

NEXT STEPS IN CAPACITY BUILDING : A Note by Brian Van Arkadie.

Introduction: on not being part of the problem.

1. This note is written in response to five questions posed by the Africa Region, the World Bank, about future priorities in Capacity Building in Africa. Before attempting to answer those questions, a few background comments are offered about recent donor experience with capacity building.

2. Since "capacity building" was placed towards the top of the policy agenda as a critical factor in the lagging African development performance (e.g. in the Bank African Capacity Building Initiative), there has been a substantial diagnostic literature on the origins of the weaknesses, but despite some useful actions, there has been a striking gap between performance and rhetoric. Characteristically when public relations gets ahead of content, there is a lively coining of slogans (e.g "transparency", "accountability", "governance", "ownership of programmes") which does not seem to be matched by performance on the ground. Any new initiatives should be preceded by a careful assessment of why donors have found it so difficult to contribute to capacity building to date. Some possible constraints are suggested in the following paragraphs.

3. Capacity is not a project: One response by donors to the capacity building need has been to set up separate capacity building units, which in turn generate "capacity building" projects. There may be a limited role for such projects (e.g. the ACBF funding of autonomous policy institutes as a new type of capacity might pay off). However, most capacity building is not a separable activity to be addressed through a capacity building project, but is a critical aspect of virtually all development

activities. Capacity building should be built into a wide range of donor programmes, and is likely to require the coordinated effort of a number of donors. (Arguably, on the basis of secondhand information, the most successful capacity building initiative by the World Bank in Tanzania recently has come through the Bank leadership of the National Highways Project, in the context of which the needs for enhancement of national capacity in management of highway planning, construction and maintenance were addressed).

4. In practice, capacity building may be most productively addressed by donors and nationals in the context of coordinated sectoral initiatives, in which "capacity" is addressed in terms of ensuring the sustainability of the sectoral programme, rather than as a separate activity. Conversely, there is a need to recognise the limits of what can be achieved through a typical individual project (it does not help to tackle a small part of a problem, however innovatively, and claim that what is being delivered is "sectoral reform").

5. Donor displacement of African capacity: At its centre, capacity building is about Africans regaining the initiative in African development. African governments and private citizens must design and effectively implement their own programmes. The combination of excessive aid dependence and weak national capacity has meant that initiative has shifted to the donor side. One necessary condition for change is for the African side of the aid relationship to assert itself. Well meaning donors initiatives to promote "capacity building" can reinforce the problem, by locating the initiative for change with the donor. For example, faced with weaknesses on the African side, aid officials, eager to make something happen, fall into the trap of promoting reform through ventriloquism: "government" proposals and reform programmes are prepared by donor officials and in due course presented as a government programme (in the rhetoric "ownership is transferred", but often to a donor client). Donors are then surprised that the

(ventriloquistic) "dialogue" does not translate into deep commitment on the African side.

6. Capacity building must be a nationally led activity in reality as well as appearance. If African governments and citizens are unwilling to take the initiative, donors cannot substitute - that merely reinforces the underlying problem. Donors should exercise self-denial, and only respond to initiatives originating from the African side.

7. Systemic weaknesses of technical assistance: The main donor intervention which has addressed capacity building over the past three decades has been technical assistance. There is by now considerable evidence from many studies that traditional modalities for technical assistance have not been successful. This is hardly surprising; at the most fundamental, it can make neither economic nor human relations sense to employ foreigners for as much as 100 times the salary of a local, when local trained manpower is not properly utilized, or is fuelling a "brain drain". Yet despite the recognition of failure, little changes. Even capacity building projects use familiar technical assistance modalities. It is not only that technical assistance is often ineffective, but it is the massive resources which go to technical assistance which provide the most likely source to fund innovative capacity building approaches.

8. The inertia in the technical assistance system may in part result from the considerable interests at stake (particularly on the part of consulting firms). However, failure to reform also results from the familiarity on the part of funding agencies with the approach, and the lack of obvious workable alternatives. But any new approach by the Bank to capacity building must include an effort to bring together donors to address reform of technical assistance modalities.

9. Systemic weaknesses in investment project funding: It has been recognised for many years that traditional modalities of capital funding have been a source of erosion of capacity. The funding of capital investment, without due regard to the availability of recurrent funds to handle the recurrent operational costs or maintenance has fuelled the chronic underfunding of recurrent budgets. Partial solutions to this problem (e.g. donor budgetary support; incorporating a significant element of recurrent funding in project design) do not resolve the problem of longer run sustainability. Moreover, while the problems generated by overfunding capital expenditures in the face of recurrent resource constraints are recognised by donors at the level of principle, given the interests at play in the design of their programmes donors continue to fund expansion in physical capacity in sectors in which existing capacity is not utilized effectively because of chronic underfunding.

10. Failures to adjust to capacity constraints: The capacity problem is made worse by the failure of donors to take account of the scarcity of capacity in their own behaviour. It is notoriously the case that donors place demands on the time of key national officials as though that were a free good, rather than a very scarce resource. Donors churn out vast mounds of lengthy reports, without addressing the question of which over-worked officials are supposed to read them. Fewer and shorter reports (with much more follow through where the work is useful) would make better use of scarce capacity.

11. Over-burdening the policy agenda: Perhaps the most extraordinary illustration of the failure to take account of scarcity of government capacity is the persistent tendency in recent years to overload the policy agenda. One convincing message sent to African governments at the beginning of structural adjustment was that governments were trying to do too much, and that they should concentrate on essentials. Subsequently, and

amazingly, donors expect these "weak" governments to address an ever increasing set of issues of concern to donor constituencies, often issues which "stronger" regimes of East Asia resist. As they all represent good causes, it is very difficult to take issue with the assertion of the environment, gender issues, democracy, fine tuned interventions for poverty alleviation, etc. as proper concerns for governments, except to reiterate that governments with limited capacity which attempt everything achieve nothing.

What are Africa's most urgent needs for capacity building?

12. The most urgent need for capacity building in Africa is that

- * African governments and non-government institutions and individuals should themselves address capacity weaknesses and assess requirements.

Donors can encourage such African initiatives by signalling a willingness to respond in participating in assessment of requirements and supporting interventions to build capacity, but capacity building efforts are most likely to be successful if they genuinely reflect African efforts to tackle problems, rather than the spurious "ownership" engineered by donor manipulation.

13. For an effective African initiative, in the first instance the critical human skills will be those of the political and civil service leadership. The other general need is for much better management skills for key personnel in all areas of public administration.

14. Assuming there is such an active African response, key needs are likely to be identified in enhancing government capacity, private sector capacity and intellectual institutional infrastructure.

15. The immediate priorities in relation to government capacity will vary from country to country. Writing from an East African perspective, it seemed in the 1980's that highest priority capacity needs were in the area of economic policy making. Although needs continue in that area, as structural adjustment has had some success in reviving the private economy, the performance of government as a provider of basic services has emerged as a critical constraint on performance. A high priority should therefore be:

* Building institutional capacity to meet the public demand for the basic infrastructural services (roads, power, water, telecommunication).

Placing emphasis on these areas makes sense both because they are critically important for overall economic performance and because concrete progress should be achievable through sectoral interventions in advance of more systemic reforms of the civil service, which are proving difficult to achieve.

16. Interventions in these sectors would involve the Bank in areas of its longstanding competence, and can be achieved by mobilizing the professional skills relevant to the sector, backed up with management training and development of more effective management systems. At the level of policy reform, it may also involve new strategies to enhance performance through integrating private sector capacity more effectively in service provision (this should be done initially in sectors in which the private sector is making the running globally but is poorly represented in Africa, e.g. in telecommunications).

17. From the point of view of the ordinary citizen, the erosion of government capacity to deliver basic social services has had a strong impact. Therefore another high priority should be given to

- * Restoring capacity in provision of basic education and health services.

While this should involve a mix of government, NGO and private initiatives, it is the government which has the responsibility for, and therefore requires the capacity to support blanket coverage. For delivery of basic services, institutional capacity needs to be enhanced in particular at the district level.

18. In many countries an even more basic requirement for citizens is a

- * Restoration of the capacity to maintain law and order.

It would not be wise, even if possible, for the Bank to over-extend itself into that area, although it might be an appropriate concern for bilateral donors.

19. To achieve a general improvement in government capacity there is a critical need for:

- * Enhancement of government fiscal capacity - effective revenue collection and budgeting is a prerequisite for better government performance across the board.

20. The above list of capacity building priorities, while long, does not include many things which might be worthy but which are postponable; farmers can survive without extension; they cannot operate without roads.

21. Building government capacity is an important part of the capacity building need, but only part.

- * Building private sector capacity (and "civil society") is also important.

Indeed, supply side initiatives to improve government institutions are more likely to succeed if the demands being placed on government to perform are enhanced.

22. A lot has been written about an "enabling environment", supportive of private sector development, and much of it makes sense. In practise, too much emphasis has been placed on privatization (which has not moved very fast) and too little on competition. Competitive access is crucial; the main economic costs of public enterprise arise from legal monopoly.

23. A critical need in private sector capacity building is to:

- * Enhance the supply of African entrepreneurship.

One of the biggest contrasts between East Asia and Africa is in relation to the development of a business class. (I do not know what is to be done; there may be a fundamental contradiction which makes it difficult to use aid, a public sector institution, to promote a risk taking, innovative private sector). No doubt the Bank's Private Sector Development programme and the IFC have competence in this area; also, USAID has been giving promotion of the private sector in Africa a lot of attention. Nevertheless, the general impression remains that donors have not done much, and that by and large donor programmes are mainly supportive of government and foreign contractors and consultants.

24. The main focus of the ACBF has been to support the intellectual institutional infrastructure, by supporting AERC, funding new autonomous Think Tanks and supporting postgraduate training. However, the erosion in the capacity of higher education institutions continues. It is now much more difficult to get University education of a plausible quality in Africa than it was thirty, or twenty years ago.

* Something has to be done to stop the rot in higher education institutions. To fund advanced postgraduate training when University education no longer provide a minimal foundation is to build on sand.

In what areas will an investment in capacity building yield the highest returns?

25. The answer to this question is implicit in the previous paragraphs. The two areas which are likely to produce most benefit are:

* Selective programmes to improve delivery capacity for critical economic services; and

* A sustained effort to improve fiscal capacity, by developing revenue agencies, the budgeting capacity of finance ministries, and accounting and auditing systems.

26. Building decentralized (district level) capacity to manage social service delivery might over the longer term pay high dividends in creating sustainable capacity, but in the donor division of labour that area might best be left to bilaterals, UNICEF and NGO's, which have more flexibility than the Bank in providing grant assistance.

27. In terms of training, it is easy to identify management skills as a crucial need; it is less easy to identify the appropriate means of enhancing such skills, as they tend to be acquired through a mix of formal education and positive work experience. In terms of a quick pay-off, reorganization to better utilize existing skills could have a high return (discussed below).

What are the most effective instruments and mechanisms for achieving rapid and sustainable capacity building?

28. Arising from the above discussion, one effective instrument for sectoral capacity building is through existing and new sectoral development programmes, so that capacity building responds to the concrete requirements for designing and implementing concrete sectoral programmes, and for maintaining physical capital stock in the key sectors.

29. More generally, Civil Service Reform is a potential instrument for change, although it has not yet yielded expected results. Probably the key requirement is to move beyond retrenchment, which has mainly focused on budget savings, on a more positive programme to improve incentives and working conditions for strategic parts of the public service. Pay reform needs to go beyond restoring differentials and consolidating allowances, to address the fundamental question of what should a performance related incentive system operating under conditions of ongoing severe resource constraints look like. Also, it should be recognised that working conditions are not only, or even always primarily, about pay. Clearer definition of tasks and assessment of performance are also important. Sometimes physical conditions are critical (when a tax office is visited which is overcrowded, dirty, unequipped even to the absence of filing cabinets, with squalid toilet facilities the surprise is not that performance is poor, but rather that any tax is collected at all).

30. Civil service reform gets bogged down because of the immensity of the task of reforming a system suffering from general decay. The need is to fashion a selective and strategic approach, starting with critical parts of the system (e.g. finance) with reforms designed to be sustainable short of systemic reform. This is not straightforward, as such initiatives must avoid the weaknesses of past donor attempts to shore up parts of the system through such mechanisms as "project management units", which hive off bits of the administration into privileged enclaves, which were only sustainable as long as the project continued and did not address

the more general malaise in the administration. What is required is a sequential reform of the system, which reform parts of the administration in ways which will be building block for a more comprehensive reform.

31. For the promotion of private sector capacity, key instruments could lie in three areas of institutional reform which condition the development of the private sector: these involve the financial sector; land law and administration; and competition (particularly opening up areas of State monopoly to competitive access - the playing need not be entirely level, but all teams should be allowed to play).

32. In relation to higher education capacity, the only plausible response to a system which is over-extended and underfunded is a concentration of resources. Received wisdom has been that concentrating on a few "centres of excellence" in the continent is not feasible; however, there has been no other solution offered. Moreover, in the sphere of agricultural research, the major successes have been achieved by concentrating limited international resources on a few well-funded research institutions (under CIGIAR). Surely the continent would be in a much stronger position if there were eight or nine Universities of good quality serving students from the region, with regional and international staffing, rather than the current mess.

How should the problem of underutilization of existing capacity be tackled?

33. In this context, the underutilization of existing capacity is to be interpreted mainly in terms of the failure to effectively utilize existing human skills. While there are many reasons for such under-utilization, much of the cause of the problem can be diagnosed under two heads: underfunding and an absence of effective human resource management referred to above.

34. Under-funding occurs because of an overextension of programmes in relation to resource availabilities. It may largely be a matter of over-staffing (relative to requirements, physical capital stock and finance). This has probably mainly resulted from the tendency of governments to expand their bureaucracies to satisfy the demand for jobs; donors have played their part (and still do) in encouraging new areas of bureaucratic activity without regard to overall financial constraints. It is this problem which has been addressed in retrenchment exercises. There is also a somewhat different problem where both physical capital and manpower are not used effectively because of inadequate recurrent funding, resulting in lack of materials and transport, as well as inadequate incentives. Donors have contributed to this problem through many years of funding capital budgets and not concerning themselves with recurrent cost implications.

35. In relation to the excessive size of bureaucracies (the problem of "bloat"), retrenchment through aggregate targeting (an approach sometimes supported by the Bank) may be too indiscriminate. Within the public service, there are a number of basic services which are labour intensive and where the numbers required are predetermined by the coverage of the service being attempted (primary education and health care; policing). In these areas, a broad provision of service will only be feasible if the wage is close to average family income - the problem is how to sustain the effectiveness of a low-wage work force - a small, lean, well paid primary school teacher cadre would educate a low percentage of children.

36. When it comes to the general administration, it does not matter greatly if there is an excess of junior staff who are paid very little. A key problem is the incentives of the cadre of specialists and top administrators. It will only be possible to pay this top group adequately if it is much smaller. Reducing the public service by firing the cleaners and tea-makers (the typical

response to aggregate retrenchment targets) does nothing to solve that problem. The literature registers the importance of "decompression", but does not fully recognise that decompression implies a drastic change in the administrative pyramid.

37. In relation to underfunding associated with excess public sector facilities, one straightforward solution is to shift physical facilities and staff out of the government sector (e.g. transferring underfunded training colleges to become private secondary schools). For donors, there is a continuing need to pay more than lip service to the recurrent cost issue, in appraising projects and in being willing to make appropriate allocations to recurrent costs, where it is clear that it is desirable an activity should be implemented even despite current costs constraints.

How can the World Bank and African governments form stronger partnerships in the interest of capacity building?

38. Progress will be achieved by a commitment to work on these issues at the national level (continental initiatives have their place, but real progress has to be achieved on the ground). This will require four things of the Bank:

(i) to commit itself to genuine partnership, rather than manipulation and "ventriloquism", even if this slows down apparent progress;

(ii) to assess with care which actors on the national side should be invited to participate (this should, of course, be the decision of the national authorities, but the Bank should have a thought out view of whom are the key actors in the particular setting - and they should not necessarily be those whom the Bank finds it easiest to talk to);

(iii) to signal a willingness to participate with national authorities and other donors (see next paragraph) in assessing national capacity building requirements;

(iv) to encourage Bank staff to incorporate capacity building

concerns into the design and implementation of Bank sectoral and project lending.

39. The question asked is incomplete. In this area, it is absolutely essential that other donors be included in any partnership. Bilateral donors (and UN organisations) are active in technical assistance and often have larger local offices, so are enmeshed in local day to day capacity issues. To by-pass other donors not only engenders resentment but is also inefficient, leading to inconsistencies and failures to use potential resources effectively. In the past, the World Bank has emphasized cooperation with other donors in continent-wide initiatives (e.g the SPA), in Bank-led co-financing and in global fora, but performs very poorly when it comes to its own projects: Bank project staff have a poor record of working alongside other donors on a collegial footing. There needs to be an adjustment in Bank culture, if a genuine collegial partnership is to be developed between the Bank, national governments and other donors.

40. The Bank can bring its considerable human resources to bear to enhance African capacity:

i) When they operate effectively, Bank field offices can make key contributions to capacity building. Capacity building by its nature requires a continuous engagement and a deep understanding of local conditions. Bank field offices should be strengthened, both by expanding national staff, which is cost effective if they are utilized properly, and by adding international field staff to work on the capacity building issue. Visiting missions need to interact creatively with field office staff (of course, this already happens, but sometimes the field office acts as little more than a travel office/business bureau servicing visiting missions);

ii) The incentive system within the Bank itself needs to change, to reward efforts to take account of capacity issues and create genuine partnerships with national authorities, even if this is at the "cost" of slower project preparation and disbursement; and

iii) The Bank should make cleverer use of its extraordinary human capital in terms of knowledge and understanding of many African countries - the current Bank career structure under-utilizes this capacity, as staff only rarely and accidentally return to working with countries with which they have gained experience.

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