESULTS IDENTIFIED BY THE ASIAN DEVELOPMENT BANK CAPACITY DEVELOPMENT WORKING GROUP

I. Institutionalizing a Capacity Development Approach in Country Programs	
Output	Activity
<b>1.1</b> Increased dialogue with developing member countries (DMCs) on country-specific capacity development (CD) concepts and principles.	<p>Explain the Asian Development Bank (ADB) approach to CD and discuss approach to country-specific CD policies and procedures adopted by DMCs. Assess DMC demand for an improved CD focus.</p> <p>Identify entry points and DMC focal points.</p> <p>Conduct awareness measures and training on CD for DMC focal points.</p> <p>Agree on country-specific CD concepts.</p>
<b>1.3</b> More efficient and effective support for improved CD strategic focus in country development and/or poverty reduction strategies.	<p>Identify entry points based on DMC demand (crosscutting, sector, local government).</p> <p>Support identification of strengths and weaknesses with regard to critical sector and thematic capacities.</p> <p>Facilitate identification of CD priorities in national development strategies and sector and thematic road maps.</p>
<b>1.4</b> Increased CD focus of country partnership strategies (CPSs) based on quality-at-entry criteria.	<p>Review existing country development programs for quality of CD assessments and degree to which CD priorities have been identified.</p> <p>Align ADB country programs with country CD priorities.</p> <p>Identify CD focal points in governments and identify CD providers in the private sector and civil society.</p> <p>Provide support to gap analysis, stakeholder analysis, and participatory prioritization exercise for all priority sectors.</p> <p>Establish results indicators and monitoring systems for CD components in CPSs.</p>

## II. Capacity Development Programming

Output	Activity
<p><b>1.5</b> Increased CD focus of CD operations in priority sectors and themes based on quality-at-entry criteria.</p>	<p>Establish mandate and performance benchmarks for target organization.</p> <p>Conduct baseline capacity assessments and stakeholder analysis.</p> <p>Adopt inclusive approaches and identify roles of partners in design, implementation, and monitoring of operations.</p> <p>Strengthen accountability systems to domestic constituencies.</p> <p>Identify CD targets and routinely monitor progress.</p> <p>Take measures to maintain ownership and leadership of counterpart organizations in various aspects of design and implementation (e.g., contracting consultants).</p> <p>Strengthen process and systems orientation.</p> <p>Avoid setting up parallel systems.</p> <p>Strengthen country systems that are critical to strengthen alignment of ADB operations with country systems (i.e., strategic planning for poverty reduction, procurement, financial management, results-based management).</p> <p>Increasingly engage recipient country service providers in CD-related activities, such as organizational and institutional assessments, training, and endogenous monitoring of CD progress.</p> <p>Strengthen partnerships with other funding agencies, in particular the United Nations system and bilateral aid partners.</p>
<p><b>1.7</b> Increased experience with piloting new modalities and processes to support CD.</p>	<p>Strengthen linkages between grant, technical assistance, and loan modalities.</p> <p>Pilot new modalities, such as CD funds.</p> <p>Engage in ADB-wide efforts to review modalities, i.e., in view of mainstreaming the Japan Fund for Poverty Reduction experience into ADB operations, analyzing sector-wide approaches and/or to review applicability of innovative World Bank modalities.</p>



### III. ADB's Business Processes and Internal Support Systems

Output	Activity
<b>1.2</b> Strengthened regional department (RD)-wide results-based management system for CD objectives.	<p>Take stock of existing RD-specific results-based management system for CD.</p> <p>Identify strengths and weaknesses of RDs' CD program and conduct gap analysis based on quality-at-entry criteria.</p> <p>Identify RD-wide CD objectives and performance targets.</p>
<b>1.6</b> Increased resident mission and headquarter's staff skills and incentives for CD.	<p>Work closely with the resident's mission's role in operations review to ensure that consideration will be given to the recommendations made in the framework.</p> <p>Place emphasis on recruitment of sector staff with CD skills and long-term DMC experience.</p> <p>Relax restrictions on average length of field missions for CD projects.</p> <p>Reduce the average number of changes of project officers on CD projects.</p> <p>Ensure adequate handover of projects to new project officers.</p> <p>Decrease emphasis on processing as compared to implementation and monitoring for CD projects.</p> <p>Monitor and reward CD performance of staff.</p> <p>Provide opportunities for staff to participate in CD learning and development and networking activities.</p>
<b>2.1</b> Effective ADB-wide leadership exercised in support of the proposed CD approach.	<p>Management oversees implementation of the action plan.</p> <p>Management provides regular progress reports to the board through the biannual thematic report on CD.</p> <p>Management makes full resourcing of action plan a priority element in preparing work program, budget frameworks, and annual budgets.</p> <p>High-level officials communicate ADB's CD approach in official speeches and include CD in policy dialogue with DMCs and global partnerships.</p>
<b>2.2</b> Improved human resource management for CD.	<p>Estimate staff resource and skill needs based on functional responsibilities.</p> <p>Define generic job descriptions for sector specialists with CD competencies and resident mission staff with change management competencies.</p> <p>Conduct staff skills inventory against the competency framework.</p> <p>Identify and act on identified recruitment and/or redeployment needs.</p> <p>Ensure effective performance management of CD staff, including career paths and regular offers of learning and development programs.</p> <p>Conduct and update learning programs regularly.</p>

Output	Activity
<b>2.3</b> Improved CD focus of transparency, accountability, and reporting mechanisms for ADB-wide delivery of results.	<p>Establish feedback mechanisms to operational departments based on quarterly review of project performance monitoring system data and initiate reclassification where necessary.</p> <p>Summarize CD classification data on an annual basis.</p> <p>Provide thematic progress report on biennial basis to management.</p> <p>Contribute CD aspects to sector and thematic biennial reports.</p> <p>Provide access to information as required by the public communications policy.</p> <p>Attend to specific information requests by major clients.</p>
<b>2.4</b> Increased demand orientation and effectiveness of upstream technical CD support.	<p>Identify support needs.</p> <p>Design appropriate operational support measures (i.e., staff guidelines, tools, direct support).</p> <p>Develop CD quality-at-entry criteria for CPSs, sector road maps, technical assistance, and lending instruments.</p> <p>Establish feedback mechanisms.</p>
<b>2.5</b> Improved corporate and regional mechanisms for learning from CD experience.	<p>Conceptualize knowledge exchange program based on planned and ongoing pilots and learning needs.</p>
<b>2.6</b> Effective internal and external knowledge sharing and coordination mechanism for CD.	<p>Conceptualize network.</p> <p>Share concept widely with staff and invite membership.</p> <p>Conduct regular knowledge-sharing activities, such as brown bags.</p> <p>Identify knowledge management tools (i.e., web-based resource center, practice notes, conference participation).</p>
<b>2.7</b> Enhanced CD focus of independent evaluations.	<p>Include special evaluation studies in Operations Evaluation Department work program and increasingly base the studies on CD concepts and performance criteria.</p>

# APPENDIX 6

## UNDP'S DEFAULT PRINCIPLES FOR CAPACITY DEVELOPMENT

Recognizing that country contexts differ widely and that prescriptions do not work, the Principles offer a fairly concrete starting position that can be adapted by stakeholders at the country level. They are not meant to be prescriptive but rather provide some starting propositions to permit a genuine exchange on options. Rather than accepting “business as usual” approaches, the partners at country level can customize their rules of engagement for capacity development.

1. **Do not rush. Capacity development is a long-term process.** It is not amenable to delivery pressures, quick fixes and short-term results seeking. Engagement for capacity development needs to have a long-term horizon and be reliable.
2. **Respect the value systems and foster self-esteem.** The imposition of alien values can undermine confidence. Capacity development requires respect. Self-esteem is at the root of capacity and empowerment.
3. **Scan locally and globally; reinvent locally.** There are no blueprints. Capacity development means learning. Learning is a voluntary process that requires genuine commitment and interest. Knowledge transfer is no longer seen as the relevant modality. Knowledge needs to be acquired.
4. **Challenge mindsets and power differentials.** Capacity development is not power neutral and challenging vested interest is difficult. Frank dialogue and moving from closed curtains to a collective culture of transparency is essential to promote a positive dynamic for overcoming them.
5. **Think and act in terms of sustainable capacity outcomes.** Capacity is at the core of development. Any course of action needs to promote this end. Responsible leaders can inspire their institutions and societies to effectively work towards capacity development.
6. **Establish positive incentives.** Distortions in public sector employment are major obstacles to capacity development. Ulterior motives and perverse incentives need to be aligned with the objective of capacity development. Governance systems respectful of fundamental rights are a powerful incentive.
7. **Integrate external inputs into national priorities, processes and systems.** External inputs need to correspond to real demand and need to be flexible to respond effectively to national needs and possibilities. Where such systems are not strong enough they need to be reformed and strengthened, not bypassed.

8. **Build on existing capacities rather than creating new ones.** This implies the use of national expertise as prime option, resuscitation and strengthening of national institutions, and protecting social and cultural capital.
9. **Stay engaged under difficult circumstances.** The weaker the capacity, the greater the need. Weak capacities are not an argument for withdrawal or for driving external agendas. People should not be hostage to irresponsible governance.
10. **Remain accountable to ultimate beneficiaries.** Even where national governments are not responding to the needs of their people, external partners need to be accountable to beneficiaries and contribute to the responsabilization of national authorities. Sensible approaches in concrete situations need to be openly discussed and negotiated with national stakeholders.

Source: UNDP. 2003. *Ownership, Leadership and Transformation*. London: Earthscan (p.13)



## Learning from Success

This subseries is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme, and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues, and effective use of external resources. We hope that the findings in these reports will help guide future capacity building efforts in the Pacific.

## About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two thirds of the world's poor. Nearly 1.7 billion people in the region live on \$2 or less a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2007, it approved \$10.1 billion of loans, \$673 million of grant projects, and technical assistance amounting to \$243 million.

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