BUILDING EFFECTIVE STATES FORGING ENGAGED SOCIETIES

Report of the World Bank Task Force on Capacity Development in Africa

SEPTEMBER 2005

Foreword

"The best way of learning to be an independent state is to be an independent sovereign state."
—Kwame Nkrumah

"While markets create managerial discipline and induce efficacy through the exercise of private 'choice,' governments, are principally disciplined through the exercise of 'voice' to enforce representative public choice."
—Lant Pritchett and Michael Woolcock

I have chosen these two quotes, years apart, to lead this foreword for two reasons. They reflect my strong belief about the importance of a developmental state for getting results in Africa. They also encapsulate the report's key messages—that capacity development is about the opportunity and space to learn self-governing and about the societal demands for effective government to strengthen its capabilities to deliver. This report emphasizes country leadership, learning by doing, and the power of societal demands as the prime motors of capacity development. Governance therefore matters a great deal for effective capacity development.

A consensus seems to have emerged on a new paradigm for effective capacity development centered on building effective states and forging engaged societies. An ***effective state*** delivers public goods and services to the population, provides an enabling environment for growth and private sector development, and ensures peace and security. An ***engaged society*** participates in public decision making, contributes to the provision of public goods and services, and holds authorities accountable for the means and results of public action. Societal engagement is thus both an end and a means.

Under this new paradigm, capacity development is a long-term process, rarely amenable to quick results through shortcuts. It is, above all, a country-centered course of action that builds on strong leadership with clear visions and strategies—and on existing capacities, assets, and systems. Just as for the effectiveness of overall development assistance, African ownership, commitment, local championship, and strong leadership are seen as prerequisites for sustainable capacity development.

The Task Force sets out the following critical messages to all partners as they think through strategies to deal with this capacity development. The centerpiece of this effort is a renewed compact for capacity development. That compact will require the commitment of African leaders and their development partners to address capacity development more strategically, systematically and boldly. It will require a frank and comprehensive assessment dealing with the real constraints to building capacity. It will require using and retaining capacity effectively. It will require analytical and financial support for homegrown strategies for capacity development. It will require that supply-driven initiatives are avoided. And it will require the evolution of modalities and practices for partners to support the development of country capacities.

Success in implementing the renewed compact requires strong African leadership. To discharge this responsibility, African governments would be expected to be resolute in leading the capacity development effort. They should agree with external partners on the framework for support, particularly for technical assistance, in the context of a good practice aid relationship such as the one pioneered in the Tanzania assistance strategy. They should also commit to improved governance to get the best results from initiatives

to build and unleash capacity. With NEPAD strengthening the vision of continent-wide development, African regional bodies will need to do more to build regional and national capacity, particularly through the provision of regional public goods and services and effective application of the African Peer Review Mechanism.

Africa's international development partners, including the World Bank, should support country-driven strategies with explicit capacity development objectives linked to overall development goals. They should align their support to country systems, strengthening rather than bypassing intergovernmental fiscal and accountability relations, domestic political and administrative accountability systems, and local implementation systems. They should also strengthen country results-focused monitoring and evaluation systems by relying on country systems for assessing progress, providing technical support, adopting lessons from other parts of the world to strengthen those systems, and supporting the growth of a culture of openness and accountability. Partners will also need to take a longer term, more patient, and more predictable approach to capacity development, extending perhaps as long as 15 or 20 years.

This is a propitious time for all parties to re-engage strategically in an effort to reduce the capacity constraints that have slowed economic growth in Africa and threaten progress in achieving the Millennium Development Goals.

I have spent my career and life worrying about the challenges of African development and the last 10 years thinking about how the World Bank can support the capacity of Africans and their institutions to lead the continent and its people to future prosperity. I therefore very much appreciate the opportunity to make my final Bank contribution through this report in the quest for ensuring Africa's ability to take the continent's destiny into its own hands. I worked with a great team and appreciated the enthusiastic feedback from a wide range of stakeholders in Africa and outside. I am particularly grateful for the very strong support I received from the Bank's leadership and the African Executive Directors in accomplishing this task.

Callisto Madavo
Head, Task Force on Capacity Development in Africa

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Preface

This report of the Task Force on Capacity Development in Africa analyzes four decades of capacity development experience in Africa and offers key messages for African countries and their international partners that should underpin a renewed effort to develop, use, and retain capacity for development in Sub Saharan Africa. It also presents specific recommendations of how the World Bank, as a leading development agency in the region, should step up its analytical, financial, and operational contribution to capacity development as part of a coordinated international effort under the Paris Declaration on Aid Effectiveness.

The Task Force was set up by Mr. James D. Wolfensohn, then President of the World Bank, and the African Executive Directors following a discussion with the African Governors of the World Bank at the Annual Meetings in Washington, D.C., in 2004. The report was prepared under the auspices of the office of the Managing Director (Shengman Zhang), the World Bank Africa Region (Gobind Nankani), and the World Bank Institute (Frannie Leautier). The Task Force's remit was to review the recent experience with Bank support for capacity development in Africa and to suggest practical ways for African countries and their international partners, including the Bank, to address the capacity agenda more forcefully and with a greater sense of urgency.

The report includes five annexes that cover the consultations, the literature review, and the country and portfolio evidence collected by the Task Force. It also includes a note on the World Bank Institute's capacity development activities in Africa. All documents, including some 20 country case and thematic studies, are published on a website, **www.worldbank.org/afr/acdtf**.

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The team undertook a wide range of consultations, which included a workshop co-hosted with the African Development Bank and the United Nations Economic Commission for Africa in Addis Ababa in February 2005; presentations were made to African Finance Ministers in Washington D.C. on April 17, 2005, during the Spring Meetings, and at the African Caucus in Ouagadougou on August 29, 2005. Global Development Learning Network consultations were held on September 12 and 15, 2005, with participants in Botswana, Burkina Faso, Ethiopia, Ghana, Kenya, Madagascar, Mauritius, Namibia, Nigeria, Rwanda, Senegal, South Africa, Tanzania, and Zimbabwe. During the workshop and consultations, useful discussions and able moderations were contributed by Guy Darlan, Stephen Adei, Olusanya Ajakaiye, Asmelash Beyene, Pierre Claver Damiba, Alex Gboyega, Chris Istede, Aminata Toure Kane, Vincent Karega, Jennifer Kargbo, Moubarack Lo, Anthony Maruping, Thandwa Mthembu, and Gelase Mutahaba.

Acronyms

AAA	Analytical and Advisory Activities
AAP	Assessment and Action Plans
ACBF	African Capacity Building Foundation
AERC	African Economic Research Consortium
APF	African Partnership Forum
APRM	African Peer Review Mechanism
AU	African Union
CAS	Country Assistance Strategy
CIDA	Canadian International Development Agency
CPIA	Country Policy and Institutional Assessment
DEC	Development Economics
DFID	Department for International Development
HIPC	Heavily Indebted Poor Countries
HIV-MAP	HIV Multisectoral AIDS Program
IDA	International Development Association
IFC	International Finance Corporation
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
OECD–DAC	Organization for Economic Co-operation and Development–Development Assistance Committee
OED	Operations Evaluation Department
OPCS	Operational Policies and Country Services
PACT	Partnership for Capacity Building in Africa
PFM	Public Financial Management
PREM	Poverty Reduction and Economic Management
PRS	Poverty Reduction Strategy
PSCAP	Public Sector Capacity Building Program
PSRP	Public Service Reform Program
QAG	Quality Assurance Group
SADC	Southern African Development Community
SWAPs	Sector Wide Approaches
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
WBI	World Bank Institute
WDI	World Development Indicators

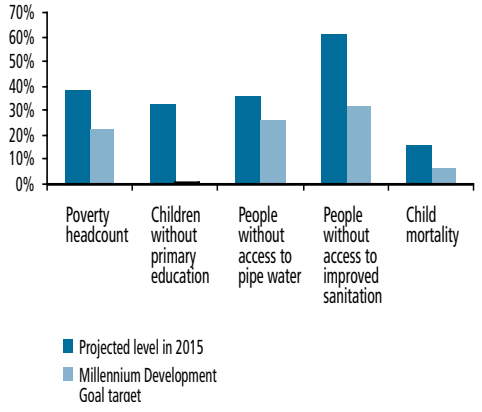
Overview

Over the coming decade Africa faces formidable challenges. On current trends Africa will fall far short of meeting the 2015 Millennium Development Goals. The continent is lagging in the global struggle to reduce poverty. Growth has not been adequate. Poor governance and corruption still plague many countries. And the lack of capacity for an effective state is a binding constraint.

But Africa is also presented with a major opportunity. African leaders and their international partners are showing a new determination to tackle the roots of these problems. New initiatives within Africa are creating a more promising environment for change, and greater political and economic participation gives Africans a stronger stake in their future. Additional resources—from debt relief, aid, trade, investment, and domestic mobilization—promise to be available. In July 2005 the Group of Eight industrial nations, recognizing the common interest in accompanying Africans on the road to sustainable development, agreed to double aid to Africa to some $50 billion a year. For these new resources to translate into better development outcomes, African governments and societies need to perform better and interact better, underscoring the urgent need to improve the effectiveness of the African state and the engagement of society in public affairs.

Figure 1

Africa, on current trends, will fall far short of the Millennium Development Goals for 2015

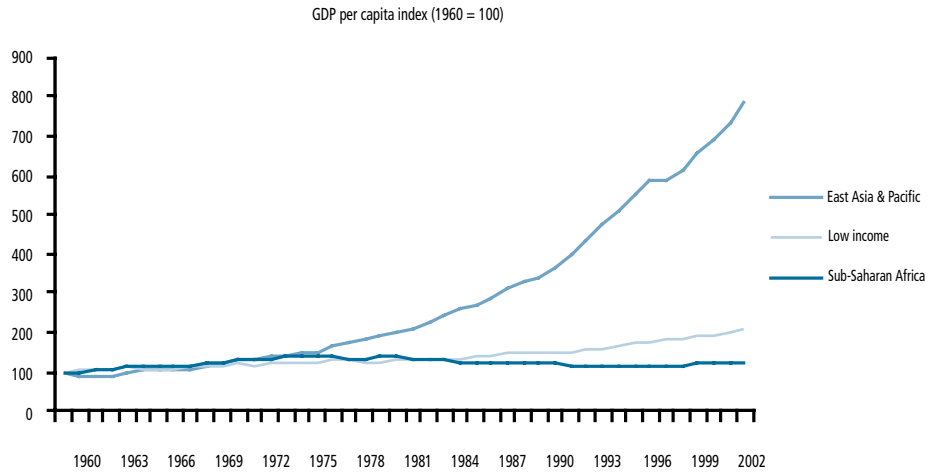


Source: World Bank and IMF 2005

Africa has the highest incidence of poverty of all developing regions. It accounts for 10 percent of the world's people, but is home to 30 percent of the world's poor. It is the only region to have regressed in poverty in the last 40 years; its extreme poverty rate is twice the global average. In the last two decades the number of the poor in Africa has grown from 150 million to 300 million, more than 40 percent of the region's people. Africa has also lagged in human development, especially for women and young people. It is at the bottom of the United Nations Development Programme's human development index, reflecting low levels of education, health, and economic welfare. And it is the only region off the required path to reach most of the Millennium Development Goals (figure 1).

Slow and inequitable growth is a big part of the story. Over 1960–2000 African income per capita grew at about a fifth of the average rate for less developed countries as a whole (0.5 percent compared with 2.5 percent). The widening gap with East Asia is particularly disquieting, underlining almost half a century of missed opportunities and bad choices (figure 2).

Figure 2
Africa's widening income gap is disquieting



Source: World Bank data.

A new paradigm for capacity development in Africa

Capacity is a critical element in addressing Africa's problems. Judging from more than four decades of evidence reviewed by the Task Force, a new paradigm for capacity development is emerging. The capacity of individuals, organizations, and institutions to set goals and achieve them, the capacity to budget resources and use them for agreed purposes, the capacity to manage the complex processes and interactions that constitute a working political and economic system—all are essential. The challenge is to unleash, nurture, and retain capacity. That requires a political environment that encourages participation, excellence, learning, and innovation.

The new paradigm for capacity development emphasizes the dual objectives of building effective states and forging engaged societies. Capacity development is a long process, rarely amenable to quick results through shortcuts. It is, above all, country-centered action that builds on strong leadership with clear visions and strategies—and on existing capacities, assets, and systems. African ownership, local championship, commitment, and strong leadership are seen in this paradigm as essential for sustainable capacity development—just as they are for the effectiveness of overall development assistance.

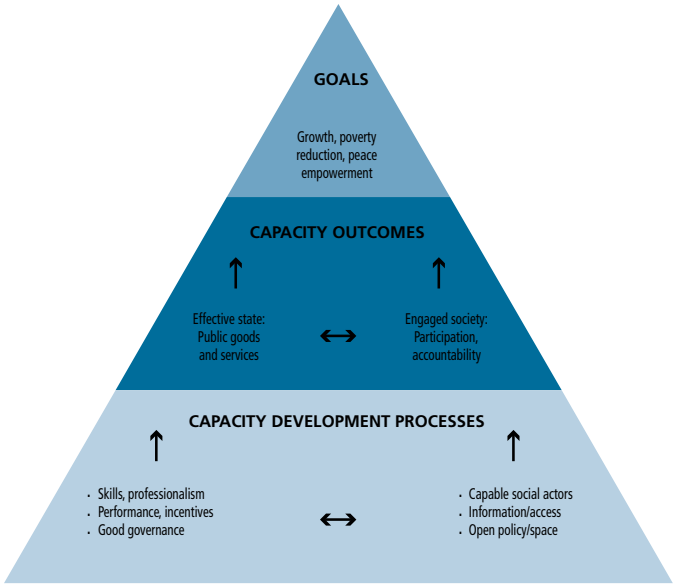
Governance matters for successful—and sustained—capacity development. The earlier technocratic approaches to capacity tended to ignore the link between governance and the policy environment on the one hand and capacity development and its effective use on the other. Capacity takes root and develops where incentives are favorable, and it dwindles or drains where they are perverse. The new paradigm recognizes that the policy environment is fundamental to capacity development. Policies can both facilitate and

hinder the ability of individuals and organizations to perform—and can ensure or prevent that these functions enhance the delivery of public services. Political and economic governance—including the rule of law and the accountability and transparency of the executive, the legislature, and the judiciary—provides a crucial underpinning for capacity development and retention.

Successful capacity development moves along a continuum, with causal links, from processes, to outcomes, and finally to goals. The processes entail interventions to address weaknesses in human skills, in organizational and institutional performance, and in overall governance. The outcomes include a more effective state producing goods and services and a more engaged society demanding accountability of the state. The goals include growth, poverty reduction, and the empowerment of society (figure 3).

A state is effective when it delivers quality public goods and services that meet the needs of the populace. Effective states require engaged societies that demand change and hold governments accountable for such delivery. In contrast to the prevailing views of the adjustment period of the 1980s, a clear consensus is now emerging that a capable state is essential for faster growth, cost-effective service delivery, and peace and security. Achieving an effective state is not merely a technical exercise; it is rooted in the political economy of a country. The state's effectiveness depends on individual capacities—on broader skills and a professional culture. It also depends on organizational capacity, based on appropriate monetary and nonmonetary incentives, strong accountability systems, and ready access to information. And it depends on the quality of political and economic governance—on the rule of law and on the accountability and transparency of the executive, legislative and judicial branches.

Figure 3
Capacity development goals, outcomes, and processes



An engaged society, an end in itself, is also a key element of the domestic accountability system. A virtuous circle of capacity development is ensured when the state makes information and space available to society, which in turn engages in public decision making and policy implementation. Participatory institutions that channel the demand for good governance and hold the state accountable include parliaments and their committees, professional associations, advocacy and consumer groups, and local governments and communities.

Capacity development: why now?

Why now? Because things, far from falling apart, are coming together. Since the mid-1990s growth in some countries has been strong, surpassing five percent in 15 African countries. For several of them—including Uganda, Mozambique, Tanzania, Ghana, and Senegal—higher growth has been accompanied by diversification of their economies and exports. The improved economic performance reflects some important political and economic policy changes across the continent.

African governments are taking more control of their economic destiny. They have launched regional initiatives to resolve conflicts and are improving governance and growth under the African Union (AU) and the New Partnership for Africa's Development (NEPAD).

Greater political participation gives Africans a greater stake in their own future. Since 1990 many African countries have undergone a political transformation. Addressing the combined challenges of state-building and socioeconomic development, many African leaders have created space for peaceful succession, deeper debate over development visions, and greater respect for human rights.

Policies and institutions are improving. The unstable macroeconomic conditions characterized by double-digit inflation in the early 1990s have stabilized in the single digits, thanks to much stronger fiscal controls in a range of countries and a shift by central banks to price stability as the primary goal. And the policy and institutional environment has become more durable.

Parallel with new determination in Africa, external partners are revisiting their strategies and their approaches. Through the Paris and Rome Agreements, donors have committed to change the way they do business. The realignment of aid practices—in part, due to successful advocacy by African leaders—served to embolden African governments and regional entities such as the AU, the African Development Bank, NEPAD, and the United Nations Economic Commission for Africa to insist that more attention go to the quality of aid. By the same token, they have become more willing to be held accountable—through independent and peer reviews, including the African Peer Review Mechanism—for the effective use of aid resources in pursuing goals for poverty reduction.

All this adds up to a starting point that is much more propitious than at the launch of the Partnership for African Capacity Building (PACT) in the 1990s. The poverty reduction strategy era has paved the way for important innovations in the way donors and the World Bank do business. Serial budget support (including Poverty Reduction Support Credits) and sector-wide approaches have put countries in the driver's seat, with stronger incentives to show results. The harmonization of donor efforts around country-owned benchmarks for poverty reduction has also improved the efficiency of the partnerships with developing countries. And various country-level multisectoral programs—for public sector reform, public financial management, community-driven development, and the fight against HIV/AIDS—are in place and show promise.

Renewing the compact: from consensus to implementation

The shared vision of effective capacity development provides a conceptual and operational underpinning for a common implementation platform (box 1). This platform, building on the ambitions of the original compact around the PACT, provides the basis for a coordinated "big push," renewing the compact with African partners, the donor community, and the World Bank. While each partner may have a different role, sustainable capacity development calls for a spirit of mutually reinforcing support and accountability. None of the three partners can do it all alone.

The challenge going forward is to implement strategies and programs for realizing the new shared vision. Key to this is a coordinated effort by the three actors—African countries, the donor community, and the Bank—around a common platform. A renewed compact is needed under which African countries and external partners work together with the Bank to help set the pace in the implementation of this new approach. Because it is not just about what to do, but also how to do it, the shift will also require changes in the behavior of the three actors.

Africans must take the lead in capacity development and aid management.

The country should be the focus for implementing homegrown, fully owned strategies for capacity development as an explicit part of medium-term development programs. African countries should take the lead in determining their capacity needs and set priorities for implementation in line with their medium-term development strategies, such as poverty reduction strategies. The main focus should be on strengthening the capabilities of

Box 1
Toward a shared vision for capacity development—key lessons

- *Capacity matters*—it remains a binding constraint on development and poverty reduction.
- *Governance matters* for successful and sustained capacity development.
- Capacity development requires an *effective state* and an *engaged society.*
- *Africans must take the lead* in capacity development and aid management.
- Capacity development should be a *core area* of country-led development strategies.
- *Unleashing, nurturing, and retaining existing capacity* is paramount, as is *better use of local talent* and the diaspora.
- Priority must be placed on *country capacity to build capacity*.
- Countries need a *robust monitoring and evaluation system* with a focus on results as an integral part of their medium-term plans, such as the poverty reduction strategy.
- External partners must *avoid capacity-depleting practices,* such as project implementation units and excessive use of external consultants.
- Capacity development support must be *adequately funded* and *more predictable.*
- Capacity development approaches need to be *adapted to diverse country contexts.*
- Achieving capacity outcomes requires *mutual accountability* and *independent monitoring.*

the state. This means strengthening the skills and professional profiles of the public sector, increasing organizational effectiveness, and developing institutions capable of supporting change management. Many African countries are still very far from this stage of taking strong leadership in programming and implementation. But courage can be taken from Botswana, Mauritius, and South Africa, where this has been done successfully, and Ethiopia, Ghana, Senegal, and Tanzania, where the approach is being pursued in earnest.

Space must be created for social actors, and their capabilities strengthened, to demand positive change and push for the effective execution of state functions. This requires the political space for involving civil society and the private sector in decision making and holding the state accountable for its functions. It also requires the enhanced capacity of civil society and the private sector to organize for these purposes. Examples include participatory poverty reduction strategy processes, empowering of women, conducting open public expenditure management reviews, and devolving powers and accountability systems to the local level along with the deconcentration of responsibilities for service delivery. The right balance has to be found between empowering of local communities and respecting ethnic diversity on the one hand, and preserving national unity on the other. South Africa's model of political and institutional reconciliation is a model.

Regional capacity development initiatives should pool efforts to strengthen human capacity, facilitate cross-country learning, provide regional public goods, and promote good governance, peace, and security. Examples include the African Capacity Building Foundation's (ACBF) support for setting up national think tanks, the African Economic Research Consortium's strengthening of analytic capacity for policymaking in various countries, NEPAD's peer review mechanism, the African Development Bank's support for regional infrastructure programs, and the United Nations Economic Commission for Africa's governance assessment work. Other examples include the efforts of the Economic Community of West Africa States and the African Union to prevent or stop civil wars.

External partners must engage existing capacity in All African countries.

External partners should support the implementation of capacity development strategies with timely, flexible, and predictable technical and financial assistance. Technical cooperation (including technical assistance) to African countries is on a strong rebound after a slackening during the second half of the 1990s. In 2004 it reached $5.8 billion. Questions must be raised, however, about the value Africans are getting for this substantial amount of resources and whether a reasonable proportion of it is being directed at supporting durable capacity development, which in the long term will reduce the dependence on this type of support. We believe these questions deserve better answers. Technical cooperation funding must be redirected in two ways. One is to raise the share of technical assistance funding going to capacity building activities instead of expatriate salaries and support—a major concern for Africans. The other is to provide it in a way that pools the fragmented financing arrangements into a basket to fund prioritized capacity development activities or filling country-identified short-term needs for achieving results. This means untying and pooling funding for technical cooperation.

External partners must follow a customized approach to supporting a country's capacity development strategy. In countries with development-focused leaders and reasonable implementation capacity, a comprehensive approach, supported through programmatic lending, is likely to be appropriate. The use of country systems in these cases would be key to the sustainable development of capacity. In countries with clientelistic leaders, with weak social cohesion, con-

sensus, and commitment, the emphasis would be on supporting the development of an engaged society to help create demand and pressure for an accountable state and to push the country towards a positive capacity development trajectory. In these fragile countries, a more opportunistic, project-based approach in search of expandable entry points is likely to be appropriate.

The capacity of regional bodies to deliver regional public goods will also need to be enhanced. Regional capacity has been hugely underfunded. Vertical programs could be financed by earmarking a portion of the technical assistance funding provided annually to support the strengthening of capacity of regional entities through grant-giving regional intermediaries, such as the ACBF. The $1 billion in ACBF funding envisioned at the launch of PACT in the 1990s never materialized.

Implementing the principles of the Paris Declaration on Aid Effectiveness should receive top priority. Partners should extend the harmonization agenda to the capacity development area through joint strategic documents, pooled resources, and common country-based monitoring and evaluation systems—all within a culture of mutual accountability for the effectiveness of development assistance. A country's own financial and fiduciary systems should be favored over donor-driven parallel project implementation units, which may drain people and resources away from a country's critical core business processes. Issues that remain unresolved from the Paris discussions, such as further untying and deregulating technical cooperation, should be pursued with vigor.

On the basis of a game plan developed by African governments and in the spirit of mutual accountability, African stakeholders and their external partners should consider a better mechanism for collaboration and follow-up on capacity development. One possible solution would be a consultative group format, organized in a way similar to the Strategic Partnership for Africa (SPA). Such a group would meet regularly, perhaps once a year, to provide a platform for reviewing implementation progress. Its main roles would include advocacy and oversight of resources, innovation and sharing of good practices, and peer review and peer pressure for results. The group would need to operate flexibly to allow members willing to push for change and innovation to move forward. No new structure would need to be created for this consultative mechanism. It could, for example, be realized under the auspices of the African Partnership Forum (APF). The APF aspires to be the key international forum for the advancement of partnership in Africa and an effective mechanism for accountability between partners.

Results should be the main criterion for assessing progress.

Focusing on results requires the ability to measure and monitor progress, wide access to evaluative information for all stakeholders, and statistical capacity for timely and accurate measurement of progress. Results are also key for the credibility of reforms, particularly for African leaders looking for alternatives to clientelistic politics. Developmental politicians have an interest in building a responsive and capable bureaucracy. They also have to show voters tangible and quick results to survive in politics—hence, the need for stronger monitoring and evaluation practices and effective communications to publicize results to voters.

Achieving better results requires independent monitoring. Mutual accountability between external partners and African countries has been gathering momentum, especially in the poverty reduction strategy process. Africa itself has shown the way through the African Peer Review Mechanism, which uses a regional framework to strengthen domestic dialogue and improve political and economic governance. At the subnational level there are growing instances of accountability systems to guide the allocation of

public funds and to pressure the central government. A recent promising initiative is the independent monitoring mechanism launched by the government of Tanzania and its international partners. Building on these good practices, conditions seem to be ripe for establishing an independent mechanism for monitoring the implementation of capacity development strategies to be reviewed in the context of a Consultative Group, as recommended in the Paris Declaration.

Business unusual for the World Bank

The Bank's leadership in implementing the compact is critical for success. Given its significant and catalytic role in Africa as a key development partner, the Bank's role in setting an example in how it supports capacity development is crucial. For nearly a decade, the Bank has professed the importance of a country-owned approach to capacity development. But in far too many countries its "talk" has advanced much faster and farther than its "walk." This calls for the Bank to hold itself to a high standard of implementing the key principles of the updated compact. The Bank should do more in developing and sharing ideas and aligning its practice in support of capacity development. And while helping countries to keep score on capacity development results, it should also subject its own programs to the same rigor and standards of results orientation and periodically expose them to independent assessment by external experts.

Effective World Bank support for capacity development in Africa is not only about providing resources to finance capacity building programs but also about how it provides such support. It should provide support in a

Box 2
Business unusual—five recommendations to the World Bank

- Align the country assistance strategy to the partner country's own capacity-sensitive poverty reduction strategy or a medium-term plan, which includes an explicit focus on capacity development and use.
- Adapt or develop its business lines and instruments to use country systems, avoid doing harm to existing capacity, and support the participation of social actors. Where conditions do not allow use of the country's own systems, as in fragile states, support well selected initiatives to build country systems *a novo,* particularly in public financial management, and promote societal demands for more effective government.
- Adopt a results focus and strengthen country capacity for a monitoring and evaluation system, which should also have an explicit component for capacity development.
- Provide clear leadership and management focus on capacity development as a core activity in Bank operations; improve the incentives and resourcing of capacity development diagnostics and implementation; and build the corporate structure to deliver, including Bankwide and regional focal points for capacity development.
- Harmonize support for capacity development with partners—including technical cooperation—to counter the deleterious effects of years of fragmented (and mostly tied) support in Africa. This should include the establishment of a multistakeholder Consultative Group for capacity development.

manner that does not detract from a country's institutional development, that helps to unleash existing capacity, and that provides opportunities for local learning by doing and learning from results (box 2). Chapter 5 has a more comprehensive set of detailed suggestions of the Task Force on what the Bank should do to implement the new compact on capacity development. Here we highlight actions most crucial for success.

Recommendation 1: As the organizing framework for Bank assistance, Country Assistance Strategies (CASs) should do more to diagnose constraints to capacity development, reinforce homegrown efforts to respond to these constraints, and identify the business lines that can support country efforts

It is important that the CAS target enhancing government capacity to execute its functions and strengthening the capacity and mechanisms for social actors to hold the government accountable, particularly in the delivery of services. The Bank should support the country in developing prioritized plans for enhancing capacity in state and society—as part of the poverty reduction strategy process, for example—and should coordinate with other partners to implement the plan. The ultimate aim of the selected business lines should include achieving the twin objectives of capacity development—an effective government capable of delivering on development, and an empowered and engaged society that holds it accountable.

Financial and analytical instruments (for example, programmatic lending and various analytical and advisory activities) should then be selected in support of these business areas, preferably through country systems. Over time, more systematic review of the efficacy of the instruments of capacity development should form part of CAS reviews. The CAS should also have the required flexibility to accommodate diversity in country conditions and approaches chosen—whether states are reform-oriented or clientelistic, whether the capacity of the public sector is high or low, whether society is engaged or not. Bank support and instruments should also be harmonized with other donors and partners to reduce transaction costs for the countries. That would include, for example, pooling technical assistance, which involves untying, or even joint CASs when appropriate, as are now under way in Uganda and Tanzania.

Recommendation 2: Make conscious efforts to use and prioritize capacity-enhancing business lines and instruments and develop new ones that seek to respond to homegrown initiatives to improve state effectiveness and societal engagement

The Bank should increase the use of the business lines it has dramatically expanded over the past decade in response to growing African demand in the area of capacity development. The clusters of business lines in public service reform, public expenditure management, decentralization, and regulatory capacity building are relatively mature and should be further refined in terms of emerging good practice approaches. For strengthening domestic accountability systems, existing business lines include those that support community development, business and professional associations, and nonexecutive branches of the government, including parliaments and judiciaries. Examples of flexible instruments include the Institutional Development Fund and Japan Social Development Fund grants as well as the Development Marketplace, all of which allow granting resources to civil society institutions. More use should be made of these instruments to strengthen the demand side of capacity development.

The Bank, working with countries and other partners, needs to invest more effort in expanding coverage and developing new products:

- Mitigating the loss of capacity through pandemics and brain drain.
- Supporting the knowledge sector—including tertiary education and competencies in information and communication technology.

- Supporting peer learning through exchange of experiences.
- Meeting the needs of fragile states.
- Supporting the capacity of regional institutions to deliver regional public goods and contain regional public "bads" such as conflicts.

The Bank should harness the World Bank Institute's rich experience in working with a wide set of social actors, including parliamentarians, and in facilitating peer learning.

The World Bank Institute and the Africa Region should discuss a more focused role for the World Bank Institute in Africa. This would cover training, because skills development continues to be important, particularly when working with African institutions. This would also cover the dissemination of knowledge, working with such knowledge networks as the African Economic Research Consortium. And it would cover support for the demand side of capacity, working with social actors, an approach to which the World Bank Institute has a comparative advantage.

Recommendation 3: To support its results focus the Bank should give high priority to strengthening the capacity of the countries for monitoring and evaluation, revamping and aligning its knowledge system, and improving quality assurance processes.

The Bank should scale up support for enhancing the statistical capacity to collect, organize, and disseminate timely information by helping countries to develop master plans for crucial surveys and implement these in the context of the national statistical and administrative data collection systems. Working with other external partners it should support the development of processes for country-led diagnostics (around the production of the poverty reduction strategy progress report, poverty monitoring activities, or country-led public expenditure reviews, for example). The Bank should also share its knowledge on the wide range of instruments for feedback on conditions, outcomes, and impacts (score cards; investment climate, governance, and service delivery surveys; and impact assessment methodologies). As part of these efforts, the Bank should help countries benchmark their performance against others to clarify the level of ambition countries set for themselves. More generally the Bank should support investment in the capacity to build capacity and in science, technology, and the knowledge economy to help Africa close the digital divide with the rest of the world.

For this to work, country teams need to be adequately equipped and resourced to provide the necessary support. The knowledge management system should be strengthened to draw lessons from implementation and feed results from new research into future operations. The Bank should also make utmost effort to use or work with local experts in its analytical work, as a way of offering opportunities for learning by doing. In this regard there will be a need to balance capacity development goals and institutional delivery timetables and short-term quality achievement and learning.

Recommendation 4: To implement its strategy for supporting capacity development in Africa and to deliver with impact, the Bank will need strong leadership and management.

It will take stronger leadership from Bank management to raise the importance of capacity development as a "core activity" and to use the available quality assurance processes, updated for better capacity development content, to sharpen the focus and produce the behavioral change needed for results. Such leadership will require strong focal points at two levels. An Institutionwide focal point would spearhead analytical research, analytical and policy work to strengthen the Bank's knowledge base, and other knowledge creation and dissemination activities. The objective in the medium term should be to transform the Bank into a reputable center of excellence on the role of capacity, governance, and institutions in

development. Regional focal points would ensure coordination and mainstream capacity development in the work of a wide range of sector groups serving the region.

Delivery will also require more cohesive, effective, and motivated teams to respond to the diverse needs across countries. The key ingredients for the effectiveness of such teams are better resourcing, incentives, knowledge support, and skills that encompass a better appreciation of the diverse political context of Bank operations—and a culture that encourages working with local expertise as equals. There is also a need for a clear partnership strategy to harmonize support across the Bank group and with external partners. To make progress, country teams should benchmark the Bank's implementation of the Paris Agreement within this partnership frame and be subject to independent monitoring of progress as part of mutual accountability.

Recommendation 5: Working with the United Nations and Organisation for Economic Co-operation and Development/ Development Assistance Committee, the Bank should spearhead a high-level consultative process to mobilize support for the implementation of the updated compact

Taking advantage of the current international attention to support Africa's bid to reduce poverty, the Bank and its partners should ensure that African capacity development efforts are adequately and predictably financed. The first step is to ensure that the Bank's financial assistance for capacity development is scaled up to meet the assessed and costed needs of individual country initiatives. The scale of Bank commitments in individual countries should be determined in the context of the overall envelope of donor and domestic resources mobilized for capacity development. This will require more concerted efforts to track and monitor overall donor commitments to country capacity development programs.

The Bank should remove disincentives to harmonizing and pooling assistance. Where possible, it should provide International Development Association (IDA) grants rather than credits for capacity development to bring IDA in line with the financing modalities of bilateral donors. It should apply new Bank policies related to expenditure eligibility—including provisions for financing such recurrent expenditures as civil servants' salaries. And it should reduce the transaction costs associated with using its resources vis-à-vis other donors.

Bank resources should also be committed to supporting regional initiatives. This would include strengthening regional institutions in Africa by taking a lead role in developing a vertical grants program for financing capacity development for regional and subregional organizations across Africa. This will require additional funding since past promises for this regional approach have never fully materialized. By scaling up IDA contributions to the Development Grant Facility, IDA could channel resources through a ACBF revamped for this purpose to support regional institutions.

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The renewed compact will require the commitment of African leaders and their development partners to address capacity development more strategically, systematically, and boldly. It will require a frank and comprehensive assessment dealing with the real political and governance constraints to building capacity. It will require using and retaining capacity effectively. It will require analytical and financial support for homegrown strategies for capacity development. And it will require the evolution of mechanisms and practices for partners to support the development of country capacities.

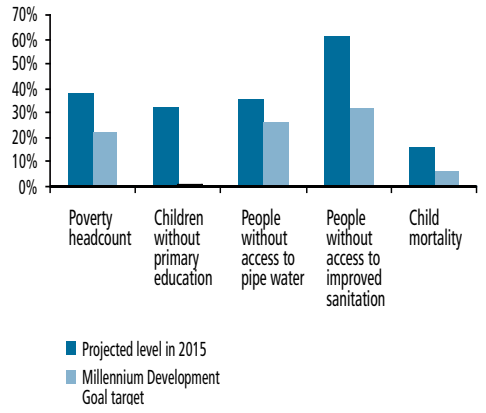
1. Why capacity development —and why now?

Over the coming decade Africa faces a formidable challenge. On current trends Africa will fall far short of meeting the 2015 Millennium Development Goals. The continent is lagging in the global struggle to reduce poverty. Growth has not been adequate. Poor governance and corruption still plague many countries. And the lack of capacity for an effective state is a binding constraint.

But Africa is also presented with a major opportunity. African leaders and their international partners are showing a new determination to tackle the roots of these problems. New initiatives within Africa are creating a more promising environment for change, and greater political and economic participation gives Africans a stronger stake in their future. Additional resources—from debt relief, aid, trade, investment, and domestic mobilization—promise to be available. In July 2005 the Group of Eight industrial nations, recognizing the common interest in accompanying Africans on the road to sustainable development, agreed to double aid to Africa to some $50 billion a year. For these new resources to translate into better development outcomes, African governments and societies need to perform better and interact better, underscoring the urgent need to improve the effectiveness of the African state and the engagement of society in public affairs.

Figure 1.1

Africa, on current trends, will fall far short of the Millennium Development Goals for 2015



Source: World Bank and IMF 2005

Africa has the highest incidence of poverty of all developing regions. It accounts for 10 percent of the world's people but is home to 30 percent of the world's poor. It is the only region to have regressed in poverty in the last 40 years; its extreme poverty rate is twice the global average. In the last two decades the number of poor people in Africa has grown from 150 million to 300 million, more than 40 percent of the region's people. Africa has also lagged in human development, especially for women and young people. It is at the bottom of the United Nations Development Programme's human development index, reflecting low levels of education, health, and economic welfare. And it is the only region off the required path to reach most of the Millennium Development Goals (figure 1.1).

Slow and inequitable growth is a big part of the story. Over 1960–2000 African income per capita grew at about a fifth of the average rate for less developed countries as a whole (0.5 percent compared with 2.5 percent). The widening gap with East Asia is particularly disquieting, underlining almost half a century of missed opportunities and bad choices (figure 1.2). The persisting income inequality needs to be urgently addressed because it often brings social

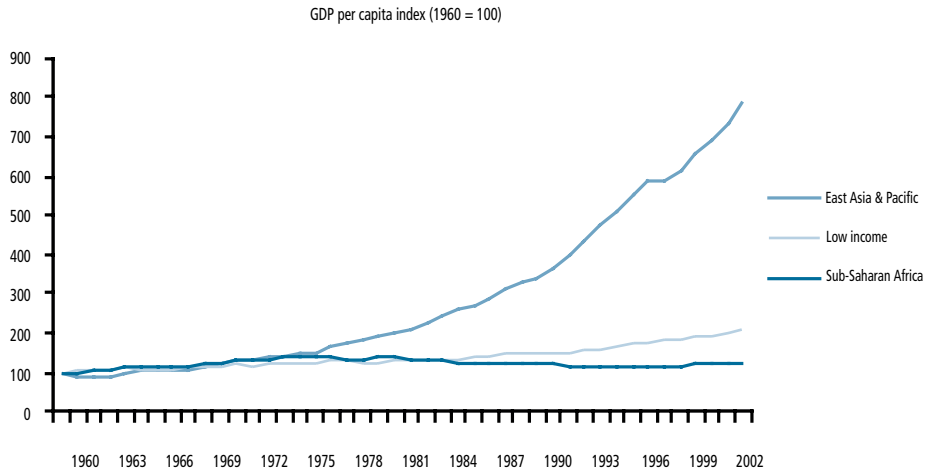
tensions and instabilities. Larger aid flows and better policy environments are important elements for a better future.

Poor political and economic governance and persistent (even worsening) corruption continue to plague some countries in Africa. In its most recent research the World Bank found no marked improvement in governance and lower scores on corruption and government effectiveness than in other parts of the globe. Some African countries have improved significantly—others have deteriorated (Economic Commission for Africa 2005; Kaufmann, Kraay and Mastruzzi 2005).

Another critical element in the story is capacity. The capacity of individuals, organizations, and institutions to set goals and achieve them; the capacity to budget resources and use them for agreed purposes; and the capacity to manage the complex processes and interactions that constitute a working political and economic system all are critical. The attention to Africa's lag in achieving the Millennium Development Goals and its faltering economic performance has spotlighted Africa's capacity gaps and the constraints in overcoming them. Using the new resources—debt relief, aid, trade, and investment—requires Africa and its partners to confront the capacity challenge and learn from the successes and mistakes of the past.

Shared growth requires capacity not only in the public sphere, but in the private sector and civil society. Poverty reduction requires state capacity to carry out basic public management functions to provide access to basic social and infrastructure services. In the private sector farmers and shopkeepers need institutions that ensure a competitive and cost-effective business environment, low barriers to entry, and minimum risks to investment. Such an environment generates new productive activities, opens new markets, and stimulates innovation to meet consumer needs and create new jobs.

Figure 1.2
Africa's widening income gap is disquieting



Source: World Bank data.

Community and civil society groups need the space and capacity to organize themselves to influence government planning and budgeting processes and contribute to the delivery of basic services.

Good governance improves development outcomes. A growing body of literature, starting with ***World Development Report 1997: The State in a Changing World*** (World Bank 1997), has linked government effectiveness and other dimensions of good governance to better development outcomes. While it has been difficult to establish clear causal relationships, better development outcomes—ranging from infant mortality to literacy—have been clearly associated with better governance. And World Bank and other research has shown a strong causal effect running from better governance to higher per capita incomes and a weak (even negative) effect in the other direction. This confirms the importance of good governance and higher capacity for economic development (Kauffman and Kraay 2002).

In short, capacity matters. Capacity is developed and used most effectively and tangibly in pursuit of specific objectives such as delivering services to poor people, improving the investment climate for private firms, empowering local communities to be involved in public decision making, and promoting peace and resolving conflict.

What we mean by capacity

Capacity is about skills, performance, and governance. The concept of capacity development has evolved significantly—from a narrow preoccupation with training and technical assistance to dealing with the capacity of individuals, organizations, and the broader institutional framework in which they operate to deliver specific tasks and mandates. The literature underlines the distinction between capacity development and human resource-development: capacity is more than the capacity of individuals to do specific tasks, and it is not limited to training and technical assistance. The expansion in levels (individuals, organizations, and institutions) and in instruments (training, incentives, leadership development, and organizational change) has linked capacity development closely with governance—the traditions, institutions, and processes by which the state acquires and exercises the authority to provide public goods and services (box 1.1).

Capacity development interventions should address the requirements of an effective state and engaged society. An ***effective state*** delivers public goods and services to the population, provides an enabling environment for growth and private sector development, and ensures peace and security. An ***engaged society*** participates in public decision making, contributes to the provision of public goods and services, and holds authorities accountable for the means and results of public action. Societal engagement is thus both an end and a means. The capacity development efforts needed entail three capacity levels (human, organizational, institutional) for the effective state and the engaged society (table 1.1 and figure 1.3).

The interaction of state and society is country-specific. While African countries face many common challenges, no single blueprint for capacity development is workable. The execution of state functions involves concrete collaboration between state and society. Some state functions depend on and cannot be improved without parallel capacity development in state and society. The establishment and enforcement of rules of the game for economic, political, and social development; the setting of priorities for societal development and the use of common goods and public resources; and the accountability for such decision making—all require capacity in both state and society.

Countries, at various points in the spectrum of capacity development, still face major capacity hurdles. They have to reverse the brain drain of highly skilled workers, with incentives for capacity retention and use. They have

Box 1.1
Key features of capacity development

"First, enhanced capacity should be treated as a goal in its own right, not merely as a means for achieving other development objectives. … The capacity building approach [of the early 1990s] emphasized that a root cause of poverty, illiteracy, and ill-health was lack of capacity: in government, to design and implement proper development strategies, and, in society, to hold government accountable for its actions. Only if political and economic institutions functioned properly would development achievements be scalable and sustainable.

Second, support for public sector capacity building needs to address three dimensions of public sector capacity:

- *Human capacity:* individuals with skills to analyze development needs; design and implement strategies, policies and programs; deliver services; and monitor results.
- *Organizational capacity:* groups of individuals bound by a common purpose, with clear objectives and the internal structures, processes, systems, staffing, and other resources to achieve them.
- *Institutional capacity:* the formal 'rules of the game' and informal norms—for example, in collecting taxes, reporting on the use of public resources, or regulating private business—that provide the framework of goals and incentives within which organizations and people operate.

Third, demand as well as supply factors shape capacity constraints and capacity building opportunities and outcomes. Public sectors are often weak. Not just because of their lack of capacity, but also because their weakness benefits powerful interests. … Therefore, capacity building efforts will succeed only where they take adequate account of the prevailing local politics and institutions, and are country owned rather than donor driven."

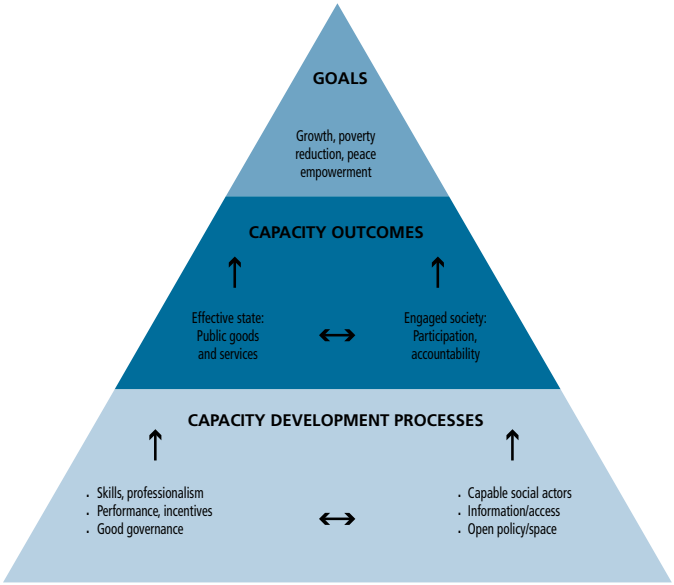
Source: World Bank 2005a, p.7-8

Table 1.1
Capacity development issues and levels

Effective state	Capacity level	Engaged society
Skills, professionalism	Human	Capable social actors
Performance, incentives	Organizational	Access to information / decisions
Good governance	Institutional	Open space for participation

to revive failing service delivery systems to help achieve the Millennium Development Goals. They have to combat corruption and political capture while promoting a competitive environment for private sector–led growth. They have to safeguard populations from civil strife and crime

Figure 1.3
Capacity development goals, outcomes, and processes



by establishing the rule of law. They have to open closed decision making processes through greater inclusion of civil society and citizens. And they have to replace dilapidated tertiary educational systems with highly networked, well resourced centers of learning, paying particular attention to science and technology.

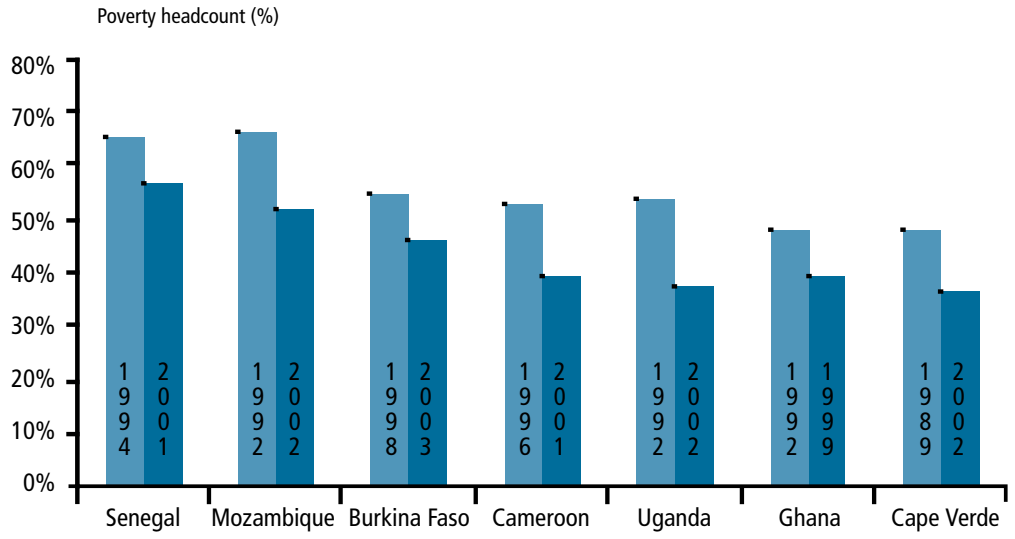
Some countries have managed to build on successful approaches in some areas. Community-driven development in Malawi, performance management systems in Tanzania, public financial management in Burkina Faso and Madagascar, and decentralization in Uganda and Ethiopia—all set examples. They relied on strong leadership and flexible programmatic approaches—and matched capacities with global and local knowledge. Building core state capacities was balanced with improving the accountability of state institutions to citizens and their needs.

A window of opportunity: Africans are taking charge

Africa is showing a new determination and new capacity to tackle these problems. Since the mid-1990s growth in some countries has been strong, surpassing 5 percent a year in 15 African countries. For several of them—including Uganda, Mozambique, Tanzania, Ghana, and Senegal—higher growth has been accompanied by diversification of their economies and exports.

Some of the fastest growing countries have also done fairly well in reducing poverty. Eight low-income African countries, which saw average per capita growth rates of 2.9 percent a year, reduced poverty at an average annual rate of 1.5 percent, well on course to meeting the Millennium Development Goals target of halving poverty by 2015 (figure 1.4).

Figure 1.4
Poverty down for successful growers…up for failed cases



Source: World Bank Africa Region Country Poverty Studies

Some other good performers are emerging, although a few remain laggards. Excluding the oil countries, which grew at a median per capita rate of 3.5 percent, the fastest growing one-third of African countries, 13 countries hosting 17 percent of the region's population have seen per capita incomes increase at a median rate of 3.3 percent since 1999. Second tier countries, with about 29 percent of the population, have seen median per capita income growth rates of 1.2 percent, while the slowest growing economies, accounting for another 25 percent of the population, have had a decline of 1 percent.

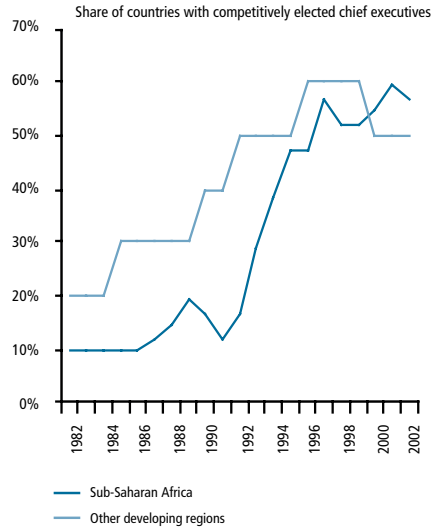
The improved economic performance reflects some important political and economic changes across the continent. African governments are more in control of their economic destiny. They have launched regional initiatives to resolve conflict and are improving governance under the African Union (AU) and the New Partnership for Africa's Development (NEPAD). These initiatives are:

- Pushing for African countries to assume leadership and accountability for their development programs.
- Improving the region's reputation by certifying good practices in governance for a critical mass of African countries under the African Peer Review Mechanism (APRM).
- Increasing regional connectivity to improve the capacity to trade within the region and with the world.
- Enhancing the capacity of a rationalized system of regional bodies to provide regional public goods—such as cross-country transportation, electricity pooling, coordination in managing pandemics, and protection of such regional commons as the Nile and the Great Lakes.

Greater political participation gives Africans a greater stake in their future. Since 1990

Figure 1.5

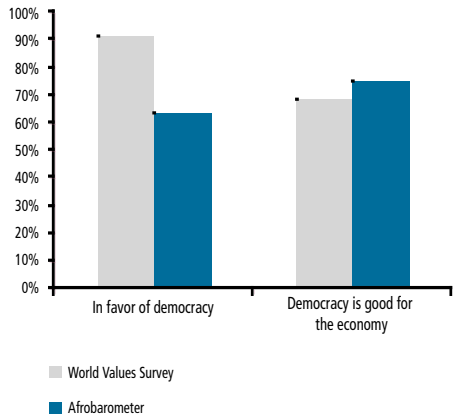
Political competition and participation improved rapidly in Africa



Note: Competitively elected refers to competitive multiparty elections in which the winner received less than 75 percent of the vote.
Source: World Bank Database on Political Institutions.

Figure 1.6

Africans favor democracy and say it's good for the economy



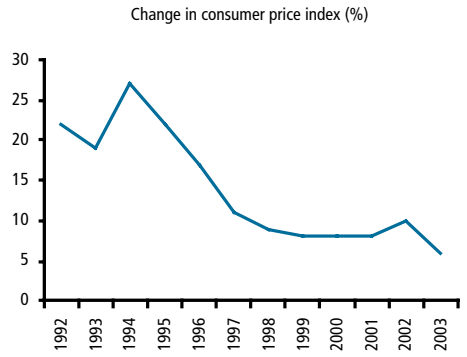
Source: World Values Survey (6 countries, 1999-2002); Afrobarometer Briefing Paper No. 1, April 2002 (12 countries).

many African countries have undergone a political transformation. Addressing the combined challenges of state—building and socioeconomic development, some African leaders have created space for peaceful succession, deeper debate over development visions, and greater respect for human rights. Political competition and participatory processes improved more in Africa during the 1990s than in any other region, even if from a low base (figure 1.5). In 1982 only one-tenth of African countries and two-tenths of other developing countries had competitively elected executives. As late as 1991 Africa showed almost no improvement, while other developing countries had doubled their figure to 40 percent. By 1995 the gap was nearly closed, despite continuing increases in other regions. In 2002 Africa was ahead of the other regions by about eight percentage points. This transformation has raised expectations and demands from citizens throughout the region. It deserves the world's support, as these states try to sustain the political achievements while delivering goods and services to a more engaged and demanding society.

More than half the region's countries are engaged in a dual reform process—economic and political—and African societies are fully behind it. Recent Afrobarometer surveys and World Values Survey show that Africans believe democracy is good for the economy and prefer democratic political systems to authoritarian alternatives (figure 1.6). The same surveys also show a strong African preference for more economic equity, political engagement, and gender equality.

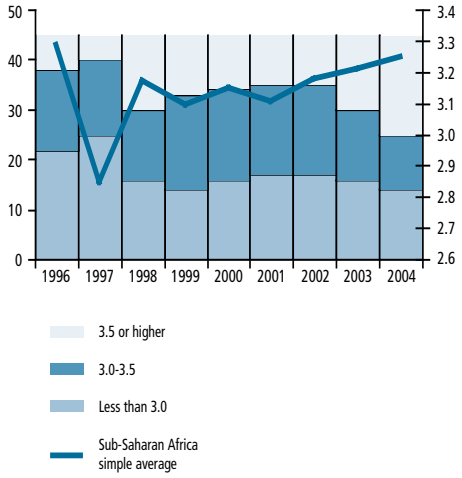
Policies and institutions are improving. The unstable macroeconomic conditions characterized by double-digit inflation in the early 1990s have stabilized in the single digits (figure 1.7), thanks to much stronger fiscal controls in a range of countries and a shift by

Figure 1.7
Inflation has been reduced dramatically



Source: World Bank World Development Indicators Database.

Figure 1.8
Africa CPIA trends—on the rise



Source: World Bank data.

central banks to price stability as the primary goal. The policy and institutional environment has become more durable. Over most of the past decade the average scores from the World Bank's Country Policy and Institutional Assessment (CPIA)—which measures institutional quality—have been rising along with the number of African countries with scores above the generally agreed good performance threshold of 3.5 (figure 1.8).

There are signs of likely success from the wide range of initiatives. At one level are initiatives involving regional efforts to improve country performance, including peer pressure to change and peer learning. The AU and NEPAD have put in place a framework of peer pressure for systematic and durable improvement of governance in countries that have chosen to do so. The aim is ultimately to engender a ***collective*** good reputation and thus to build the credibility of Africa as an attractive investment destination. The African Peer Review Mechanism now includes 24 countries, with more than 75 percent of the region's people. They have volunteered to have their countries' political and economic governance reviewed and to develop and implement action programs to address identified weaknesses. The APRM is specifically focused on strengthening governance by engaging wide segments of society in open dialogues on political, economic, and corporate governance and on socioeconomic development. The Task Force's approach to capacity development—engaging society to achieve and sustain an effective state—resonates with APRM principles.

A consensus on the imperatives of capacity development

The decisions at the G-8 summit in Gleneagles in July 2005 refocused the debate on Africa's window of opportunity. A decade after the launch of the Partnership for Capacity Building in Africa (PACT), several African governors at

the World Bank want to take stock of how well the efforts on capacity development are working and the possibilities for bolder ideas to deliver tangible results. Both the Blair Commission on Africa and the UN's Millennium Project Report have stressed the capacity of the public sector, private sector, and civil society to deliver on Africa's development promise.

Parallel with new determination in Africa, external partners are revisiting their strategies and their approaches. Through the Paris and Rome Agreements on donor practices, the donors have committed to change the way they do business, though a large unfinished agenda lies ahead to translate intentions into practices and results. The realignment of aid practices—in part, due to successful advocacy by African leaders—emboldened African governments and such regional entities as the AU, the African Development Bank, NEPAD, and the United Nations Economic Commission for Africa to insist that more attention go to the quality of aid. The Paris Declaration on Aid Effectiveness, signed in March 2005, is one of the most comprehensive collective statements on capacity development and an important milestone in creating a common platform for the future (see chapter 4). By the same token, African governments have become more willing to be held accountable—through independent and peer reviews, including the APRM—for the effective use of aid resources in pursuing goals for poverty reduction (box 1.2).

All this adds up to a starting point that is much more propitious than at the launch of the PACT. The poverty reduction strategy era has paved the way for important innovations in the way countries set their development priorities and donors and the World Bank do business. Serial budget support including Poverty Reduction Support Credits and sectorwide approaches have put countries in the driver's seat, with stronger incentives to show results. The harmonization of donor efforts around country-owned benchmarks for poverty reduction has improved the efficiency of partnerships with developing countries. Various country-level multisectoral programs for public sector reform, public financial management, community-driven development, and the fight against HIV/AIDS—are also falling into place and show promise.

Aid agencies, for their part, have come to realize that partnership means reinforcing what works within countries, even if it means changing the ways they deliver assistance. There is increased awareness and growing evidence that country systems—if strengthened—provide superior vehicles for scaling up assistance to African countries and for focusing on development results. Prospects for aligning donor assistance around country systems—including systems for developing capacity—have greatly improved through the Paris and Rome processes of aid effectiveness and harmonization, as well as the advent of budgetary and programmatic support experiences in a number of countries. This more capacity-sensitive approach to aid suggests that Africa and its partners have been on converging journeys.

Together, these trends add up to a defining moment for moving the capacity agenda forward. International partners and a wide community of African leaders of government, civil society, and the private sector see capacity development as the next milestone on Africa's long road to sustainable development. A confluence of powerful forces is poised to move down that road.

Box 1.2
External support for capacity development

Determining just how much international donors are contributing to capacity development is a major problem. On the input side, technical cooperation (which includes technical assistance, training, and equipment) has long been seen as the main source of funding for capacity development. Yet many studies show that a large part of it—one study put the figure at close to 75 percent—actually goes for donor-country experts (Lavergne 2001). African finance ministers, meeting at the African Union summit in June 2005, complained that G-8 countries had directed $5.4 billion of their international aid in 2004 to their own nationals (*Africa Daily Digest* 2005). Even if that figure is on the high side, it would come close to 2004's estimated $5.8 billion in technical cooperation to Africa.

Spending on capacity is more than technical cooperation. A considerable amount of investment lending and budget support also goes to capacity development and is not considered part of technical cooperation budgets. Some donors report that a majority of their development projects are aimed at capacity development. Two donors found that between half and two-thirds of the intermediate outputs in their development projects were for institutional capacity (Lavergne and Pécore-Ugorji 2004; Gallagher 2002). And the $1 billion a year that OED estimates that the World Bank invests in a wide variety of capacity building initiatives in Africa probably underestimates the overall effort.

Whatever the size of the effort, African countries and some donors have raised questions about the little "bang for the buck" from capacity development spending. Several reviews over the years suggest that capacity development efforts have often lacked clear objectives or focus, relying instead on fragmented project-by-project approaches. They frequently lacked ownership and follow-through by political and technical leaders, and they were supported financially by donors even in the absence of a favorable incentive environment. Training, equipment, and technical assistance—also often provided without clear and effective demand and management by recipient countries—frequently failed to take root.

2. Governance matters for sustained capacity development

With few exceptions, the first three decades of state capacity building—to 1990—produced poor results. Efforts at indigenizing the inherited, colonial, extractive, and elitist state were often swamped by patronage and clientelism and unsustainable expansions in the scope of government (Levy and Kpundeh 2004). For many Sub-Saharan countries independence was followed by a period of political and economic instability, not conducive to capacity development. The post-independence instability was related variously to wars (both civil and cross-border), repression, autocratic rule, clientelism, and revolutionary socialism. Countries such as Benin, Ethiopia, Mozambique, and Uganda entered a prolonged period of relative peace and stability only as recently as the 1990s, though even this period has seen violent conflicts in some African countries.

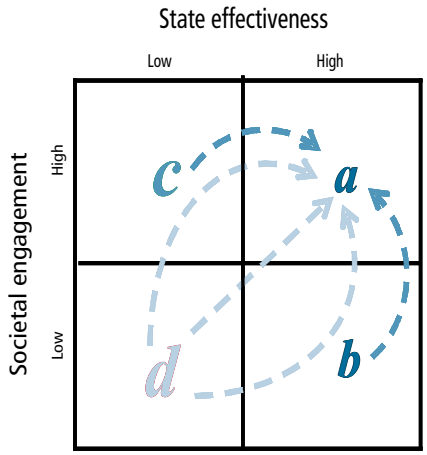
Even under the often turbulent conditions, Africa benefited from islands of excellence in the public sector's organizational capacity and performance. The well managed public entities included central banks, finance ministries, revenue-generating agencies, and offices of political leaders (presidents, prime ministers, cabinets). They depended on explicit decisions by political and administrative leaders to establish the key elements of public sector management needed to run the state and maintain power, showing that strong committed leadership matters for capacity development. (Chapter 3 provides examples of such islands of capacity development and use.)

Four decades of capacity decline and development

The effective state and the engaged society are capacity development outcomes on the road to poverty reduction and democratization, but countries follow different paths to get there. Figure 2.1 illustrates the different possible paths African countries can take toward the capacity development goal of an effective state and an engaged society (quadrant ***a***).

- While some countries—notably Botswana, Mauritius, and South Africa—find themselves in the upper right quadrant ***a***, they have clearly gotten there through different paths. During the apartheid regime, South Africa struggled through quadrant ***b*** (high state effectiveness, but low societal engagement).
- Most African countries are still on the path from quadrants ***b***, ***c***, and even ***d*** toward quadrant ***a***. The path depends significantly on the choices of political leaders. For example, Tanzania's leaders took an early lead

Figure 2.1
Several paths lead to an effective state and engaged society



in prioritizing social inclusion and engagement of society, giving more priority to reform of public sector management only since the mid-1990s.

- Countries emerging from devastating conflicts, such as Ethiopia, Mozambique, Rwanda, and Uganda, are ambitiously seeking to move from quadrant ***d*** toward ***a***, with parallel investments in modernizing the state and democratizing society.
- Unfortunately, some countries find themselves stuck in quadrant ***d***, with both an ineffective state and a society with little space for engagement.

The contrasts across the individual country experiences within Africa are very sharp. For Mauritius, basic components of democracy were built decades before independence and maintained. The country's experience shows how representative politics, including political parties and labor unions, can have an enduring influence on national development through the transition from colonial administration to independence. Botswana also built state capacity on the heels of a stable, pluralistic political regime (box 2.1). Mozambique provides a counterexample: a colony whose former administrators had purposely ensured little or no national governance capacity at the moment of independence (except among armed resistance movements). In Guinea the departing colonial power uprooted the state's capacity. Initial endowments and conditions drove the evolution of capacity efforts and results in each country.

Despite varied conditions at independence, many countries in Africa have gone through a fairly common pattern of state capacity decline and development. In most countries state capacity declined from a reasonable level at independence to a low during the late 1970s and much of the 1980s, and then gradually improved through public sector governance reforms in the 1990s. The changes were almost wave-like:

- Moving from a capable but small and narrow state in the post-independence years (the "golden age" that elicits misplaced nostalgia because the state served so few)…
- Through an expanded state with a bloated bureaucracy in the 1970s and 1980s…
- Leading to a contracted and rolled back state during the period of structural adjustment and first-generation civil service reform in the 1980s and early 1990s…
- And to the current period with renewed recognition of the role of the state for economic and social development—and with greater emphasis on good governance as both an end and a means for poverty reduction and development.[1]

The colonial state established a formal management system and invested nominally in a few African administrators, but it was primarily designed to support an extractive enterprise, without engaging the local society. The colonial state was autocratic, efficient, extractive, exclusive, and elitist. Colonial institutions, which extracted resources efficiently, favored this function over sustainable development and human development (though not everywhere as ruthlessly as in Namibia, Rhodesia, or South Africa). Except for a short period of encouraging competitive politics in the run-up to independence, the colonial experience did not engender a culture of democracy or of inclusiveness. Nor was there real political legitimacy for a balanced system of taxation with representation.

Several African countries reached independence with a well qualified civil service, but

[1] This chapter benefits from 14 country case studies commissioned but the Task Force. They comprised six field-studies: Botswana (by Jonathan M. Kaunda), Burkina Faso (by Augustin Loada), Malaysia (by Kathleen Lauder and Norma Mansor), Rwanda (by David K. Twahirwa), Sri Lanka (by Malathy Knight-John and Amrit Rajapakse), and Tanzania (by Kithinji Kiragu); as well as eight desk-studies: Benin, Ethiopia, Ghana, Madagascar, Malawi, Mauritius, Mozambique, and Uganda (by Ted Freeman). The country studies are synthesized in annex 3.

Box 2.1
Strong capacity development trajectories in Botswana and Mauritius

Botswana and Mauritius at independence inherited public financial management systems no different from other Sub-Saharan African countries. What makes them special is that they avoided the collapse of capacity for public financial management—and for the civil service—that others experienced. They are now both middle-income countries, with per capita incomes in excess of $4,000 a year. The economic growth paths they followed were different (mineral exports compared with agriculture and manufacturing exports), but their public financial management systems built capacity in the same way.

- Both maintained democratic governance, so there was no let up in the discipline of presenting budgets and audited accounts to the legislature.
- Both maintained the public sector's effectiveness through a merit-based civil service, adequately paid and free of patronage. They thus retained technocratic capability in the civil service and resisted political interference.
- Policies were guided by high-quality national development plans. Mauritius discontinued its plans in the early 1990s; Botswana kept an unbroken sequence.
- Finance and economy ministries were strong and effective. Botswana merged its planning and finance ministries in 1970, Mauritius only in 2002, but before then the planning and finance functions were both strong and cooperated well.
- Sound macroeconomic management was pursued throughout the period. The two countries avoided policies that would have cramped the private sector and burdened the country with budget-sapping public enterprises. Resources were routinely invested in the modernization of financial management systems. Both countries managed the aid relationship with donors effectively and were thus able to channel the bulk of external assistance through country systems. This kept the transaction costs of aid under control and protected the viability of country systems.

one too small to deal with the demands of rapidly expanding government. For most African countries a small, professionally qualified, reasonably competent, and well paid indigenous civil service was a major national asset at independence. But this cadre was too small to provide high-quality services to the whole population (especially large and geographically dispersed populations). So the civil service expanded rapidly to meet the joint challenges of managing productive enterprises (as directed by prevailing development paradigms) and providing services to the general population. The result: a decline in public service pay and professionalism and the rise of corruption. The first generation of civil service reforms of the 1980s, brought about by the need to stabilize macroeconomic conditions, responded with retrenchment as a key strategy (box 2.2).

The immediate post-colonial experience witnessed a wave of indigenization that sought to correct elitist biases. Yet this phase of state building proved fiscally unsustainable, as wage bills swelled and patronage seeped into the bureaucracies in many countries. First-generation African leaders typically struck a "social contract" that traded the right to open governance structures for patronage and a promise of rapid growth—through what has been referred to as "developmental autocracy." But the ruling elite often sacrificed the general interest to ex-

Box 2.2
Pay and incentives for public servants

From independence in the 1960s to the shock of structural economic adjustment in the 1980s, most African countries saw massive expansions in the public service. Sometimes, as in Ghana, this was accompanied by "ghost workers" in overstaffed and, ultimately, loss-making public enterprises. In almost all countries governments expanded services to reach the formerly neglected majority of people. In countries adopting revolutionary socialism, such as Benin, Ethiopia, Madagascar, and Mozambique, a national ideology called for the state to take ownership of all productive activities. The expansion of the civil service led to a protracted erosion in the real wages for public servants. The result: a disastrous loss of capacity to the state through a brain drain of trained technical and professional staff to developed countries—or through the pressure on public servants to moonlight and charge individuals for services.

The first round of public service reforms accompanying structural adjustment in the 1980s and early 1990s focused on retrenchment and reducing the size of the national wage bill by closing loss-making state enterprises, eliminating ghost workers, and downsizing ministries, departments, and agencies. All three approaches were tried in Ghana. Unfortunately, while the wage bill declined for a time in many countries (including Ghana), the savings generally were not passed on in higher wages to those who remained. And about half the countries undertaking reforms soon ended up with higher wage bills (Senegal).

The mid-1990s witnessed several early experiments in rethinking Africa's approach to civil service reform, notably in Tanzania. African practitioners recognized that the process of and incentives for change in the civil service were as important as reform objectives themselves. Reforms had to be designed in ways that would provide ministries, agencies, departments, and their staff with the incentives to focus on their institutional performance. The efforts had to be more participatory than the top-down rationalization efforts of the 1980s. Across-the-board attempts to reform pay and employment did not always deliver tangible improvements in the performance of specific ministries or agencies that were responsible for service delivery. There was a need to unbundle reform processes, asking ministries or agencies to commit to performance improvement initiatives that included renewing the focus on clients, identifying specific performance problems, elaborating strategic and performance improvement plans, and providing individual and institutional incentives to improve frontline performance.

Tanzania responded by implementing a program of selective accelerated salary enhancement, providing salary adjustments to a select group of public servants in the short term while addressing the wider problem of a living wage in the longer term. As Tanzania's experience illustrates, a selective accelerated salary soon generates strong pressures to broaden its applications across an ever-larger group of public servants.

Box 2.2
Pay and incentives for public servants (cont)

The few countries that escaped the downward spiral of public service pay generally combined a slower growth in the size of the public service at independence with the ability to respond to economic downturns. In Mauritius the state-owned sugar plantations were fundamentally restructured when sugar prices fell—with redundancies for plantation workers. Mauritius used its generous social welfare system to cushion the human and political costs of restructuring without bankrupting its ability to pay civil servants a reasonable wage.

In many African countries the search goes on for a policy to balance providing services to the whole population with paying civil servants a living wage, including such frontline service delivery staff as nurses and teachers. Without such a balance countries like Ghana will continue to see more nurses emigrate each year than the number who graduate from its free nursing colleges.

tract rents and retain power. They overtaxed and underprovided public goods, sacrificing growth for rents. The state in many countries remained removed from the people until the wave of democratization that swept Africa in the 1990s.

The rapid expansion of state systems and the erosion of public service pay contributed to corruption in many African countries. Corruption occurred at the level of national institutions (grand corruption or state capture) and in countless petty transactions (administrative corruption) between citizens and, say, traffic police. Although many African states have made anticorruption efforts a significant element in the reform of governance, corruption continues to seriously undermine capacity development.

Corruption is both a symptom of weak human, organizational, and institutional capacity and a limiting factor in making progress in capacity development. It signals weaknesses in national checks and balances on government and in the institutions charged with identifying corrupt practices and prosecuting the guilty. It also signals civil service pay levels that cannot provide even the basic necessities of life. It breaks the connection between individuals and the state at the point of service delivery, undercutting the ability of civil society to engage governments with effective demand for improved services.

Many African countries are investing in programs to strengthen national institutions that combat corruption and the misuse of public funds. Despite these measures, corruption continues to undermine good governance. In Uganda core anticorruption institutions remain weak, and successful prosecutions are rare. The key anticorruption institutions in Uganda depend on high-level political support, which may be diminishing. Despite the rhetoric of anticorruption, the Auditor General, the Public Accounts Committee, the Inspectorate of Government, the Directorate of Ethics, and the Directorate of Public Prosecutions are reported to suffer from chronic and continuing under-resourcing. And the dominance of the National Resistance Movement may weaken the Public Accounts Committee's ability to question national expenditures. This contrasts with Botswana and Mauritius, which have maintained a self-policing, professional public service since independence.

A strategy to combat corruption and eliminate its corrosive effect on national capacity would include dealing with public sector pay,

providing political support and adequate resources to anticorruption institutions and services, creating space for civil society as watchdogs, promoting a developmental private sector, and allowing an active and independent media to raise issues of corruption (and by so doing allow for effective parliamentary interventions). Effective anticorruption strategies must also include a commitment to prosecute those implicated. Without effective enforcement practices, institutions will have little impact on perceived levels of corruption.

The capacity challenge is fundamentally a governance challenge

The political and economic liberalization of the last decade offers a favorable environment for capacity development, and African societies are starting to reap the capacity dividends from political and economic openness. The prospect of closing the capacity gap in Africa lies in sustained democratic transformation of African societies (box 2.3). Citizens become more engaged, informed, and organized to demand public policies and public goods that benefit the majority. Credible political competitors gradually emerge by achieving results and establishing a track record. And state institutions become effective in designing and implementing good policies and programs.

Growing domestic accountability requires strengthening the demand for effective government. "While markets create managerial discipline and induce efficacy through the exercise of private 'choice,' governments are principally disciplined through the exercise of 'voice' to

Box 2.3
The wave of democratization

By the end of the twentieth century, the wave of democratization and political liberalization had varied manifestations across the continent. Some two-thirds of Sub-Saharan countries have embarked on comprehensive democratic transitions, in diverse forms, with varying degrees of maturation:

- The continued stability of multiparty democracy and a relatively effective state, as in Botswana and Mauritius.
- The social cohesion and stable politics with a dominating ruling party, as in Tanzania.
- The social cohesion and competitive multiparty politics, leading to peaceful succession by the opposition following years of single party dominance, as in Kenya, Ghana, and Senegal.
- The emerging democracy, strained by social cleavages and a weak national vision, as in Nigeria.
- The ascension of broad liberation movements, as in Ethiopia, South Africa, and Uganda.
- The reconstruction of polities following widespread civil conflicts, as in Mozambique, Rwanda, and Sierra Leone.

Such shifts in the political landscape are complex—neither linear nor inevitable. Yet democratic traditions are being established on the continent, and in many countries sustained and consolidated.

Box 2.3
The wave of democratization (cont)

The emerging traditions of democratic and participatory governance have altered the environment for African governments to govern. African states are delivering services, promoting investment and growth, empowering the poor, and resolving conflicts in settings of popular discontent and popular demand. There is broad recognition among African leaders that participatory and democratic processes are standards or benchmarks for judging them, as shown by the establishment and activities of the African Union, the New Partnership for Africa's Development, and the African Peer Review Mechanism. Even those heading one-party political systems recognize that democratic and participatory governance is about more than elections. It involves creating space for public discourse and critique—for a broad range of engaged social actors. It means that citizens can keep governments and service providers honest and accountable by demanding better services. The organized private sector can powerfully advocate for improved services and more prudent regulation; as incentives improve, private businesses develop their own capacity. Civil society at large, including think-tanks and organized groups of nongovernmental organizations, through their participation and advocacy of various issues, can improve the design and implementation of government programs.

The promise of democratization has to be tempered by the risks of political instability, institutional decay, and civil conflict. Even as several African countries undergo democratic transitions, others still suffer the uncertainties of political instability, the excesses of personalized and corrupt rule, and the ravages of protracted conflict. And countries emerging from conflict seem to take different paths of reconciliation, reconstruction, and rebuilding the basics of statehood. Some African countries have demonstrated remarkable resilience, moving quickly through different post-conflict stages while still vulnerable to setbacks and relapses. But some islands of peace and prosperity have found themselves in a downward spiral. A central lesson: participatory and inclusive governance requires hard choices, but it can be systematically fostered.

To deliver on the expectations that come with democratic participation, states and social actors require technical and institutional capacity to undertake collective actions and embark on private initiatives for development. States, civil society, and the private sector all need to respond efficiently and effectively to growing demands for sound economic management, better service delivery, a favorable investment climate, and more widespread empowerment. Lessons from the past four decades can inform initiatives to reform civil services in carrying out basic public management functions, encouraging private entrepreneurs take advantage of new market opportunities while managing risks, and involving civic actors in policymaking, planning, service delivery, and accountability processes.

enforce representative public choice" (Pritchett and Woolcock 2002). The key question here is whether Africans are more engaged, informed, and organized to influence policies and the provision of public goods. In a more open governance system tensions emerge between two channels of accountability, one to donors and the other to electorates—between conditionality and local ownership in the aid relationship. When aid is effectively managed in support of country priorities, as expressed in a poverty reduction strategy, domestic accountability is more likely to be the outcome.

Domestic politics will ultimately dictate the speed for African countries to move toward more transparency and increased accountability. Where political markets are characterized mostly by lack of credibility of political promises and social polarization, clientelistic politics is still a winning strategy for most politicians. Clientelistic politics is the single most important factor for a dysfunctional bureaucracy and underperforming bureaucrats, who are either direct recipients of patronage jobs or tools to deliver patronage benefits for politicians, and for unproductive enterprises, because they can survive in uncompetitive markets maintained by rent-seeking state actors.

Why does the current trend of democratic decentralization hold promise for Africa's future? Where service-delivery responsibilities are devolved to elected local government, the shorter distance between voters and politicians is likely to make voters more informed about political responsibilities for public goods. And local politicians are more likely to establish credibility with voters through their track record and visible delivery of results. Where fiscal resources and public sector staff are also devolved to elected local governments, voters have further opportunities to attribute results to local politicians' choices. That is why the impact of community-driven development on democratic transformation is more important than its direct impact on service delivery. (The transformational potential of devolution and strengthening local governance is discussed further in chapter 3.)

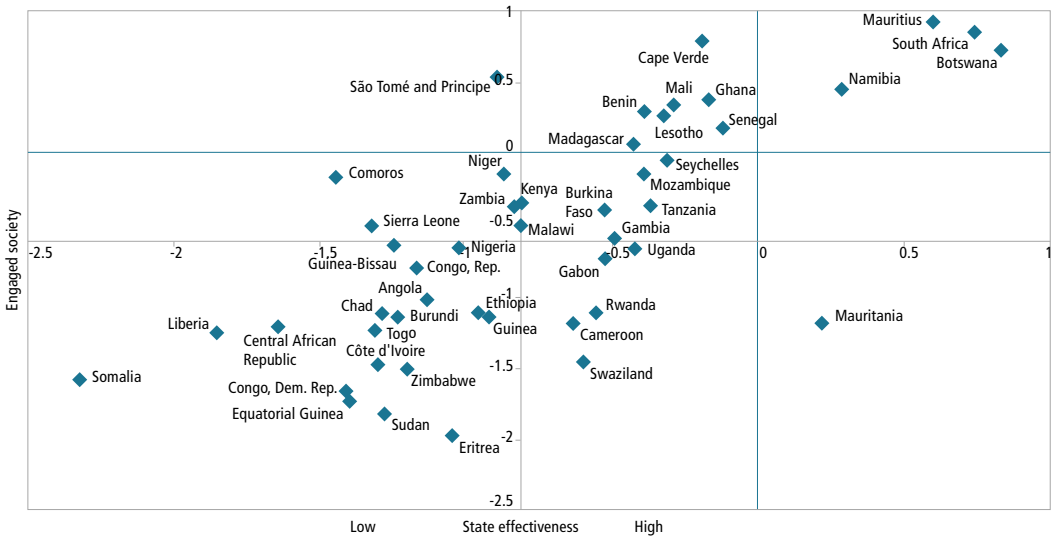
There is some empirical evidence of the importance of governance for sustained capacity development. Macro indicators of institutional capacity in a country are not readily available. They tend to capture narrow—though important—dimensions of state capacity, such as macroeconomic balances and fiscal space. Or they reflect perceptions of broad governance performance, expressed by experts or citizens. With few exceptions in public financial management, governance and capacity indicators are not benchmarked against international standards. Ideally, the outcomes of capacity development processes in a country should be measured by an indicator combining two drivers of capacity: state effectiveness and societal engagement (figure 2.2).

Africa presents a range of governance and capacity situations, with a significant correlation between state effectiveness and societal engagement.

- African countries find themselves in a continuum from low to high capacity along the two dimensions of state effectiveness and societal engagement, though with some outliers at both the lower end (the failed state of Somalia) and the higher end (the well governed and capable states of Botswana, Mauritius, and South Africa). Figure 2.2 is built around a median of 0, so by design countries will be plotted in all four quadrants. But the continuum suggests that African countries can learn from each other's capacity development trajectories.
- There is a high correlation between state effectiveness and societal engagement. Without indicating causation, this suggests that open, democratic societies have a better chance of developing a capable state. This corresponds with recent international research showing that governance improvements support growth and poverty reduction (rather than the alternative of high-income levels producing good governance).
- Figure 2.2 also depicts—with a line—where

Figure 2.2

Only four countries in Africa are above global averages for state effectiveness and societal engagement



Note: State effectiveness is the aggregate governance indicator rating for government effectiveness. Social inclusion is the aggregate governance indicator rating for voice accountability.
Source: *Governance Matters IV: Governance Indicators for 1996–2004.* Kaufmann, Kraay, and Mastruzzi, 2005, the World Bank.

African countries are situated relative to the global average. Only five Sub-Saharan countries were rated above the global average on state effectiveness—Botswana, South Africa, Mauritius, Namibia, and Mauritania. Twelve were rated above the global average on societal engagement—Mauritius, South Africa, Cape Verde, Botswana, São Tomé and Principe, Namibia, Ghana, Mali, Benin, Lesotho, Senegal, and Madagascar. Although most of these countries are small, it suggests that many current African leaders have chosen to develop open societies, encouraging pressure on the state for capacity development, rather than to build state effectiveness before engaging with society.

Few indicators are available to analyze governance capacity development trajectories and capacity constraints. The weakness of most perception-based governance indicators is that they may show the depth of problems, but they neither depict what is wrong nor suggest how it can be corrected. The World Bank's Country Policy and Institutional Assessments (CPIAs) are also perception-based, but their advantage is that they assess detailed country capacities and policies on a scale, with best and worst practice—and steps in between—described in some detail. When published (starting in 2006) the CPIAs have the potential to pinpoint achievements relative to international standards and to diagnose governance and capacity deficiencies in an actionable, problem-solving manner.

What drives capacity or incapacity?

The snapshots of governance and capacity—

covering both state effectiveness and societal engagement—are the outcomes of past capacity development processes. Countries arrive at these outcomes through the actions of critical drivers. Within the state, the executive has been key, comprising both the political leaders and the bureaucracy. The political and institutional transformations since the 1990s have enhanced the role of the legislature and the judiciary. Outside the state, political and religious movements, civil society organizations at the national and community levels, the media, and the private sector are increasingly pushing for better capacity and broader accountability.

Political leadership is the primary driver of capacity development. This follows directly from the fact that governance matters for capacity development. The trajectory of capacity development in the 12 African countries that the Task Force studied provides evidence that successful strides toward greater capacity are facilitated by developmental leadership in the country's political and administrative arenas and by opening up to societal engagement in politics. While the 12 countries are among the best performers in Africa in state effectiveness and societal engagement, most of them have gone through nondemocratic periods, dominated by clientelistic leadership. Clientelism characterizes a form of political leadership where benefits are conferred in a nontransparent, discretionary manner in exchange for political support. In Africa a special—and large—group of countries are fragile states, affected by conflict, natural disasters, or economic shocks. Their leaders may be developmental or clientelistic, but even where developmental, they lack the resources and the stability to offer incentives for capacity performance and to implement capacity development programs.

For developmental states with a broad and public commitment to building state capacity for improved service delivery (often accompanied by decentralization), the option of incremental capacity development through careful sequencing may not be politically viable. The pressure for results—even in post-conflict settings like Mozambique and Rwanda in the second half of the 1990s—leaves little time to build first the basics of institutional capacity before engaging in broad service delivery programs. The most committed of the developmental states have been more

Box 2.4
Broad-based, multisectoral capacity development in Ethiopia and Rwanda

The country case studies explore how countries should sequence their programs in support of capacity development. The key questions include whether to build outward from key reforms in public financial management or to parallel them with sector-specific programs in service delivery or with comprehensive efforts to reform the public service at all levels, often with the added complication—and promises—of decentralization. In practice, African governments are faced with an imperative to improve state capacities on a broad front, an imperative made all the more urgent by the democratization of the 1990s. As many African governments committed themselves to market economies and pluralist democracies and turned away from narrow power bases and clientelist political economies, they faced the necessity of constructing (or reconstructing) an effective developmental state. Ethiopia, Rwanda, and Tanzania provide striking examples of efforts to address capacity development on a national scale through large, multisectoral programs.

Box 2.4

Broad-based, multisectoral capacity development in Ethiopia and Rwanda (cont)

In 2003 the Ethiopian Government launched a Sector Wide Approach (SWAp) to a five-year federal program called the Public Sector Capacity Building Program (PSCAP) to rapidly scale up support for capacity building in six priority areas: civil service reform, district-level decentralization, urban management, tax systems reform, justice system reform, and information and communication technology. Its vision was based on the need for simultaneous, nationwide implementation, alignment of program support with Ethiopia's public financial management and intergovernmental system, and harmonization of the fiscal, fiduciary, and reporting requirements of development partners around "a single design solution." PSCAP operates as a performance-oriented transfer between federal and regional authorities providing formula-driven drawing rights to Ethiopia's 11 regions. Regions must deliver capacity building outputs as part of annual performance agreements. The program pools partner resources with the Government's Treasury resources, all of which are formally incorporated into the Government's macroeconomic fiscal framework. The program uses Government's rolling medium-term planning, annual budgeting, and disbursement procedures. A harmonized monitoring and evaluation action plan is being implemented as part of joint Government-donor annual review missions.

The Government of Rwanda has initiated a long-term, Multisector Capacity Building Program (MSCBP) with support from the World Bank and the African Capacity Building Foundation that aims to address issues of capacity utilization, capacity retention, capacity sustainability, and capacity acquisition across government. It deals with the full menu of reforms including pay reform and development of performance management methods and e-government as well as providing support to the national mechanism for coordinating capacity development. Thus, Rwanda moved quickly from a program to rebuild the basics after the genocide to one of comprehensive capacity development.

There is no definitive evaluative material available to judge the feasibility of these national efforts to tackle public sector reform and capacity development on such a wide, multisectoral basis. What is clear is that each government is responding to a nationally recognized imperative to make changes on a scale which, if effective, will transform the reach and functions of the state.

likely to embark on large-scale, nationwide, multisectoral, and demand-driven programs of capacity development and devolution of power and resources to local governments (box 2.4).

An effective state develops capacity from within, driven by supply, and in response to external pressures, driven by demand. African states and their international partners have long focused on supply-side measures: improvements in public sector skills and management, supported by technical assistance in the form of training and blueprint organizational and procedural change. They have gradually

moved from technical gap-filling, through formal and on-the-job training, to organizational change management and leadership development. Over the past decade public sector management has put more emphasis on performance-oriented incentives—financial, career, and so on—as the primary instrument linking supply- and demand-driven capacity development. This coincides with the political transformation in Africa, which has created space, expectations and demand among citizens for more accessible and better quality public goods and services. The pressure for social accountability in the delivery of public services is likely to have pushed for capacity improvements.

Where developmental states have made a political commitment to increased state effectiveness, they have often relied on a small cadre of key managers and administrators. As African states either preserved a developmental orientation from independence (Botswana, Mauritius) or redirected their development trajectory in the 1990s (Tanzania, Uganda), they have often relied on very senior policymakers and administrators to provide both direction and impetus to reforms (box 2.5). These "dream teams" have developed sound policy options and pressed for change at the central levels of government, but they have been less successful in pushing changes out to the local levels or in sustaining political support. These small teams seem to be most effective in driving capacity development when political leaders—from both government and opposition—come to rely on them for professional guidance. Political leaders do so because they have been convinced that there is a link between effective electoral politics and the policy prescriptions of the change management teams.

Most African countries have complex institutions outside the executive, which may eventually enhance societal engagement in capacity development through strengthened domestic accountability systems. The establishment of local governments and the transfer of formal authority to them have taken place gradually since independence—though often with abrupt policy reversals—through decentralization programs in most African countries (see chapter 3). During the improving governance phase of the capacity development trajectory over the

Box 2.5

Achieving rapid gains with a core group of administrators: the dream team approach

Capacity development for effective states and engaged civil societies requires clear policy options; coordinated actions of ministries, departments, and agencies; and continuity of pressure and support from the highest levels of public administration, with the support of the political leadership. For several case study countries the approach has been to develop a team of senior policy advisors and administrators, sometimes in one central agency and sometimes in just a few. These "dream teams" have produced remarkable successes, especially in the early stages of efforts to reform the civil service.

- In Botswana and Mauritius the maintenance of a cadre of talented, comparatively well paid and highly trusted group of senior administrators in the Ministries of Finance (for both), Planning (Botswana), and Economic Development (Mauritius).
- In Uganda the development of a small group of very competent policymakers and administrators working under the direction of the Permanent Secretary of the Ministry of Finance, Planning and Economic Development and eventually in the Central Bank.

Box 2.5

Achieving rapid gains with a core group of administrators: the dream team approach (cont)

- In Tanzania the actions of President Benjamin W. Mkapa who, on assuming power, brought a new and highly qualified team of senior managers to the Ministry of Finance, the Bank of Tanzania, the Tanzania Revenue Authority, and a policy analysis unit in State House (the office of the president).

Since these teams of administrators are often established with very high levels of political support, they can be protected from some of the worst effects of political interference in the bureaucracy and can provide both policy advice and administrative pressure for reform. But the experiences of Kenya and Uganda suggest that there are limitations on the "dream team" model. They may maintain pressure for institutional and organizational change at the center of government, but they seem to have very little influence on service delivery in the districts and towns where citizens have access to services. And just as they benefit from protection from political interference, if the high-level political support that leads to their creation is withdrawn, they may quickly become isolated and ineffective. In Kenya the pervasive environment of clientelistic politics undermined the dream team.

Mauritius did not consciously adopt a model of appointing a small team to power reforms. Instead, the already competent, fairly small group of policy specialists in the Ministries of Finance and Economic Development were able, from the early 1980s, to convince party political leaders that their policy advice could produce economic, social, and political gains that would serve the needs of politicians to produce demonstrable results. It seems that for sustained effectiveness the dream teams need to be able to demonstrate some quick wins for national political leadership.

past 10–15 years, the developmental states have strengthened and expanded the formal institutions of domestic accountability: public accounts committees in Parliament, supreme audit and ombudsman institutions, anti-corruption agencies and commissions, unfettered electronic media and press, and the legal and judicial system. Even in clientelistic states, the formal institutions of accountability have continued to constrain the excesses of the rulers, forcing them to appear to play by the rules. But enforcement of corruption laws and other forms of abuse of power remains limited in both developmental and clientelistic settings.

Even as the capacity development experience evolved on the continent, members of Africa's aid consortia went through their own process of self-reflection and change. The mixed results of early attempts to build capacity, particularly through the top down approaches of the 1980s, were sobering. A new wave of thinking promoted the notion that multilateral and bilateral agencies should work more as partners than as donors. The ways in which they delivered assistance were often corrosive, undermining the very capacity development objectives they sought to achieve. Fragmented projects, off-budget mechanisms to channel aid resources, a reliance on separate

Box 2.6
Persistent problems in the design of capacity development projects

The country cases done for the present study point to persistent problems in program and project design, which seem to be particularly associated with capacity development. Successful program design in capacity development requires a deep and nuanced understanding of the political and managerial commitment to change at the highest levels of government and in bureaucracies. It also requires a full and frank understanding of capacity strengths, gaps, and weaknesses, well integrated into the design process. It is especially susceptible to the tendency for overambitious program goals and targets to be achieved with insufficient resources within too short time frames. Of all forms of development programming, that for capacity development seems most susceptible to the damage of excessively donor-driven priorities. Some of the most common design weaknesses in the capacity development projects and programs reviewed through the country cases include:

- Weaknesses in the underlying analysis of existing capacities and gaps in the sectors being supported.
- Relatively poor assessment and understanding of the political, institutional, and organizational commitment to pursue reforms necessary to support capacity development.
- Overambitious setting of targets and goals.
- Donors overestimating commitment at the beginning of projects and (as in Benin and Ethiopia) failing to provide support to those advocating reform at crucial moments in the life of a program or project.
- Underestimating the ability of interest groups to resist change and protect their position (Ghana).
- Relatively poor coordination of technical assistance inputs including poor definition of the goals and objectives of technical assistance.
- Use of technical assistance advisors to carry out functional and managerial roles rather than serving as mentors.
- Failure to plan for the reintegration of program implementation units and their staff into line ministries.

Part of the problem with overambitious capacity development programs—as with any aid-supported development program—is the legitimate interest of developmental political leaders to accelerate the establishment of the institutional foundation for expanded public service delivery throughout the country. On the donor side there are similar pressures toward scaling up. Both sides must recognize that commitment alone is not sufficient; scaling up nationally also requires capacity at all levels.

project implementation units and ad hoc salary top-ups, and a failure to reinforce domestic accountability systems including auditing and legislative oversight processes came to be seen as counterproductive (box 2.6).

Threats to capacity

As African countries made new investments in developing capacity, they were aware of the triple threat of HIV/AIDS, civil conflict,

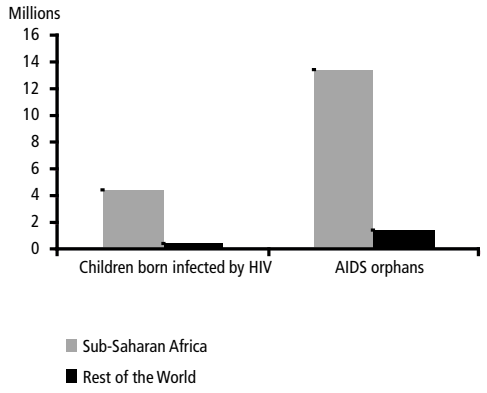
and brain drain. While the human toll of HIV/AIDS is hard to quantify, the risks for the capacity and continuity of public, private, and civic institutions are potentially catastrophic. HIV/AIDS affects countries at various levels of development (Bostwana and Malawi), imposing high levels of attrition in even the most basic institutions. By the same token, civil conflict can quickly erase years of delicate institution building (Côte d'Ivoire). And virtually all African countries face the brain drain as private individuals navigate the global labor market more easily than ever. Together, these threats could mean the difference between sustained institutional transformation and outright collapse.

These threats pose major risks to capacity retention, but they are surmountable. Countries can and should take preventive and corrective measures as a matter of course. The framework of the New Partnership for Africa's Development now offers the space and support for Africa-led efforts in resolving civil and social conflict. Greater tolerance for the expression of dissent needs to be fostered as well. Also critical is for African states and civil society groups to undertake a more serious review of labor market policies and pay careful attention to the political and managerial environment in which civil servants find themselves. Poor incentives and a lack of resources also encourage people to leave public service for the private sector or leave Africa altogether. Even efforts to encourage contributions by diasporas will require careful attention to the incentives and overall government climate.

HIV/AIDS

Africans account for 60 percent of the world's people living with HIV/AIDS. This has a profound social and economic impact due to the large number of premature deaths of people in their prime age of employment, reproduction, and parenting. It also burdens Africa's families and economies with large numbers of orphans (figure 2.3).

Figure 2.3
Most of the world's AIDS orphans live in Africa



Source: UNAIDs, 2004

A rapid scale-up of HIV/AIDS prevention and treatment efforts, particularly in strategically important institutions, is imperative. Special organizational efforts are needed to address problems of high attrition, including intensive mentoring, job sharing, and specialized insurance schemes (where feasible). Leaders in these organizations should set an example by talking openly about the causes and consequences of HIV/AIDS and by getting tested early and frequently.

Civil conflict

Contrary to popular belief, Africa's conflicts do not stem primarily from ethnic diversity. In a pattern found around the world, conflicts are driven by poverty, underdevelopment, and lack of economic diversification, as well as by political systems that marginalize large parts of the population. But conflicts perpetuate poverty, creating a vicious circle that can be reversed only through special development efforts—including long-run peace building and political reforms. Strong evidence at a more aggregate level shows that eco-

nomic inequality increases political instability and reduces physical capital investment. By addressing these concerns, countries can grow rapidly, foreign capital inflows can increase, and flight capital (both financial and human) can return.

Brain drain

A major problem for African countries has been retaining qualified professional graduates. A few examples:

- African emigration is uncharacteristically skill-intensive—nearly 80 percent of all Africa-born adults in the United States possess at least a college degree, twice the average of 41 percent for all foreign-born adults, and 25 percent of them have postgraduate degrees. The African Capacity Building Foundation estimates that Africa loses about 20,000 skilled personnel a year.
- About 60 percent of all locally trained Ghanaian doctors left the country in the 1980s. Zambia, which had 1,600 doctors in the country then, has only 400 now. In Sudan 17 percent of doctors and dentists, 20 percent of university lecturers, 30 percent of engineers, and 45 percent of surveyors have gone to work abroad.
- The Southern African Development Community (SADC) Human Resources Division estimates that at least 10,000 teachers have left SADC countries for greener pastures since 1996.
- Recruiting nurses abroad is the newest conduit for starving the region of professional care-givers.

Africa is losing its talent because it cannot remunerate, preserve, and use that talent effectively. Low productivity and sluggish growth of employment opportunities explain the low rates of return to education. Without a vibrant economy and private sector to absorb the talent in African economies, demand will remain low, and rates of return in the local market are likely to stagnate at the current low levels. Political risks and civil unrest militate against the retention of those trained locally or the repatriation of those trained abroad, evident in large losses of skilled manpower from troubled countries. The paucity of contact with peers and low access to knowledge and tools only add to pressures to leave.

A dynamic private sector is needed to absorb and use local talent. Countries that have not developed a strong private sector but continued to produce a steady stream of qualified professionals (Benin and Ghana) experience a debilitating brain drain to developed countries. Mauritius, by contrast, has built a strong private sector parallel to expanding state services—and seen a more balanced take-up of graduates by both the private and public sectors.

African countries cannot contain the brain drain by erecting hurdles. Success in reversing capital flight has begun in those countries that have created a conducive investment climate and expanded the scope of opportunities for investment. An appropriate strategy to contain human capital flight and in some cases reverse it requires addressing the "push" factors and scaling up the local demand for skilled manpower. In addition, better use has to be made of African talent in the diaspora to support development initiatives in the region.

Within Africa itself, opportunities for retaining capacity within the continent could be opened by a more regional approach encouraging brain circulation. To be sure some countries (Botswana and South Africa, for example) might initially benefit disproportionately but at least talents would remain in Africa.

3. The new paradigm for capacity development

Before 1990 the main focus of capacity development was aimed at resolving short-term technical constraints to project implementation and had limited results on developing local capacity. Emphasis was on technical rather than institutional capacity or capacity use, and due weight was not given to the political imperatives for effecting change. This period also saw significant attempts to address the problem of overextension of the state through retrenchment to reduce the wage bill, another effort that saw limited success. In a few cases, such as Ghana, Guinea, Tanzania, and Uganda, downsizing was sizable. But in eight of the 15 cases where this approach was tried, the wage bill actually increased. And as some have argued, the high social and political costs of this effort may have exceeded fiscal savings and qualitative improvements obtained (Dia 2005).

In the last decade and a half, the approaches to capacity development have been changing greatly. This is happening against the background of higher expectations by both the world and the African communities—not only for better standards of government effectiveness but also higher demands for inclusiveness in decision making and greater accountability of governments to its citizens. The wave of democratization in Africa of the 1990s and beyond, the call for participatory approaches under the Heavily Indebted Poor Country debt relief initiative and the poverty reduction strategy process, and the sheer growth of civil society activity in the development processes—all have come together to underpin social inclusion as a "standard" for assessing how governments should do business.

Our review of the literature and of efforts to develop capacity in Africa highlights six lessons:

Lesson 1. Capacity development must emphasize the dual objectives of enhancing government effectiveness and raising social inclusion. In contrast to the past, capacity development under the new paradigm is a long process, rarely amenable to quick results through shortcuts. It is, above all, a country-centered action that builds on strong leadership with clear visions and strategies—and on existing capacities, assets, and systems. African ownership, local championship, commitment, and strong leadership are seen in this paradigm as essential for sustainable capacity development—just as for the effectiveness of overall development assistance.

Lesson 2. Governance matters for successful—and sustained—capacity development. Technocratic approaches to capacity tended to ignore the link between governance and the policy environment on the one hand and capacity development and effective use on the other. Capacity takes root and develops where incentives are favorable and dwindles or drains where they are perverse. The new paradigm recognizes that the policy environment is fundamental to capacity development. Policies can both facilitate and hinder the ability of individuals and organizations to perform—and can prevent or ensure that these functions enhance the delivery of public services. Political and economic governance—including the rule of law and the accountability and transparency of the executive, the legislature, and the judiciary—provides a crucial underpinning for capacity development.

Domestic accountability is linked to strengthened demand for effective government. With democratic processes being established in the majority of countries in Africa, domestic politics will dictate the speed at which African countries can move toward more transparency and increased accountability. The experiences

of Botswana and Mauritius in achieving and sustaining both government effectiveness and social inclusion in the context of a long history of successful democracies are instructive for the rest of the region.

Lesson 3. A big part of capacity development is unleashing existing capacity and making better use of local and diaspora talent. The current discourse correctly pays greater attention to capacity use and retention and to encouraging the use of African talent beyond the borders (engaging the diaspora). African countries cannot contain the brain drain by erecting hurdles to contain emigration. As we have learned from attempts to arrest financial capital flight, the region will not be able to stop the flight of its human wealth through barriers or restrictions.

Success in reversing capital flight has begun in countries that have created a conducive investment climate, expanded the scope of opportunities for investment, and improved the governance environment. Similar preconditions are needed to retain or attract back African talent, and China and India offer important lessons. African countries need labor markets and general governance and living conditions that are attractive to their professionals. And receiving countries must support new ways of encouraging the diasporas to contribute to the capacity of their countries of origin, including greater use of their talent in technical assistance. These include temporary returns to perform skilled tasks and train others (easier for countries allowing dual citizenship), virtual returns using information technology, again for training, and economic returns through investments at home by Africans abroad.

Similarly, a more regional approach, perhaps under the auspices of the African Union might allow brain circulation among African countries rather than emigration out of the continent.

Tapping more effectively into the capacities of communities, religious organizations, and private firms creates new avenues for sustainable capacity development. These nongovernment players are already active in providing health and education services, for example, to augment or sometimes substitute for the public sector's capacity to deliver. Such civil society engagement requires a clarification of roles and the right incentives. Even so, local community groups or religious groups are already delivering rural health care and post-primary education in many African countries. Ghana has contracted the provision of some health services to the private sector, and nongovernmental agencies are implementing Multi-sectoral HIV/AIDS Projects in many countries. Uganda has systematically used matching grants to encourage private providers to deliver training to civil servants.

Unleashing existing capacity is especially important in circumstances of life-threatening shortages or political and economic turmoil.

Lesson 4. It is crucial to establish a firm foundation for the reproductive system of skills, knowledge, and human competence—by strengthening the capacity to build capacity. A key part of this challenge is to reinvigorate tertiary education and knowledge and professional networks. Good examples are such networks as the Africa Capacity Building Foundation, the African Economic Research Consortium, which supports the enhancement of local capacity for policy analysis by linking individuals and institutions, and the African Virtual University, which connects more than 30 universities across the region to offer programs using information technology. Improving science and technology is also critical—through support for university research, through economic and tax incentives, and through support for regional networks and institutions such as the Nelson Mandela Foundation.

Lesson 5. Donor support for capacity development is not merely an issue of funding enhanced technical capabilities—it is also an issue of changing the way such support is provided without destroying capacity or detracting from institutional development. Parallel to the development of the capacity development

Box 3.1
Common features of effective approaches

From our review of cross-cutting and sectoral experiences we draw the following common features of effective approaches to developing, using, and sustaining capacity. They involve:

- Addressing the underlying reasons for failure to unleash, nurture, and retain capacity, especially the structural, incentives, and value issues.
- Harnessing the capacity in the private sector and the civil society to complement public sector capacity.
- Supporting leaders who believe improved results are possible and who support teams to achieve them.
- Creating opportunities for learning by doing, and while achieving results.
- Creating opportunities for peer learning and networking.
- Maintaining long-term patience for sustained capacity development efforts while applying implementation rigor of setting and achieving short-term goals for capacity improvement.
- Investing in sustainable domestic capacity to reproduce capacity.

experience on the continent, members of Africa's aid consortia went through their own self-reflection and then change. They have come to realize that partnership means reinforcing what works within countries, even if it means innovating the ways of delivering assistance.

Growing evidence suggests that country systems (such as those for financial management, procurement, personnel management, and domestic accountability) can provide superior ways of scaling up assistance, especially when those systems are strengthened and supported through well designed capacity development programs. Building on indigenous institutions may require donors to get out of the way when their procedures become barriers to local empowerment. Prospects for aligning donor assistance around country systems—including systems for capacity development—have greatly improved through the Paris and Rome aid effectiveness processes, as well as the advent of budgetary and programmatic support experiences in a number of countries. This more capacity-sensitive approach to aid suggests that Africa and its partners have been on converging journeys.

Achieving results in HIV/AIDS programs or in the post-conflict rehabilitation of public services should not lead to tradeoffs between effective delivery and capacity development. Vertical programs of donor-supported services need not undermine skill and institutional development in domestic agencies. Attention to both, critical in the medium to long term, often pays off even in the short term.

Lesson 6. In developing strategies for capacity development, good practice needs to be balanced with the diversity of country contexts. Effective approaches to capacity development will vary from country to country along a continuum depending on the present state capacity (the result of the past capacity development trajectory), the orientation of the political and administrative leadership, and the broad engagement of society in decision making. Different solutions are necessary across the spectrum of country contexts: no blueprints, no one-size-fits-all.

A viable capacity development strategy needs to have realistic entry points determined by the stimuli for change and the ability of champions to

lead change, and a sequencing strategy that sustains momentum for further change and generates learning for scaling up. Different starting points for countries and differential political spaces constrain the strategic choices of countries—choices ranging from comprehensive initiatives to narrowly focused entry-point approaches and from initiatives that emphasize capacity for effective state function to those strengthening the capacity of social actors to engage.

Pursuing the capacity agenda under the new paradigm

The rest of this chapter reviews the experience of African countries in building capacity of both state and social actors in five selected areas, against the background of political and economic liberalization in the last 15 years.[2]

- Restoring a culture of values, ethics, and performance within the public service.
- Strengthening public financial management.
- Establishing effective local governance.
- Improving service delivery.
- Producing the capacity to reproduce capacity.

Most countries have attempted to strengthen state capacities in sequence rather than all at once, with varying results. Some made substantial progress in public financial management capacity (Burkina Faso, South Africa, Tanzania, Uganda). Some made major strides toward establishing functioning local government systems and improving participation in public decision making and service delivery (Ethiopia, South Africa, Uganda). Others have raised the living standards of the rural population by giving communities direct control of resources to tackle problems in their communities (Malawi, Tanzania). A few once plagued by conflict and war have rebuilt basic state capacity and search for ways to improve social cohesion (Mozambique, Rwanda, Sierra Leone, Uganda). Many improved the capacity to deliver education, health and infrastructure services to citizens (Benin, Uganda). Fewer have made significant improvement in the investment climate (Mauritius, Mozambique). While the road ahead is still long, these achievements are important examples of what is possible, especially given the poverty in many of these countries.

Restoring a culture of values, ethics, and performance in the public service

A reality that confronts many governments is that their public services, though large, lack the managerial and professional skills and the service-delivery orientation required to respond to popular pressure for results. The ability of a government to professionalize the public service is often limited. Although selective pay improvements targeted at critically needed skills would be the optimal strategy, given fiscal constraints, political pressure from public service unions often makes this selective approach difficult (Kiragu, Mukundala, and Morin 2004). Competent professionals and managers often shun a public service environment where the principles of meritocracy are routinely ignored.

The challenge of restoring ethics and professionalism in African public services will require long-term efforts. The Tanzania Public Service Reform Program (PSRP), which started in 1999, recognized that successful transformation of the public service will require a cultural

[2] This chapter benefits from six background papers commissioned by the Task Force: Stevens, M., "Capacity Building for Public Financial Management"; Stevens, M., "Capacity Building for the Civil Service"; Matta, N., "Rapid-Results for Capacity Building"; Preker, A., Kassak, K., Amponsah, K., and Dussault, G., "Capacity Building in the HNP Sector: Implementing the Strategic Options for Better Health in Africa"; Pyndt, H., and Steffensen, J., "World Bank Review of Selected Experiences with Donor Support to Decentralization in East Africa"; and van der Linde, G., "Public Finance Management Capacity Development in South Africa."

and behavioral reorientation of public servants and the public. Public servants need to adopt a mindset to serve customers with efficiency, effectiveness, and high standards of courtesy and integrity. The public needs to demand due rights and services from public servants. Tanzania's PSRP therefore took a long-term perspective, with three overlapping phases: instituting performance management systems (2000–05), instituting a performance management culture (2005–08), instituting quality improvement cycles (2008–10). The first phase of the program provided systemic support to the performance improvement efforts of public sector institutions, including transforming service-delivery departments into autonomous executive agencies with service-delivery charters (Kiragu 2005).

Comprehensive and long-term public service reform is often not feasible. Tanzania's reform effort was supported by top political leaders and led by a committed civil service. These conditions do not occur in countries where political leadership is unstable or has limited political capital, and where civil leadership resists changes or is excluded from decision making (World Bank, Stevens and Teggerman 2004). In such situations, governments are forced to choose more selective and opportunistic approaches to raise pay and improve performance.

When comprehensive reform is not feasible, governments have often chosen to professionalize the public service one agency at a time, responding to the most urgent needs for capacity. For example, across Africa autonomous revenue authorities and customs agencies have been established with compensation structures and performance management systems that aim to attract competent staff and improve revenue performance. These agencies are natural choices for early efforts, because successful reform can bring extra revenue for the government to sustain further reform. By the same logic, early efforts to improve the performance of ports, airports, land management agencies, and power authorities—through privatization or management contracts—were expected to have a positive impact on private sector growth and create fiscal space for further efforts to professionalize the public service. Within the core public service countries have chosen with few exceptions to focus professionalization and capacity development efforts first on ministries of finance. The reason: effective fiscal management, one of the most critical state capacities, is highly demanded by the donor communities in aid-dependent countries. Some countries also invested heavily to build capacity in the presidency and the cabinet office.

A comprehensive reform program also involves careful sequencing. Considering its budget constraint and a need to maximize the capacity impact of the wage bill, the government of Tanzania decided to gradually raise the salary of all employees while decompressing the salary structure so that the government can enhance its prospect for recruiting, retaining, and motivating critical personnel in the public service (Kiragu and Mukandala 2005). A scheme was also put in place to fast-track salary enhancement for key technical and managerial positions, but only in ministries with approved performance improvement plans (see box 2.2 in chapter 2).[3]

In general, the champions of reform have been the political and civil service elites who seek more efficient government machinery. In most countries the primary driver for public service reform has not been the wider citizenry or organized business interests. Stronger public demand for better service through greater participation could thus spur pressure to stay on the road of reform.

Restoring ethics and professionalism in African public services will be an uphill

[3] See http://estabs.go.tz/sase_features.html for details.

journey without wider political support for bold efforts to transform the public service. The scope and speed of public service reform depend on the political capital and fiscal space of national leaders and on the commitment and strength of the public service leaders. They also depend on the type of public service society wants. Do major business interests collude with political and bureaucratic elites and engage in procurement fraud, or organize to lobby for efficient government, a good investment climate, and lower tax burdens? Do citizens rely on government as the biggest employer and the source of patronage, or organize to pressure for efficient government and better services? Although some vocal advocates are emerging from civil society and the private sector in some countries, they have yet to become strong organized forces to significantly accelerate the pace of reform.

To sustain public support for the long-term reform and to learn from implementation, it is important to measure progress, communicate to stakeholders, and adjust reform approaches based on the learning and emerging opportunities. The Tanzania "State of the Public Service Report 2004" is a good example of comprehensive stock-taking of outcomes after five years of reform efforts.[4] The Organisation for Economic Co-operation and Development is currently developing a diagnostic tool to assess human resource management and integrity systems in the public service (OECD 2005). The indicators in this tool can complement the current monitoring tools for public service reform and help countries benchmark themselves against others.

Strengthening public financial management

The capacity for public financial management (PFM)—the ability to plan, budget, use, and account for public resources—is a critical building block for governments to secure the social and economic fundamentals of development. PFM standards, which suffered near universal decline in the 1970s and 1980s along with the deterioration of governance and public service ethics, require urgent upgrading.

Responses by governments to domestic pressure for transparency and accountability in public financial management vary with the strength of domestic accountability systems. In countries that adopted democratic governance formal accountability institutions—such as the auditor general, anticorruption agencies, legislature, the public media, and civil society advocacy groups—are gradually gaining strength. Legislatures, formerly rubber-stamping institutions, and legislators that tended to focus on parochial issues are now starting to scrutinize government budget estimates and take interest in external audit reports. Examples include Ghana, Kenya, South Africa, and Uganda, where legislators are becoming more vocal and assertive in playing budget oversight functions (Barkan, Adamolekun, and Zhou 2004). African civil society groups are also increasingly active in demanding greater transparency in government budgets, and in scrutinizing allocations and execution. In Uganda nongovernmental organizations participate in upstream budget preparation through their membership in sector working groups, which have been created under the umbrella of Uganda's medium-term expenditure framework. In Nigeria nongovernmental organizations are networking to analyze both federal and state government budgets.

Despite the many questions about the probity and efficiency of public spending, external auditors, legislatures, and civil society are still too weak to exert influence in more than a few countries. In general, the domestic accountability system alone has yet to become

[4] See http://estabs.go.tz for regular progress reports.

an adequate driver for reform, at least for the pace of reforms necessary for rapid economic and social development.

Concerted pressure from the donor community seems to have been taken seriously by some governments, especially after access to programmatic aid and debt relief was explicitly linked to improvements in public financial management performance. Under the HIPC Initiative, standard PFM indicators were developed to measure how well countries perform against 15 benchmarks. Action plans to address the identified weaknesses were also developed and monitored as part of the decision making for HIPC debt relief. According to the HIPC Board paper (IMF and World Bank 2005), of the 19 countries with two rounds of assessment using these indicators, 8 showed improvements between 2001 and 2004: Burkina Faso, Comoros, Ethiopia, Ghana, Mali, Niger, Senegal, Tanzania. The World Bank also measures progress in procurement reform across several dimensions: legal and institutional framework, modernization of procurement practices, independent procurement control, institutional procurement capacity, audits and complaints, anticorruption measures, and effective sanctions. A recent report indicated that the procurement systems of nine countries have shown significant improvement over the 2001–04 period, especially in the legal and regulatory framework (Ghana, Kenya, Madagascar, Malawi, Mali, Mauritius, South Africa, Tanzania, and Uganda).

The focus on improving the quality of PFM systems reflects an emerging consensus that using and improving country systems is more effective than creating parallel systems. The way external aid was disbursed in the past often fragmented and weakened government PFM systems by reducing comprehensiveness, legislative oversight, and transparency. PFM assessments and the donor-government dialogue on aid effectiveness have brought budget fragmentation to the fore, especially its detrimental impact on the effectiveness of legislative and civil society scrutiny.

Over the last decade or so the countries in the Africa region have invested a vast amount in upgrading PFM systems, especially in computerization of PFM information systems, but success until recently has been modest. Several lessons:

- *PFM reform should strengthen basic financial controls before launching ambitious modernization efforts.* To address the difficult questions of sensible sequencing, a platform approach to PFM reform has been developed and successfully piloted in some Asian countries (Cambodia and Vietnam): first, a credible budget that delivers resources reliably; second, improved internal controls; third, budget execution; and fourth, performance accountability.
- *The scope and sequencing of a PFM capacity development strategy can be informed by a comprehensive performance assessment of the existing system.* This can be done using the public expenditure and financial accountability assessment framework, a widely accepted framework that uses 28 indicators to assess aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.
- *Legal reform and modern technology must be complemented by efforts to improve staff motivation, ethical standards, and skills.* The challenge is severe in PFM because of the strong sway of vested interests and the difficulties of attracting and retaining competent technical staff, who can command much higher pay outside the government. There is also need for adequate domestic training capacity to continually update and reproduce financial management skills.
- *Improving the ethics and capacity of senior financial management cadres can benefit from collaboration with strong professional associations.* The ethical and professional standards these associations subscribe to can serve as useful discipline for public servants seeking their membership. Professional development programs sponsored by professional associations can help upgrade skills in the public sector.

Box 3.2

Building capacity in Uganda's Ministry of Finance, Economy, and Planning

A critical factor in Uganda's economic recovery after civil war and economic turmoil was rebuilding capacity in the Ministry of Finance, Economy and Planning. Originally, there were separate ministries of finance and planning, which were joined in the late 1980s. A strong combined ministry was created under an exceptionally able Secretary to the Treasury (the most senior civil servant under the Minister). The ministry ensured the sustained implementation of sound macroeconomic and sector policies—and progressively built the support of donors. This underpinned the strong economic growth the country since enjoyed and ensured coherence in policymaking. But the ministry's rebuilding also enabled it to exercise its stewardship, scrutinizing budget submissions from sector ministries, strengthening internal controls across government, and generally curtailing injudicious spending by ministries. Both fiduciary and fiscal risks were reduced.

Key lessons:

- Building capacity in the finance and economics ministry is particularly important in the early stages of economic recovery.
- While salary supplements play a role, staff motivation can be greatly improved by investing in the work environment—computers, ministry vehicles, and pleasantly (not expensively) refurbished offices.
- Funds can be provided flexibly where donors have confidence in ministry leadership.

Sustained improvement in public financial management also requires continual strengthening of domestic accountability systems. External audit capacity is gradually improving in many countries as a result of legal reform, increasing budgets, and competitive compensation. Some countries have progressively reduced the backlogs of audit reports; the critical missing link of accountability, however, is the response of the executive to those reports. Capacity development in legislatures involves building members' ability to scrutinize the preparation and implementation of budgets. The Institute for Democracy in South Africa has sought to extend its domestic budget-watch activities elsewhere in the region and to create a network of local nongovernmental organizations monitoring both national and sub-national budgets and their execution.

Government transparency reforms can enhance the effectiveness of legislatures and advocacy groups and create allies for reformist leaders. South Africa introduced transparency requirements in the Public Finance Management Act of 2000, reflecting a broader strategy of government to distance itself from the secretive habits of the apartheid government and thus help build the legitimacy of the state for an ambitious social and economic transformation program. Nigeria joined the Extractive Industry Transparency Initiative and established a National Stakeholders Working Group, comprising the media, civil society, government, and the corporate sector. Mandatory annual revenue and tax audits of the extractive industries sector, disclosure by oil company payments, and an independent oil revenue monitoring unit have been established by law, and the first independent audit began in 2005.

Strong capacity and leadership in the ministry of finance is critical for improving government-wide public financial management capacity. For the ministry of finance to be the steward in public financial management, it must have strong capacity to manage the budget process and to lead the PFM capacity development process in other government agencies. Across the continent ministries of finance are the agencies of the highest caliber, but their capacity varies. And the political backing and support they receive from the presidency and the minister of finance reflect whether political leaders intend for them to be strong stewards (box 3.2). The leadership of the national Treasury in South Africa's PFM reform exemplifies how this important technocratic organization can support a country's political and social transformation.

Donors can also strengthen domestic accountability systems. By channeling aid through country systems and becoming direct stakeholders in the integrity of those systems, donors become allies with domestic institutions and interest groups that demand government accountability and efficiency. Programmatic instruments can be used to diagnose capacity gaps and set performance benchmarks for developing capacity. Conditions or disbursement triggers linked to the performance standards built in a country system—such as statutory timetables for budget presentation, in-year fiscal reporting, and end-of-year submissions of accounts—can enforce executive compliance with its own laws. Such external pressure is especially useful when domestic stakeholders are still weak. Sometimes sharing data and analysis alone can empower domestic voices for accountability. Conditions linked to transparency improvements can also empower domestic stakeholders and strengthen domestic accountability systems over time.

Establishing effective local governance

Local communities and municipal governments bring tremendous energies and resources that can help tackle local problems. Over the past decade or so many countries chose to devolve, to varying degrees, responsibility, resources, and autonomy to elected local authorities, including Côte d'Ivoire, Ethiopia, Mali, Mozambique, Nigeria, Sierra Leone, South Africa, Tanzania, and Uganda. Some invested heavily in strengthening their capacity. Others launched social action programs or other community-empowerment programs to promote community participation in local infrastructure development and service delivery, including Burundi, Malawi, Rwanda, Sierra Leone, Tanzania, Uganda, and Zambia. Their experience generally testifies to the abilities of communities to choose priorities, handle resources, and implement projects.

This wave of devolution is fundamentally different from previous efforts of delegation or de-concentration. Effective local governance requires local autonomy and authority, sufficient resources, and an open and accountable local political process; devolution of authority is a means of achieving these ends. In this decentralization process a clear emphasis has been placed on creating space for political participation and accountability at the local level.

Devolution and local empowerment can unfold as part of national transformation processes. On taking power after their liberation, the governments of Ethiopia, South Africa, and Uganda addressed political legitimacy, public management, and state formation in part through devolution. The three devolution programs shared three features:

- *Radical restructuring of the state.* All three governments committed to and delivered on a rapid restructuring of the state by creating autonomous local government spheres through a constitutional reform process. At the heart of the devolution efforts and other state restructuring efforts were concerns about deepening participation and empowering citizens, improving the responsiveness and efficiency of service delivery, and en-

hancing the transparency and accountability of government to citizens and firms.

- *Ambitious efforts to build local government capacity.* All three countries invested heavily in capacity building, which entails not only training existing staff, but also contracting in skilled personnel, contracting out activities better carried out by the private or civil society sectors, and introducing performance management systems and information technology.
- *Intergovernmental fiscal reforms to meet recurrent, investment, and institutional development needs of local authorities.* Within the intergovernmental transfer system multi-sectoral grant instruments were created to allow local authorities the flexibility and autonomy of planning and spending. All three countries created transfers for the explicit purpose of building local capacity.

Legal reform to support the establishment of local governance is only the first step. For the intentions expressed in law to become reality requires a supportive national political context, an effective system of intergovernmental relations, strong local demand for public goods along with substantial levels of local social capital and well designed local institutions (Oluwu and Wunsch 2004).

The strength and engagement of communities and civil society groups determine the quality of local governance—and the capacity and organization of local governments influence the intergovernmental distribution of power and resources. Democratic decentralization has created space for civic engagement in local planning, budgeting, and project design and execution—and demanding good performance by local government in service delivery and infrastructure development. Consistent with international experience, the ability of sub-national governments to organize themselves defines the evolution of an intergovernmental framework.

Local government associations in some African countries are developing their capacity and becoming important players in intergovernmental negotiations. Statutory institutions, such as the local government finance commissions in Sierra Leone and Uganda, which give majority representation to local authorities, are promising negotiating platforms for the local government associations to exert influence. The Uganda Local Government Association, for example, has played a substantial role in introducing changes in various legislations and program designs, including the design of the local government development grant, the local government capacity building grant, and the annual local government assessment process. It has also been active in regular national reviews of the decentralization implementation process. The *Social Accountability Sourcebook* by the World Bank identifies many other effective approaches for social engagement at the local level.

Central government can facilitate community oversight of local government performance by publicizing actual resource transfers from central government to local governments and service facilities, as in Uganda. A public expenditure tracking survey of local governments and primary schools revealed that only 13 percent of the per-student capitation grants made it to the schools in 1991–95. And for every $1 spent on non-wage education items by the central government in 1995, only about 20 cents reached the schools, with local governments capturing most of the funding. To respond, the central government began publishing data on monthly transfers of grants to districts in newspapers and radio broadcasts. It also required primary schools and district administrations to post notices on all inflows of funds. An evaluation of the information campaign reveals a large improvement. While schools received only 20 percent of non-wage education funds intended for them in 1995, they received 80 percent in 2001 (Reinikka and Svensson 2004).

Large capacity development programs for local governments have been implemented in several countries and some features of

effective approaches are emerging. Learning-by-doing has been recognized as the most effective way of learning, and capacity development support now typically combines classroom training with on-the-job mentoring and peer learning opportunities. Capacity development programs also pay explicit attention to demand for performance improvements, by creating competitive pressures among local governments (annual reviews in Tanzania and Uganda), publicizing performance records (citizen scorecards launched in India and now spread across the world), and linking central government transfers to the integrity and performance of local governments (Sierra Leone, Tanzania, and Uganda).

More countries have incorporated demand-driven approaches for their local government capacity development programs. Supply-driven capacity development activities remain relevant, because repeated local elections necessitate regular induction and orientation training on new laws and regulations. This category of training is best conducted by the relevant ministry, local government association, or a national local government training institute. How and when a country introduces a demand-driven approach depends on whether there are enough providers in the market to create competition and ensure satisfaction of the demand—and whether local governments have resources and adequate procurement procedures to purchase capacity development services. Tanzania, with many training and education institutions in the national and provincial capitals, launched a grant to finance capacity development plans developed by local governments. Uganda introduced both a capacity development grant and a menu of capacity development programs, which local governments can spend their capacity development grants on. During the first two years the number of certified providers rose from about 50 to 90, indicating the market response to such an approach.

Democratic decentralization holds promise for a country's capacity development trajectory. Broader participation in decision making processes at the local level will undoubtedly unleash latent capacity. Where service delivery responsibilities, financial resources, and public sector staff is devolved to elected local government, the shorter distance between voters and politicians is likely to make voters more informed about political responsibilities for public goods provision, and local politicians are more likely to establish credibility with voters through their track record and visible results. Devolution thus has the potential of allowing a "new breed" of developmentally oriented politicians to emerge and of transforming domestic politics and the quality of national leaders in the medium to long term.

Improving service delivery: the case of health

Africa has fallen significantly behind other regions in achieving the Millennium Development Goals, particularly in health. The health sector in Africa faces a human resources crisis. In Zambia the already low number of physicians, 8.3 per 100,000 people in the 1960s, declined to 6.9 in the 1990s. In Burkina Faso the average number of physicians per 100,000 people was 3.4 in the 1990s, compared with 303 for nine industrial countries.

The brain drain of health professionals is a particularly difficult challenge. An estimated 61 percent of Ghanaian doctors trained between 1985 and 1994 left the country. More than 600 South African doctors are registered in New Zealand, at a cost to South African taxpayers of roughly $37 million. In 2001 the United Kingdom approved 22,462 work permits for nurses from developing countries. An environment for internationally marketable health professionals to stay or return must be created for sustainable improvements in health outcomes. Improving wages and benefits seems inevitable, but on its own is not a solution. Training specifically oriented to national markets can also help.

But human resources management measures alone will not solve the crisis in health.

For added financial resources to improve health outcomes requires a well functioning health system. Such a system involves strong government stewardship, health care financing and management, and responsive service delivery systems. The system also needs to work within the global and local health markets, scanning globally for innovation, technology, and expertise, and responding locally to the demands for service by individuals and households. The multifaceted challenge of obtaining better health outcomes requires addressing weaknesses in management capacity and the institutional framework for delivery of services as well as the adverse incentives for provider performance. As Eritrea shows, it is possible to get results rapidly (box 3.3).

Addressing the health sector capacity challenge requires rebalancing the public and private roles, strengthening the stewardship of governments, and encouraging responsive service provision by the private sector. International experience suggests a need to continue state stewardship in the health sector. That includes providing information to encourage behavior changes for better health outcomes, developing and enforcing policies and regulations to influence public and private sector activities, issuing mandates or purchasing services from public and private providers, providing subsidies to directly or indirectly pay for services, and producing (in-house) preventive and curative services. International experience suggests stronger participation by the nonstate actors (private sector, nongovernmental organizations, religious organizations, and so on).

Management reforms have often been impeded by the common constraints of the public sector control structure. Health sector management reforms have included efforts to strengthen the managerial expertise of health sector managers; introduce improved information systems to facilitate effective decision making; create clinical directorates; introduce benchmarking of departmental performance; introduce business process re-engineering, patient-focused care, quality improvement techniques, and better clinical management. Attempts to implement these new management practices have been seriously constrained by the public sector context for public provider organizations, including the lack of control that public sector managers have over factors of production. And civil service compensation policies limit the ability of the public sector organizations to recruit and retain professionals.

The structural challenges of service delivery have led policymakers in many countries to introduce more radical organizational reforms. Three well known reforms in the hospital sector include hospital autonomy, corporatization, and privatization (Preker and Harding 2004). These reforms shift control over decisions to the provider organizations, make them responsible for their profits and losses, and expose them to market or market-like pressures to improve performance. They also attempt to create new incentives and accountability mechanisms to encourage management to use that autonomy to improve the performance of the facility.

Governments sometimes contract out health services to nonstate actors, especially for reaching remote communities where public sector performance is often poor. In a community nutrition project in Madagascar, nutrition services targeted at poor communities were contracted out to private providers. Women from the targeted neighborhood were selected by the communities to serve as providers and supervised by nongovernmental organizations selected through open tender. The provider contracts specified the services to be provided and the number of beneficiaries to be reached; performance was monitored by the community and the project. Childhood malnutrition declined significantly as a result (World Bank 2004a).

Decentralization and community empowerment shifts decision making and often

Box 3.3
Rapid results are possible—tackling HIV/AIDS in Eritrea

One of the Eritrean HIV/AIDS teams challenged with increasing voluntary counseling and testing use in downtown Asmara set a goal of a 25 percent increase in weekly use within 100 days. This was based purely on intuition, not a baseline used as a benchmark. At the end of the 100 days the team reported an increase of 80 percent in weekly use. How did the team achieve this result?

First, they established their weekly baseline in the existing center. This required putting a rudimentary monitoring system in place—a daily tally sheet that counselors filled out, and that was aggregated and analyzed weekly and reported back to the senior sponsor of the effort, Dr. Musfin Worede.

Then they re-commissioned a satellite center and opened two new sites, equipping them with chairs and videos for waiting rooms. They trained five additional counselors and distributed rapid test kits. They also set up a user satisfaction monitoring process (exit surveys get dropped in a suggestion box) and tracked results weekly against their 80 percent user satisfaction goal.

Dr. Worede and the team he fielded—the same individuals who had been in charge of coordinating the medical response to HIV/AIDS in the central region—did all this with very little technical support. Monitoring and evaluation experts did not design the tracking system. One of the counselors did. Indeed, the team designed and carried out the 100 day effort with very little external input. When Dr. Worede was asked by development partners how the team was able to accomplish all these tasks and achieve these results in 100 days, he responded: "We had a challenge in front of us, and we decided what we needed to do to accomplish it. Then we decided who needed to do what—so our roles were clear. And we met each week to see what was done and what still needed to be done. It was as simple as that."

The secret of rapid results is to create an environment where teams are motivated to pursue ambitious results, with enthusiasm and discipline, despite adverse conditions. These teams share the following features:

- Sense of challenge and "stretch"—teams reaching for goals that go beyond normal performance thresholds.
- Belief that the goals—tough as they may be—will be achieved, despite the usual obstacles and prior failed attempts.
- Choice of the goals: teams are challenged to pursue "results-oriented" goals, versus activities, plans, recommendations, and other preparatory steps.
- Personal accountability for specific and visible results.
- Flexibility in charting the path to the goals and results—trusting the local teams to develop their own solutions.
- A credible promise to give the teams "bragging rights"—publicly and visibly—for their achievements.

revenue rights and responsibilities to lower-level government agencies and promotes community participation in health service management. Box 3.4, excerpted from *World Development Report 2004: Making Services Work for Poor People*, illustrates how decentralization and community empowerment led to improvement in the public health care system in Benin, Guinea, and Mali.

Producing the capacity to reproduce capacity

A critical element of a growth strategy is building the capacity to absorb technology and innovation, increasing productivity. The emergence of a knowledge economy opens up new windows of opportunities for late-comers to achieve faster productivity-based growth. The challenge to African countries, however, relates to the fact that two key elements of the knowledge economy, information and microelectronics, aid the human intellectual effort. To meet this challenge, African countries have to position themselves within this technological revolution by improving the level of human capability. At the same time the growth of a robust civil society depends on the domestic presence of professions and technical skills to engage in the development dialogue and enhance its role as a watchdog of prudent public policy and the application of good governance. Professionals and those with technical skills are necessary for the development of civil society (Haque and Aziz 1998). Deployment of better human capital in public service and the domestic presence of professionally competent civil society as agents

Box 3.4

Decentralization and community empowerment improves public health care system: the case of Benin, Guinea, and Mali

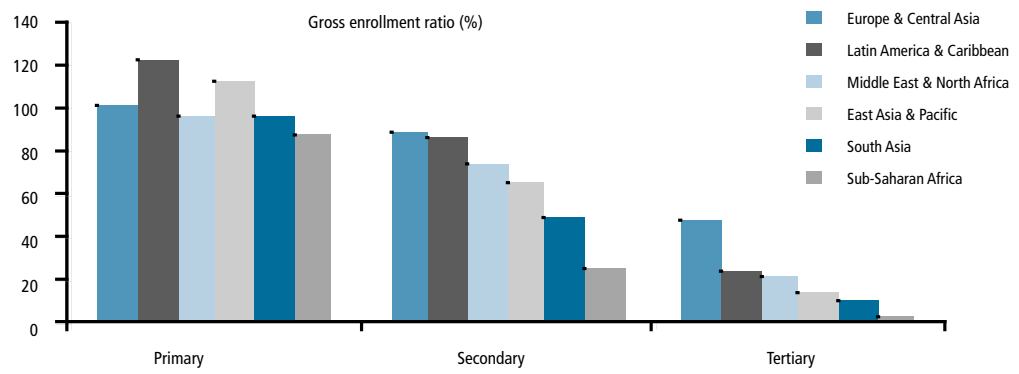
The Bamako Initiative in Benin, Guinea, and Mali shows how organized communities can improve the access, availability, and quality of health services as primary stakeholders in the daily operations and financing of primary health services. The Bamako Approach focused on establishing community-managed health centers serving 5,000–15,000 people and emphasizing direct accountability between patients and the health providers and between citizens and the political system. Communities owned and managed revolving funds for drugs and took part in the planning and budgeting of services and in biannual analysis of progress and problems.

Over 12 years or so in Benin and Guinea and more than 7 in Mali the approach was gradually scaled up—to 400 in Benin, to 367 in Guinea, and to 559 in Mali in 2002. This raised the proportion of the population with services within five kilometers to 86 percent in Benin, 60 percent in Guinea, and 40 percent in Mali, covering more than 20 million people. Health services use and health outcomes improved significantly, with reductions in under-five mortality and increases in immunization.

A legal framework was developed to support the contractual relationship with communities, the cost-sharing arrangements, the availability of essential drugs, and community participation policies. Community associations and management committees were registered as legal entities, with the ability to receive public funds.

Source: World Bank 2003.

Figure 3.1
Opportunities in secondary and tertiary education are rare for Africans



Source: World Bank World Development Indicators Database.

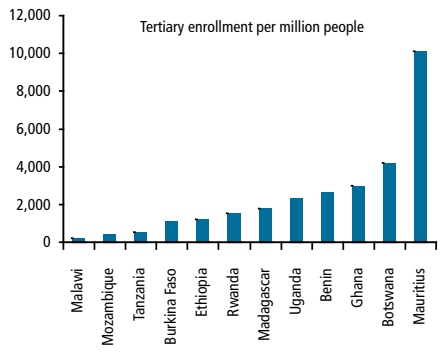
of restraint engender improved governance and can increase private investment and the private sector's productivity.

So far African governments have made good progress in primary education, but not in secondary and tertiary education. Investment in secondary and tertiary education enhances the pool of local technical expertise and managers required in the public and private sectors. But the gap between Sub-Saharan Africa and the rest of the developing world is wide in secondary and tertiary education (figure 3.1).

The tertiary education system in Africa is hard pressed to keep pace with local demands for knowledge, in addition to coping with the consequences of the brain drain from the region. While other supply-side solutions are emerging, such as global knowledge sharing and networking, the African tertiary education system will have to carry the bulk of the burden in filling this gap. Obtaining education outside the region is out of reach for the majority of families and government sponsors. Multifaceted delivery systems for higher education are emerging in Africa to challenge the traditional monolithic system dominated by universities. This is evident from the emergence of a range of specialist higher education institutions and centers performing tasks once considered the preserve of the "do-it-all" universities. In addition the number of private universities is rising, more responsive to client needs (Court 2001).

Quality control and independent certification are crucial for ensuring that the expansion of tertiary education institutions in Africa does not sacrifice quality. Independent certification helps deal with information asymmetry between producers and users of graduates from the growing number and wide variety of tertiary education institutions. Professional associations and registration boards for practicing professionals ensure adherence to standards and minimum requirements for professional certification. These institutions cover most professional disciplines, including engineering, medical practice, law, and accounting. Some graduates also seek

Figure 3.2
Tertiary enrollments are low throughout much of the region



Source: UNESCO and World Bank databases 2005.

international standard certification by enrolling for examinations abroad to expand their opportunities for employment in international firms at home and abroad. In addition to traditional accreditation, these professional bodies are becoming an important part of the governance system for tertiary education.

Regional and sub-regional education and policy research networks have also emerged in Africa across several disciplines and specializations. Some examples: a network of university departments and individual economists engaged in policy-oriented economic research and graduate training in economics, coordinated and supported by the African Economic Research Consortium; a network of social scientists supported by the Council for Development of Social Science Research in Africa; Francophone networks dealing with industrial policy and graduate training in economics; and most recently the International Finance Corporation–supported Graduate Business School Network, which strengthens business education in Africa through networking among premier African business education university departments and interaction with the world's premier business schools.

Regional networks will continue to support and sustain national knowledge generation and absorption in four important ways. First, regional networks provide a critical mass of professional peer review not available at the national level, thus sustaining peer pressure for learning and excellence as well as alleviating professional isolation. Second, they are an effective mechanism for keeping in touch with the rapidly changing frontier of knowledge through contact with the rest of the world and information sharing. Third, they are a medium for exchanging experiences and a mechanism for gleaning best practices from specific policy and knowledge contexts, making them an important resource for collective knowledge. Fourth, they are a cost-effective means for specialized training and skill formation often not viable at the national level, given the paucity of resources and time availability of specialist trainers.

Globalization is softening the boundaries between learning, knowledge generation and application. National or regional boundaries for knowledge generation and application are becoming superfluous for assessing an individual country's capacity for education and training. Information technology has opened the scope for accessing and exchanging global knowledge and for distance learning. Virtual tertiary education institutions, networking among higher education institutions and professional associations, international certification, and standardization of achievements are some of the major vehicles, for integrating the global knowledge system across countries and broadening the range of opportunities to African students.

4. From shared vision to implementation platform: renewing the compact

The shared vision of effective approaches to capacity development provides a conceptual and operational underpinning for a common implementation platform. This platform provides the basis for a coordinated "big push"—renewing the compact with African partners, the donor community, and the World Bank. None of the three partners can do it all alone. While each partner may have a different role, sustainable capacity development calls for a spirit of mutually reinforcing support and accountability.

The renewed compact is based on the commitment of African leaders and their development partners to address capacity development more strategically, systematically, and boldly. It requires frank and comprehensive assessments of the real constraints to building, using and retaining capacity effectively. It also requires analytical and financial support for homegrown strategies for capacity development. And it requires the evolution of partner modalities and practices to support the development (rather than the destruction) of country capacities.

Partners are not starting from scratch in agreeing to a compact for implementing the new vision. In 1990 the World Bank's Africa Region in collaboration with African and external partners launched a major initiative to support capacity building in Africa. This initiative came on the heels of a major study involving African and Bank experts (World Bank 1989). One of the key conclusions was that the capacity to analyze, adapt to, and manage change was the key for achieving sustainable development in Africa. The study also suggested that such capacity could be sustained only by building and sustaining a critical mass of professional African policy analysts and economic managers. The initial focus on analytical capacity reflected the predominant concerns during the period with macroeconomic instability and policy mismanagement as the prime issues obstructing the path to sustainable growth in Africa. Already at this early stage of the systematic capacity building initiatives in Africa, the importance of building and using local capacity was emphasized, and calls were made for a strong sense of African ownership—empowerment—deemed critical for "policy sustainability."

To convert these good ideas into action, the Africa Region of the World Bank facilitated the launch of a partnership based on a common framework to support capacity building in Africa under the African Capacity Building Foundation (ACBF). This framework provided for a consultation forum for prioritizing capacity building activities, and processes for coordinating actions. It also provided for an African Capacity Building Initiative Fund to finance activities to enhance indigenous capacity for policy analysis and research at the regional and national levels—through regional networks and centers of excellence, national policy think tanks, universities, development management institutes, and government policy units.

The second big push by Africans and their development partners was spearheaded by the African Executive Directors in the Bank in 1995 and 1996. It entailed an intensive consultation process with the African development community. It resulted in recommendations for a Partnership for African Capacity Building (PACT), from which the Bank prepared its own action program to implement these recommendations. Apart from expanding the ACBF's regional mandate to support capacity building in Africa, these recom-

mendations also called for support at the country level. The Bank's action plan for implementing PACT emphasized adapting Bank policies, instruments, and operational practices at the country level to support capacity building. The main principle was to shift away from an approach in which the Bank did things for African governments to one where the Bank and other partners would support the development of capacities of these countries to do things themselves.

In the 10 years since, there has been some important progress toward implementing its principles at the country level. This progress includes supporting country ownership and leadership, adopting programmatic approaches, and changing the way the Bank and other partners do their business and relate to countries. With a membership of 21 African countries, 11 bilaterals, and 4 multilaterals, the ACBF has emerged as one of the very few African organizations that provide long-term funding for capacity building, covering not only project costs but also the recurrent and administrative costs of recipient organizations. Over its 14-year history the ACBF has provided long-term support to programs focused on developing human and organizational capacity in development policy analysis and management. Recent independent reviews suggest that ACBF has been most successful in supporting semi-autonomous policy units (think tanks) and funding national and regional graduate training programs (OED 2005). It also provides support to the African Economic Research Consortium's (AERC) graduate training programs in economics and the *Programme de Troisième Cycle InterUniversitaire*. This is a platform for moving forward.

The task going forward is to update the original vision to take into account the lessons and the changed African context—and to create an implementation platform and rally all the key actors around it. For example, some key issues being explored by the ACBF's governing bodies and secretariat concern:

- Increasing African ownership of the ACBF through its governance structures.
- Examining the role of the executive board, minimizing the risk of micromanagement.
- Strengthening the organization's focus on support for regional and sub-regional organizations and knowledge networks.
- Providing ACBF with adequate and predictable funding.
- Helping the ACBF complete the transition from a project mechanism to a full role as a foundation, where African institutions can apply for funding against clear criteria and transparent assessment procedures.

A shared vision with five key principles

The challenge going forward is to implement strategies and programs for realizing the new shared vision. Key to this is a coordinated effort by the three actors—African countries, donors / international organizations, and the Bank—around a common platform. A renewed compact is needed under which African countries and external partners work together with the Bank to help set the pace in the implementation of this new approach. Because it is not just about what to do, but also how to do it, the shift will also require change in the behavior of the three actors. Five key principles:

- **The country should be the focus for implementing homegrown, fully owned strategies for capacity development as an explicit part of medium-term development programs.** African countries should take the lead in determining their capacity needs and set priorities for implementation in line with their medium-term development strategies, such as poverty reduction strategies. The main focus would be on strengthening the capabilities of the state, by strengthening the skills and professional profiles of the public sector, increasing organizational effectiveness, and developing institutions capable of supporting change management. Many

African countries are still very far from this stage of taking strong leadership in programming and implementation, but courage can be taken from Botswana, Mauritius, and South Africa, where this has been done successfully, and Ethiopia, Ghana, Senegal, and Tanzania, where this approach is being pursued in earnest.

- **Regional capacity development initiatives should pool efforts to strengthen human capacity, facilitate cross-country learning, provide regional public goods, and help to promote good governance, peace, and security.** Examples include ACBF's support for setting up national think tanks, AERC's strengthening of analytic capacity in use for policymaking in various countries, the New Partnership for Africa's Development (NEPAD) peer review mechanism, the African Development Bank's support for regional infrastructure program, and the United Nations Economic Commission for Africa's governance assessment work. Another example is the containment of spillover effects of regional public "bads," such at the initiatives by the Economic Community of West Africa States and the African Union to prevent or stop civil wars.
- **Consistent with the basic framework of effective government and engaged society, a key feature of the emerging paradigm is the importance of creating space and strengthening capabilities of social actors to demand positive change and push for the effective execution of state functions.** This requires the political space for involving civil society and the private sector in decision making and holding the state accountable for its functions—and the enhanced capacity of civil society and the private sector to organize for these purposes. Examples include participatory poverty reduction strategy processes, open public expenditure management reviews, and devolving powers and accountability systems to the local level along with the deconcentration of responsibilities for service delivery. The right balance has to be found between the required empowerment of local communities and respecting ethnic diversity and preserving national unity. South Africa's model of political and institutional reconciliation is a best practice.
- **Development partners, for their part, should support these homegrown strategies and stronger domestic accountability systems.** This could be done by applying new resources and ideas and adopting aid delivery practices conducive to capacity development. Capacity-enhancing approaches include aligning aid with country systems and pursuing vigorously the harmonization agenda to reduce pressure on already limited capacity. The 12-point Paris Declaration and effective benchmarking and monitoring of progress in the implementation of explicit targets for each point will enhance the likelihood of success.
- **Results should be the main criterion for assessing progress.** Focusing on results requires the ability to measure and monitor progress, wider access to evaluative information for all stakeholders, and statistical capacity for ensuring timely and accurate measurement of progress. Results are also key for the credibility of reforms, particularly for African leaders looking for alternatives to clientelistic politics. Developmental politicians have an interest in building a responsive and capable bureaucracy. They also have to show voters tangible and quick results to survive in politics—hence, the need for stronger monitoring and evaluation practices and effective communications to publicize results to voters. Mutual accountability mechanisms, such as independent monitoring in Mozambique and Tanzania, help underpin progress in partnership.

What African countries should do to implement this vision

Most African countries are making a clear choice for engaged societies and effective states—and are putting peer pressure on each other to move in this direction. The

overwhelming majority of African people and their leaders see these two elements as inseparable in their future development. Because more effective states and more open societies are both ends and means to improved developmental outcomes, this clarity of vision is one of the strongest elements of the present moment of opportunity. And states leading the way are establishing clear benchmarks for others to follow.

Capacity development should be approached strategically as a core area of a country strategy for growth and poverty reduction. African countries that embrace this approach are encouraged to formulate and lead the implementation of a prioritized and costed action plan for capacity development as part of a medium- to long-term development strategy, such as the poverty reduction strategy. Reflecting the diversity of initial country conditions, the comprehensiveness and content of these action plans will vary from country to country, and some countries may request assistance from their partners to prepare them. The key principle is that all countries, no matter where they are on the continuum of readiness for change, could expect support for a realistic and credible set of activities to enhance their capacity development prospects.

The starting point for the development of such an action plan would have to be an identification of the capacity needs to achieve well articulated results in reaching the Millennium Development Goals. What are the constraints impeding the full and effective use of existing capacity and the accumulation of capacity? A frank diagnosis would begin with elements of the overall policy environment that can either hinder or facilitate the ability of individuals and organizations to perform functions and deliver services, such as the rule of law, good governance, and meritocracy. Political and economic governance must be honestly assessed because they provide a crucial framework for capacity development and are the key initial conditions for determining where a country is situated on the continuum of readiness for a comprehensive approach to capacity development.

The adequacy of monetary and non-monetary incentives, important in helping capacity to develop and take root, needs to be carefully assessed. This would include incentives to sustain the supply, use, and retention of national capacity. The strength of incentives to learn new skills and adopt more effective ways of performing functions also need to be properly evaluated. And the extent to which there is a strong peer network for mutual learning and development would need to be assessed, as would the adequacy of existing structures of capacity to build capacity and reproduce skills.

It will be important to determine the size and quality of the space for strong societal engagement. What is the commitment to social accountability and arrangements that enable user, parliamentary, and citizen oversight groups to hold government accountable for performance? The degree of freedom for the press and other means of mass communication as well as continued progress toward political liberalization would also need to be assessed. This part of the diagnosis will reveal what is needed to strengthen the capacity of civil society to organize in decision making while holding governments accountable for the means and results of development programs in a culture of mutual accountability.

Following a comprehensive assessment of underlying conditions and capacity needs, a prioritized plan of actions to improve those conditions and fill the capacity gaps would be prepared. This would not necessarily require a new separate document. The plan would be a core area of a country's strategy for growth and poverty reduction over the medium term. Consider Ethiopia, where a separate ministry has been designated to look after this task. The country governance diagnosis under the APRM and other governance reviews by the United Nations Economic Commission for Africa and others could feed into these country assessments and planning.

Capacity needs should be addressed in four key areas:

- A sound public financial management system to inspire confidence in using government systems and programmatic approaches by external partners.
- Improved transparency and strengthened legislative involvement in the budget process.
- Public service reform including continued rationalization of state involvement in services by contracting out and professionalizing the public service through a credible pay policy, performance improvement grants, credible measures to reduce politicization of the bureaucracy, and efforts to reduce labor market bottlenecks in step with efforts to improve the investment climate.
- Incorporation of intergenerational, gender, and ethical issues in the national development strategies and freeing professional and other associations to organize themselves as legitimate actors in civil society.

Such measures have implications for the design of sectoral interventions, administrative procedures, human resource management, and new instruments such as codes of conduct and leadership development. Strengthening the capacity to develop capacity requires a renewed investment in higher education, particularly in technical areas, focusing on universities and other knowledge institutions and networks, especially indigenous knowledge networks to support the growth process. Attention also needs to be paid to developing local government and community capacity for strategic decision making and implementation. The community development programs in Malawi and Tanzania, and local government programs in Ethiopia, Sierra Leone, South Africa, and Uganda are regarded as successful examples. Partnerships between the public and private sector and with the broader civil society are crucial for the design and implementation of effective capacity development strategies. Strong emphasis to legal and judicial reform and institutional strengthening in these areas is likely to be a key part of most national capacity development strategies.

African governments must coordinate and manage pooled donor assistance intended to support capacity development. Success in this will ensure that capacity development strategies are implemented under African leadership, that supply-driven initiatives are avoided, and that timely reallocations of funding and adjustments in specific activities within the overall strategy are made as necessary. To discharge this responsibility, African governments would be expected to be resolute in leading the capacity development effort. They should agree with external partners on the framework for capacity support, particularly for technical assistance, in the context of a good practice aid relationship such as the one pioneered in the Tanzania assistance strategy.

A national capacity strategy requires a system for measuring and monitoring capacity outcomes. What is measured and openly monitored is likely to beget results. Countries and regional entities would therefore be encouraged to develop robust monitoring frameworks and processes for tracking results and motivating corrective action in response to the findings. A results-focused monitoring and evaluation system should enable governments to communicate a shared vision of success, measure progress and recognize and reward success, ensure accountability for results, and facilitate continuous feedback and learning. But developing such a system presents challenges for African countries and may require support from external partners.

The Paris Agreement's 12 benchmarks of good practice partnership can be used to monitor progress. These include using government systems (not project implementation units), encouraging joint analytical work, pooling technical assistance, and using more programmatic

approaches. The mutual accountability system under NEPAD could incorporate these good practice benchmarks for monitoring. And at the country level these could be incorporated in the independent monitoring framework, as in Mozambique and Tanzania. With technical cooperation now too donor-driven, African countries should demand that technical cooperation be deregulated under a time-bound plan with specific targets, including earmarking a portion of the $5.8 billion in annual technical assistance funding for regional capacity development programs.

African governments should commit to improved governance to get the best results from initiatives to build and unleash capacity. Indeed, implementing a capacity development strategy requires measures both to enhance the effectiveness of the state (with a focus on public sector governance reform) and to forge societal engagement (through a commitment to social accountability and enforcement of rules, checks, and balances on the executive) (box 4.1). Improved governance should involve the design of appropriate incentive schemes and institutions that will ensure that governments can pre-commit at all levels to effective development programs and be held accountable for the results. What will it take for this approach to work? Government commitments should be credible, with no back-tracking. Administrative systems should be accountable. The political and economic environment should minimize risk to enable longer term planning horizons for economic agents. Domestic policies should encompass most interest groups. And the political system should be open to contest.

With NEPAD strengthening the vision of Africa-wide development, African regional bodies will need to do more to build re-

Box 4.1
A country's capacity development trajectory depends on its leadership, current capacities, and social consensus

Decisions by African leaders on the implementation of the capacity development paradigm reflect where their countries stand today with respect to an effective state and an engaged society. Since there is no blueprint for capacity development, honest and rigorous diagnostics are required by African leaders and their partners on the priority steps toward capacity development. The evidence in chapter 2 and annex 3 suggests that African countries find themselves in one of four situations:

- Developmental, reform-oriented states with relatively high public sector capacity and high social consensus on development priorities (Botswana, Mauritius, South Africa, and Tanzania).
- Developmental, reform-oriented states with low public sector capacity and only emerging social consensus, that is, states that have performed impressive turnarounds in capacity and governance over the past 15 years (Ethiopia, Mozambique, Rwanda, and Uganda).
- States dominated by clientelistic elites, with quite high, but captured capacity and limited societal consensus (Côte d'Ivoire and Zimbabwe).
- States dominated by clientelistic elites, with low public sector capacity and devastating effects of external or internal conflicts include fragile (even failed) states (Angola, Chad, Guinea, Central African Republic, Democratic Republic of Congo, Liberia and Somalia).

Box 4.1

A country's capacity development trajectory depends on its leadership, current capacities, and social consensus (cont)

Most African countries have moved between these categories during their post-independence capacity development trajectory, though fortunately overall with an upward trend in the past decade. These are not static categories. They can serve only as starting-points for diagnostics, capacity gap identification, and priority-setting. The likely differences in capacity development priorities and programs include:

- Government-led, comprehensive programs are feasible in developmental, reform-oriented states, covering core public sector management as well as strengthening local governance, public services, the investment climate, and formal and informal domestic accountability systems. In countries with low capacity and only emerging consensus sequencing and adjustment of the depth and pace of capacity development are needed to operate within the existing space for reform and to avoid overburdening existing capacities.
- Selective and even opportunistic capacity development initiatives are needed in fragile countries dominated by clientelistic elites. Priorities would often include: building the basic capacity for public financial management, which is a sine qua non for state capacity building; strengthening the capacity of non-state providers of public services; creating space for private sector development; and strengthening informal accountability mechanisms and bottom-up demand pressures.

gional and national capacity, particularly through the provision of regional public goods and services. NEPAD has endorsed improved governance as a top priority. It has set in motion a peer review mechanism—the African Peer Review Mechanism—with particular attention to economic and political governance. This mechanism provides a great opportunity to facilitate cross-border support in the key areas of political and economic governance. Regional networks, associations, and training programs (such as the East and Southern Africa Association of Accountant Generals and Municipal Development Programs) could be strengthened to play a more active regional role.

An important innovation is the growing use of peer learning, where African countries share experiences among themselves and with other developing countries. Such approaches were critical to the successes of many East Asian countries in developing the expertise they needed for successful developmental processes and institutions. The Shanghai Poverty Conference in 2004 brought together more than 100 case studies—more than a dozen from Africa—prepared by developing country participants who showcased models of scaling up poverty reduction. The Shanghai process, which ended in a conference of more than 1,200 participants, was hailed as an important way of developing country knowledge sharing. Africans need to develop similar processes for capturing good practices and sharing knowledge with and among their peers across the developing world. NEPAD and other African institutions should lead this effort, with support from such external partners as the World Bank Institute.

What international partners should do

For international partners, the first principle is to respect African leadership and ownership. African governments should

be given the space to design and implement national development strategies, integrating explicit commitments to capacity development. Partners should follow a customized approach to support a country's capacity development strategy. Analytical work is needed on the political economy and other key determinants of country's capacity development prospects. Partners will also need to take a longer term, more patient, and more predictable approach to capacity development, extending perhaps as long as 15 or 20 years. The aid harmonization agenda should be strengthened in the capacity development area, with partners responding with a strong capacity focus in their country strategies. And joint strategic documents, covering several key partners for each country, should be introduced, as in Tanzania and Uganda. These principles and approaches were given prominence in the recent Paris Declaration on Aid Effectiveness, which should serve as the bare minimum for development partnerships (box 4.2).

To implement the Paris Declaration, partners should support country-driven customized development strategies with explicit capacity development objectives linked to overall development goals. Partners should align their support to country systems, strengthening rather than bypassing intergovernmental fiscal and accountability relations, domestic political and administrative accountability systems, and local implementation systems. Partners should strengthen country results-focused monitoring and evaluation systems by relying on country systems

Box 4.2
Paris Declaration spotlights capacity development

More than 100 multilateral and bilateral donors and developing countries put an unprecedented focus on capacity development in the Paris Declaration on Aid Effectiveness, signed on March 2, 2005. The declaration puts the onus on developing countries to take the lead in making capacity development a key objective of their national development strategies. In return, the donor countries committed to align their analytical and financial support with country capacity objectives and strategies, to make more effective use of existing capacity, and to harmonize donor support for capacity development.

As part of the push to make these commitments more concrete, the signatories of the declaration agreed that, by September 2005 they would set specific targets and identify indicators for the key commitments. These progress indicators covered 12 specific targets in five broad areas—ownership, alignment, harmonization, managing for results, and mutual accountability. The agreed indicator for improved capacity development practices is an increasing percentage of donor capacity development support "provided through coordinated programs consistent with partners' national development strategies."

A number of the commitments also have direct bearing on the approach to capacity development, on the use of country systems, and on implementing and monitoring of those initiatives. The signatories agreed to take important steps to align their aid

Box 4.2
Paris Declaration spotlights capacity development (cont)

practices under the leadership of recipient countries. The international community will monitor the number of countries with workable country systems (or credible plans to develop them), the percentage of aid flows that use country procurement or public financial management systems, the number of project implementation units per country, and the percentage of aid that is untied. For harmonization, the declaration mandates the ongoing monitoring of program-based approaches and joint analytical and diagnostic work. The signatories also agreed to monitor improvements in results-oriented frameworks and mutual accountability by tracking the number of countries that undertake mutual assessments of aid effectiveness.

for assessing progress, providing technical support and lessons from other parts of the world to strengthen the country system, and supporting the growth of a culture of openness and accountability. There should also be a move toward standardized monitoring and evaluation systems for all partners. These systems should be used to encourage a culture of mutual accountability for the effectiveness of development assistance.

Also needed are stronger support instruments for capacity development and, where appropriate, new instruments. The following improvements should be pursued:

- Where initial conditions permit, programmatic instruments are the most effective way to support capacity development. Such instruments will accelerate the partner harmonization agenda by de-linking technical support from projects and special implementation units and extending the programmatic approach beyond planning and budgeting to actual implementation.
- To enhance the effectiveness of capacity development management, support to capacity should be budgeted in a contestable manner with plans for both investment and recurrent resources.
- While minimizing the risks of higher transaction costs, technical and financial assistance should be pooled under government-led programmatic instruments. This approach would be accompanied by agreed and transparent rules of access to all sources of government and external funds. Untying aid remains unresolved and should be vigorously pursued.
- Within the mandates of articles of agreement of partners and relevant legislation, there should be fewer taboos on eligible financing, such as recurrent expenditures or civil service salaries in the context of a credible country-led capacity development strategy.
- As significant employers in the local job market, partners need to help government retain skills rather than contributing to skill depletion, avoiding parallel engagement of public servants. Partners should to the extent possible use local talent and encourage joint activities with local think tanks.
- Partners should revisit the current balance of aid for tertiary education versus aid for primary and secondary education and support the growing of skills and knowledge networks, including partnerships with foundations.

Financing the big push

International partners should respond with timely and commensurate technical and financial support for developing, retaining, and using local capacity. Technical cooperation funding to African countries is on a strong rebound. After a slackening during the second half of the 1990s, it reached $5.8 billion in 2004. Questions have been raised, however,

about the value that Africans and the external partners are getting for this substantial amount of resources—and about whether a reasonable proportion is being directed at supporting durable capacity development, which in the long term will reduce the dependence on this type of support. As much as half this sum has been going to support donor-country experts who often substitute for local capacity rather than help develop it. These funds need to be invested more strategically, with a capacity development focus.

Technical cooperation funding provided to the African countries must be redirected in at least two ways. One is to raise the share of technical cooperation funds going to capacity development activities, rather than to substituting foreign for local expertise. The second—commonly known as pooling—is to provide the funding in a single basket earmarked for prioritized capacity development activities or for filling country-identified short-term needs for achieving results. Additional resources are also needed for new capacity development business lines in country programs and for enhancing the capacity of regional bodies, such as the regional economic communities, to deliver regional public goods.

Support is needed particularly for regional and sub-regional organizations and knowledge networks. Strengthening regional organizations and regional knowledge networks would give them much-needed capacity and also strengthen capacity in individual African countries. This would allow more predictable, long-term support to creative, effective regional capacity development initiatives. Such additional funding could be provided in the spirit of the bold $1 billion five-year funding envisaged 10 years ago under PACT but that never materialized. Indeed, the idea of creating stronger regional bodies that support and monitor progress in capacity development has been around for a long time, but these efforts have generally been under-resourced. To close the funding gap for regional institutions, vertical programs could be developed by earmarking a portion of annual technical assistance funding to support the strengthening of their capacity through grant-giving regional intermediaries, such as the ACBF.

Deepening mutual accountability

Capacity development in Africa requires stronger mutual accountability for results at all levels of development. Africa is showing the way with the African Peer Review Mechanism, which uses a regional setup to strengthen within-country dialogues on development objectives, priorities, and results. This is homegrown at the country and regional levels. At the sub-national level numerous decentralization and community developments programs—with or without donor support—aim to institutionalize accountability mechanisms that provide both pressure and rewards in the form of recognition and reelection for collective actions.

Mutual accountability between donors and recipients has been at the heart of the comprehensive development framework and poverty reduction strategy processes. There are now opportunities to roll out mutual accountability instruments in the spirit of the comprehensive development framework and poverty reduction strategy. The outcomes of the recent Marrakech, Rome, and Paris meetings strengthen the demand for mutual accountability approaches. African governments and individual donors already hold themselves accountable for the results of their collaboration in many cases, and this needs to be extended to the whole development partnership. There are promising trends toward integrating monitoring and evaluation into government systems and procedures and giving African institutions responsibility for conducting aid evaluations. International development partners also come with good experience from peer pressure mechanisms—for example, the OECD-DAC, the multilateral development banks, and the UN Development Group. In Africa the United Nations Economic Commission

for Africa and OECD-DAC collaborate on joint reviews of development cooperation. The most promising effort is the independent monitoring mechanism launched by Tanzania and its international partners. Good practice lessons from these efforts need to be applied by governments and donors throughout Africa, because they combine capacity development with mutual accountability for results. Conditions now seem ripe for establishing an independent mechanism to evaluate progress on the compact.

A Consultative Group for capacity development

On the basis of a game plan developed by African governments and in the spirit of mutual accountability, African stakeholders and their external partners should consider a better mechanism for collaboration and follow-up on capacity development. One possible solution would be a consultative group format, organized in a way similar to the Strategic Partnership for Africa (SPA). Such a group would meet regularly, perhaps once a year, to provide a platform for reviewing implementation progress. Its main roles would include:

- ***Advocacy***. Making the case for and providing oversight for additional resources.
- ***Innovation***. Developing new instruments, sharing good practices, and pushing the frontiers of good practice.
- ***Peer review and peer pressure***. Providing a forum for appraisal of progress and wider accountability for results.

The group would need to operate flexibly to allow members willing to push for change and innovation to move forward without constraints from the slower members. Part of the problem has been the requirement of some external agencies to operate by consensus, even those that are supposedly championing capacity development.

No new structure would need to be created for this consultative mechanism. It could, for example, be realized under the auspices of the African Partnership Forum (APF) and co-chaired by NEPAD or a sub-regional organization and an external partner on a rotating basis. Participants at the APF, which has met on four occasions since November 2003, include external partners accounting for 98 percent of overseas development assistance to Africa and the 20 African members of NEPAD. Its main objective is maintaining international support for NEPAD and monitoring the partnership for results in the spirit of mutual accountability.

The APF aspires to emerge as the key international forum for the advancement of the partnership in Africa and an effective mechanism for accountability between partners. So, it provides an ideal platform for monitoring progress on capacity development in Africa obviating the need to create new mechanisms. This format could be used to choose a group of countries whose progress on capacity development could be monitored by independent reviewers. The findings of the independent reviewers would be presented periodically, with agreement reached on necessary adjustments. Beyond high-level representatives from Africa's key bilateral external partners and African governments, the consultative group would also include APF's normal participants representing key international institutions (International Monetary Fund, Organisation for Economic Co-operation and Development, the United Nations Development Programme, World Trade Organization, African Development Bank and the World Bank) and members of civil society and the countries' private sector. In addition to the independent reviewers, all participants would have an opportunity to comment on the implementation of capacity development plans from their own perspective.

5. Updating the World Bank's approach to capacity development in Africa: business unusual

The Bank's support for capacity development in Africa dates back to the mid-1980s. Early efforts sought to "roll back the state" through civil service reforms. Those reforms sought to control the wage bill and downsize bloated public sectors. They also included limited efforts to provide technical assistance to improve economic and fiscal management. A 1999 Operations Evaluation Department (OED) review found that only a third of the Bank's civil service efforts were effective in achieving their objectives for downsizing, capacity building, and institutional reforms within the public sector.

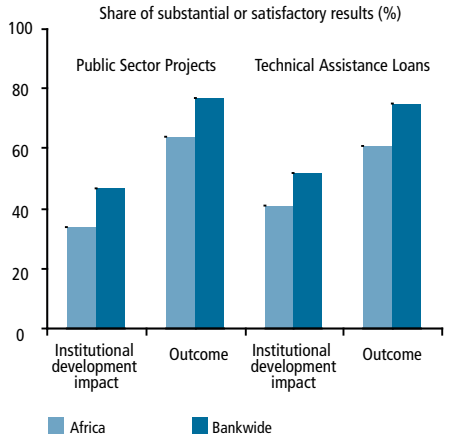
Many of these early efforts suffered from weaknesses still evident in Bank-supported programs. For instance, the OED review cited weak links between diagnostic work and program design. Notably, projects did not encourage the participation of civil servants or civil society in design and implementation. The review called for the Bank to allow adequate time for implementation and to use field-based supervision and more transparent business processes to foster reform constituencies among state and civil society actors (World Bank 1999).

Facing facts: the Bank's track record on capacity development

According to OED's 2005 review, the Bank provided nearly $9.9 billion in lending between 1995 and 2004 and close to $900 million in grants and administrative budgets to support public sector capacity building in Africa. Of these projects in Africa 33 percent achieved a rating of substantial or above for institutional development impact—compared with 42 percent of similar operations Bankwide. While this rating has been rising since 1996, it remains at only 40 percent for Africa projects exiting in 2004, still significantly below the Bankwide average. Public sector operations and technical assistance loans in Africa consistently score 10 percentage points lower than Bankwide averages on outcomes and institutional development impact (figures 5.1 and 5.2). In addition, as the analysis for this report shows, the institutional development impact of lending to Africa overall has been less effective than in other regions (World Bank 2005a).

The reasons for the Bank's mixed track record on capacity development in Africa include factors within and outside its control. Political economy and institutional

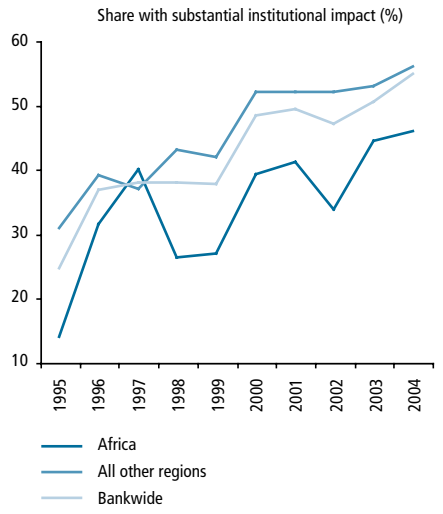
Figure 5.1
Public sector and technical assistance projects in Africa underperform



Note: Data cover fiscal years 1995–2004.
Source: OED, World Bank 2005.

Figure 5.2

Less than half of the Bank's operations in Africa had substantial institutional development impact



Source: OED, World Bank 2005.

governance factors, which in some cases are unpredictable, weigh heavily and therefore require more systematic diagnosis. In some areas of public sector reform or social development, neither the Bank nor its clients can be definitive about what constitutes good practice. Poor performance has also been attributed to what OED has called the Bank's failure to "apply the same rigorous business practices to its capacity building work that it applies in other areas." According to OED, these shortfalls include the absence of a conceptual framework for capacity and capacity development, weak upstream assessment of capacity and political economy constraints, fragmented Bank engagement on capacity issues, heavy reliance on project technical assistance and training, inadequate guidance on sectoral capacity development, and insufficient efforts in monitoring and evaluation (World Bank 2005a). Other reviews and the observations of the Task Force also point to the need to focus on the political economy and governance dimensions, which have not received adequate attention to date. Hence the call for intensified attention to the demand side of public sector capacity building, including the ability of social actors to engage in public processes and hold the state accountable. Slow progress toward harmonizing and pooling donor support adds to the challenge.

In a 2005 review OED found that poverty reduction strategy processes offer opportunities—to varying degrees—for countries to identify capacity constraints on poverty reduction and better priority-setting for capacity development responses. But neither the Bank nor its country partners have fully exploited these opportunities. Poverty reduction strategy processes also provide scope for the Bank and other donors to systematically align their business processes with the governance systems of client countries (for example, with the planning and budgeting cycle and such domestic accountability mechanisms as legislative oversight). OED found that alignment remains a work in progress for the Bank in Africa as well as other regions. Progress on this front is essential to unleash indigenous capacities in support of poverty reduction goals in Africa.

The Bank must do better—why and how

Africans are looking to the Bank to stay involved and to deliver the required effective support. Indeed, the Bank continues to face growing demand from Africans and international partners to deepen its support to capacity development. For instance, African countries continue to leverage IDA's support for a growing list of public sector reform initiatives, including decentralization, legal and judicial reform, civil service reform, and e-government. In fiscal 2004 IDA approved investment operations totaling $159 million in net commitments for public sector governance and capacity. New commitments are expected to grow to $177 million in

fiscal 2005, and $202 million in fiscal 2006. These are expected to finance multisectoral capacity building projects in Kenya and Uganda, a subnational capacity building operation in Nigeria, and accountability and transparency projects in Cameroon and Tanzania. Budgetary support operations, which finance public sector capacity building initiatives, are also being used by more countries. Similarly, WBI's knowledge and networking services continue to be appreciated by its rapidly expanding African clientele. Following the WBI's adoption of a country focus, the scale of its Africa activities and the number of African participants in WBI courses increased fourfold over fiscal 2004–05. Sample-based assessments undertaken by the Task Force indicate that African participants on average are more pleased than participants from other focus countries (see annex 5).

To deliver on the foregoing expectations the Bank accepts that it needs to break with the ineffective practices of the 1980s and early 1990s and build strongly on the platform put in place by the seminal *World Development Report 1997: The State in a Changing World* (World Bank 1997) and subsequent policy papers on public sector governance and social inclusion. In particular, the recent work by WBI and the Poverty Reduction and Economic Management (PREM) network on governance, institutions, and societal engagement needs to be broadened, deepened, and disseminated through systematic learning to guide Bank operations in the field. It is against this backdrop that the vision in chapter 4 and the key messages and recommendations in this chapter are to be viewed.

The renewed compact proposed in chapter 4 offers a shared vision for enhancing the scale, efficiency, and impact of capacity development in Africa. Making it a reality will require bold leadership and action and tangible results on the ground. For nearly a decade the Bank has professed the importance of a country-owned approach to capacity development. But in far too many countries its talk has advanced much faster and farther than its walk. The Bank can do better by adopting the following principles in its capacity development work and encouraging African countries and their partners to do the same. These principles resonate with those for the international community as a whole (see chapter 4) and apply with equal force to the Bank:

- *Focus its work on the "bottom line" of capacity development and thereby encourage African countries and their partners to do the same.* The impact of capacity development efforts on the ability of states and societies to work together to achieve broadly owned objectives should be a central concern. But capacity development and governance are not only ends in themselves. The bottom line is whether such efforts improve service delivery, growth, empowerment, peace and security.
- *Address capacity development as a governance challenge—by striking a healthier balance between the "supply side" of state capacity and the "demand side" of societal engagement.* The Bank should follow the lead of partner countries that aim to build the capacity of the state to undertake policymaking, service delivery, and regulation—and the capacities of social actors to hold government accountable. In some cases the Bank will need to encourage learning and dialogue on how to promote state effectiveness and societal engagement.
- *Ensure that all countries are engaged and supported in capacity development, but in a manner fitted to their local needs.* The Bank is well positioned to ensure that all countries—especially failing and fragile states—are supported in developing the capacity to secure the benefits of improved service delivery, growth, and empowerment.
- *Replace a one-size-fits-all approach with one that supports workable solutions based on systematic diagnoses of local constraints.* This "entry points" approach requires that the Bank expand its country knowledge as well as its knowledge of good practice capacity development (for example, in civil service reform or tertiary education). Understanding the political economy is crucial.

- *Improve "how" the Bank does business and how it supports capacity development.* The Bank can further capacity development in Africa simply by changing the way it does business, by resolving to "do no harm." This would mean phasing out capacity-depleting practices, such as self-standing project implementation units and extrabudgetary funds. Support for programs rather than projects should strengthen country systems and domestic accountability processes. At the same time, the quality and effectiveness of the Bank's capacity development portfolios can be improved through better diagnosis, clearer definition of business lines, improved choice of instruments, and more monitoring.
- *Deepen the results orientation of capacity development efforts.* Capacity-building programs should promote implementation techniques involving state and society actors. The Bank should invest in country and donor monitoring and evaluation systems and open its review processes to greater public scrutiny in line with the principles of mutual accountability.
- *Deepen partnerships to support African efforts.* The Bank simply cannot support this agenda alone. It should place a premium on strategic partnerships that enhance its ability to promote effective states and engaged societies in a broad array of countries.

By translating these principles into action, the Bank will improve the efficacy and effectiveness of its capacity development work in Africa. Required is an updated Bank approach for promoting effective states and engaged societies that work together to secure the benefits of shared growth and poverty reduction.

Building blocks for the World Bank's updated approach

The five building blocks of the Bank's approach on African capacity development should be a stronger country focus through the Country Assistance Strategy (CAS), updated business lines, an expanded instrument array, harmonization, and a results orientation. These building blocks will ensure that the Bank pays the same attention to capacity development in its operations that it does to other areas such as infrastructure, human development, and the environment—as suggested by OED.

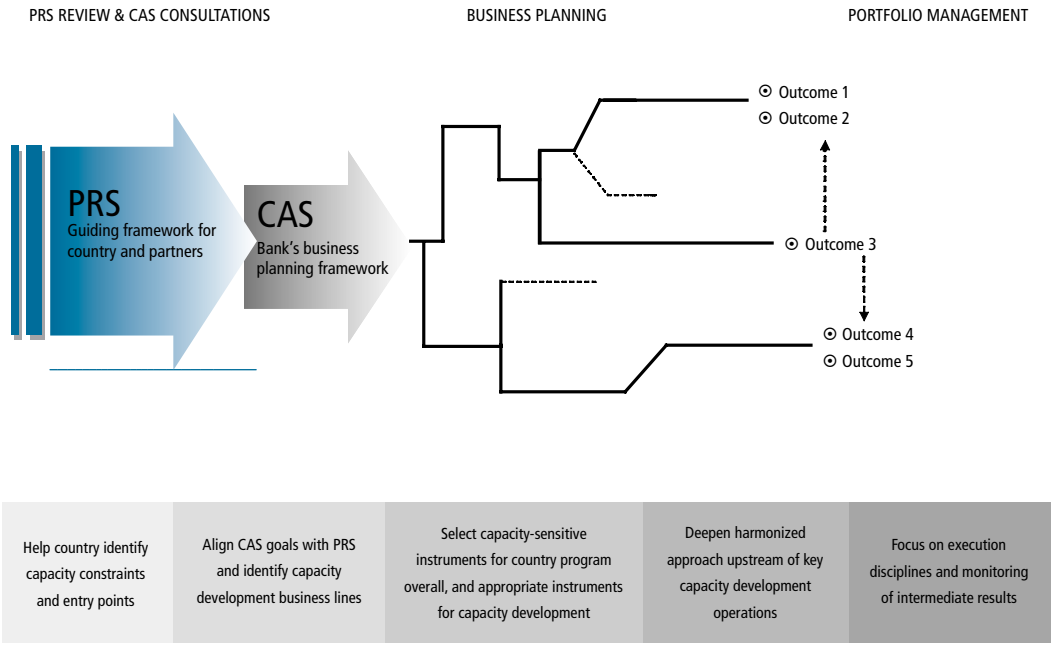
Building block 1: a stronger country focus

The first building block—the CAS—serves as the Bank's business planning framework and should be aligned to capacity-sensitive poverty reduction strategies. In recent years poverty reduction strategies have been firmly established as country-owned processes for annual and multiyear planning of poverty reduction efforts. By aligning CASs to poverty reduction strategies, the Bank has sought to ensure that countries are in the driver's seat and that its country strategies are based on inclusive priority-setting processes in countries. Capacity development issues, given their centrality to poverty reduction, should appear more prominently in poverty reduction strategies and CASs (World Bank 2001). According to OED, the Africa Region's 15 most recent CASs have tried to address capacity issues more systematically. Building on this, the region should aim to cover all countries with results-based CASs within two years.

As the organizing framework for Bank assistance, CASs should do more to diagnose constraints on state effectiveness and societal engagement, verify feasible capacity development entry points and trajectories, reinforce homegrown efforts to pursue those trajectories, and identify the business lines (for example, public sector capacity building, tertiary education, or HIV-MAP initiatives) that can support country efforts. Various financial and analytical instruments (for example, programmatic lending and various analytical and advisory activities)

Figure 5,3

Building blocks of the Bank's updated approach to capacity development in Africa



should then be selected to support these business lines, preferably through country systems. These instruments should be harmonized with other donors and partners to reduce transaction costs for clients. The aim should be to ensure that capacity development efforts achieve their desired impact (figure 5.3) (Girishankar 2003).

Building block 2: updated business lines

Over the past decade the Bank has consolidated its clusters of business lines and opened new ones in response to growing African demand for capacity development. For state capacity development the existing business lines in public service reform, public expenditure management, decentralization, and regulatory capacity building are relatively mature and should be further refined using emerging good practices (figure 5.3). In others, the Bank and other partners are still developing new products to strengthen the "demand side" of capacity development—for example, through support for initiatives in community-driven development and efforts to empower the press, parliaments, and public through the dissemination of data on governance. Several business lines—three relatively established ones and three emerging ones—are available to country teams that seek to respond to homegrown initiatives to improve state effectiveness and societal engagement. The three established clusters of business lines are:

- *Developing the capacity of state institutions.* Historically, initiatives have included strengthening ministries of finance, civil service reform, public financial management,

statistical capacity building, anticorruption, decentralization, and tax system reform. Emerging emphases include support for institutional strengthening in specific sectors (for example, roads, health, education, urban management, and water and sanitation) and public management for improved investment climate (including regulatory capacity, customs modernization, and strengthening ministries of trade and industry), and e-government.

- *Mitigating catastrophic risks—HIV/AIDS, malaria, and fragile states.* Addressing catastrophic risks such as HIV/AIDS and malaria as well as the challenge of recovering from civil conflicts—is a high priority business line for the Bank in Africa. In many partner countries efforts in HIV/AIDS prevention and mitigation, institutional impact analysis, and advocacy (in part through ACT Africa) will remain a high priority for some time. Another important set of catastrophic risks are those associated with civil conflict and state collapse. These include the need to enhance efforts to prevent conflict, for example, through improved governance of extractive industries—and to facilitate post-conflict reconstruction efforts, including multicountry demobilization efforts, basic state building, community-driven development, and basic infrastructure in such places as southern Sudan. More broadly, the ongoing low-income countries under stress initiative provides a means for the Bank to adopt a differentiated approach in countries that are deteriorating, or are undergoing prolonged political crisis, or are in a fragile transition, or are making gradual improvements (World Bank 2005d).
- *Strengthening the knowledge sectors.* Building the capacity to build capacity involves strengthening knowledge institutions and knowledge networks that produce the talent to meet increasingly complex demands. There is a need for the Bank to deepen its support for tertiary education in Africa and the expansion of university systems (including the Virtual University Initiative); for further investment in science and technology (including through the Nelson Mandela Institute); for private and public in-service training and management institutions; for national and transnational networks of professional interest in such areas as urban management; for information and communications technology, public sector accounting and auditing, business education, economic analysis, and agricultural research.

The Bank also has a track record in some emerging clusters of business lines (see figure 5.4).

- *Strengthening justice systems and other Accountability institutions*. In Africa and other regions the Bank and its country partners have come to recognize that formal checks and balances, including the means to recourse and redress, constitute a central governance concern. Traditional efforts to strengthen the justice system have thus focused on support for the courts, ministries of justice, law revision and reform, and legal education.[5] The impact of these supply-side initiatives, particularly on expanding access to justice, has been limited. So the Bank has sought to promote demand-side efforts that expand the writ of law in areas that matter to poor people. These efforts include strengthening alternative dispute resolution mechanisms; institutionalization of customary and traditional justice systems (in line with the prevailing constitutional framework); provision of legal aid and legal services to the poor; and cross-cutting initiatives such as strengthening the legal status of women. The justice system is only part of the larger domestic accountability equation. Several African countries are interested in having the Bank directly involved in strengthening other accountability institutions and processes.

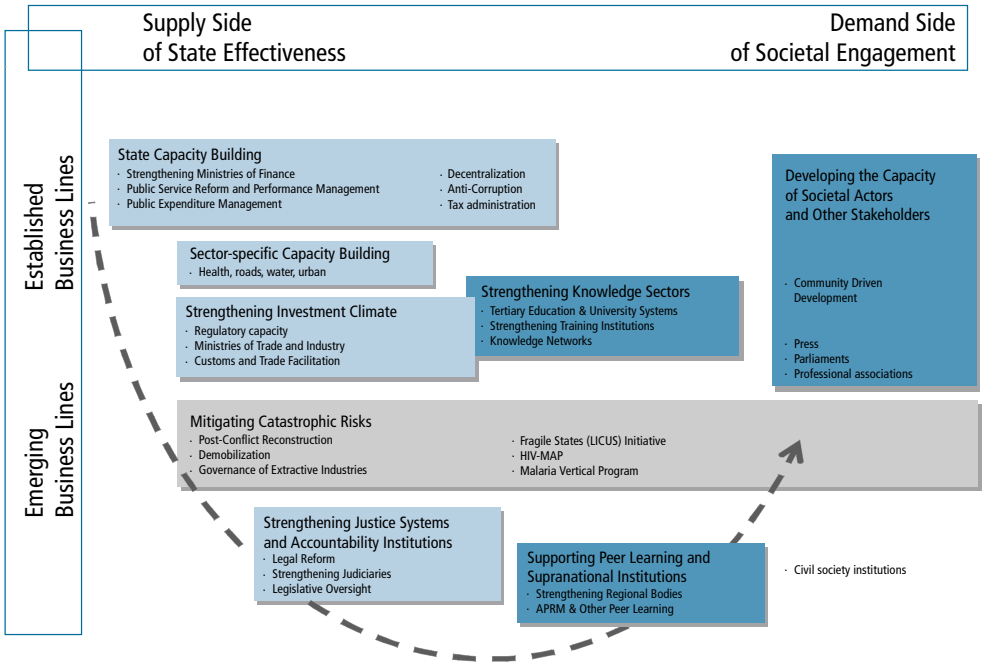
[5] While the Bank's Articles prohibit direct support for law enforcement, other partners are increasingly involved in strengthening functions related to police, prosecutions, and prisons.

Deepening accountability—particularly of the executive—involves encouraging more inclusive PRS processes. It also involves strengthening of checks and balances on the executive through the development of legislative organs (such as the Public Accounts Committees), statutory bodies (such as the Offices of the Ombudsman), and the parliamentary committee system in general. It involves support for benchmarking public sector performance through governance and anti-corruption surveys, public expenditure tracking surveys, and client scorecards to generate information to empower citizens.

- *Developing the capacity of societal actors and other stakeholders*. Increasing the transparency of state institutions is necessary but not sufficiently to promote good governance. When the demand-side responses are not immediately forthcoming, there may be need to actively strengthen the capacity of social actors—such as communities, civil society organizations, the press, professional associations, and parliamentarians—to participate constructively in public processes. Community-driven development initiatives, for instance, use social funds, intergovernmental fiscal transfers, and sectoral interventions to encourage local initiative. They also involve the use of information and communication technology through community radio and media to encourage the free flow of information. In the past, the Bank has provided seed money and technical support to professional associations for accountants, auditors, and lawyers. Equally important is the dissemination of

Figure 5.4

Established and emerging business lines that support the demand and supply side



information on governance and its use as tool to spark multistakeholder debates.

- *Supporting peer learning and regional institutions.* An emerging area is to develop the capacity of Africa's regional and subregional institutions to encourage peer learning and coordination between states, provide regional public goods, and encourage economic integration. Developing regional capacity—particularly in the African Union, NEPAD, the African Peer Review Mechanism, and regional economic communities—would represent yet another step toward enabling Africans take the lead in formulating and pursuing collective solutions to the continent's most pressing problems.

Building block 3: an expanded instrument array

A third building block should be an expanded array of instruments—both financial and analytical—to meet the needs of diverse country partners that demand more tailored approaches. Experience suggests that *how* development finance is provided is as important—for capacity development—as *what* it finances. Loans, credits, and grants can be designed in ways that either enhance or undermine country capacities. Often the desire for quick fixes has compelled Bank-financed efforts to rely on project or enclave approaches that break free of weak state institutions. As a result, the opportunity is lost to align with—and demand more of—country systems. To ensure consistency with a capacity-sensitive approach to supporting countries, the Bank and its donor partners should rely more on programmatic instruments that use country systems and unleash indigenous capacities, for example, for planning, budgeting, implementation, and monitoring and evaluation.

Early indications are that programmatic support is more likely to unleash the latent capacities within countries and strengthen country systems. Yet the Bank's reliance on programmatic instruments—especially for capacity development—has lagged and should be pursued more vigorously. Several recent studies by the Bank and other partners suggest that, in certain settings, the use of programmatic instruments—investment and budget support operations—is more effective in strengthening country systems than project-based assistance (World Bank 2005f; UNDP 2004). First, program lending—channeled in coordination with support from other donors—is more predictable than project assistance. Cross-country analysis suggests, controlling for other factors, that increased resource predictability is one of the key constraints on the performance of line ministries (Manning 2003). Second, program lending has provided a platform for identifying and simultaneously addressing cross-cutting public management and governance constraints (for example, those related to civil service incentives and public finance systems). Third, multisectoral program support reinforces the cabinet and appropriations processes for negotiating and proclaiming sectoral allocations. Further review of the efficacy of these instruments and their implications for capacity development will be required (Eifert and Gelb 2005).

The Bank should continue to shift towards programmatic support to reap the foregoing benefits, especially when it comes to financing capacity development. Based on a review of 221 operations declared effective over fiscal 2002–04, the Task Force found that only 30 percent of total commitments were delivered through program lending. And capacity development efforts were even more likely to be supported by projects rather than programs. Only 16 percent of program lending during the same period was estimated to support capacity development, half the 33 percent for project lending. For programmatic instruments to be effective, they must set explicit capacity development objectives—based on rigorous analyses of country systems for budgeting, procurement, and the like, identifying gaps and weaknesses and specifying programs to address them.

Not all African countries possess the planning, execution, and accountability systems to take

full advantage of a programmatic approach. In such settings, extra efforts should be made to strengthen country systems, while progressively phasing out project assistance. New instruments that directly support the demand side should also be encouraged. For instance, the growing number of Bank-administered facilities—such as the Institutional Development Fund and Japan Social Development Fund grant facilities as well as the Development Marketplace, which directly support civil society and community institutions—should be explored further and linked with similar efforts by other partners.

Bank support involves more than just money. Ideas matter for capacity development as well, in both low- and middle-income African countries. It is imperative that the Bank raise its game when it comes to analyzing and measuring state effectiveness and societal engagement. To support capacity development, financial resources alone are not enough. Also vital are knowledge generation through a strong agenda of analytical work, action research, and knowledge sharing. Building on technical advances in institutional analysis, the Bank has developed tools to support diagnosis of capacity constraints, particularly in poverty reduction strategy processes. These tools include expert assessments of civil service systems and intergovernmental arrangements, public financial management, service delivery, readiness for e-government investments, and the political economy of governance and capacity development. They also cover survey-based tools, such as public officials' surveys of public management process, public expenditure tracking surveys, client scorecards of service delivery issues, firm and level surveys related to the costs of doing business and the investment climate. While the development of these tools is encouraging, their application in support of in-country processes has varied.

It will be important to systematically mainstream these approaches in Bank support for poverty reduction strategies and in standard analytical products. These products include Public Expenditure Reviews, Country Financial Accountability Assessments, Country Procurement Assessment Reports, Institutional Governance Reviews, Investment Climate Assessments, Sector Status Reports, and Poverty Assessments. Particular emphasis should go to the political economy of capacity development in specific countries. These cutting-edge issues should be on the Bank's radar screen if it is to be a knowledge leader in capacity development.

To be a center of excellence for capacity development, the Bank should operate not as an apex institution that monopolizes expertise but as a facilitator for thinkers and practitioners. In a recent Africa Region staff survey, only half the respondents found traditional approaches to economic sector work to be effective as a capacity development tool. Bank-supported analytical and advisory activities—particularly those related to capacity issues—should strike a balance between the need for technical rigor and the need to foster innovation, experimentation, and learning. Open and rigorous peer review of analytical and advisory activities work should be encouraged. And when undertaking diagnostic and analytical work, the Bank should do more to tap the intellectual capital in Africa—particularly in local research institutions and universities.

Building block 4: results orientation

A fourth building block of the Bank's approach should be a focus on the results of capacity development. Early experience with results-based CASs points to the importance of focusing Bank teams, institutional processes, instrument choices, and portfolio management on achieving time-bound outputs and intermediate outcomes. A results-oriented approach to capacity development should therefore include a focus on execution techniques within country systems, the quality of country monitoring and evaluation processes, and the transparency of

domestic review and accountability processes. **All countries—regardless of their level of development—face implementation hurdles, especially in capacity development. Meeting the implementation challenge requires closer scrutiny of execution disciplines and time-bound results.** Capacity development efforts are especially difficult and thus require more flexible design, more intensive monitoring, and a greater willingness to learn by doing (World Bank 1999, 2005a). As several countries embark on their second round of PRSs, there has been interest in ensuring that well articulated policies and programs are executed efficiently to achieve tangible results. When supported by committed leadership, modern management approaches—such as Rapid Results Initiatives and Quick Wins—have proven useful in driving performance and holding actors accountable to time-bound results. Such focused efforts to promote execution disciplines in specific sectors and institutions have been more evident in Bank portfolio management processes.

The Bank can add value by helping African countries "keep score" on capacity

Box 5.1
Investing in measuring state effectiveness can pay off

Sustained investments in monitoring capacity development can pay off. Efforts are being made by the Bank and its partners to improve the benchmarking of various aspects of state effectiveness. It is increasingly evident that some of these benchmarking systems are promoting evidence-based dialogue between clients, the Bank, and its partners on state effectiveness and capacity building. The efficacy of these efforts should provide insights on how to ramp up our investment in statistical capacity building, particularly as it relates to governance.

- Heavily Indebted Poor Country (HICP) Expenditure Tracking assesses the quality of the budgeting system in 24 HIPC countries and centered on 16 indicators, chosen as benchmarks of the public expenditure management system capabilities necessary for poverty-reduction spending.
- The Country Policy and Institutional Assessment examines the quality of a country's present policy and institutional framework—how conducive that framework is to fostering sustainable, poverty-reducing growth and the effective use of development assistance. This exercise is done annually for all IBRD and IDA borrowers.
- WBI Cross-Country Governance Indicators have been developed as part of a major multiyear initiative to harness the power of data in assessing governance broadly, including state effectiveness and societal engagement. The indicators have been developed for 209 countries and territories over 1996, 1998, 2000, 2002, and 2004.
- Doing Business Indicators provide objective measures of business regulations and their enforcement. The indicators can be compared over time and across more than 130 countries.

These and other initiatives suggest that institutional capacities can be measured more concretely and in ways that are useful to countries undertaking capacity development efforts in key areas related to state effectiveness.

development—that is, by investing in statistical capacity and by supporting the benchmarking of capacity, institutions, and governance. Two key priorities for the Bank are to strengthen country monitoring and evaluation systems (including statistical capacities) and to invest further in cross-country benchmarking of state effectiveness and societal engagement. The advent of PRSs has led to greater scrutiny of country monitoring and evaluation systems, the indicators used to benchmark performance, and the design of measurement and benchmarking instruments (World Bank 2001). African countries can exploit methodological advances in measuring capacity development as they build and refine country monitoring and evaluation and statistical systems. Public finance is one area where investments in standardized assessments have paid off (box 5.1). Ethiopia, Tanzania, and Uganda have developed harmonized monitoring and evaluation action plans for capacity building, used by all stakeholders.

Measurement is necessary but not enough for results. Equally important are the transparency of review processes and the dissemination of those results. Investing in monitoring institutional change—while crucial—will not be enough to promote state effectiveness and societal engagement. The experience in several African countries with public expenditure tracking surveys is that they may unleash the power of transparency. Stakeholders and the public should be involved in reviewing results to encourage learning and accountability. The involvement of key stakeholders in feedback is central to learning by doing. More generally, the Bank's investment in monitoring and evaluation of capacity development should also emphasize the need to open up review processes to greater public scrutiny, to encourage structured feedback by those on the frontlines, and to hold state actors accountable for results. To be effective, Bank-supported capacity development programs will need to spearhead initiatives to encourage independent and peer review of implementation results.

Building block 5: harmonization

Harmonizing support for capacity development—including technical cooperation—is the only way to counter the deleterious effects of years of fragmented efforts in Africa. With the launch of poverty reduction strategies the Bank and several multilateral and bilateral partners have moved progressively toward joint assessments of annual progress reports, joint budget support programs, and sectorwide approaches in the social and infrastructure sectors. More is required to harmonize planning, procurement, disbursement, and monitoring and evaluation arrangements on large investment programs designed to support the service delivery, growth, and empowerment objectives of poverty reduction strategies. Along with sector-specific SWAps, multisectoral SWAps that support public sector reform, decentralization, information and communication technology, or community-driven development offer opportunities to harmonize around "big pipes" that scale up assistance to committed clients. Harmonizing approaches to analytical work—including diagnoses and benchmarking of capacities help prevent duplication—improve the quality of analysis and promote buy-in of analytical findings by a broad cross-section of stakeholders (box 5.2).

Resourcing World Bank support

As part of the renewed compact proposed in chapter 4, the Bank and its partners should ensure that African capacity development efforts are adequately and predictably financed. A first step is to ensure that the Bank's financial assistance for capacity development is scaled to the assessed and costed needs of individual country initiatives. Realistic costing of needs should be based on

Box 5.2
Building capacity-building platforms: emerging approaches to harmonization

Delivering financial assistance more efficiently and flexibly should be balanced against the need for African countries to deliver on concrete measures of progress. In balancing these concerns in their joint programs, the Bank and its partners have adopted the following approaches:

- **Direct budget support.** In Burkina Faso, Cape Verde, Ethiopia, Ghana, Tanzania, and Uganda donors have harmonized around joint budget support operations that provide annual financing to country–owned poverty reduction strategies. Several of these programs finance budgeted capacity development efforts, including those related to public sector reform and governance, sectoral investments in health, education, and water, and other capacity sensitive government initiatives. The annual review missions underpinning these programs have helped promote greater transparency of the budget process. Efforts should be made to increase the transparency of these processes to local constituencies, opening the annual progress report process to civil society; deepening legislative oversight of budget support programs; and linking support to the APRM process.
- **Sector-specific SWAps.** These SWAps coordinate support for investment and recurrent financing of sector needs and promote explicit identification and costing of sector specific capacity development needs. Coordinated donor financing of these efforts is being encouraged in some countries such as the health sector SWAps in Ghana and Malawi.
- **Multisectoral capacity building and decentralization SWAps.** SWAps for public sector capacity building in Ethiopia and Tanzania and a SWAp for decentralization in Uganda illustrate an emerging approach to building multidonor platforms. Key features of these efforts to coordinate cross-cutting public sector reform efforts include aligning investment support for the public finance and intergovernmental systems, allocating capacity building resources in accordance with clear rules of access based on explicit eligibility criteria, pooling IDA, bilateral, and government resources around a "single design," and implementing a harmonized monitoring and evaluation action plan. In some countries there is a more explicit move to condition access on achieving performance targets.

Africawide and global standards—derived from data on existing programs—from various types of capacity development programs. It is likely that the scale of these efforts will need to be enhanced in step with the overall scaling up of assistance to Africa. In addition, the scale of Bank commitments in individual countries should be determined in the context of the overall envelope of donor and domestic resources for capacity development. This will require more concerted efforts to track and monitor overall donor commitments to countries' capacity development programs. In some countries efforts to develop aid management platforms have improved the quality of data on aid commitments and disbursements. The predictability of financial flows for capacity development can be enhanced by channeling a greater portion of resources through programs rather than projects.

In addition to scaling up support, the Bank should remove disincentives to harmonizing and pooling assistance where possible. There are three sets of obstacles the Bank can remove to improve coordination.

- First, there is insufficient access to IDA grants for capacity development initiatives within IDA's country programs. Where possible, the Bank's country portfolios should prioritize capacity development—and specifically the business lines noted earlier—when allocating scarce IDA grant resources. Providing IDA grants rather than credits for capacity development would also bring IDA in line with the financing modalities of bilateral donors.
- Second, new Bank policies related to expenditure eligibility—including provisions for financing recurrent expenditures, such as civil servants' salaries—should be vigorously applied across new capacity building operations, allowing the Bank to work with other donors to finance improved incentives for civil servants along with more traditional activities such as training and organizational strengthening.
- Third, the Bank should dramatically reduce the transaction costs associated with using its resources vis-à-vis other donors. Reforms related to eligible expenditures and streamlined procedures should be applied retroactively to ongoing operations as part of a shorter term effort to get quick results from resources already committed.

Bank resources should also be committed to supporting regional capacity development initiatives by strengthening supranational institutions in Africa. The Bank should champion a program to developing the capacities of Africa's regional and pan-African institutions. By scaling up its contributions to the Development Grant Facility, IDA can channel resources through the Africa Capacity Building Foundation (ACBF) to support the supranational tier including regional bodies. Alternatively, the Bank could make grants directly to the ACBF subject to a rigorous appraisal of the institution. A key criterion for such an appraisal—and future ones—would be sharpening the focus of the Foundation's work along the lines suggested in the Mid-Term Review and recent reviews by the U.K. Department for International Development and OED. This would mean strengthening ACBF's governance arrangements to give Africans greater voice in allocative decisions, encouraging the mobilization of resources from sources other than the Bank, including African contributors, shifting to programmatic rather than ad hoc project financing of proposals, and deepening the results focus of ACBF projects and programs.

Getting organized to deliver

Delivering on this approach will require sustained leadership from Bank management, more cohesive and effective teams, and stronger internal and external partnerships. There is growing consensus within the Bank that its capacity development support remains fragmented and in some cases lacks coherence and client orientation (World Bank 2005a, 2005dc 2005f). At the corporate level the operational and anchor units need to be better organized to ensure the coherence and effectiveness of the Bank's capacity development work. Bank management will need to exercise leadership, send consistent messages, and follow through on the principles of the renewed compact, especially on sensitive issues of governance, state effectiveness, and social inclusion. Teams will need to be empowered to respond more effectively to client demands. In turn they should do a better job at generating and sharing knowledge about good practice and measuring the impact. One of the most important ingredients for success is leveraging partnerships within and outside the Bank.

Designate capacity development focal points

The first step is to strengthen the internal organization of the Bank's capacity development work by establishing Bankwide and

Africa Region focal points. In a recent OED survey of staff working on Africa, nearly a third of respondents felt that the Bank should revamp the internal organization of its capacity development work to encourage a focus on the longer term and a willingness to work across sectors. Respondents also sought greater clarity on the corporate guidelines and policies governing the Bank's approach to capacity development. Only half of respondents were satisfied with the management support they were receiving on capacity development issues (World Bank 2004a). The focal points in the anchor and operational units should not only address these pressing concerns but also provide the leadership for the Bank to deliver on its revamped strategy (box 5.3). Focal points cannot substitute for strong leadership and management, both corporate and regional.

Get the most out of the Bank by deepening internal partnerships

Supporting an updated approach to capacity development is the work of many hands inside and outside the Bank. Deepening internal partnerships between the various units of the Africa Region, the Anchors, DEC, OPCS, WBI, IFC, and MIGA is essential, spearheaded by the Bankwide and Africa focal points. The inherently multisectoral nature of client capacity needs should always take precedence over the idiosyncrasies of organizational mandates for units in the Bank. It is imperative that Bank units coordinate their work more closely to meet partner needs. For example, the dialogue on civil service and public financial management systems will require close collaboration among the Public Sector Governance, Economic Policy, and Financial Management Units within the Africa Region and their equivalents in WBI. Similarly, the Urban, Human Development, Social Development, and Public Sector Governance Units will need to work closely together to deliver high quality and timely support to countries that have launched decentralized service delivery and local government development programs. Developing the capacity of governments to foster a favorable investment climate also requires close collaboration among the Private Sector, Economic Policy, Public Sector Governance, and Legal Reform Units. Partnering between Headquarters and Country Offices is also crucial. The Africa Region and WBI should develop a much clearer idea of how they will complement each other in supporting the "effective states and engaged societies" agenda in Africa. An issue that deserves greater scrutiny is fully leveraging WBI's ability to directly engage societal actors—to promote the demand side of governance (box 5.4).

In their dialogues with clients, World Bank country teams should exploit the Bank's knowledge resources. The Africa Region will need to make better use of resources in DEC, WBI, and several anchor units, including those that focus on public sector governance, social development, urban development, and financial management. The efforts of these units should be more fully exploited for the benefits of African clients—gleaning lessons from experience (the role of various thematic groups on public sector governance, empowerment, urban development, and social accountability), benchmarking governance and institutional performance (for example, WBI's Governance Matters, PREM toolkits and indicators), and promoting knowledge sharing and learning (WBI's and PREM's range of approaches). Links between the Africa Region and MIGA and the IFC should also be emphasized, particularly as client countries deepen their efforts to promote a favorable investment climate and develop their private sectors. For example, the Human Development Group in the Africa Region coordinates closely with the IFC to ensure the success of the promising Graduate Business School Network recently launched in Ghana.

The WBI and the Africa Region should discuss a more focused WBI role in Africa. This would cover training, because skills development continues to be important, with

Box 5.3
Recommended roles of Bankwide and Africa Region focal points on capacity development

The Bankwide Focal Point should be responsible for ensuring that the Bank:

- Emerges as a center of excellence in analyzing, measuring, and sharing knowledge on capacity development issues, particularly those related to state effectiveness and societal engagement.
- Supports the development and refinement of Bankwide policies and strategies related to capacity development including issues of state effectiveness, societal engagement, empowerment, and governance at large. This will require stronger research in these areas.
- Refines and innovates its financial and analytical instruments to support distinct business lines including efforts to strengthen demand-side capacities.
- Strengthens its results focus on issues of state effectiveness and societal engagement through rigorous measurement and benchmarking of capacity development outcomes.
- Deepens its internal partnerships between the Africa Region, WBI, the Anchors, the Legal Vice Presidency, OPCS, DEC, IFC, and MIGA.
- Deepens external partnerships with bilateral and multilateral partners, international foundations, civil society, as well as communities of practice and purpose on issues of capacity development.
- Ensures that the Bank has access to the skills and competencies to addresses issues covering the nexus of governance, institutions, and capacity.

The Africa Region Focal Point should be responsible for ensuring that the Bank:

- Champions the key principles of the renewed compact in the Bank and in other forums, including as a leading member of the proposed Consultative Group on African Capacity Development.
- Supports capacity development as a key objective that balances concerns about state effectiveness with those of governance, inclusion, and accountability.
- Engages all African countries including fragile states, yet adopts an entry points approach that is tailored to greater diversity of countries on the continent.
- Adopts a coherent approach to capacity development by empowering Bank teams to work across sectoral boundaries.
- Adapts existing and new instruments in support of distinct business lines including efforts to strengthen demand-side capacities in African countries.
- Takes seriously the quality assurance of capacity development operations, including through greater reliance on independent review.
- Focuses on results through rigorous measurement of capacity development outcomes and keep the scorecard for the region.
- Ensures that internal and external partnerships are leveraged to meet the needs of African clients through Bank operations and other forms of harmonized support.

Box 5.4
WBI's comparative advantage in strengthening the demand for good governance

Based on a series of evaluations, the Task Force observed that WBI can make a difference in Africa, if it thinks carefully about being much more focused about its interventions and complementing AFR operations. Specifically, WBI could do more in areas in which Bank operations are constrained—that is, in strengthening the demand for good governance.

Pressure from the press, parliamentarians, and public is often critical to keeping governments on a reform path and to ensuring that resources and services reach the right targets. Highly engaged civil societies across the globe have played an important role in helping countries develop and sustain capacity. WBI has developed a number of products designed to stimulate multi-stakeholder dialogue, expand the communities of awareness, and build stronger demand for results.

The Global Governance Program, for example, uses data to help stimulate debate in countries about governance issues. This program has three products. First, worldwide data on six dimensions of governance—some quoted in this report—are published every two years to help countries compare their governance systems to countries across the globe. Second, action learning programs build coalitions for change and draw lessons from other parts of the world. Third, detailed country-level diagnostics and surveys (households, enterprises, and public officials) help countries develop detailed strategies for action and reform.

WBI efforts with parliamentarians, journalists, nongovernmental organizations, and other groups help them improve their knowledge of critical development issues and build stronger coalitions for change. For example, the African Parliamentarians Network Against Corruption, which grew out of seminars organized by WBI and other partners, focuses on strengthening the individual and organizational capacity of African parliamentarians to fight corruption and promote good governance. The network has been instrumental in getting new legislation passed, raising awareness, and developing peer support for parliaments and parliamentarians across Africa.

WBI also facilitates training and networking for journalists and news organizations. One WBI learning program focuses on journalistic and organizational capacity to cover economics and business. WBI awareness-raising seminars—for government officials, news organizations, and nongovernmental organizations—focus on the enabling environment for the media. These programs are founded on the premise that improving the professionalism of the press helps stimulate a stronger commitment to transparency in government and increased demand for results.

Annex 5 elaborates on these issues as well as WBI's forward-looking approach more broadly.

wholesaling as the right direction. This would also cover the dissemination of knowledge, working with such knowledge networks as the AERC. And it would cover support for the demand side of capacity, working with social actors, something the WBI has a comparative advantage in.

Enable and empower operational teams

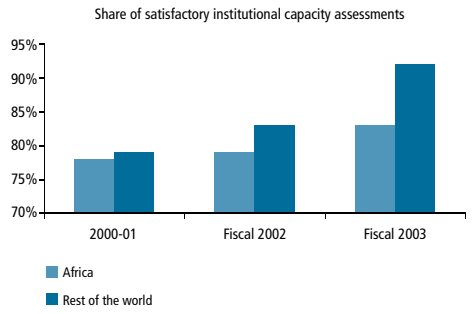
Sector and country teams in the Bank should be appropriately skilled to respond to the capacity development needs of diverse clients. It is critical to ensure that operational and central teams have the core competencies to do capacity development work—including expertise in institutional analysis, political economy sensitivities and skills, experience with Bank investment and budgetary support operations (and knowledge of OPCS's simplification agenda), and in-depth expertise in one or more subject areas related to key business lines. Particular emphasis should be placed on fostering a cadre of team leaders who possess some or all of the foregoing competencies as well as the integrative skills to coordinate multisectoral operations (World Bank 2005b). Those who provide core operational services to Bank teams—for example, financial management, procurement, disbursement, and legal specialists—should also be attuned to the current thinking on capacity development and its implications for how the Bank does business. (Not all the skills need to be assembled within the Bank's staff complement. Teams comprising some outside experts, in such areas as political science, can be put together for specific analytical work and advice. The Africa Region piloted some political analysis in a few countries in 1999–2002 under tightly supervised arrangements that appeared to work well.)

The challenge is not simply one of skills. Bank teams should also be encouraged to provide more candid assessments of the realities of governance and country systems. According to Quality At Entry Assessments between 2000 and fiscal 2003, realism of institutional analyses upstream of operations in Africa has been an emerging issue that requires attention (figure 5.5). Hardnosed analysis of constraints on state effectiveness, social engagement, and country systems is essential if the Bank is to help clients make real progress. Helping clients identify entry points implies encouraging them to make difficult choices, particularly on governance issues. Sector teams that are candid about constraints—and sensitive to the needs of clients—should be encouraged by country management. The Bank's management matrix should be more effectively exploited to achieve this balance. And to the extent that this is a culture issue, the Bank should encourage change that rewards candor and values the learning that comes from mistakes.

Empowering teams working on capacity development means adequately resourcing their work, especially during supervision. This is essential to ensure that capacity development efforts do not underperform other Bank-financed efforts. Budgeting for due diligence

Figure 5.5

Realism of institutional capacity assessments according to last three annual quality at entry assessments

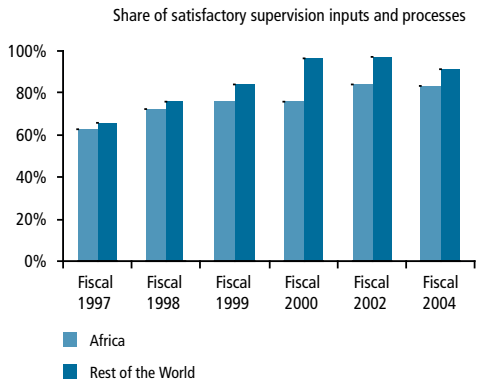


Source: World Bank Quality at Entry Assessments, Quality Assurance Group (QAG).

upstream and supervision downstream should be reviewed carefully. Quality of Supervision Assessment data reviewed by the Task Force indicate that a gap exists between Africa and other regions of the Bank in "the adequacy of supervision inputs and processes" (figure 5.6). There is need to improve supervision intensity on Africa operations in general, as well as operations related to capacity development. There may also be added value in supplementing these operational budgets with facilities for implementation support including focus on execution disciplines through Rapid Results or Quick Win initiatives, where appropriate.

Figure 5.6

Adequacy of supervision inputs and processes, according to six annual quality of supervision assessments



Source: World Bank Quality at Entry Assessments, Quality Assurance Group (QAG).

Improve guidance, raise standards, and measure results

Effectiveness is not only a matter of resources. Bank teams working on capacity development should be given better guidance and held to higher standards of responsiveness and quality. Reviews by OED suggest that the Bank has been less rigorous in its application of quality assurance processes to capacity development operations compared with other sectoral operations (World Bank 2005a). Analysis by the Task Force showed that projects that simply underwent a Quality at Entry Assessment were more likely to achieve substantial institutional development impact (see annex 4). This finding implies that capacity development outcomes can be enhanced through more extensive and more effective use of quality assurance processes. Management for the Africa Region and WBI should more systematically hold teams working on capacity development to higher standards. Raising the bar on capacity development also requires better guidance to staff. OPCS and relevant Anchors should review the numerous policies and directives on capacity issues with an eye to streamlining and clarifying the institutionwide guidance provided to operational staff. Candor in rating the risks and performance of programs should be encouraged. Team leaders and team members who invest in specific country teams for the medium to long run should be recognized and rewarded.

Raising the bar also means improving the monitoring of capacity development outcomes and their impact of poverty reduction. The development of an explicit monitoring and evaluation framework for capacity development should proceed on three fronts.

- First, as the Bank increasingly adopts a programmatic approach, portfolio monitoring systems will need to be more closely aligned with assessments of country systems and their statistical or data carrying capacities.[6] In other words, portfolio monitoring and review should be concerned not only with the performance of individual operations but also with the impact of these interventions

[6] Such assessments include Country Financial Accountability Assessments, Country Procurement Assessment Reports, HIPC Assessment and Action Plans, and CPIAs.

on the capacity of country systems as a whole.

- Second, the country level assessments such as CPIAs and HIPC Assessment and Action Plans (AAPs) should be refined and elaborated where feasible. As they are disclosed, they should increasingly serve as a basis for Bank-country dialogue, particularly in the context of poverty reduction strategy processes.
- Third, the Bank should continue to promote benchmarking practices in countries (for example, between subnational jurisdictions or ministries and agencies) and across countries (for example, using HIPC Assessment and Action Plans and CPIA data). Such benchmarking should place a premium on promoting healthy competition on key aspects of capacity development.

Reach out to partners outside the Bank

Working with external partners, critical to the success of the compact, should be given high priority. The Bank's expertise and resources, while considerable, are limited. It is hard to overemphasize the importance of opening the doors of the Bank's capacity development efforts to achieve better results on the ground. And the Bank should acknowledge, plan for, and be fully prepared to absorb the administrative, transaction, and human resource costs of such an approach. Its payoff in terms of how African states evolve in their relationship to their societies promises to be significant and long-lasting. To support the "effective states-engaged societies" agenda, the Bank should forge links and deepen partnerships with:

- Bilateral and multilateral donor agencies and African regional bodies.
- International foundations and institutions of higher learning.
- Communities of practice and communities of purpose.
- Africa's best and brightest.

Bilateral and multilateral donor agencies, and African regional bodies, are the Bank's natural allies in scaling up a collaborative approach to capacity development. The growing body of good practice approaches to harmonization should provide the basis for deepening donor partnerships in support of country-led efforts in Africa. At the corporate level, it will be important for the Bank to deepen partnerships around the "effective states-engaged societies" agenda, through such fora as OECD-DAC and Strategic Partnership for Africa. Equally important is forging closer links with donor agencies that have a comparative advantage in areas where the Bank's work would benefit from like-minded partners, such as public financial management and tax systems reforms, or in areas where the Bank's experience is arguably limited, such as empowerment and justice systems reform. African regional bodies—including AU, ACBF, UNECA, NEPAD, and the regional economic communities—also serve as important intergovernmental institutions that can help lead members of aid consortia on issues of regional or subregional concern (for example, peace building and conflict resolution in hotspots and provision of regional public goods, such as water resource management). While partnerships between the Bank and these institutions will be critical for the success of the compact on capacity development, it is important to look to what may be considered nontraditional allies in the effort to develop and sustain capacity in Africa.

The Bank should move quickly to expand partnerships with international foundations and institutions of higher learning. The focus should be on those with established track records in promoting tertiary education and knowledge and research networks. Equally important are foundations devoted to improving health status in poor countries, encouraging the use of information technologies, and promoting transparent and democratic governance. All these should be seen as important allies in furthering the objectives of the compact—and improving the Bank's knowledge of what works.

Communities of practice and communities of purpose can be tapped to support efforts at the country and regional levels. Professional networks of certified accountants and auditors, city managers, and academics form international communities of practice in which a growing number of Africans have a stake. Efforts by the Bank's Africa Region and WBI to facilitate access of African professionals to relevant networks on the continent and abroad are a key investment the benefits of which are hard to underestimate. To the extent that the Bank can promote unmediated interactions between Africa' private, public, and civil society leaders with their counterparts in Asia, Latin America, the Caribbean, and Eastern Europe, it bodes well for encouraging international best practices in various fields on the continent. Communities of purpose, including civil society networks inside and outside Africa—devoted to such particular causes as fighting HIV/AIDS, promoting human rights, resolving conflict, and protecting the environment—are among the Bank's most effective yet underexploited allies in helping clients tackle the pressing problems of capacity depletion. Single and multipurpose networks across the world should be carefully yet systematically engaged whenever and wherever they can constructively help governments, private firms, and citizens improve service delivery, empowerment, and growth.

The talents of Africa's best and brightest, at home and abroad, should be actively enlisted. The Bank has no more important partners in its capacity development efforts than Africans themselves. There is much the Bank can do to encourage countries to fully exploit the talents of such persons by encouraging the involvement of diaspora in technical aspects of development projects and programs, fostering dialogue on critical issues of public concern, and highlighting the important financial and related contributions of Africans abroad in the continent's development.

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BUILDING EFFECTIVE STATES FORGING ENGAGED SOCIETIES

ANNEXES

Report of the World Bank Task Force on Capacity Development in Africa

SEPTEMBER 2005

Contents

Acronyms

AAA	Analytical and Advisory Activities
AAP	Assessment and Action Plans
ACBF	African Capacity Building Foundation
ADB	Asian Development Bank
ADR	Alternative Dispute Resolution
AERC	African Economic Research Consortium
AfDB	African Development Bank
AFR	Africa Region
AFUR	African Forum for Utility Regulators
APF	African Partnership Forum
APRM	African Peer Review Mechanism
AU	African Union
CAPSE	Capacity Stocktaking Evaluation
CAS	Country Assistance Strategy
CB	Capacity Building
CD	Capacity Development
CE	Capacity Enhancement
CEFOC	Centre de Formation Continue
CIDA	Canadian International Development Agency
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DEC	Development Economics
DfID	UK Department for International Development
ECA	Economic Commission for Africa
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
ESAMI	Eastern and Southern African Management Institute
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
GAC	Governance and Anti-Corruption
GIMPA	Ghana Institute of Management & Public Adminstration
HIPC	Heavily Indebted Poor Countries
HIV-MAP	HIV Multi-sectoral AIDS Program
HRD	Human Resource Development
ICADS	Institutional Capacity Analysis and Development System
ICR	Implementation Completion Report
IDA	International Development Association
IDI	Institutional Development Impact
IFC	International Finance Corporation
IMF	International Monetary Fund
IOM	International Organization for Migration
IPC	Implementing Policy Change
LEGAF	Africa Division, Legal Department
LGRP	Local Government Reform Program
LICUS	Low Income Countries Under Stress
M&E	Monitoring and Evaluation
MASAF	Malawi Social Action Fund
MDG	Millennium Development Goals
MEFMI	Macro Economic and Financial Management Institute
MIDA	Migration for Development of Africa
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
ODA	Overseas Development Assistance
OECD–DAC	Organization for Economic Co-operation and Development–Development Assistance Committee
OED	Operations Evaluation Department
OPCS	Operational Policies and Country Services
PACT	Partnership for Capacity Building in Africa
PFM	Public Financial Management
PGDI	Governance and Institutional Development Project
PIU	Project Implementation Unit
PPI	Private Participation in Infrastructure
PPIAF	Public-Private Infrastructure Advisory Facility
PREM	Poverty Reduction and Economic Management
PRS	Poverty Reduction Strategy

PSCAP	Public Sector Capacity Building Program
PSD	Private Sector Development
PSRP	Public Service Reform Program
QAG	Quality Assurance Group
QEA	Quality at Entry
QSA	Quality of Supervision
ROACH	Results Oriented Approach to Capacity Change
RQAN	Return and Reintegration of Qualified African National
SADC	Southern African Development Community
SAEN	Southern African Enterprise Network
SPA	Strategic Partnership for Africa
SWAPs	Sector Wide Approaches
SWOT	Strength, weakness, opportunity, and threat
TA	Technical Assistance
TAL	Technical Assistance Loan
TC	Technical Cooperation
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WAIFEM	West African Institute for Financial and Economic Management
WBI	World Bank Institute
WBIEG	World Bank Institute Evaluations Group
WDI	World Development Indicators
WHO	World Health Organization

Annex 1. Task Force Consultations

This annex summarizes the process and key messages that have emerged from the consultations undertaken by the Task Force between November 2004 and September 2005.[1]

Consultation Process

Critical to the Partnership for Capacity Building in Africa (PACT) preparation process a decade ago was the importance of ensuring the ownership of those who are and those who will be actively engaged in capacity building and development efforts in Africa. A key element of this work was to listen to and learn from the capacity development experience of African governments, organizations, and stakeholders. Building on the PACT example, the Task Force built into its working arrangements a participatory process both within the Bank, anchored in the operational units of the Africa Region and the World Bank Institute (WBI), and with interested African clients (through the African Executive Directors and the Governors they represent), regional African institutions, the broad array of multilateral and bilateral agencies, and foundations involved in supporting capacity development on the continent.

Consultations took place in the form of meetings, field visits, virtual exchanges, workshops, and written submissions. At various stages, the consultations were informed by the Concept Note and by the Progress and Final Reports.

Consultations within the World Bank

The internal consultation process was launched with an initial brainstorming session in late November 2004, with senior managers from the Africa Region, WBI, the International Finance Corporation (IFC), and Poverty Reduction and Economic Management (PREM), as well as the African Executive Directors. Subsequently, several meetings were held with senior managers and relevant staff within the Africa Region and WBI in order to build on the operational experience in supporting capacity development. In keeping with the need to build ownership among operational units, the consultation process was deepened by engaging country directors, sector managers, and their staff in the Africa Region through structured interviews, virtual discussions, and focus groups meetings.

In addition, feedback was sought through focused team meetings with the Public Sector Anchor in PREM, the Operations Evaluation Department (OED), Private Sector Development (PSD), Operational Policies and Country Services (OPCS), Development Economics (DEC), Human Resources Department (HRD), the Africa Division, Legal Department (LEGAF), IFC, and the Multilateral Investment Guarantee Agency (MIGA), among others, to enrich the current Bank-wide thinking on capacity building and institutional development, and to inform the Task Force of recent developments in the Bank's policies and instruments that may have implications for how capacity building efforts are supported in the future.

Formal reviews have been undertaken with the senior management of the Africa Region and WBI, and guidance has been sought from the Executive Director's Offices and the President's Offices.

External consultations

Of particular importance to the Task Force was ensuring that sufficient attention was given to the **African voice** as well as the voices of

1 Reports of the various consultations events are available at the Task Force's website: **http://www.worldbank.org/afr/acdtf**.

Africa's myriad development partners. To kick off the consultation process, videoconferences were held between the Task Force and the UN Economic Commission for Africa (UNECA), the African Capacity Building Foundation (ACBF), and the United Nations Development Programme (UNDP). The videoconferences were structured as informal and introductory exchanges between members of the Task Force and senior management and staff of these institutions. Early consultations were initiated and **focal points** established with leading African and multilateral partners such as the African Development Bank (AfDB), UNECA, ACBF, the African Union (AU), the New Partnership for Africa's Development (NEPAD), UNDP, IMF, and IFC in order to maintain regular exchanges and feedback.

In addition, **an Advisory Group** was constituted to ensure that the Task Force benefited from real-time consultation with senior Bank managers and multilateral partners. The Advisory Group comprised key senior managers and experts from the Bank, including sector managers and country directors from the Africa Region and WBI to ensure that the work of the Task Force is rooted in the units that ultimately will be expected to implement its findings. The Advisory Group also included representatives from the offices of the African Executive Directors of the World Bank, and representatives from the IFC, IMF, and UNDP.

Regular discussions with the Advisory Group were supplemented by the consultations with African institutions, the leadership in select African countries, bilateral agencies, and leading thinkers on the topic of capacity development.

Within Africa visits were completed to the AfDB, AU, NEPAD/Africa Peer Review Mechanism (APRM), UNECA, IFC Africa regional office, and the Governments of Botswana, Ethiopia, South Africa, and Tanzania.

A joint workshop with AfDB and UNECA was held in Addis Ababa on February 24–25, 2005 with more than 60 participants from African governments, regional and subregional organizations, think tanks, civil society, the private sector, the UNDP, and the IMF. The objective was to seek substantive feedback and contributions on the Concept Note from African institutions such as UNECA, AfDB, ACBF, AU, and NEPAD; regional economic communities such as the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), and the Common Market for Eastern and Southern Africa (COMESA); regional African research networks, universities, and training institutions such as the African Economic Research Consortium (AERC), Macro Economic and Financial Management Institute (MEFMI), West African Institute for Financial and Economic Management (WAIFEM), Ghana Institute of Management & Public Adminstration (GIMPA), and the Eastern and Southern African Management Institute (ESAMI); and stakeholders and capacity development practitioners from selected countries.

A high-level meeting was held with the **African Governors** and African Executive Directors during the 2005 spring meetings in Washington, D.C. on April 17, 2005. The key issues of the Progress Report raised at this meeting stressed among other things the importance of leadership and ownership on the part of African countries, the value of renewing the Compact on Capacity Development based on principles of country ownership and good donorship, and the special role and responsibility of the Bank in "walking the talk" on improving the efficiency and effectiveness of assistance in this important area. The highly interactive discussion generated considerable interest from several African Governors who promised to further deepen the dialogue on capacity development in Africa. To this end, on July 29, 2005, the Task Force attended the African Caucus in Ouagadougou, where members shared the main messages emerging from their work to more than 60 participants, with about 15 African finance ministers commenting on the key issues of capacity development.

On September 12 and 15, 2005, the Task Force held another round of consultations with participants from selected anglophone and francophone countries respectively, using the WBI's Global Development Learning Network (GDLN) videoconference facilities. The purpose of these series of consultations was to receive feedback and inputs on the draft report's findings and recommendations. The anglophone segment linked Ethiopia, Ghana, Nigeria, South Africa, and Tanzania, with other participants joining from Botswana, Namibia, and Zimbabwe. The francophone segment linked Burkina Faso, Madagascar, Rwanda, and Senegal with participants from Mauritius. The two days of dialogue were enriched by contributions from more than 60 participants from African governments, private sector, civil society, think tanks, regional and subregional organizations, (including the ACBF, ECOWAS, WAIFEM, and MEFMI), UNECA, and UNDP and were linked with the members of the Task Force in Washington, D.C.

In addition, consultations have been undertaken with bilateral partners through the forum of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), multilateral agencies including UNDP, and leading foundations such as the Ford and Rockefeller foundations. Members of the Task Force attended a workshop with bilateral and multilateral donors in Paris on January 26, 2005, and two meetings have been held with OECD-DAC in Washington, D.C. Visits have been completed in New York with UNDP and the Partnership for Higher Education (Rockefeller Foundation, Ford Foundation, MacArthur Foundation, Carnegie Corporation, and Hunter College).

Other forms of the consultation process included electronic discussions with the constituencies mentioned above, with particular emphasis on African stakeholders. Written submissions were received in response to the Concept Note, Progress Reports, and Final Report.

Summary of key messages from the consultations

Tone, approach, and timeliness

Generally, the Task Force's **signature idea** of "effective states and engaged societies" was accepted, with the focus on the **efficiency and effectiveness** of the state and supporting cast highly welcomed.

The starting question, "capacity building for what?" was widely acknowledged as providing the basis for a much more operational definition of capacity development that reinforces the larger strategic objectives of the World Bank in Africa—that is, promoting shared growth through governance improvements that foster a favorable investment climate; helping countries achieve the Millennium Development Goals (MDGs) through improved service delivery, and reversing the brain drain by deepening and consolidating the human resource base (including through investments in secondary and tertiary education).

Overall, the Task Force's **approach**, based on a review of country and sectoral experiences, as well as its focus on how the World Bank does its business, and its consultations with African partners and the donor community were noted to be appropriate.

Early consultations with African partners and donor community on the Concept Note confirmed the **timeliness** of this initiative. There was clear acceptance that capacity remains a binding constraint on development and poverty reduction, despite concerted efforts by a number of African countries and donors. The work of the Task Force was noted to resonate with the changing context and new opportunities (the key priorities of the Poverty Reduction Strategy Paper [PRSP] era—client ownership, strategic selectivity, aid effectiveness, and results orientation) and with related high-level forums and the current donor focus on Africa, such as the Blair Commission,

the Sachs report on the UN Millennium Task Force, and increases in official development assistance ("ODA ++").

However, during subsequent consultations many participants felt that capacity—while critical to Africa's development—is only one of several important issues that need to be addressed.

African voice, leadership capacity, and ownership

The centrality of **country ownership** was clearly stated. Capacity development is a long-term process, and is, above all, a **country-centered** course of action that builds on strong leadership with clear visions and strategies as well as on existing capacities, assets, and systems. As with the effectiveness of overall development assistance, African ownership, local championship, commitment, and strong leadership were seen in this paradigm as prerequisites for sustainable capacity development.

On **leadership capacity,** discussants recognized the need for African leaders to possess skills beyond formal training. Elected officials should acquire training in areas that will enable them to deliver on their mandate, particularly in articulating visions and strategies and building national consensus for the visions and strategies.

It was stressed throughout that for capacity-building interventions to be nationally owned they must include not only ownership of programs and content, but also of **design and priority** setting. Operationally, country ownership should be reinforced by the Bank through the **Country Assistance Strategy** (CAS) process (and related country-level programming efforts). One way of achieving this would be to involve nationals in the diagnosis of capacity-building gaps during the CAS process.

It was recognized that there are now **better prospects** for resolving conflicts and establishing lasting peace and security in many parts of Africa, supported by the AU's mitigating role. Furthermore the advent of NEPAD as a regional aspiration for responsible government underlines both the timely opportunity and the urgent challenge to improve state effectiveness in Africa.

State capacity development

Across the board, **state capacity building** was seen as a high priority in the African capacity development agenda, with emphasis on the importance of developing the capacity of state institutions and specifically public sector organizations that perform key functions of economic management, service delivery, and regulation. It was pointed out that **political and economic governance**, including the rule of law and the accountability and transparency of the executive, the legislature, and the judiciary, provides a crucial framework for capacity development. All these it was agreed could be achieved only by an **effective state.**

While it was noted that some African countries have made progress towards **effective statehood**, the laggards, other wise known as fragile states, still face considerable capacity development challenges.

The issue of **capacity retention**, particularly in the context of the **brain drain and globalization,** was considered critical and flagged as perhaps the most pressing issue throughout the discussions and written submissions. Even as we talk about developing new capacities, African states need to work to retain existing capacity, which has steadily vanished in many countries. It was noted that African countries need a labor market and general governance and living conditions that are attractive to their professionals, to encourage retention and attract the diaspora back. In this regard, a longer term sequenced approach should be welcomed. For example, there were suggestions on establishing a "brain pool" of internationally based Africans that can be tapped to assist on African issues and

programs; making pay and work environment attractive for the retention of talent.

Cross-cutting capacity development

Public sector reform was seen as still very important on the capacity development agenda of African countries. The role of incentives—monetary and nonmonetary—was noted to be critical: capacity develops and takes root where incentives are favorable and dwindles or drains where they are perverse. Incentives also sustain the supply, utilization, and retention of national capacity, as when pay policies reward highly skilled professionals for remaining in the African public sector and the enabling environment for private investment harnesses domestic entrepreneurial skills, rather than adding to brain drain.

With regard to **public sector reforms**, it was suggested that there is need for mainstreaming programs of capacity building to existing programs and institutions.

Capacity to develop capacity

On issues of **higher education**, "building the capacity of capacity builders" was clearly stated to be of critical importance. There was general agreement that the Renewed Compact would need to include a plan of action for expanding tertiary education, knowledge networks, and communities of practice. Education should be linked to the requirements of the economy. Specifically, these institutions need to prepare people who are not only literate but also skillful, and respond to labor markets. An example cited was the IFC business education based in Ghana.

It was pointed out that the link between primary education and tertiary education is inevitable and clear, and therefore both should be given comparable attention.

The need to strengthen the knowledge economy in Africa was stressed, particularly with regard to research and access to information.

It was pointed out that **universities** in Africa have undergone a prolonged crisis of mission, vision, and identity. Both the technical and nontechnical capacities (including institution and corporate governance) need to be strengthened. A proposal was put forth to establish a regional African university that will serve as both a center for academic excellence and a basis for establishing strong professional networks among graduates from various African countries.

Participation and societal engagement

It was emphasized that the recommendations be put concretely on the **two pillars** of the **state and society**. A central element of this consensus is that effective states require engaged societies that demand change as well as **shared growth**, requiring capacity development not only in the public sector, but also in the private sector and civil society.

Many noted that the focus on the development of a **capable and participatory state**, with the involvement of civil society and the private sector in holding the state accountable for its functions and contributing to the provision of public goods and services, was crucial. However, it was noted that **societal engagement** should not be limited to elites but should include the masses at the grassroots, if **shared growth and poverty reduction are to be achieved**.

Key elements within **domestic accountability** systems, such as **parliamentary committees** and interest and consumer groups were noted to form the basis for durable demand for good government and effective states. Lessons drawn from such demand-side efforts, including training of members of parliament, should inform the recommendations.

A call was made to consider the **youth** in capacity-building efforts in Africa. The intergenerational capacity transfer to youth is essential. Special attention should be paid to developing adequate curricula for them, including leadership and organizational skills. In addition to training, it was noted that coaching and mentoring are also critical.

It was pointed out that while the demographic context speaks for itself, there are also commitments that necessitate addressing the question of **gender**. The challenge of engendering capacity development has to be addressed urgently. Creativity and determination need to be applied in factoring the gender dimension into capacity-building efforts in African countries, with particular focus on rural women, given their critical role in contributing to poverty reduction.

The importance of the **private sector** was also emphasized throughout the discussions and written submissions. The private sector faces many bottlenecks that limit its role in Africa's development. The state particularly has failed to provide basic services, an enabling environment, effective partnerships, and facilities to the private sector. States should, therefore, overcome this situation by promoting good economic governance, developing genuine partnership with the private sector in the provision of public services and other activities.

Regional institutions and economic communities

The consultations frequently reinforced the importance of building the capacity of regional and subregional bodies in Africa, to encourage **peer learning and coordination** between states, provision of regional public goods, and economic integration. Developing capacity—particularly in institutions such as the AU, NEPAD, APRM, and regional economic communities—would represent yet another step toward enabling Africans to take the lead in formulating and pursuing collective solutions to the continent's most pressing problems.

It was recognized that these regional bodies had been **underfunded**. There is need for clear indication on the funding levels needed to bolster regional capacity through support of regional institutions such as the ACBF. Also cited was the need for capacity 'above' the state—to provide public goods such as security and to ensure a stronger African voice in international contexts such as World Trade Organization (WTO) negotiations—and 'below' the state—to provide public services effectively and to facilitate social engagement.

Donor practices

On the question of donor practices, there was a general call for the need to explicitly address the **power relationship** between aid-dependent countries and the donor. The need for real partnerships and African ownership was repeatedly stressed. Often country-owned homegrown strategies are not fully accepted in part because African countries are not able to negotiate effectively with donors, who have various requirements in order to approve financing arrangements.

The most critical issue in this regard, cited forcefully by many, was that of **Technical Assistance** especially the large share that goes back to donor-country agents (percentages mentioned ranged from 40 to 90) and the underutilization of African talent. Some ideas were floated about setting targets or thresholds for the share of **Technical Assistance or Overseas Development Assistance** going back to donors and to establish rules comparable to local procurement rules.

The importance of pooling resources through improved donor alignment was stressed. It was suggested that there should be a common framework for reporting and evaluating aid projects and capacity-building initiatives. The **2005 Paris Declaration** is explicit on this issue and other key issues of donor coordination. Tanzania was cited often as an example of good practice from which other African countries could draw useful lessons.

Implementation

Reflecting Africa's **diversity** at subnational, national, subregional, and regional levels, it was accepted that there can be no blueprints or "one size fits all" solutions. To be successful, capacity development needs to take place among individuals, organizations, and institutions, reaching from communities and local governments to states and regional organizations. An **entry points approach** incorporating the need to **fit good practice to country context** should be adopted.

Emphasis on **using country systems** more effectively and the move toward more programmatic form of aid were highly welcomed.

On the whole there was strong criticism of the use of capacity-depleting practices such as **Project Implementation Units (PIUs) and use of foreign consultants**. Though there was a general call for the elimination of such practices, nevertheless, it was acknowledged that in many countries PIUs should be phased out in a manner that balances the short-term priority of delivering assistance efficiently with the medium-term objective of strengthening country (and specifically government) systems.

Identified gaps

While it was widely recognized that it was not possible for the Task Force to have all the answers to every aspect of capacity development in Africa, some issues were identified as underrepresented in the work: the **information, communication, and technology (ICT)** gap, the need to **better manage risks** to improve the investment climate in Africa.

Annex 2. Literature review

Introduction and Methodology

The Africa Capacity Development Task Force commissioned a literature review to assess the current scope of thinking and activity on capacity and institutional issues in the development community. Key outputs of this literature review are a matrix (the Capacity Development Literature Review Matrix) summarizing approximately 150 documents–analytic and operational—in 13 key thematic areas, and this annex, which contains a discussion of the principal ideas, approaches, and emerging consensus in each of these areas. The CD Literature Review Matrix (draft) is available on our website.

The methodology adopted for this review involved extensive electronic searches of databases, library resources, in-house donor and other organizational websites, interviews with staff, and analysis of approximately 150 documents on capacity development and institutional assessment. Selection of the 150 documents were based on representation from and sampling of:

- Diverse donor and practitioner organizations
- Relevant thematic areas
- Examples from different developing countries, with a focus on Africa
- Economic and social sectors
- The entire project cycle—project preparation, supervision, and evaluation activities
- Design, monitoring, and evaluation methodologies in capacity development interventions, as available.

Clarification of concepts: emerging definition of capacity development

The old paradigm: capacity as skills, training, and technical assistance

Literature from the 1970s and 1980s generally refers to "capacity" as "staff skills" and "human resource development" (HRD). Capacity development was traditionally perceived as acquisition of specific skills and competencies by staff in private and public sectors. In the past, the term "capacity building" (and, to a lesser degree, "capacity enhancement" and "capacity development") was used to mean development of staff capacity. As a result, the key inputs in capacity development were considered to be training and technical assistance involving transfer of technology, knowledge—often from developed countries to developing countries—and acquisition of specific staff competencies. The assumption was that if staff had core and support business competencies their productivity would rise and organizational goals would be met.

The overall volume of technical cooperation (training, technical assistance, and equipment) provided to all developing countries has grown. Total bilateral aid by way of technical assistance and training averaged US$13–14 billion per year since 1997.[2] In 2004, when ODA hit the highest levels in history, technical cooperation is estimated to have reached US$20 billion, with approximately US$5–8 billion annually to Africa. The literature, especially in the 1970s and 1980s, did not distinguish between capacity and technical assistance. It is only in the mid to late 1990s

2 Gareth Williams, Stephen Jones, Val Imber, and Astrid Cox, *A Vision for the Future of Technical Assistance in the International Development System*, Oxford Policy Management, 2003. Note that the main source of data used in this study is the Development Assistance Committee (DAC) of the OECD. The DAC figures are restricted to bilateral donors. The authors note that no separate reporting of technical assistance by multilateral organizations could be found. The authors make the following helpful methodological clarification: "Bilateral donors make large contributions to core budgets and trust funds operated by multilateral organizations, which are then used to fund technical assistance programs. It is not clear how these transfers are accounted for in the data. Another problem with the DAC statistics is that they are not well adapted to new aid modalities, such as budget support." It is also useful to note in this context that these data generally refer to free-standing technical assistance and may significantly underreport technical assistance in investment projects. On balance it would be fair to surmise that these data probably approach an approximation, and are likely to be less than actual amounts flowing to developing countries as technical assistance annually.

that we see capacity development emerging as a separate concept and its advocates started distinguishing the process of building capacity from that of providing technical assistance. One useful distinction is found in the World Bank's 2003 OPCS Capacity Stocktaking Evaluation (CAPSE):

> It is important to distinguish between capacity building and technical assistance, which have often been used interchangeably but are actually quite different concepts. Technical assistance is an important capacity-building instrument. It is the transfer, adaptation, mobilization, and use of services, skills, knowledge, and technology that can be used to help borrowers strengthen their policy, institutional, and human capacity. Not all technical assistance, however, is for capacity building. In substitution technical assistance, for example, consultants and advisers fill short-term gaps when local capacities are insufficient in which no knowledge or skills are transferred. An example of substitution technical assistance would be the use of expatriate irrigation engineers to help design an investment project to be implemented by local people. Similarly, not all capacity building is provided through technical assistance. The key difference between technical assistance and capacity building is that some forms of technical assistance are doing the work for partner countries while capacity building is always about teaching and training partner countries to do the work themselves.[3]

Limitations of the narrow concept of capacity

Despite the impressive growth of technical assistance in the past three to four decades, the impact of such assistance on national capacity is unclear. The literature is replete with criticisms of technical assistance—in terms of both efficiency and overall impact on the development process. The following five critiques are indicative of the dissatisfaction among donors and practitioners alike of technical assistance as an aid modality:

> [T]he vast bulk of technical experts and expertise at present provided by the UN and the donor system have outlived their usefulness… The time has come to rethink the purpose of aid and technical assistance within the UN system.[4]

> [A]lmost everyone acknowledges the ineffectiveness of technical cooperation in what is or what should be its major objective: achievement of greater self-reliance in the recipient countries by building institutions and strengthening local capacities in national economic management.[5]

> The literature on technical assistance displays a considerable consensus on the problems of technical assistance as practiced by donors over the past 50 years, and a strongly negative overall assessment despite some successes. The central issue is that technical assistance has been used as an instrument of donor policy that is disconnected from recipient country demand and market principles.[6]

> Where technical assistance has been used to fill the gaps in skills needed to manage Bank-funded projects, it has had little impact on strengthening client capacity. Technical assistance has been effective when used for a discrete and well defined technical task and in the context of a clear technical assistance strategy that includes a phase-out plan.[7]

> A central criticism raised is the tendency of technical assistance to bypass developing country capacity weaknesses rather than contribute to alleviating them, most often by filling in expertise gaps with outsiders to address immediate needs in the short term.[8]

The literature on why technical assistance has not worked is extensive and there appears to be a fair amount of consensus regarding the reasons for the failure of technical assistance to improve national capacity in developing countries. The reasoning points to several issues that characterize ODA in general. First, recipient ownership of technical assistance is weak; it is donor driven. Second, the nature of tied aid is often supply driven, with the recipient government giving a passive "no objection" to the donor's offer of technical as-

3 *Taking Stock of Bank Assistance for Capacity Building,* OPCS, World Bank, 2003 at p. 2.
4 R. Jolly, "A Future for UN Aid and Technical Assistance," *Development* vol. 4 (1989).
5 Eliot Berg, *Rethinking Technical Cooperation,* UNDP, New York, (1993) at p. 244.
6 See note 1.
7 *OED Review of Bank Support for Capacity Building in Africa,* OED, Report No. 31639, World Bank, 2005.
8 Derick W. Brinkerhoff, "Enhancing Capacity for Strategic Management of Policy Implementation in Developing Countries," IPC Monograph No. 1, USAID, 1996 at p. 8.

sistance rather than proactively seeking it and procuring it themselves. Third, the Project Implementation Unit (PIU) modality appears to have had a detrimental impact on developing national capacity in overall terms across regions and sectors. As a result, technical assistance "has proven to be totally inadequate as a means to tackle deep-seated institutional and governance problems in unstable and politicized environments."[9]

The new analytical framework for capacity development

As noted above, review of the literature prior to 1990 yields mostly references to technical assistance and typically not to building capacity at the organizational or national level but rather to completion of specific tasks. A large portion of the technical assistance in the 1970s is in connection with training PIU staff and relates to human resource development. In the 1980s, the literature reflects a growing awareness of and concern with organizational effectiveness, especially restructuring and unbundling of public sector entities and their capacity to deliver services. It was not until the early 1990s that donor and analytic literature started reflecting dissatisfaction with low capacity and institutional gains of the past decades, and growing awareness of the need to address capacity at all three levels in a systematic manner. Box 1 tracks the evolution of capacity development among donors, developing countries, and practitioners in the past four decades.

In terms of concept development, much of the work in building the model that is currently in use involves analysis of capacity at the individual, organizational, and institutional levels. The key elements of the model highlight the following:

- The distinction between capacity development and human resource development (HRD): Capacity is not simply the capacity of individuals to do specific tasks, and thus it is not limited to training and technical assistance.
- The organizational links: The key issue is the capacity of organizations to deliver outputs and outcomes. Organizational capacity is inextricably linked to the capacity of individuals who work in the organization, as well as to the institutional framework within which the entity functions—the broader legal, policy, and regulatory environment.
- The institutional context: The organization is the central entry point for inquiry and analysis, with the understanding that organizations do not operate in a vacuum, and the rules of the game must be well calibrated to support the organization in its ability to deliver on its mandate.

Perhaps the most important contribution of this analytical model was the link between the three levels. Prior to this agencies had undertaken analyses of human resources, organizations, and sector policies on an ad hoc basis and separately.

As the concept of national capacity development has emerged, so have variations in terms of definitions. The most important issue in this regard is that there appears to be significant donor consensus around the term "capacity development," rather than either "capacity building" or "capacity enhancement." According to the emerging consensus reflected in the literature, the term "capacity development" best captures the national and indigenous roots of the phenomenon wherein the goal is to help develop national capacity at individual, organizational and intitutional levels.

Implementing the new concept of capacity

Donor activity in implementing the new concept of capacity

The commonality among all donors—bilateral and multilateral—is that capacity development is now significantly on the agenda both in

9 *Id* at p. 7.

terms of formulating specific interventions and in terms of the manner in which development business is conducted. The literature, however, does not have much by way of actual evidence of capacity development projects and the impact of such projects on national government capacity in developing countries. Aside from concept formulation work done by the UNDP, the Canadian International Development Agency (CIDA), the Danish International Development Agency (DANIDA), and others, the capacity literature at this point falls into the following categories:

- **Advocacy**: There is a vast amount of literature from the 1990s that argues for a shift in how projects should be designed and issues pertaining to development effectiveness: mainly arguing for untied technical assistance and general budget support, among others.
- **Stocktaking exercises**: Several multilaterals–notably the World Bank and the Asian Development Bank (ADB)—and most bilaterals have undertaken significant stocktaking exercises in regard to technical assistance, development effectiveness, the conduct of development business, and types of modalities that incorporate an institutional development focus–many for the first time. These reports also provide guidance on how organizations may mainstream capacity development into their programs and projects, including enabling task teams to think strategically about capacity and institutional issues.
- **Program approach to national capacity development**: The UNDP and CIDA, among others, have adopted the program approach to capacity development, whereby efforts are focused on enabling governments at all levels to define priorities, generate plans, design interventions, and undertake implementation entirely executed by country nationals.
- **Evolving role of the state**: The World Bank has taken a leading role in examining the broader institutional aspects of capacity development by examining the nature, functions, and role of the modern state in developing countries. Particularly useful in this respect is the Bank's dialogue with client governments regarding the changing nature of government from sole provider of public goods to facilitator, regulator, and catalyst in terms of providing an enabling environment wherein diverse players can provide services while the government ensures that rules are clear and transparent, and that the distribution of public goods is both efficient and equitable.
- **Focused capacity development interventions**: The literature reveals a dearth of specific examples of projects that have a capacity development component or where the entire or principal focus is on capacity development. Reports on stocktaking exercises note that standalone technical assistance projects (such as World Bank Technical Assistance Loans TALs) and research (such as World Bank Economic and Sector Work ESW) are a specific modality that is conducive to building capacity. However, the approach in the past three decades has been expatriate-centric technical assistance that has not elevated national capacity significantly, capacity development components in other projects are almost impossible to quantify, and projects using the new capacity development framework are few and very recent.
- **Focused capacity development impact evaluations**: Literature from the ADB is noteworthy in that it is the only multilateral that has undertaken systematic impact evaluations on a country basis for capacity and institutional issues and has a robust body of materials in this area for each of their partner countries.

Implications for Africa

A principal focus of donors, researchers, and development practitioners in Africa has been to better understand what types of organizational, institutional, and leadership capacity are needed to support good governance. As noted throughout this report, the evidence of donor work and its direct impact on state and non-state capacity in Africa is sparse. Due to the manner in which development projects are coded, tabulated, and evaluated, measurement of human, organizational,

Box 1
Evolution of capacity development in the past four decades

1970s: In the 1960s and 1970s, attempts at capacity development focused on the individual, providing training and skills, tools, and equipment for individuals in key positions. By the late 1970s it was recognized that this had limited impact on capacity.

1980s: In the 1980s, the focus shifted to the role of the organization. Understanding of capacity development moved from a focus on individual skills and competencies to a focus on restructuring and redesigning organizations. Changes were made to systems for policy making, systems for human resources and financial management, and the way in which services were delivered.

1990s: In the 1990s it was recognized that organizations evolve through time, both organically, as personalities change and as new technology drives changes in systems, and through managed and directed processes. Such changes may involve redesigning structures and changing responsibilities and management systems.

Milestones:
1990: The Human Development Report signals UNDP's return to the global debate on development cooperation.
1992: The DAC agrees on principles of effective aid.
1993: Rethinking Technical Cooperation, a concept paper on a coordinated UNDP strategy for capacity development, appears.
1994: The UNDP Global Meeting at Rye emphasized the importance of UNDP taking a leadership role in capacity development.
1995: The UNDP Capacity Development Retreat in New York recommended the move from a UNDP definition of capacity development to that of a national definition.
1996: The OECD DAC Declaration "Shaping the 21st Century" played a vital role in defining features of a new paradigm in development cooperation.
1997: The World Development Report of the World Bank Group focused on the role of the state, capacity and institutional development
1999: The DAC Criteria for Donor Agencies Self-Assessment in Capacity Development provides tools for donors to asses how their policies contribute to capacity development.
2000: The World Bank Public Sector Governance Strategy Paper appears.
2003: The Rome Declaration on Alignment and Harmonization saw an increased emphasis on increasing country ownership and leadership.
2005: The Paris Declaration signaled a resolve to aid capacity development to achieve the MDGs. The declaration on aid effectiveness laid special emphasis on ownership, harmonization, alignment, results, and mutual accountability among donors, aid recipients, and other partner institutions as indicators of progress. These would be measured nationally and monitored internationally. An important shift was toward results-oriented frameworks and mutual accountability. Capacity development approaches are to be monitored by measuring the percentage of donor programs for capacity development that are harmonized or pooled.

and institutional capacity is anecdotal at best. Systematic country impact studies on capacity at these three levels is rarely done (with the notable exception of the ADB's work) and thus, it is not easy to accurately state what the track record of a donor is in terms of the impact of its activity on national capacity. One useful account of governance measures and the impact of donor activity in Africa is found in the Economic Commission for Africa's (ECA) recent study, *Striving for Good Governance in Africa*, which measured and monitored the status of a range of governance indicators in 28 African countries. This seminal work pulls together insightful data and information on formal and informal actors in the governance process that include the government, political parties, private sector, and civil society in each of these 28 countries.

The study findings can be aggregated in four key areas (table 2): democratic gains, economic management, overall business and investment climate, and larger social issues. On balance, the findings show significant gains have been achieved in each of these broad areas—a fact that is often neglected or eclipsed by the staggering scope of what remains to be done. The way forward for donors, according to this report, is to increase the overall volume of aid to Africa—as part of the Monterrey pledges—as well as more effective aid procedures and modalities. That refers to uniform terms and procedures among all donors, general budget support and congruency with achieving the MDG goals.

The conduct of development business and its impact on national capacity

Flow and implementation of aid

The literature on donor approaches to aid flow and its impact on national capacity fall into two broad categories. The first category contains ar-

Table 1
Summary of citations of donor approaches to capacity development

Donor	Advocacy & concept development	Analytical (approaches & strategies)	Program approach	Stocktaking & retooling of project approach	Focused capacity development interventions	Focused capacity development impact evaluation
World Bank	Significant	Significant	Not significant	Recent	Mainly recent	One-off basis
Asian Development Bank	Moderate	Moderate	Not significant	Significant	Recent	Significant
African Development Bank	Not significant	Not significant	Not significant	Not significant	Not evident	Not significant
Inter-American Development Bank	Not significant	Not significant	Not significant	Not significant	Not evident	Not significant
UNDP	Significant	Significant	Significant	Significant	Few/recent	Not significant
CIDA	Significant	Significant	Significant	Significant	Few/recent	Not significant
DfID	Not significant	Moderate	Moderate	Moderate	Not evident	Not significant
USAID	Moderate	Significant	Not significant	Moderate	Moderate	Moderate

Note: The characterization of results (significant, moderate, etc.) in this table is designed as a quick assessment based on the documents reviewed and websites searched, and is not provided as conclusive data on donor activity. Terms such as "significant" are used here to express the presence of donor activity in the literature, not in terms of percentage of that donor's ODA. As noted throughout this report, capacity development interventions have taken many forms in the past several decades and have rarely been taken stock of systematically in donor organizations. Donors may have undertaken significant work that is not publicly available, not posted on their websites, or not separately coded or tabulated, and thus not available or evident either internally or externally.

guments that the old way of conducting development business by way of project implementation units detracts from rather than develops national capacity and keeps recipient governments dependent on expatriate experts. The second category of arguments are more pragmatic and accept the limitations of the PIU modality, but do not advocate ceding full control of aid to recipient governments because of the lack of implementation capacity. As a result, a variety of donor aid modalities are being used to develop capacity. Clearly this is one area where consensus is still emerging, and the literature in this regard reflects the various strands of devolution of aid control[10] that are currently in effect:

- *Common pool for general budget support*[11]: In this approach, donor funds are pooled and allocated by the recipient government to programs and projects that it has developed, strategized, and prioritized. The funds flow through the central budget of the government, thus augmenting the government's budget overall. Clearly the government in this approach has much greater control over the funds and needs financial management skills and capacity that are at international standards. Some experts such as Godfrey, Sophal, and others have noted that as in the case of Cambodia, when recipient governments are heavily dependent on foreign aid in their general budget, there may be a lesser incentive for diligent revenue collection.[12]
- *Common pool for specific sector*: In this modality, donors can pool their resources in specific

Table 2
African capacity summary of gains and challenges

	Economic management	Investment climate	Democratic gains	Social issues
Issues, findings	Macroeconomic stability, macroeconomic fundamentals (budgets, revenue, procurement, monetary and financial systems)	Private sector in service delivery, private investment, foreign direct investment	Adherence to constitutions, more transparent constitutional processes, legislatures and judiciary asserting independence, legitimacy of electoral processes, better voter turnout, inclusive political space	Gender, civil society, media
Countries with better records	Economic reforms: Botswana, Mauritius, Namibia, South Africa, Tunisia Financial systems: Botswana, Lesotho, Mauritius, Namibia	Private sector participation: Gabon, Kenya, Mauritius, Morocco Privatization: Côte d'Ivoire, Ghana, Nigeria, Senegal, South Africa, Tanzania Zambia	Better constitutions: Ghana, Kenya, Mozambique, South Africa, Uganda, Zambia Legislative and judicial effectiveness: Benin, Botswana, The Gambia, Ghana, Lesotho, Mauritius, Morocco, Mozambique, Namibia, Senegal, South Africa Electoral process: Botswana, Burkina Faso, Chad, Ethiopia, Ghana, Kenya, Mali, Mauritius, Morocco, Nigeria, South Africa	Gender: Botswana, Burkina Faso, Ghana, Lesotho, Morocco, Mozambique, South Africa, Swaziland, Zimbabwe Civil society and media: Mali, Nigeria, Tanzania

Source: The data in this table are extrapolated from findings discussed in *Striving for Good Governance in Africa*, Economic Commission for Africa, 2005.

10 The aid modalities listed here are derived from various operational and analytic documents and categorized by the author.
11 This approach is also termed "full technical assistance pooling." For a discussion of full and mixed pooling, *see generally* Heather Baser and Peter Morgan, *The Pooling of Technical Assistance: An Overview Based on Experience in Six African Countries,* 2001.
12 Godfrey, Sophal, and others, "Technical Assistance and Capacity Development in an Aid Dependent Economy: The Experience of Cambodia," *World Development*, Vol. 30, Number 3, 2002. Here the authors have coined the phrase "Zairian disease" to describe the detrimental effect of excessive aid on public institutions, the budget process, and revenue collection efforts of the government.

sectors and relinquish control to the government to implement its stated policies and programs in that sector. The implementation unit is within the government's line ministry.

- *Sectorwide approach (SWAP)*: This involves harmonization of donor efforts in a particular sector while keeping donor efforts separate from the government's programs; in other words, the donors may still be involved in implementation but all donor efforts in the sector are coordinated.
- *Uniform terms*: Within a specific sector, donors have sometimes adopted uniform terms in lending (and for grants) in regard to specific components so as to not undermine each other's efforts. For instance, in the water sector, donors have on occasion adopted uniform terms for urban projects and stipulated certain cost recovery conditions. This gives all donors equal leverage and does not allow the recipient government/entity to only work with donors that are advocating "free water".
- *Separate project interventions and PIU*: This is the most common modality at this time in all sectors. In this scenario each donor operates fairly independently of the others, coordination may occur but is not mandatory, and PIUs are used as the main implementation vehicle for the donor in the country.

Literature on development effectiveness reflects the division among donors in regard to conditions associated with the procurement of goods and services with such aid. Aid has traditionally been tied to suppliers from donor countries, thereby essentially discriminating against non-donor nationals among suppliers and subsidizing donor nationals. It is generally agreed that untying aid would reduce the cost of aid by 15–30 percent.[13] Several developing countries have resisted such policies. Some donors—the United States, Japan, and Denmark—have resisted general budget support and any type of basket financing because of their own legal restrictions that preclude such measures, as well as possible loss of donor influence over aid terms and flow. Other donors have simply sought to encourage national suppliers to participate in the management of donor funds by subsidizing them in the procurement process.

Challenges and implications of new aid modalities in Africa

The literature on aid modalities and development effectiveness reveals that the shift in donor thinking toward greater recipient government control offers both challenges and opportunities for developing countries. A handful of countries have graduated from donor control over aid and are accepting aid only on their terms (table 3). However, this is closely linked with national government capacity and overall national capacity in terms of the existence of a well developed domestic consulting and technical assistance industry. Botswana, Mauritius, and Uganda are ahead in Sub-Saharan Africa in terms of managing their own procurement and integrating aid into the national budget. The prognosis is most serious in this regard for fragile states and post-conflict countries that have a way to go before domestic technical assistance industries can flourish, or even before governments have sufficient capacity to manage technical assistance or integrate aid into their national budgets in a manner that can yield meaningful results.

Fostering state and non-state capacity for good governance in Africa

The political economy of governance in Africa

The selection of documents for review here was pared down to those that help answer the following questions:

- What pragmatic definition of governance best addresses practical issues of improved service delivery, quality of life, and development of broad-based national capacity in African countries?

13 *OECD Observer*, July 2001.

- Which state and non-state actors are most likely to improve indigenous capacity at human, organizational, and institutional levels in Africa?
- How can external donors best support such state and non-state actors to build national capacity?

Much of the literature in this category pertains to democracy and the key components of a democratic process, such as elections and multiparty systems. The merit in observing the electoral process is simply that there can be elections without democracy but not democracy without elections. Observers and scholars studying the African electoral process have gleaned some useful insights from the second wave of multiparty elections in Africa in the late 1990s.[14] While the jury is still out on the quality and efficacy of the African electoral process, scholars agree that the constitutional process was complied with in a majority of the countries. Twelve of the 13 African countries that were up for a new electoral cycle conducted second elections as scheduled. Gabon was the only exception. Although in a few countries election rules were manipulated to favor the incumbents, observers uniformly praised the electoral process in many countries. In overall terms, experts surmise that the distinct incumbency advantage evident in the second round of African elections reveal that voters are willing to give new governments adequate time to complete ambitious reform programs and are generally biased in favor of political continuity. It is not clear whether this impressionistic evidence is sufficient to prove that a majority of the "second wave" governments have some or

Table 3
National capacity to manage technical assistance: implications for Africa

Level of capacity	Mode of provision	Examples
Graduation from aid; existence of well developed domestic technical assistance industry	Limited role of donor provision of technical assistance	Brazil, India, Mexico
Technical assistance procurement by recipient country	Recipient government takes responsibility for procurement and management; donor support channeled through government budget	Botswana, UNDP National Execution, Swedish Technical Assistance
Integration of technical assistance in national budget	Technical assistance fully reflected in national budget	Uganda
Very limited capacity; fragile/failed states	Considerable donor technical assistance	Afghanistan

Source: Gareth Williams, Stephen Jones, Val Imber, and Astrid Cox, *A Vision for the Future of Technical Assistance in the International Development System*, Oxford Policy Management, 2003.

14 For ease of reference, scholars have referred to the first wave of elections in Africa in the early 1990s as "founding" elections because they founded new democracies and tore away from authoritarian rule. At the close of the first election cycles, there was a second wave of multiparty elections in Africa that were expected to consolidate the democratic tradition. As noted above, some did while others failed. For a fuller discussion, *see A First Look at Second Elections in Africa*, by Michael Bratton and Daniel Posner in *State, Conflict, and Democracy in Africa*, Ed. Richard Joseph, 1999.

adequate capacity to consolidate the gains of the democratic process At a minimum it may indicate that "the fact that intense political struggles are being waged over the convening, conduct, and meaning of second elections is proof positive that, in Africa, elections as an institution are beginning to matter."[15]

What should be the role of the international community in supporting development of capacity at all levels to consolidate and strengthen democratic and electoral gains? Some political scientists have opined that multiparty electoral processes are too expensive and disruptive for poor developing countries, a luxury they can ill afford. Others have favored alternative political arrangements, such as pacts and a range of tactical coalitions as a better alternative for Africa. On balance, a majority of African governments have made a commitment to democracy that is worthy of donor support in a variety of ways, including developing the capacity of governments and civil society to conduct peaceful, multiparty elections.

There is some very useful literature on African local governance issues that is recent and targeted toward organizational and institutional capacity. One of the key issues examined in the literature is the challenge of reconciling patrimonial governance with democracy at the local level. Dele Olowu and James Wunsch examine it from four key reference points: politics at the central level, effective systems of intergovernmental relations, the nature of local demand for public goods, and the local institutional infrastructure.[16] The consensus is that while concrete gains have been made by many African countries in establishing a democratic tradition of accountability at the local level, there remain major challenges. One of the lessons is that there are limitations to the top-down approach, as evidenced in Ghana, Kenya, and Nigeria. Rather, the literature suggests that a combination of top-down and bottom-up approaches may be better. Case studies in the Olowu-Wunsch analyses suggest that time is another important factor—local institutions take longer to mature and need the stable support of the central government. Thus the way forward for donors appears to be to engage central and local governments in dialogue to strengthen intergovernmental relations and support long-term institution building at the local level.

Building state capacity in Africa

In development literature across disciplines, African scholars are increasingly asking "what is governance, how can it be measured, and how does it relate to institutional reforms?" To a large extent the literature is driven by donor pronouncements that bad governance is the single most important contributor to Africa's underdevelopment. A large part of the literature refers to governance as rules and their implementation by state actors and is thus within the public sector management paradigm. However, more recent literature linking governance with development capacity takes a broader approach:

> Beginning with public administration, it is interesting to note that governance has emerged as a popular way of dealing with the fact that conventional jurisdictional boundaries of administration no longer have the same exclusivity as in the past…Rather, needs and capacities are both public and private. They are embedded in both state and society in their mutual interdependencies. Thus governance transcends the traditional boundaries of public administration.[17]

While it is clear that the 1990s witnessed gains in the democratic processes in many African countries, African economists and political scientists have not reached consensus on what

15 Michael Bratton and Daniel Posner, "A First Look At Second Elections in Africa, with Illustrations from Zambia," in *State, Conflict, and Democracy in Africa*, ed. Richard Joseph, 1999, at p. 405.
16 Dele Olowu and James Wunsch, *Local Governance in Africa: The Challenges of Democratic Decentralization*, 2004.
17 Goran Hyden and Julius Court, *Comparing Governance Across Countries and Over Time: Conceptual Challenges, Better Governance and Public Policy: Capacity Building and Democratic Renewal in Africa*, Kumarian Press, 2002 at pp. 14–16.

the overall impact on African institutional capacity has been. Drawing on analyses of the various governance functions by state and non-state actors in Africa in the 1990s, the picture that emerges is that those African countries that have critical non-state institutions that connect the people's will with policy-relevant information perform better than those without such intermediary institutions (table 4).

Improving regulatory governance in Africa

An important area of capacity development in Africa in the past five years has been in improving regulatory governance in key infrastructure sectors including telecommunications, power, water, and transport. African governments have used donors and donor facilities such as the Public-Private Infrastructure Advisory Facility (PPIAF)[18] to build regulatory capacity. Box 2 highlights some of the key regulatory achievements in Africa in the past decade.

NGO experience in and potential for sustainable governance capacity

ACBF-PACT. The Africa Capacity Building Foundation-Partnership for Capacity Building in Africa (ACBF-PACT) is a nongovernmental global partnership for African countries that works with governments, private sector, nongovernmental organizations (NGOs), and donors to build human, organizational, and institutional capacity in all Sub-Saharan African countries. Established in 1991 by the World Bank, UNDP, and AfDB, the ACBF focuses on developing policy and development management capacity at all levels. Until 1999, its focus was exclusively

Table 4

African governance changes in the 1990s and the impact on institutional capacity

	Sample gains in the 1990s	Absence of critical institutions	Presence of critical institutions
Socialization	Shaping the way in which citizens learn about and get involved in public issues, rules are made and changed, state and market interact, and disputes are resolved Indicators are education at all levels, civil society involvement in the policy process	Absence of enabling environments for higher education contributes to an inability to contribute to policy and research	Education: Makerere, Ibadan, several southern African universities
Interest articulation	Civil society, community organizations, religious organizations, trade unions, media—all promote public participation in the policy process	In many African countries, religious groups flourish but not other secular groups; press in Africa often limited by low reading skills; security of journalists not guaranteed due to low freedom of the press	
Interest aggregation	Political parties with capacity to mobilize (input); legislatures, judiciary, and executive (outputs); well functioning civil service	African political parties often too disparate, fragmented Judicial corruption (Ghana), weak constitutionalism, language and culture remain barriers to access to justice by masses	Strong political parties in Côte d'Ivoire, Namibia Constitutional courts in Benin, South Africa

Source: Data in this table are extrapolated from discussions contained in essays in Dele Olowu, Soumana Sako, eds. *Better Governance and Public Policy: Capacity Building and Democratic Renewal in Africa*, Kumarian Press, 2002.

18 See PPIAF Annual Reports from 1999–2004; all contain discussions on progress made by the African Forum for Utility Regulators (AFUR).

on developing macroeconomic policy capacity in African countries, and its work until 1999 was thus focused on the public sector. Since then, its mandate has broadened to work closely with civil society and private sector entities as well as regional alliances and networks. Its current work plan involves economic policy analysis, financial management, development of national statistics, public administration, development of parliamentary capacity, and involvement of private sector and NGOs in the development process.

The utility of ACBF's output is evidenced by a high retention rate of beneficiary trainees in the public sector. Some of its contributions to African capacity development:

- Rural development and agricultural policy reforms in Kenya and Tanzania
- Reform of taxation policy and public expenditure review in Benin, Ghana, Senegal, and Tanzania
- Accuracy of economic forecasting and planning models in various sectors in Côte d'Ivoire, Kenya, Nigeria, and South Africa
- National economic planning in Botswana, Kenya, Namibia, and Zambia, among others.

The African Peer Review Mechanism. The APRM was initiated by African leaders to develop a standard for good governance and is an African-led innovation to develop national capacity. The APRM assesses the performance of African countries in terms of their compliance with agreed upon standards

Box 2
African forum for utility regulators

The African Forum for Utility Regulation (AFUR) aims to support the development of effective utility regulation in Africa. The forum was established in September 2000 as an informal arrangement to facilitate the exchange of information and lessons of experience among African regulators and to support capacity building efforts in the region. Some recent African regulatory achievements include:

- The reform process instituted in the communication sector in 1996 by the government of Uganda. The communication industry, which had many deficiencies, is now being managed in an orderly manner by the Uganda Communications Commission, an independent regulator. Since then, the industry has registered tremendous growth.
- The reform process resulted in the licensing of a second national operator (MTN(U) Ltd) in 1998.
- The former Uganda Posts and Telecommunications Corporation Ltd (UP&TC) was split to form Uganda Telecom Ltd and Uganda Post Ltd.
- Privatization of Uganda Telecom Ltd was completed in 2000 and the sector is now open to competition.
- Opening the sector to competition coupled with effective regulation and the enabling environment has resulted in significant success. Teledensity has increased from about 0.28 per 100 in 1997 to 2.0 per 100 in 2002. Basic telecommunication services have also been expanded across the country and a general reduction in the tariffs for services has taken place. The market now boasts of high growth in the number of service providers with a variety of services offered.
- Recognition of the need for a new policy framework for water resources management in Namibia resulted in the National Water Policy White Paper, articulating the rationale for the Establishment of the Independent Pricing Regulator.

Source: AFUR Newsletter

and codes. This peer -led and peer-driven approach is rooted in African needs for each country while providing constructive comparisons among African nations. The APRM has been used to assess macroeconomic policy, public sector management, service delivery, and a host of other governance functions. Public dissemination of APRM results provide useful feedback from stakeholders and bolsters credibility for proposed reforms.

The Southern African Enterprise Network (SAEN). Another important example in the literature of nongovernmental and private sector–led initiatives in Africa is SAEN. SAEN is a business network of "new generation" African entrepreneurs who own and operate successful businesses and are committed to private sector–led economic development. The literature makes an important distinction between the old and new generations of business leaders and their involvement with economic development in Africa:

> The indigenous formal sector is changing rapidly. The first generation formal private sector that emerged following independence matured in a setting of protected markets and close ties with regimes in power, where access to resources and policy makers was granted to a small elite in exchange for political support. The new generation African private sector consists of more entrepreneurial business people who are eager to take advantage of the potential business opportunities afforded by political and economic liberalization. In their home countries, these new generation entrepreneurs are operating in a difficult economic context that tolerates no mistakes. They are part of the growing civil society movement in Africa, and are calling for a share in the responsibility for government decision making.[19]

The SAEN consists of a grouping of national networks in Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe.

Enabling African governments to stem capacity depletion

Confronting the AIDS/HIV crisis

The capacity-depleting impact of the HIV/AIDS crisis in Africa is staggering: in 2003 alone, 2.3 million Africans died of the disease while an estimated 3.4 million contracted it, bringing the number of Africans living with AIDS to 29.4 million. As pointed out by the ECA this pandemic reduces the labor force and depletes intergenerational social and cultural capital as it weakens the ability of succeeding generations to sustain achievements of the past. Equally devastating is the state's inability to respond to such crises for a long period of time within budgetary constraints. This is a true test of the capacity of state and non-state actors to respond with innovative approaches in partnership with donors to contain and reverse the crisis in every African country.

The literature in this area falls into the following categories: news items of the scope of the crisis and often cynical reviews of how little states and donors are doing about it, reports of specific AIDS prevention projects by donors, analyses of the pricing and marketing of high-cost drugs for low-income communities, and a few reports on appropriate institutional and organizational models of response, care, and service delivery.

Addressing gender discrimination and violence

The overall volume of literature in the area of gender and development is too vast to meaningfully be contained in any single literature review study. There is also a body of literature that focuses on how the MDG—particularly goal three—is to be achieved. Goal 3 of the MDG is eliminating gender disparities in primary and secondary education, preferably by 2005, and

19 Anouk Janssens-Bevernage, *Capacity Building for Private Sector Development: The Southern African Enterprise Network (SAEN),* ECDPM Discussion Paper No. 38, European Centre for Development Policy Management, 2002 at p. 5 (footnote 1).

at all levels of education no later than 2015. However, the choice of documents for this review was driven by the type of interventions that can and do actually enhance African women's capacity to choose, be productive, and thrive. Thus the entry point for inquiry in this review was limited to literature analyzing the institutional contexts that either enable or disable women in terms of gaining capacity and functioning productively. There is an increasing body of recent literature that departs from the more traditional notion that gaining access to education, health care, micro credit, and employment will yield high results in terms of women's economic capacity.[20] This body of literature finds that social institutions—laws, norms, traditions, and codes of conduct—constitute the single most important factor in enhancing women's economic capacity. These findings suggest that an institutional framework that disadvantages women hinders development.

Increasingly, researchers are combining economic and noneconomic variables to study determinants of women's choice and capacity. The OECD study cited above used four variables in the noneconomic category (genital mutilation, marriage before the age of 20, polygamy, and authority over children) and three variables in the economic category (the right to inherit from the husband, the right of property ownership, and freedom of movement and choice of clothing). An overview of the combined results show that for women in Latin America and Caribbean the values were 0.06 (comparable with OECD countries, which are in a range of 0.01–0.06), while the combined values for women in Africa were 0.96, indicating higher incidence of excision, early marriages, polygamy, and other capacity-depleting social norms. This significantly shifts the onus on donors to rethink their strategies: They must think about and address cultural and institutional frameworks that are discriminatory to African women, a task much more difficult than increasing female enrollment rates or introducing microcredit schemes. An important conclusion of this new body of literature is summed up in the OECD study thus:

> If custom forbids outside work for women, the enrollment rate of girls in primary school can double without entailing an increase in female participation in the labor market. If custom goes against accepting that women can be in a position to exercise authority, the enrollment rate in universities can double without increasing the number of women managers. These examples show that to increase the effectiveness of country and donor policies, measures to address the institutional framework have to be undertaken.[21]

Engaging the Diaspora to circulate Africa's intellectual resources

Data on African migration are scattered and often inconsistent. The ECA estimates that between 1960 and 1989 approximately 127,000 professionally trained Africans left the continent. The International Organization for Migration (IOM) estimates that Africa has been losing 20,000 professionals each year since 1990. In Zambia and Kenya, the migration of trained doctors is steady. Thirty-eight of the 48 Sub-Saharan African countries do not meet the WHO minimum standard of 20 physicians per 100,000 persons. It costs approximately US$40,000 to train a doctor in Kenya. It is estimated that 35 percent of total overseas assistance to Africa is spent on expatriate professionals because of the absence of professionally trained African nationals. African institutions seek to fill their human resource gap by employing up to 150,000 foreign professionals at a cost of US$4 billion a year. IOM data reveal that for Africa, the proportion of female international migration increased from 42 percent in 1960 to 47 percent in 2000. Today Africa accounts for 46.7 percent of global female migration (IOM 2003). While this represents women's empowerment through education and skills training, female migrants are also more vulnerable to human rights abuses,

20 See, for instance, Christian Morrisson and Johannes Jutting, *The Impact of Social Institutions on the Economic Role of Women in Developing Countries,* Working Paper No. 234, OECD Development Centre, 2004.
21 *Id.* at p. 29.

as they often work in gender-segregated and informal/unregulated sectors of the economy, such as domestic work, entertainment, and the sex industry, among others. According to the U.S. Department of Justice, in 1998 between 700,000 and 2 million women and children were trafficking victims.[22]

Repatriation of African professionals overall has not worked successfully. Studies show that lack of basic infrastructure and absence of suitable technical opportunities remain barriers to successful repatriation. The IOM implemented a return program for African professionals between 1983 and 1999 which succeeded in relocating and retaining more than 2,000 African professionals in their countries of origin. However, the concept of "return" is no longer considered the only or best solution. Rather, the IOM and donors are considering a wider range of options that both facilitate relocation to countries of origin and improve working condititons and the quality of life of African professionals in receiving countries.

Much of the migration literature has been defined by the staggering increase in the total volume of foreign remittances—the funds sent by foreign workers to their home countries and families. IOM studies show a strong link between increased remittances and declines in poverty in receiving countries—a 10 percent increase in remittances in a country's GDP is expected to lead to a 1.6 percent decline in the share of people living in poverty. According to IOM data in 2003, African remittances in the past 20 years have surpassed overall ODA and foreign direct investment (FDI) to Africa in that period. However, it is also noted that remittances often are unproductive— subject entirely to individual and family choices, remittances are often spent unproductively.
Analysts have tried to "leverage remittances"[23] to increase their developmental impact. It has been suggested that governments may try to intercept a share of remittances and channel it for developmental purposes. Alternative proposals include attracting remittances into formal bank deposits yielding higher rates, or structured as remittance bonds, so that remittances are captured into the formal banking system. Currently these proposals are theoretical; there is no evidence in the literature that countries, particularly in Africa, have implemented any of these proposals.

Developing countries are increasingly seeking to engage the diaspora residing in developed countries as a means of contributing to the development process in sending countries. It has been noted in various IDRC documents that the relationship between African governments and the diaspora are adversarial.[24] Increasingly the AU and individual African governments are reaching out to the African diaspora to invite their participation in the development efforts of the continent. It is expected that like other developing countries, virtual exchanges can contribute to engaging the diaspora with governments and NGOs and civil society. Other strategies for African governments to consider are means of leveraging remittances for productive and developmental purposes, and working with donors and receiving governments to structure mutually beneficial bilateral labor agreements that can enable better circulation of African intellectual resources for African developmental purposes.

Under the auspices of the IOM, receiving countries are participating in a variety of managed repatriation schemes, bilateral labor agreements, and migration for development projects. The IOM implemented a Return and Reintegration of Qualified African National (RQAN) program from 1983 to 1999, through which more than 2,000 African professionals participated. The

22 IOM Roundtable on International Migration and Development, New York, October 12, 2004.
23 David Ellerman, *Policy Research on Migration and Development,* Policy Research Working Paper No. 3117, World Bank, 2003, at p. 19.
24 *See* generally, *Semantics Aside: The Role of the African Diaspora in Africa's Capacity Building Efforts*, International Development Research Center, 2004.

Table 5
Growth of African remittances

Country	Remittances (US$ million)	Percentage of GDP	ODA (US$ million)
Nigeria	1,301	3.71	152
Eritrea	127	19.68	148
Senegal	93	1.95	534
Mali	84	3.26	354
Benin	73	3.08	211

Source: World Bank DECPG, 1999.

RQAN is considered successful because it had a retention rate of more than 90 percent after two years. However, the concept of "return" is no longer considered the only means of involving African professionals in the development process. Migration for Development of Africa (MIDA) is another IOM initiative to match African diaspora skills with demand for such skills from sending countries through virtual transfers. The IOM has also brokered bilateral labor agreements to enable African (and other) skilled professionals to return to their countries of origin by partnering with receiving governments, sending governments, and the private sector to ensure all parties have an incentive in entering into such agreements. However, some of these agreements are recent, and the literature does not reflect the long term retention success as a result of such bilateral labor agreements.

Annex 3. Capacity development lessons from 14 country case studies

Main messages from the country studies

1. During significant parts of their capacity development trajectory, all 14 countries benefited from development- and reform-oriented leadership, in both political and administrative arenas of the state. The 14 countries are the more successful capacity developers; yet their approaches and achievements have differed widely. Even countries heavily affected by armed conflict have been able to develop state capacity comprehensively, primarily because of the commitment of the political leadership, with development assistance playing a supportive role only. The states that have remained predominantly under clientelistic leadership have made fewer capacity achievements—and often have undermined the basic state capacities inherited at independence—regardless of their history of conflict (as in the Democratic Republic of Congo) or peace (as in Kenya). Development partners must learn from the diversity of capacity development trajectories and adapt their programs to each country's given capacity, governance, and leadership characteristics.

2. Most African countries have gone through a comparable trajectory of state capacity development. At independence, Africans inherited a small state apparatus, with narrow scope and limited though often well functioning administrative capacity. Because of rapid state expansion, most countries lost ground in state effectiveness—less so in state accountability, which was never strong–in the two post-independence decades. This decline in administrative capacity was compounded by top-down structural adjustment and public sector retrenchment in the 1980s, although these measures created necessary preconditions for capacity rebuilding in the 1990s.

3. Since 1990, African countries have made important strides in laying the governance groundwork for accelerated capacity development. Governments responded well to the imperative to transform and revitalize functions of the state on a national scale. With the exception of Madagascar, which only recently has entered this stage, all African case countries achieved a critical turning point in their capacity development trajectory in the period from the late 1980s to the mid-1990s. Among the case countries, Botswana and Mauritius have avoided these waves of state capacity decline and rebuilding. They started the path toward good governance much earlier and have experienced constant, incremental state capacity development in line with economic growth and political liberalization. The two Asian comparator case-studies show one country (Sri Lanka) with a comparable, wave-like trajectory of capacity destruction and rebuilding, and one country (Malaysia) with continuous, long-term progression in capacity.

4. The capacity development trajectories in most African case countries suggest that political economy and politics, particularly in the form of leadership orientation (developmental and reform-minded versus clientelistic), matters more for the success of capacity development efforts than do technical design and the sequencing of capacity development programs. The developmental state builds its capacity as a result of a mixture of supply initiatives—broadly within public sector management—and demand pressures for services and participation. The developmental state seizes opportunities for public sector reform and capacity development. It learns from good practice elsewhere but decides itself on appropriate sequencing of interventions, rather

than taking over blueprints. Even post-conflict countries such as Ethiopia, Mozambique, and Rwanda moved surprisingly quickly into broad-based institutional reforms. The pressures on their leaders—and their international partners—allowed them little time to focus on rebuilding the basics after conflict. Their success is due mainly to the capacity of their leaders to seize opportunities effectively and to combine the delivery of public services with programs to strengthen core public management.

5. Entry points and sequencing are relevant in three capacity development contexts:

a) In the adaptation of capacity development programs to existing capacities in developmental states, sequencing is a question mainly of determining the pace of reform and scaling-up; both leaders and donors tend to be highly ambitious about governance reform and capacity development programs.
b) In countries dominated by clientelistic leaders, entry points have been used (by donors) to achieve feasible measures of progress and to put pressure on state institutions to improve their performance; for example, giving information and voice to the intended beneficiaries enhances expenditure accountability and may strengthen bottom-up pressures for governance reform.
c) In all country situations, donors must agree among themselves—under government leadership—on coordinated entry points to reduce duplication and waste; this requires alignment of aid with government programs, particularly in countries with developmental, reform-minded leaders.

6. The recent capacity achievements in Africa are built around supply-side improvements in core public sector management, particularly public financial management, facilitated by societal engagement mainly at the macro level of election politics. The Task Force hypothesis of capacity development being the result of supply-side improvements in state capacity driven by societal engagement and demand pressures for results is validated at the macro political level: Development- and reform-oriented political leadership is required for comprehensive capacity development programs to take root. The case studies provide few examples, however, of demand-driven programs that have pushed bottom-up capacity development; for example, in the form of local government expenditure accountability. At best, civil society and private sector organizations—as in Mauritius—have provided critical oversight of the national budget. Among the supply-side programs, public financial management has been more successful than administrative and civil service reform programs in creating the preconditions for stronger demand-side pressures by providing transparency and accountability in the use of public resources.

7. The gap between progress in public financial management and in wider civil service reform in developmental states can often be linked to the difficult problem of public sector pay and performance-enhancing incentives. The states that have avoided overexpansion and managed to keep a rough balance between the size of the public sector and its scope and effectiveness (Mauritius and Botswana) have been able to avoid a calamitous decline in real public sector wages. As developmental states have tried to accomplish improvements in public financial management, reform their economies, and restructure the civil service at the same time, they have encountered serious difficulties in balancing a sustainable national civil service wage bill, meeting the legitimate service needs of their populations, and providing a living wage and performance-enhancing incentives to public servants.

8. Most African countries have established complex institutions outside the executive, which may eventually enhance societal engagement in capacity development through strengthened domestic accountability systems. These institutional developments cover two critical arenas. First, the establish-

ment of and transfer of formal authority to local governments has taken place gradually since independence—though often with abrupt policy reversals—through decentralization programs in most African countries. The main deficiency from a capacity point of view is that the local governments have rarely been given the financial resources—or the taxation authority—compatible with their formal responsibility or even with their human resources. With few exceptions, local governments have yet to gain the capacity and power both to respond to local demands for services and to challenge the priorities set by central government. Second, during the good governance phase of the capacity development trajectory (the past 10–15 years), the developmental states have strengthened and expanded the formal institutions of domestic accountability: public accounts committees in parliament, supreme audit and ombudsman institutions, anticorruption agencies and commissions, nonstate electronic media and the press, and the entire legal and judicial system. Even in clientelistic states, such as Kenya (before 2003) and Zimbabwe, the formal institutions of accountability have continued to constrain the excesses of the rulers, forcing them to appear to play by the rules. However, enforcement of the greater attention to corruption and other forms of abuse of power remains limited in both developmental and clientelistic settings.

9. Development cooperation increasingly takes programmatic forms, with the potential better to utilize existing capacity and country systems, to minimize the circumvention and overloading of existing capacity, and to develop state capacity for better prioritization and implementation of public resources. For example, within a decade of emerging from war and genocide, countries such as Mozambique and Rwanda have gone through a progression of aid modalities: from donor-delivered humanitarian assistance and rehabilitation projects, to sectorwide service delivery programs and budget support. Gradually, programmatic aid modalities are taking over and are being linked to the government's poverty reduction strategies and medium-term budgets. Tanzania has launched an assistance strategy and an independent monitoring mechanism to hold donors accountable to its development priorities and procedures. However, the scope is huge in other African countries for similar steps toward strategy-based mutual accountability in development cooperation.

10. Similar progress toward country-owned modalities has been slower in technical and other capacity development assistance, where fragmentation and donor ties still prevail. Countries such as Ethiopia and Tanzania are leading the way in launching multisector capacity development programs with performance-enhancing incentives to ministries, departments, and agencies at all levels of government. However, these are the few positive exceptions from the general rule of continued donor-driven technical assistance with a narrow training focus and unrealistic capacity development goals. Even in Tanzania, there are concerns that the budget support modality, because of understandable political pressures and priorities, will not ensure sufficient attention to longer term capacity development measures, which has led to continued calls for ring-fenced capacity development programs.

11. Capacity development assistance must be better adapted to the differences among African countries with respect to the orientation of the country's political leadership and the outcome of the country's capacity development trajectory.

a) In developmental states with relatively high state capacity, international development partners should support a government-led, comprehensive capacity development program, which may include all of the following components: core public sector management, decentralization and local governance, delivery of public services in sectors, and strengthening of the investment climate, the formal domestic accountability sys-

tem, and informal accountability mechanisms.
b) In developmental states with relatively low state capacity (turnaround, capacity-constrained states such as Mozambique), partners should support government-led, selective capacity development programs that enhance service delivery and build basic capacity and accountability structures. Here, the key is adjusting the depth and pace of capacity development, not to overburden existing capacities.
c) In clientelistic states with relatively high state capacity, opportunism and selectivity are key. Donors would more effectively focus on two or three of the six capacity development components suggested above—for example, delivery of public services involving non-state providers, creating space for private sector development, and strengthening informal accountability mechanisms for bottom-up demand pressure.
d) In clientelistic states with relatively low state capacity, even greater opportunism and selectivity are called for, together with effective donor coordination. The role of non-state actors is likely to be higher, aimed at informal accountability systems and eventually linked up with local and central government.

12. The indicators of capacity gaps and achievements available to countries and donors are adequate and actionable when it comes to the health and education dimensions of human capacity, reasonable but seldom actionable when it comes to state effectiveness, and close to nonexistent when it comes to societal engagement. The available indicators show a wide spread among African countries—even among the more successful capacity developers in the study sample—along a continuum from weak to strong capacity and accountability. While there is high correlation among the indicators of human and state capacity and the indicators of accountability and societal engagement, there are significant in-country differences: the HIV/AIDS pandemic in Botswana in a context of high capacity; the islands of high efficiency in Ethiopia in a context of poverty and low human capacity, etc. For all countries, most indicators of state capacity and especially state accountability are subjective, based on perceptions, and often relative in nature: They compare perceptions of country performance rather than specifying achievements and gaps relative to concrete problems and benchmarks. In relation to state effectiveness, the field of public financial management has advanced the most in developing indicators of performance on absolute scales reflecting international benchmarks. Similar indicators would be needed of other dimensions of state capacity (such as human resources management and civil service performance) and of societal engagement (such as participatory priority setting).

Purpose and conduct of the country studies

The Task Force commissioned studies of capacity development in 14 countries (12 in Africa and two in Asia for comparison). The purpose was to understand the trajectories of capacity development in different country situations; relate capacity development in individual countries to lessons learned about what works and to visions of good capacity development; and explore the role of aid and donors as providers of inputs and interventions into capacity development decisions and processes in Africa. The country studies included in-depth studies in four African and two Asian countries as well as eight desk studies of African countries. Countries were chosen to reflect hypotheses about four capacity development trajectories (table 1). The case studies followed similar methodologies, including a review of available reports and evaluations and examination of quantitative indicators of capacity development. The in-depth field studies encompassed key informant interviews with external agencies involved in supporting capacity development as well as researchers, civil society organization staff, and, especially, key officials of the national government.

Table 1
Country studies launched by the Task Force

Different capacity development trajectories	In-depth country studies (Africa)	Country desk studies (Africa)	Countries outside Africa
Sustaining capacity to reform	Botswana	Mauritius	Malaysia, Sri Lanka
Momentum for comprehensive transformation	Tanzania	Ethiopia, Uganda	
Diverse entry points to capacity development	Burkina Faso	Benin, Ghana, Malawi, Madagascar	
Building the basics after conflict	Rwanda	Mozambique	

Capacity achievements at country level

The 12 case countries in the African context[25]

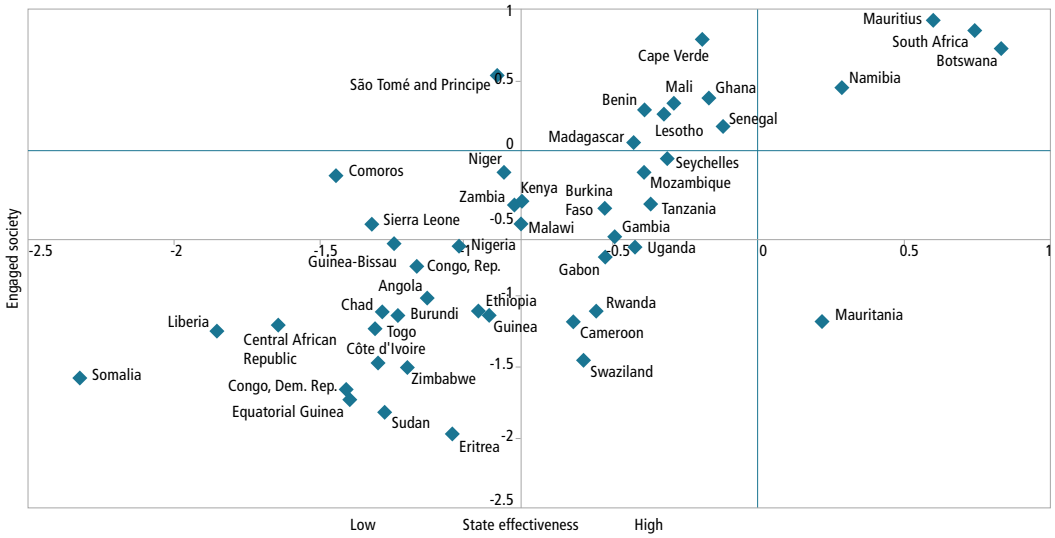
The African case countries are relatively successful capacity developers and show high correlation between state effectiveness and societal engagement. The Task Force views the effective state and the engaged society as intermediary outcomes of capacity development processes at individual, organizational and institutional levels. This means that good governance is both a precondition and a result of effective capacity development. The case studies explored the hypothesis that a country's capacity to deliver public goods and services of high demand and quality on a sustainable basis depends on two equally important features: the effectiveness of state institutions in performing (planning and executing) their given functions; and the engagement of societies (civil society and private sector) in exercising demand for public goods and services, in delivering such services, and in holding government accountable for promised deliveries and the use of public resources. Figure 1 draws on survey data on perceived government effectiveness and voice and accountability, respectively, to illustrate a possible relationship—that countries with high levels of perceived societal engagement are also perceived to have effective states.[26] Figure 1 highlights the position of the 12 African case-study countries.

The African countries selected for case studies show significant differences in their current capacity outcomes:

- First, African countries find themselves in a continuum from low to high capacity along the two dimensions of state effectiveness and societal engagement, though with some outliers at both the lower end (the failed state of Somalia) and the higher end (the well governed and capable states of Botswana, Mauritius, and South Africa). Figure 1 is built around a median of 0 so, by design, countries will be plotted in all four quadrants. But the continuum suggests that African countries can learn from each other's capacity development trajectories.
- Second, there is high correlation between state effectiveness and societal engagement. Without indicating causation, this suggests that open, democratic societies have a better chance of developing a capable state.

25 The data for the country study synthesis are drawn from World Bank databases as well as WHO (on health) and UNESCO (on education). The latest available data have been used (2004 and 2005, unless otherwise stated). The data on benchmarks achieved in public financial management are from assessments undertaken by the IMF and the World Bank in 2002 and 2005. The African governance indicators are from the UN Economic Commission for Africa: *Striving for Good Governance in Africa*: African Governance Report 2005, Addis Ababa.
26 *Governance Matters IV: Governance Indicators for 1996–2004*, Kaufmann, Kraay, and Mastruzzi, 2005, the World Bank. The data used to construct the indicators cover 209 countries and territories and are based on several hundred variables measuring perceptions of governance, drawn from 37 data sources constructed by 31 organizations.

Figure 1
Country positions in the interface of state effectiveness and social inclusion



Note: State effectiveness is the aggregate governance indicator rating for government effectiveness. Social inclusion is the aggregate governance indicator rating for voice accountability.
Source: *Governance Matters IV: Governance Indicators for 1996–2004.* Kaufmann, Kraay, and Mastruzzi, 2005, the World Bank.

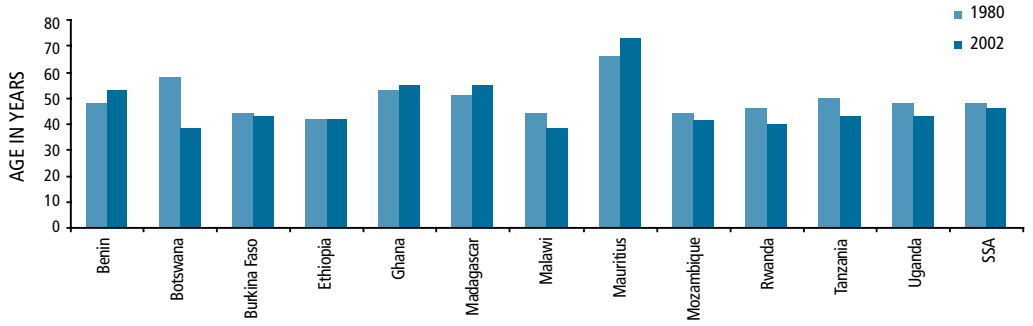
This corresponds with recent international research that governance improvements support growth and poverty reduction (rather than the alternative of high income levels producing good governance).

- Third, 11 of the 12 African case countries are better off than most of their African counterparts. Only Ethiopia was found in the low state effectiveness and low social inclusion category, while two clear front-runners (Botswana and Mauritius) are among the case countries chosen. Thus, the Task Force selected countries for study that should be able to demonstrate achievements, successes, and lessons of relevance to other countries struggling to develop their capacity.

Human capacity

African countries differ considerably with respect to basic human capacity, and the differences do not seem to diminish over time. Data on the case countries reflect trends in basic human capacity and the effectiveness of public services in health and education. Countries with early advantages in health tended to retain them over time. For example, countries with comparatively high life expectancies in 1980 (Ghana, Madagascar, Mauritius) not only were still among the highest in 2002 but also had increased their advantage, while other countries typically saw life expectancies decline (figure 2). Botswana was the notable exception to this rule, where the impact of HIV/AIDS can be seen in a precipitous drop in life expectancy. The same patterns held for infant mortality rates which decreased in every country but Botswana but were lowest of all in Mauritius by 2002 (attachment 1, figure 2). The continuing diversity of conditions in health was further illustrated in 2002 by the wide band of values for maternal mortality ratios (attachment 1, figure 3) and the ladder of rising levels of HIV/AIDS prevalence from very low rates in

Figure 2
Life Expectancy at Birth

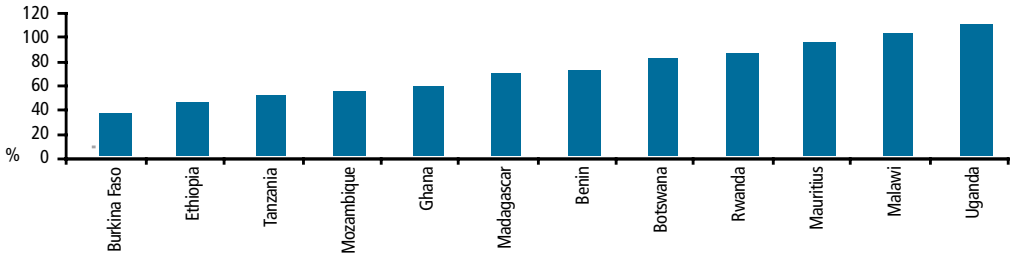


Mauritius and Madagascar, to frightening levels in Mozambique, Malawi and Botswana (attachment 1, figure 4).

Despite gains in basic education access for some countries, education outcomes vary widely. While most countries have made strides in providing access to primary schooling (figure 3), the spread from Burkina Faso, with a net primary enrollment ratio of less than 40 percent, to Uganda, with more than 100, is very wide.[27] Similarly, some countries (such as Botswana, Ghana, and Mauritius) are able to provide tertiary education to a significant portion of their population, while others (Malawi and Mozambique) produce very few graduates. African countries that have made a commitment to universal primary education (such as Uganda) have generally made rapid progress toward eliminating gender differences in access to basic education. The countries reporting low levels of net primary enrollment for the whole population (such as Burkina Faso), tend to report continuing large gender gaps in enrollment.

In summary, the African case study countries, although chosen for their relatively positive perceived levels of state effectiveness and

Figure 3
Net Enrolment Ratio: Primary School (2000)



27 To cover all countries, 2000 data were used. However, Madagascar's primary net enrollment ratio rose significantly from 68 to 79 from 2000 to 2002/03 and Tanzania's rose from 50 to 69 in the same period, according to the UNESCO Institute for Statistics. The government of Tanzania reports that this strong rising trend has continued in 2004–05.

social engagement, show persistently divergent patterns of basic measures of human capacity. In access to education, Botswana, Mauritius, and Uganda are in the higher group while Burkina Faso and Ethiopia have especially struggled, with the other countries forming a middle group. In health, Ghana and Mauritius have reported progress (Botswana's struggle with HIV/AIDS takes its toll in life expectancy and infant mortality rates), while Ethiopia, Malawi, and Mozambique continue to struggle.

State capacity

Few indicators are available for African governments and their partners to monitor gaps and achievements in state capacity development. Ideally, these indicators should assess both organizational performance (for example, of the ministry of finance or primary health services) and institutional framework (for example, the enforcement of the rule of law). The thematic studies undertaken by the Task Force (of public financial management, public service reform, health services delivery, etc.) have used available, comparable indicators of organizational performance. The country case studies relied on regular ongoing efforts to monitor state effectiveness, transparency, and accountability to citizens in Africa. Three sets of public data were used to assess state capacity[28]: the number of Highly Indebted Poor Country (HIPC) benchmarks met in the area of public expenditure management; governance indicators

Figure 4
Total HIPC Benchmarks Met in 2001 and 2004

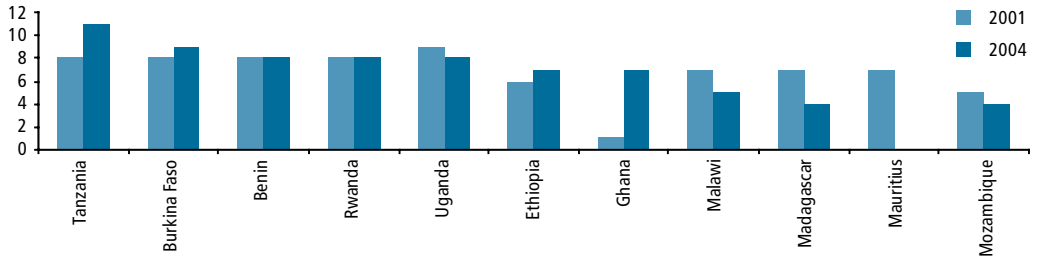
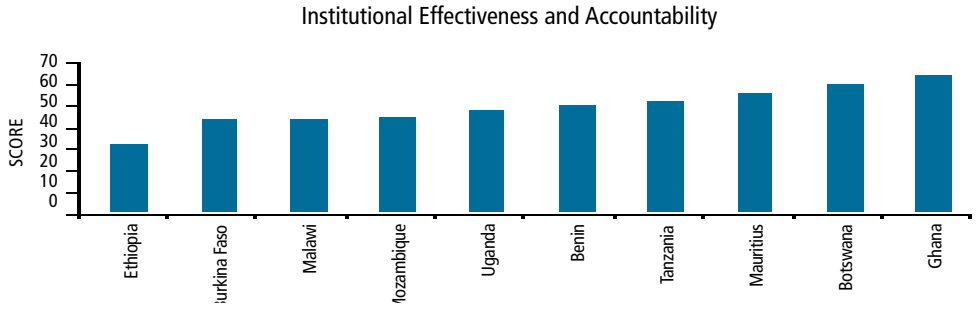


Figure 5
Institutional Effectiveness and Accountability, 2004

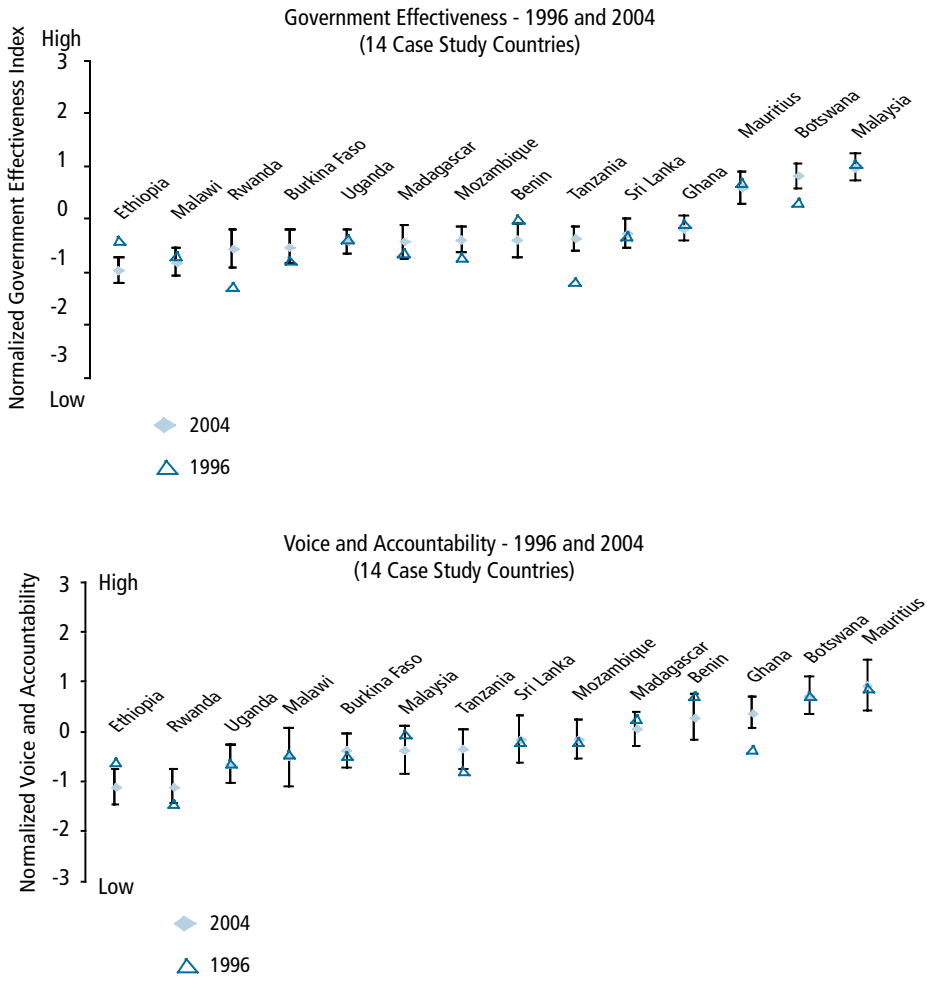


28 Starting with the 2005 assessments, the World Bank's Country Policy and Institutional Assessments (CPIA) will be made public and should be used extensively in such contexts. While the CPIAs are also subjective assessments, their strength in a capacity assessment context is that they assess country performance against an absolute benchmark of international standards in 16 dimensions of policy and institutional quality.

as reported by UNECA using data gathered in 2002; and country rankings reported in *Governance Matters IV: Governance Indicators for 2002–2004* by Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, 2005.

Despite their relatively high capacity rankings, the case countries show considerable diversity in measures of state effectiveness and social inclusion. There is significant spread among countries in the case study sample for indicators of both state effectiveness and social inclusion. However, this diversity is much more apparent in the survey data of perceived effectiveness and inclusion (UNECA and *Governance Matters)* than in data developed for the HIPC and Country Policy and Institutional Assessment (CPIA) processes.

Figure 6
Government effectiveness and voice and accountability, 1996 and 2004



HIPC benchmarks and CPIA data point to commonalities among the countries studied rather than differences. The number of HIPC benchmarks met by a given country provides a fairly objective measure of how well that country is able to deal with core tasks in public expenditure management, including national budget formulation and execution.
Figure 4 shows some progress over the three years, facilitated by the increased attention to public financial management under the HIPC scheme, but also declines in countries such as Madagascar and Malawi. Similarly, the ratings given to the 12 African case study countries through the CPIA process under the general heading of "public sector management" tend to cluster around a middle range in both 2001 and 2004, although Botswana and Mauritius receive consistently higher scores relating to overall public sector management as well as for control of corruption and accountability.

UNECA governance data point to wide differences in effectiveness and inclusion in the African case study countries. For both effectiveness and inclusion, Botswana, Ghana, and Mauritius tend to rank at or near the top for selected aspects of governance as reported by UNECA in its *2005 African Governance Report*, figure 5. Similarly, Ethiopia and Malawi (and on some dimensions Burkina Faso and Mozambique) tend to be reported at the lower end of the UNECA ratings for the African country case studies. Countries with high ratings for transparency and accountability tended also to rate highly for state effectiveness. The UNECA data for the African case study countries tend to group the same countries (Botswana, Ghana, Mauritius, and Tanzania) among the higher ranked in the sample for both effectiveness (figure 5) and transparency (attachment 1, figure 11). Similarly, Ethiopia, Malawi, and Mozambique struggle under both types of indicators.

The *Governance Matters* data also point to a fit between government effectiveness and societal engagement. There is a similar cluster of countries at the top, in the middle, and near the bottom of the rankings for state effectiveness and for voice and accountability in the *Governance Matters* data. It is not surprising that the UNECA and the *Governance Matters* indicators show similar patterns across the case study countries since they draw on surveys of perceptions of individuals and firms in the countries concerned, and thus are derived from the same or similar source data. Figure 6 presents the *Governance Matters* results in both these areas for the 14 case study countries (including Malaysia and Sri Lanka), showing changes in the relative position of countries in 1996 and 2004. The 2004 data include an assessment of the margin of error of the assessment, which suggests that relative positions as well as changes between 1996 and 2004 are quite uncertain. The figures point to a potentially important finding across regions: While Malaysia and, to a smaller degree, Sri Lanka are rated higher on government effectiveness, Malaysia especially is rated much lower on voice and accountability—that is, on societal engagement.

In summary, attempts to measure state effectiveness and societal engagement seem to illustrate a positive relation between the two and significant variation among the countries studied. However, the perceptions-based data of UNECA and *Governance Matters* are partly at odds with the findings of the country-specific studies. Several countries with effective states still have fairly weak systems of accountability and low levels of openness and accountability to civil society.

The trajectory of capacity development

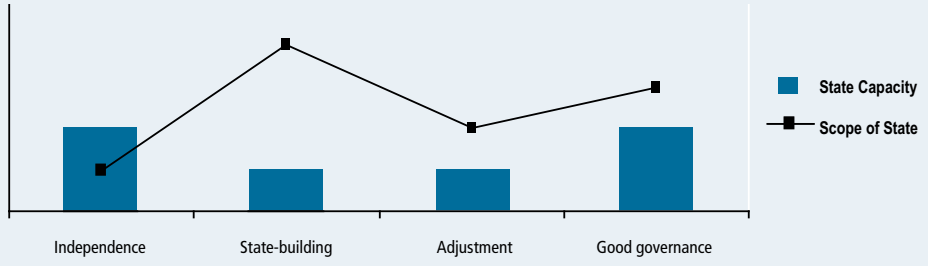
Key turning-points in state capacity development

Despite varied conditions at independence, many countries in Africa did not begin

Box 1

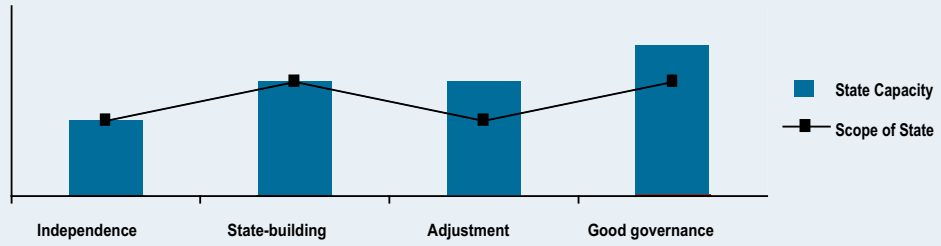
African capacity development trajectories: imbalances of state scope and state capacity

Most African case countries have experienced four situations of imbalance between state capacity and state scope, the latter covering the size of state apparatuses and the depth of state interventions:



- At and after independence around 1960, state capacity was good, but the scope of state interventions was elitist.
- During the 1970s, the scope of the state was overextended; and state capacity became bloated and weakened.
- During the 1980s and early 1990s, the state scope was reduced, and capacity remained constrained.
- Since 1990s, governance reform has increased state scope, with capacity trailing but improving.

Countries such as Botswana and Mauritius have experienced a better balance between state capacity and state scope during all phases of their capacity development trajectory:



- At independence, around 1960, state capacity and state scope were adequate and well balanced.
- During the 1960s/1970s, state capacity and state scope were developed hand in hand.
- During the 1980s, state scope was reduced somewhat (through privatizations), but capacity remained.
- Since 1990s, good governance and public sector reform have increased state capacity and state scope.

Note: The *y*-axis parameters are illustrations only. No indicators of state capacity and state scope are currently available to capture these (im)balances.

Table 2

Political-economic change and the capacity development trajectory, 1960–2005

	Independence	State expansion	Adjustment	Good governance
Benin	1960: Privileged state capacity	1963–72: 5 coups and 9 governments	1972–89: Marxism -> economic collapse	1990–: Political and economic liberalization
Botswana	1966: Poverty, no capacity	1966–94: State dominated by one party and technocracy; national development plans		1994–: Continuity, with political competition
Burkina Faso	1960: Weak capacity	1960–83: Constant political instability	1983–87: Revolution 1987–91: Transition	1991–: Constitution, multiple reforms
Ethiopia	State-building and state control (including wars) by emperor Haile Selassie was continued from 1974 by Marxist regime of Mengistu			1991–: Experiment with ethnic federalism
Ghana	1957: Good capacity	1957–83: four coups and nine governments	1983–92: Crises and adjustment	1992–: Constitution, multiparty politics
Madagascar	1960: French administrative presence	1960–2002: Political instability, changing governments, continuous economic decline		2002–: Major governance reforms
Malawi	1964: Small civil service	1964–93: Banda dictatorship; state expansion, economic decline since 1978		1994–: Unstable politics -> Reforms
Mauritius	1968: History of democracy	1968–82: Political-economic instability and change	1982–2000: Peaceful politics, exports, welfare	2000–: Higher education, service economy
Mozambique	1975: Since war, no capacity	1975–92: Civil war; no capacity	1992–94: Demobilization, reconstruction	1994-: Rebuilding basic capacity; reform
Rwanda	1962: Divided leadership	1962–80: Politically unstable, economic boom	1980–94: Decline, leading to genocide	1994–: Reconciliation, constitution, reforms
Tanzania	1961: Minimal state capacity	1961–85: Peaceful state expansion	1985–95: Slow economic adjustment	1995–: Multiparty, political-economic reforms
Uganda	1962: Some state capacity	1962–85: Political chaos and war	1986–: Political, economic reforms peaking in early/mid-1990s; slowdown, war, and uncertainty	
Malaysia	1957: Strong initial capacity	1957–81: Alliance for modernization	1982–97: Privatization and industrialization	1997–: Post-crisis, Vision 2020.
Sri Lanka	1948: Strong state capacity	1956–77: State ownership	1977–: Liberalism - open economy; 1983–: Civil conflict and fragile peace.	

systematically to develop capacity for several decades. Box 1 illustrates the four phases—almost wave-like—of the capacity development trajectory of most African countries. Table 2 summarizes the key turning points in state capacity development for the 14 countries studied by the Task Force.

- For many countries in Sub-Saharan Africa, independence was followed by a period of political and economic instability succeeded by years of war (both civil and cross-border), repression, autocratic rule, clientelism, and revolutionary socialism. This period was so destructive that many countries (Benin, Ethiopia, Mozambique, and Uganda, for example) only entered a prolonged period of relative peace and stability as recently as the beginning of the 1990s. For most countries, developing the capacity of state and civil society on a stable national platform is a matter of less than 15 years.
- For some countries, however, the basic components of democracy were built prior to independence and were somehow maintained. Mauritius, in particular, provides an example of how basic elements of representative politics, including political parties and labor unions, could have an enduring influence on national development through the period of transition from colonial administration to independence. Mozambique provides the counter-example of a colony whose former administrators had purposely ensured little or no national governance capacity (except among armed resistance movements) at the moment of independence.

Many African countries reached independence with a well qualified and professional civil service but one too small to deal with the growing demands of rapidly expanding government. For most African countries, a small, professionally qualified, reasonably competent and well paid indigenous civil service was a major national asset at the time of independence. This cadre, which had served the interests of the colonial regime, was too small to provide high-quality services to the whole population (especially large and geographically dispersed populations) so the civil service expanded rapidly to meet the joint challenges of state management of productive enterprise (as mandated by prevailing government models) and providing services such as health and education to the general population. The result was a relentless decline in public service pay, the attraction of informal substitutes, lowered professionalism, and corruption. The first generation of civil service reforms of the 1980s, brought about by the need to stabilize macroeconomic conditions, responded with massive retrenchment as a key strategy. Box 2 summarizes the lessons from the African case countries on the role of pay and incentives for civil servants.

The rapid expansion of state systems, including state-owned companies, in the post-independence period and its accompanying erosion of public service pay undoubtedly contributed to the scourge of corruption in many African countries. This occurred at the level of national institutions (grand corruption, or state capture) and in countless petty transactions (administrative corruption) between citizens and, for example, traffic policemen. While each of the states with reform-minded leadership among the case study countries has made anticorruption efforts a significant element in its reform of governance, corruption remains one of the most important factors limiting sustained capacity development. One of the most corrosive effects of corruption (as reported for Uganda) is its tendency to break the link between the local embodiment of the state (teachers, policemen, government inspectors, health workers) and civil society. Building the formal structures necessary to combat corruption has been an important accomplishment for many of the case study countries; there remains the challenge of galvanizing those institutions into effective action (box 3). The armed resistance groups and political parties who took power in many of the case study countries in the early 1990s made

Box 2
Pay and incentives for public servants in Africa's capacity development trajectory

From independence in the 1960s to the shock of structural economic adjustment in the 1980s, most African countries saw massive expansions in the size of their public services. Sometimes, as in Ghana, this was accompanied by the phenomenon of "ghost workers" in overstaffed and, ultimately, loss-making public enterprises. In almost all countries governments expanded services in the post-independence period to reach the formerly neglected majority of the population. In countries adopting revolutionary socialism, such as Benin, Ethiopia, Madagascar, and Mozambique, there was a national ideology calling for the state to take ownership of all productive activities. The large expansion of the civil service led to a protracted erosion in the level of real wages for public servants. The result was a disastrous loss of capacity to the state through brain drain of trained technical and professional staff to developed countries or through the pressure on public servants to moonlight and charge individuals for services.

In the first round of public service reforms accompanying structural adjustment in the 1980s and early 1990s, the focus was on retrenchment and reduction in the size of the national wage bill through closing loss-making state enterprises, eliminating ghost workers, and downsizing ministries, departments, and agencies. All three approaches were tried in Ghana. Unfortunately, while the overall national civil service wage bill declined for a time in many countries (including Ghana), the savings were generally not passed on in the form of higher wages to those who remained. Furthermore, approximately half of the countries undertaking such reforms soon ended up with higher wage bills (for example, Senegal).

The mid-1990s witnessed several early experiments in rethinking Africa's approach to civil service reform, most notably in Tanzania. African practitioners recognized that the process of and incentives for change in the civil service were as important as reform objectives themselves. Reforms had to be designed in ways that provide ministries, agencies, and departments (and their staff) with the incentives to focus on their institutional performance. These efforts had to be more participatory than the top-down rationalization efforts of the 1980s. Across-the-board attempts to reform pay and employment did not necessarily deliver tangible improvements in the performance of specific ministries or agencies that were responsible for service delivery. There was a need to unbundle reform processes, asking ministries or agencies to commit to performance improvement initiatives that included a renewed focus on clients, identification of specific performance problems, elaboration of strategic and performance improvement plans, and provision of individual and institutional incentives necessary to improve frontline performance.

Tanzania responded to the need to adjust public sector wages with limited resources by implementing a program of Selective Accelerated Salary Enhancement (SASE), aimed at providing salary adjustments to a select group of public servants in the short term, while addressing the wider problem of a living wage in the public sector in the longer term. As Tanzania's experience illustrates, a SASE soon generates strong pressures to broaden its applications across an ever larger group of public servants with challenging effects on the wage bill or recompression of salaries.

The few countries that escaped the downward spiral of public service pay generally combined a slower growth in the size of the public service at independence with the ability

to respond effectively to economic downturns. In Mauritius, for example, the state-owned sugar plantations were fundamentally restructured when sugar prices declined—with consequent redundancies for plantation workers. Mauritius was able to use its generous social welfare system to cushion the human and political costs of restructuring without bankrupting its ability to pay civil servants a reasonable wage. In many African countries, the search goes on for a policy that will balance the need to provide services to the whole population with the problem of paying civil servants (including front-line service delivery staff such as nurses and teachers) a living wage. Without such a balance, countries such as Ghana will continue to see more nurses emigrate each year than graduate from its free nursing colleges.

Box 3
The battle against corruption: limited progress and remaining challenges

Corruption is both a symptom of weak institutional, organizational, and human capacity and a limiting factor in making progress in capacity development. It signals weaknesses in national checks and balances on government and in the institutions charged with identifying corrupt practices and prosecuting the guilty as well as underlying causes such as civil service pay levels that cannot provide even the most basic necessities of life. Furthermore, corruption undercuts the ability of civil society to engage governments with effective demand for improved services—it breaks the connection between individuals and the state at the point of service delivery.

Many African countries are investing in programs to strengthen national institutions that combat corruption and misuse of public funds. They have improved the accuracy and timeliness of ex ante reporting of public accounts, provided technical support to parliamentarians serving on public accounts committees, trained staff of audit offices, established national anticorruption commissions, and trained the judiciary and public prosecutor's offices.

Despite these measures, corruption continues to undermine good governance. In Uganda, for example, core anticorruption institutions remain relatively weak and successful prosecutions are rare. Despite the rhetoric of anticorruption, the Auditor-General, the Public Accounts Committee, the Inspectorate of Government, the Directorate of Ethics and the Directorate of Public Prosecutions also are reported to suffer from chronic and continuing underresourcing. The dominance of the National Resistance Movement (NRM) may have the effect of weakening the ability of the Public Accounts Committee to question national expenditures. The key anticorruption institutions in Uganda are dependent on high-level political support, which may be diminishing. This is in contrast to countries such as Mauritius and Botswana, which have been able to maintain a tradition of a self-policing, professional public service since independence.

A strategy to effectively combat corruption and to eliminate its corrosive effect on national capacity would include dealing with the problem of public sector pay; providing political support and adequate resources to anticorruption institutions and services; promoting the role of the private sector; and allowing an active and independent media to raise issues of corruption (and by doing so to allow for effective parliamentary interventions). Finally, effective anticorruption strategies must include a commitment to actively prosecute those implicated. Without effective enforcement practices, institutions will have little impact on perceived levels of corruption.

tackling corruption one of their main political messages. The National Resistance Movement in Uganda made anticorruption efforts a central theme of its local administrations—even during the armed conflict that brought it to power.

The two Asian case-studies show one country (Sri Lanka) with a wave-like trajectory of capacity destruction and rebuilding, comparable to the African experience; and one country (Malaysia) with continuous, long-term progression in capacity, built around power-sharing, consultation, discipline, and professionalism. Boxes 4 and 5 draw key lessons from each of the two case studies, emphasizing issues that are directly relevant to Africa's current capacity development trajectories.

Box 4
Effective state and engaged society: Sri Lanka's capacity development trajectory

Within a relatively short period of emerging from colonial rule, Sri Lanka was able to consolidate a number of noteworthy gains in human development, which was impressive for a country with a low level of economic development. While Sri Lanka has continued to mark improvements in human development over time, it has lost its leading position to a number of developing countries that have surpassed it both in per capita income and in social achievements.

The post-independence trajectory of state capacity in Sri Lanka provides insights into, and explanations for, this result. At the time of independence, Sri Lanka inherited a strong state apparatus underpinned by an efficient administration. In the decades that followed, two trends became increasingly prominent. Firstly, there was a growing tendency toward political interference in the public service. Second, decision-making power was increasingly shifted from the agencies and instrumentalities at or close to the delivery interface to the center. The result was a steady deterioration in the quality, efficiency, and responsiveness of government services. This was aggravated by slow economic growth. However, slow economic growth itself was in part the result of the state's pursuit of equity over growth, which perversely earned Sri Lanka the early accolades for its human development achievements.

While the state's capacity has followed a downward trajectory since independence, from the late 1970s the private sector and civil society have become increasingly active, both in providing public goods and services and in demanding accountability for state functions. Although this development has to an extent offset some of the decline in state capacity, the private sector and civil society are themselves constrained by a number of factors, such as an unconducive regulatory framework and issues of institutional sustainability, and so are yet to emerge as a force capable of fully engaging with the state. As a result, a significant gulf exists between where state capacity falls off and where the private sector and civil society pick up. This is the challenge for building in-country capacity for growth, development, poverty reduction, and security, and is an area that should be a priority concern for the country's development partners.

Source: "Case Study of Sri Lanka," undertaken for the Task Force by Malathy Knight-John and Amrit Rajapakse, Institute of Policy Studies, Colombo, July 2005.

Box 5
Effective state and engaged society: Malaysia's capacity development trajectory

The Malaysian experience has shown that political will, good leadership, adequate resources, sound economic policies, and undying commitment to seeing one's goal achieved are important ingredients for a nation's development. An efficient public sector and dynamic bureaucrats make a difference. The Malaysian civil service, with its culture of neutrality, efficiency, and professionalism, has made a good impact on economic development. The high premium placed on obedience and respect for authority has facilitated governance. While the Malaysian civil service is not without its problems, Malaysians developed pride in their civil service. They built the capacity of the service by focusing resources on key central agencies, which were in turn responsible for developing other organizations. Malaysia has had systematic planning of programs within the framework of Outline Perspective Plans 1 and 2 and 5-Year Development Plans.

As a multicultural, multilingual, multiracial, and multireligious society, Malaysia is not immune to the threat of ethnic cleavages or political instability. Yet through the government's New Economic Policy, economic growth occurred in a stable environment, which is partly attributed to consociational power sharing within the ruling coalition party that represents the different races. Such political collaboration not only brought about unity but further laid the foundation for foreign investments. A clearly communicated vision proved essential, with partnership between the public sector, private sector, and civil society in its implementation, creating a sense of ownership of national development projects among all stakeholders. Privatization played a role, but maintaining ownership of organizations with an emphasis on corporate culture was even more important. Post-independence Malaysia has always been governed by a coalition government that is representative of all ethnic groups. This element of power sharing has facilitated consultation and consensus in the formulation of national policies. Consultation is extended to the private sector, chamber of commerce and industry, various organizations, and NGOs. The Ministry of International Trade and Industry (MITI) and the National Economic Consultative Council (NECC) were effective in conducting national dialogues.

Malaysia has a somewhat unique way of containing and resolving conflicts among different interest groups and ensuring that all such groups have a voice in budgeting and planning. Since independence, there have been consultative processes, which were used in the development of budgets, development plans, and in the process of addressing specific crisis such as the economic crisis of 1997. Some of these processes simply involve consultation among government departments, which has become institutionalized and is widely used in policy development. Other processes involve the creation of a consultative committee for a specific purpose. The consultative committee has a number of subcommittees representing different interest groups. In all cases there are subcommittees to represent the three main ethnic groups, and in many cases specific committees represent the interests of often competing business groups and civil society groups. This consultative process is not without its limitations. As it involves only a well informed and articulate segment of each interest group, it is often criticized as being elitist. The process is also criticized because the solutions reached are inevitably compromise solutions in which all groups not only win, but also lose, on some of their agenda.

Nevertheless, the consultative process has been effective in building capacity because of three factors. First the process provides an arena through which conflicts within each interest

group can be freely aired, debated, and resolved behind closed doors. Individuals have been selected to participate because of their ability to represent broader interests and of their skills in resolving conflicts in practical ways and communicating the resolution effectively to their constituents. This in itself goes a long way toward minimizing open conflict, reducing violence as a result of this conflict, and protecting resources needed to build capacity. Second, the process draws upon the expert knowledge, insights, and judgment of leading thinkers in the community. This helps to identify risks associated with a particular policy direction, surface longer-term implications, avoid pitfalls, and direct resources and opportunities to develop capacity. Third, participation in these committees creates in their members a sense of ownership of the plans and policies and a sense of commitment to the people they represent and to the country as a whole. Having this stake in the building of the country, they are more likely to want to stay in Malaysia and to encourage their children to stay in Malaysia.

The essence of the national capacity development program in Malaysia was to achieve a critical mass of human capital in all areas: at individual, organizational, institutional, and public and private sector levels. The importance of education was advocated through all channels, especially through educating the public by making the media accessible. Adult education was one of the means adopted in the 1960s and the 1970s to raise awareness among the local people of the older generations.

Source: "Case Study of Malaysia," undertaken for the Task Force by Kathleen Lauder, Ottawa, and Norma Mansor, University of Malaysia, Kuala Lumpur, June 2005.

Critical drivers of capacity development

Political leadership is the primary driver of capacity development. Creating an effective state and an engaged society is about political and economic governance. Hence, leaders play a determining role in capacity development. The trajectory of capacity development in the 12 African case countries provides evidence that successful strides toward improved capacity are facilitated by developmental leadership in the country's political and administrative arenas and by opening up for societal engagement in politics. Although the 12 countries belong to the better performers among African countries in state effectiveness and societal engagement (figure 1), most of them have gone through undemocratic periods, dominated by clientelistic leadership. Clientelism characterizes a form of political leadership where benefits are conferred in a non-transparent, discretionary manner in exchange for political support. In Africa, a special—and large—group of countries are fragile states, which are affected by conflict, natural disasters, or economic shocks; where the leaders may be developmental or clientelistic, and where even developmental leaders lack the resources and the stability to offer incentives for capacity performance and to implement capacity development programs.

The capacity development trajectory of individual African countries is determined by multiple drivers. First is the broad governance context of developmental versus clientelistic leadership. Within this context, capacity is needed at two critical levels: capacity for strategic decision making and policy formulation by the political and administrative leadership of the state; and institutional capacity and fiscal space for policy and program implementation. The final driver is the scope and mechanisms of broad engagement of society in decision making and program implementation. For developmental states with a broad and public commitment to building state capacity for improved service delivery (often accompanied by decentralization), the option of incremental capacity development through careful sequencing may not be politically viable. The pressure for results–even in post-conflict settings such as Mozambique and Rwanda in the second half of the

1990s—is such that there is little time to build first the basics of institutional capacity before engaging in broad service delivery programs. The most committed of the developmental states have been increasingly likely to embark on large-scale, nationwide, multisectoral, and demand-driven programs of capacity development and devolution of power and resources to local governments. Box 6 demonstrates the extent of these endeavors.

These programs are highly demanding in terms of political commitment and prior existence of capacity and resources to ensure implementation. The country studies of Mozambique and Tanzania provided evidence that Mozambique's multisector governance reforms and service delivery programs have been less detailed and comprehensive than what is currently implemented in Tanzania, which benefits from a longer trajectory of development consensus and stability. Sequencing is therefore often a question of differences in the depth of institutional reforms. In clientelistic settings, the political and administrative leadership is, at best, interested in selective capacity development programs, and the task for international partners is to select entry points that may strengthen capacities—for example, for social service delivery—without providing platforms for strengthened clientelism or misappropriation of resources.

An effective state develops capacity from within (supply-driven) and in response to external pressures (demand-driven). In their capacity development trajectory, African states and their international partners have long focused on supply-side measures: improvements in public sector skills and management, supported by technical assistance in the form of training and blueprint organizational and procedural change. In the hitherto dominant supply focus, African countries and donors have gradually moved from technical gap filling, through formal and on-the-job training, to organizational change management and leadership development. Over the past decade, public sector management has increasingly put emphasis on performance-oriented incentives—financial, career, etc.—as the primary instrument of linking supply- and demand-driven capacity development. This coincides with the political transformation in Africa, which has created space, expectations, and demand among citizens for more accessible and better quality public goods and services. The pressure for social accountability in the delivery of public services is likely to have pushed for capacity improvements.

Where developmental states have made political commitment to increased state effectiveness, they have often relied on a small team of key managers and administrators. As African states have either preserved a developmental orientation from independence (Botswana, Mauritius) or redirected their development trajectory in the 1990s (Tanzania, Uganda), they have sometimes depended on a relatively small cadre of very senior policy makers and administrators to provide both direction and impetus to reforms. While these "dream teams" (box 7) have been able to develop sound policy options and successfully press for change at the central levels of government, they have been somewhat less successful in pushing changes out to the local levels or in sustaining political support. These small teams seem to be most effective in driving capacity development when political leaders—from both government and opposition—come to rely on them for professional guidance. Political leaders do so because they have been convinced that there is a link between effective electoral politics and the policy prescriptions of the change management teams.

Most African countries have established complex institutions outside the executive, which may eventually enhance societal engagement in capacity development through strengthened domestic accountability systems. These institutional developments cover two critical arenas: First, the establishment of and transfer of formal authority to local governments has taken place gradually since independence—though often with abrupt policy reversals—through decentralization

programs in most African countries. Second, during the improving governance phase of the capacity development trajectory (the past 10–15 years), the developmental states have strengthened and expanded the formal institutions of domestic accountability: public accounts committees in parliaments, supreme audit and ombudsman institutions, anticorruption agencies and commissions, electronic media and the press not controlled by the state, and the legal and judicial system. Even in clientelistic states, the formal institutions of accountability have continued to constrain the excesses of the rulers, forcing them to appear to play by the rules. However, enforcement of the greater attention to corruption and other forms of abuse of power remains limited in both developmental and clientelistic settings (see box 3).

African countries have chosen decentralization as one of their most important strategies to develop state capacity and make it more responsive to citizen engagement at a local level. While much has been achieved since the late 1980s, decentralization has not yet reached these goals (box 8). The country case studies suggest that many are in the most crucial phase of decentralization. They have created the necessary local structures and have staffed them, and many have begun to transfer both authorities and—to a smaller degree—fiscal resources to the local level. What is now being illustrated, however, is the capacity of central agencies and line ministries to resist the effective transfer to local authorities of responsibility to make decisions as well as deliver services. This will be a test for national governments and their donor partners. It is unlikely that the link between service quality and civil society engagement can be developed in the absence of meaningful decentralization.

So far, there have been few links between efforts to develop the capacity of the state and local government on one hand and to pro-

Box 6
A comprehensive approach—broad-based multisector capacity development programs in Ethiopia, Rwanda, and Tanzania

The country case studies explore how countries should sequence their programs in support of capacity development. Whether to build outward from key reforms in public financial management or parallel those with sector-specific programs in service delivery or with comprehensive efforts to reform the public service at all levels—often with the added complication, and promises, of decentralization.

In practice, African governments are faced with an imperative to improve state capacities on a broad front, an imperative made all the more urgent by the democratization of the 1990s. As many African governments committed themselves to market economies and pluralist democracies and turned away from narrow power bases and clientelist political economies, they faced the necessity of constructing (or reconstructing) an effective developmental state. Ethiopia, Rwanda, and Tanzania provide striking examples of efforts to address capacity development on a national scale through large multisector programs.

In 2003, the Ethiopian government launched a sectorwide approach (SWAP) to a five-year federal program called the Public Sector Capacity Building Program (PSCAP), to rapidly scale up support for capacity building in six priority areas: civil service reform; district-level decentralization; urban management capacity building; tax systems reform; justice system reform; and information and communications technology. The government's vision was based on the need for simultaneous nationwide implementation, alignment of program support with Ethiopia's public financial management and intergovernmental system, and

harmonization of the fiscal, fiduciary, and reporting requirements of development partners around a single design solution. PSCAP operates as a performance-oriented transfer between federal and regional authorities: 80 percent of resources are allocated according to formula-driven drawing rights to Ethiopia's 11 regions. Regions must deliver capacity-building outputs as part of annual performance agreements. The program pools partner resources with Treasury resources. The resources are formally incorporated into the government's macroeconomic fiscal framework and the division of revenues between federal and regional levels. The SWAP is aligned with the government's rolling medium-term planning, annual budgeting, and disbursement procedure. A harmonized monitoring and evaluation action plan is being implemented as part of joint government-donor annual review missions.

The government of Rwanda has initiated a long-term, Multi-Sector Capacity Building Program (MSCBP) with support from the World Bank and the African Capacity Building Foundation (ACBF). It aims to address issues of capacity utilization, capacity retention, capacity sustainability, and capacity acquisition across government. It deals with the full menu of reforms including pay reform and development of performance management methods and e-government, as well as providing support to the national mechanism for coordinating capacity development. Thus, Rwanda moved quickly from a program to rebuild the basics after the genocide to one of comprehensive capacity development.

In Tanzania a number of programs have been launched, or relaunched, since 1999 which combine to form a comprehensive commitment to broad-based national capacity development. The Public Sector Reform Program (PSRP) is a decade-long initiative aimed at shifting the focus of reform from central agencies to the ministries, departments, and agencies with a strong focus on service delivery improvements. It aims to produce a cultural reorientation among public servants as well as the public at large. The Local Government Reform Program (LGRP) rivals Ethiopia's PSCAP in its efforts to move forward with fiscal, administrative, political, and service function decentralization and to provide multisector capacity development support to the new decentralized bodies. Finally, the Legal Sector Reform Project aims to ensure that the legal sector reforms allow it to be responsive to the massive changes under way in the PSRP and LGRP.

There is no definitive evaluative material available to judge the feasibility of these three national efforts to tackle public sector reform and capacity development on such a wide front with support provided on a multisector basis. What is clear is that each government is responding to a nationally recognized imperative to make changes on a scale which, if they prove effective, will amount to a transformation in the reach and functions of the state.

Box 7
Achieving rapid gains with a core group of administrators: the dream team approach

Capacity development for effective states and engaged civil societies requires clear policy options, coordinated actions of ministries, departments, and agencies, and continuity of pressure and support from the highest levels of public administration, with the support of the political leadership. For a number of the case study countries, the approach has been to develop a team of senior policy advisers and administrators, sometimes in one central agency and sometimes in just a few. These "dream teams" have been able to produce remarkable successes, especially in the early stages of efforts to reform the civil service. Examples include:

- In Botswana and Mauritius the maintenance of a cadre of talented, comparatively well paid, and highly trusted senior administrators in the Ministries of Finance (for both), Planning (Botswana), and Economic Development (Mauritius)
- In Uganda the development of a small group of very competent policy makers and administrators working under the direction of the Permanent Secretary of the Ministry of Finance, Planning, and Economic Development (MOFPED) and eventually in the Central Bank
- In Tanzania the actions of President Mkapa who, on assuming power, brought a new and highly qualified team of senior managers to the Ministry of Finance, the Bank of Tanzania, the Tanzania Revenue Authority, and to a policy analysis unit in State House (the offices of the Presidency).

Since these teams of administrators are often established with very high levels of political support, they can be protected from some of the worst effects of political interference in the bureaucracy and can provide both policy advice and administrative pressure for reform. Unfortunately, the experience of Kenya and Uganda suggests that there are limitations on the "dream team" model. For one thing, while they may maintain pressure for institutional and organizational change at the center of government, they seem to have very little influence on service delivery in the districts and towns where citizens access services. Similarly, just as they benefit from protection from political interference, if the high-level political support that leads to their creation is withdrawn, they may quickly become isolated and ineffective. In Kenya the pervasive environment of clientelistic politics undermined the success of the dream team.

Mauritius did not consciously adopt a model of appointing a small team to power reforms. Rather, the already competent, fairly small group of policy specialists in the Ministries of Finance and Economic Development were able, from the early 1980s, to convince party political leaders that their policy advice could produce economic, social, and political gains that would serve the needs of politicians to produce demonstrable results. It seems that, for sustained effectiveness, the dream teams need to be able to demonstrate some quick wins for national political leadership.

Box 8
Capacity development and decentralization: promises and challenges

Most African countries have chosen decentralization as a key element in their Poverty Reduction Strategies (PRSs) and in national capacity development strategies and programs. For example, Benin, Ethiopia, Ghana, Malawi, and Uganda have all embarked on fairly massive efforts to decentralize the functions (if not always the fiscal resources) of the state to the district level. The motivation for such decentralization is twofold and both sides affect capacity development.

Decentralization is intended to deepen democracy and to allow local communities to influence government priorities and the quality of services they receive. At the same time, decentralization is part of an effort to create a more effective channel to allow national resources to influence the quantity and quality of services provided at the local level. Centralized, headquarters-driven line ministries tend to serve the needs of their capitals, neglecting to provide the personnel and resources necessary for good service delivery in rural areas. The promise of decentralization, from a capacity development perspective, is that it allows resources to be placed directly at the regional and district levels where they can be responsive to the demands of citizens.

In practice, achieving the promises of decentralization has proved extremely difficult in the case study countries. In Benin, Ghana, and Malawi, the offices of the national line ministries (education and health in particular) have proven extremely agile and durable in resisting the transfer of meaningful authority and adequate resources to the district level. In almost all the countries studied, organizational restructuring and decentralization was done far in advance of fiscal decentralization. District level bodies were starved of resources for years after they were created.

Ethiopia is an interesting case of a national strategy of decentralization (through an ethnically identified, federal state system down to the level of woredas, or districts), which has driven capacity development planning since the achievement of peace in 1991. During the 1990s, even while negotiating with the international community on programs of structural adjustment, Ethiopia established working decentralized structures down to the district level and, through transfers and new staffing, established a national, decentralized cadre of more than 300,000 civil servants. In an ambitious effort to deliver capacity development support to this new decentralized system, Ethiopia has launched a very large, multisectoral, public sector capacity-building program with the support of the World Bank and a consortium of donors. In some ways, this program (and a similar one in Malawi) will provide important answers as to whether it is feasible to provide broad-based, multisectoral capacity development assistance to truly decentralized state systems.

Box 9

Community-driven development and capacity development: the Malawi Social Action Fund

One strategy for developing capacity is to provide financial and technical resources directly to the community level and to involve community members in decisions about which projects and activities should be prioritized—where and how community capital and labour should combine with outside support to produce improvements in infrastructure and services. This is particularly attractive in countries such as Ghana and Malawi, where decentralization and deconcentration of government structures has not yet had a noticeable impact on the quality of local service delivery. The question for governments and donors is whether it makes sense to effectively bypass both central and decentralized government structures and invest resources in processes of community-driven development.

A key model for providing resources to community-driven capacity development has been through Social Action Funds which, while administered at a national level by a central technical group, have their resources invested locally based on a formula that takes account of the needs and expressed priorities of the local community.

The Malawi Social Action Fund (MASAF) is one effort at allowing the community a much larger say in investment decisions and thereby empowering civil society at the most local level. According to the accounts available for the Malawi case study, MASAF has proved an effective means of allocating resources for local investments in both capacity development and infrastructure. The challenge for MASAF is how to better coordinate its funded activities with the plans and priorities of newly empowered decentralized district level bodies in Malawi. If social action funds are to continue as effective means of supporting community-driven development, they will need to be coordinated with ongoing efforts to set priorities at regional and district levels through newly decentralized bodies in many of the case study countries. There will also be a need to coordinate new efforts at fiscal decentralization in many countries with the structure of centralized social funds. Finally, this will need to be done without destroying the participatory elements of social action funds such as MASAF.

mote community-driven development on the other. Efforts to promote community-driven development through mechanisms such as social action funds are sometimes poorly coordinated with ongoing programs of capacity development for decentralization. In fact, in some instances, newly decentralized bodies find themselves in conflict with centrally directed social action funds and their locally management projects of investment. Box 9 discusses this in the case of the Malawi Social Action Fund, MASAF.

A major problem for African countries has been retaining qualified professional graduates. Countries that have not been able to develop a strong private sector but have continued to produce a steady stream of qualified professionals (Benin and Ghana, for example), including doctors, nurses, engineers, and technicians, experience a debilitating brain drain to developed countries. Countries such as Mauritius, which have been able to build a strong private sector in parallel to the expansion of state services, have seen a more balanced take-up of graduates by both the private and public sectors. Thus Mauritius has increased its emphasis on tertiary education since the recent advent of the New Economic Agenda, with its emphasis on moving to a knowledge-based, predominantly service-oriented economy.

Country typology and capacity development assistance: diagnostics and donor practices

The prospects for creating an effective state are determined by past decisions and present achievements in the capacity development trajectory. The starting point for capacity development must be a diagnosis of where the country stands with respect to the reform orientation of the political and administrative leadership, the state capacity for strategic decision making and policy formulation, the institutional capacity and fiscal space for policy and program implementation, the broad engagement of society in decision making, including the capacity of civil society and private sector to hold the government accountable, and the degree of stability and consensus in society (figure 7).

The scope for capacity development in individual countries is determined by the developmental or clientelistic nature of the governance framework, by present capaci-

Figure 7
Present capacities determine the trajectory toward the effective state

Degree of political stability and social consensus

Capacity for societal engagement in public decision making

Capacity and resources for implementing policies and programs

State capacity for strategic decisions and policy making

Reform orientation of political and administrative leadership

The effective state as an outcome of capacity development

ties for strategy and implementation, and by the degree of conflict and/or consensus in society. State and society interact in real-life situations where countries find themselves somewhere between developmental and clientelistic governance, between a capable and a fragile state, and between a consensus-oriented and a conflict-ridden society (table 3).

Combining these features, African countries tend to find themselves in one of four situations, while most countries have moved between the categories during the post-independence trajectory:

1. Developmental states with relatively high public sector capacity and high consensus in society include Botswana, Mauritius, and Tanzania.
2. Developmental states with low public sector capacity and emerging societal consensus include Ethiopia, Mozambique, Rwanda, and Uganda—states that have performed impressive turnarounds in capacity and governance over the past 15 years.
3. Clientelistic states with quite high but captured capacity and limited consensus include countries (not studied by the Task Force) such as Côte d'Ivoire and Zimbabwe.
4. Clientelistic states with low public sector capacity and devastating effects of external or internal conflicts include fragile (even failed) states (not studied by the Task Force) such as Angola, Chad, Guinea, the Central African Republic, the Democratic Republic of Congo, Liberia, and Somalia.

These are broad categories, and most countries fit into a continuum between the extremes, as indicated in table 3. For example, Ghana and Tanzania are developmental states with medium public sector capacity. Benin, Madagascar, and Malawi find themselves somewhere in the middle between developmental and clientelistic leadership and between high and low public sector capacity.

Donors' capacity development assistance—and development cooperation in general—have been ill adjusted to the different capacity development trajectories of African countries. While progress is being made toward greater national ownership, capacity development projects in the case study countries show signs of considerable donor push, with consequent weaknesses in project design and lack of adaptation to country situations (box 10). Governments and their donor partners, in particular, have been prone to overdesigning project inputs and establishing overly ambitious objectives and unrealistic timeframes. The African case study countries have also experienced problems in proper design and use of monitoring and evaluation systems. Because projects and programs are often designed with overly ambitious targets and stated objectives, they also lack practical systems and processes for monitoring and evaluating program performance and turning lessons learned into actionable recommendations for program improvement.

Table 3
Diagnosing capcities in the African state and society

A DEVELOPMENTAL GOVERNANCE FRAMEWORK	Reform orientation of political and administrative leadership ⟷ Capacity for societal engagement in public life	**A CLIENTELISTIC GOVERNANCE FRAMEWORK**
A CAPABLE STATE	State capacity for strategic decisions and policies ⟷ Capacity for implementing policies and programs	**A FRAGILE STATE**
A CONSENSUS-ORIENTED SOCIETY	Degree of consensus on societal development ⟷ Degree and forms of internal and external conflicts	**A CONFLICT-RIDDEN SOCIETY**

There is, however, movement toward programmatic forms of assistance for capacity development in Africa. In an effort to increase national ownership and a better fit with existing country capacities, as well as to reduce transaction costs, many African countries and their development partners have agreed to move away from project forms of assistance and make increasing use of both SWAPs and various forms of budget support (box 11). The country studies confirmed, however, that these changes have been slower in technical assistance than in other forms of aid, and that the limited progress has been a constraint on the effectiveness of capacity development assistance.

Capacity development assistance is still not fully adapted to the differences in state and capacity characteristics among African countries. Applying the typology of four country capacity situations developed above, it is possible to suggest a set of principles for effective capacity development assistance in different country contexts in Africa.

- In developmental states with relatively high state capacity and societal consensus, international development partners could support a government-led, comprehensive capacity development program, which may include all of the following components:
  1) Core public sector management: public financial management, civil service reform, etc.
  2) Decentralization and strengthening local governance, including community development
  3) Delivery of public services in sector-specific or multisector programs
  4) Strengthening the investment climate, as through effective and transparent regulation
  5) Strengthening the formal domestic accountability system at central and local levels
  6) Strengthening informal accountability mechanisms, including expenditure accountability
- In developmental states with relatively low state capacity and emerging societal consensus (for example, in turnaround, capacity-constrained states such as Mozambique), partners could support government-led, selective capacity development programs, reflecting equal attention to enhancing service delivery and building basic capacity and accountability structures. While all key components of capacity development may be feasible, depending on government priorities, the key approach is sequencing by adjusting the depth and the pace of capacity development, so as not to overburden existing capacities.
- In clientelistic states with relatively high but captured state capacity and with limited consensus, opportunism and selectivity are the key approaches for development partners. Given the limited commitment and interest of political leaders in broad-based capacity development in countries such as Zimbabwe, donors could often focus on two or three of the six capacity development components suggested above; for example, delivery of public services involving non-state providers, creating space for private sector development, and strengthening informal accountability mechanisms and bottom-up demand pressures.
- In clientelistic, conflict-affected states with relatively low state capacity, even greater opportunism and selectivity are usually called for, together with effective donor coordination. Typically, the role for non-state actors is likely to be higher, though developed with the aim to strengthen informal accountability systems and eventually to link up with local and central government by exercising demand-side pressures.

Box 10
Persistent problems in the design of capacity development projects

The country case studies point to persistent problems in program and project design which seem to be particularly associated with capacity development. It seems that successful program design in capacity development requires a deep and nuanced understanding of the level of political and managerial commitment to change at the highest levels of governments and in bureaucracies. It also requires a full and frank understanding of capacity strengths, gaps, and weaknesses, well integrated into the design process. Finally, capacity development programming is especially susceptible to the tendency for designs to set overly ambitious program goals and targets to be achieved with insufficient resources within too-short timeframes. Of all forms of development programming, capacity development programs seem to be most susceptible to damage by excessively donor-driven priorities.

Some of the most common design weaknesses in the capacity development projects and programs reviewed through the country case studies include the following:

- Weaknesses in the underlying analysis of existing capacities and gaps in the sectors being supported
- Relatively poor assessment and understanding of the political, institutional, and organizational commitment to pursue reforms necessary to support capacity development
- Overly ambitious setting of targets and goals
- Donor overestimation of commitment at the beginning of projects and (as in Benin and Ethiopia) failure to provide support to those advocating reform at crucial moments in the life of a program or project
- Underestimation of the ability of interest groups to resist change and protect their position (as in Ghana)
- Relatively poor coordination of technical assistance inputs including poor definition of the goals and objectives of technical assistance
- Use of technical assistance advisers to carry out functional and managerial roles rather than serving as mentors
- Failure to plan for the re-integration of program implementation units and their staff into line ministries.

Part of the problem with overly ambitious capacity development programs—as with any aid-supported development program—is the legitimate interest of developmental political leaders to accelerate the establishment of the institutional foundation for expanded public service delivery throughout the country. On the donor side, there are similar pressures to scale up. Both sides must recognize that commitment is not sufficient; scaling up nationally also requires capacity at all levels.

Box 11

Aid modalities and capacity development: from projects to SWAPs to budget support

Evaluations and assessments in the case study countries point to problems in achieving results in capacity development linked to diagnosed weaknesses in project support as an aid modality: high transaction costs for developing country governments; difficult problems of coordination; donor-driven priorities; and a tendency to build islands of excellence and then to fail to incorporate project-level innovations into national systems. In particular, project assistance places heavy burdens on the existing capacity—capacity that the very same projects may wish to build.

In the case study countries there has been a general movement away from project forms of development assistance for capacity building to first SWAPs and, more recently, to general budget support (GBS). The first SWAPs concentrated on capacity development in health and education, with strong examples in Burkina Faso, Ghana, and Tanzania. In many ways, the 1990s were a decade of increasing use of the SWAP modality to support capacity development. Often, as with support to basic education in Burkina Faso and in Uganda, these were actually subsectorwide, in that they focused on specific subelements of, in particular, the education sector.

In the case study countries there has also been a clear shift to the use of general budget support (with different levels of restrictions) as a more effective modality to support capacity development. Budget support is a general trend in official development assistance which seeks to reduce the transaction costs to both donors and developing country governments and to capture aid resources in the national budget system. It responds well to the tendency to develop complex, multisector programs of support to capacity development such as those launched recently in Ethiopia, Rwanda, and Tanzania. Budget support is seen as a more efficient means of combining external and national resources in a complex program that crosses sector and institutional boundaries.

In general terms, the progression from project to SWAP to budget support is strongly supported by African governments. Ghana has consistently pressed donors in this direction, and post-conflict Mozambique made the transition from project to budget support in just 10 years. It has led to increased national ownership and better coordination among donors providing support to capacity development.

There is still some concern that budget support may not be as appropriate a mode for supporting effective technical assistance. As noted in Tanzania, there can be problems in ensuring that funds provided as general budget support are available to support essential technical assistance and other inputs to important programs in capacity development (in the case of Tanzania, the Public Sector Reform Program). A typical response has been to "ring fence" or designate resources provided for capacity development within a larger basket of funds provided as budget support.

Supporting Figures and Tables: Capacity Development Indicators for Case Study Countries

Figure 1
Life expectancy at birth in 12 case study countries compared with Sub-Saharan Africa

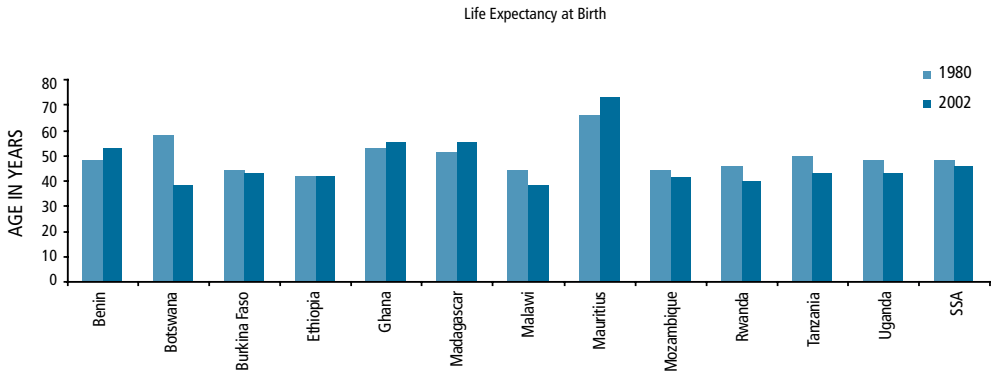


Figure 2
Infant mortality rates

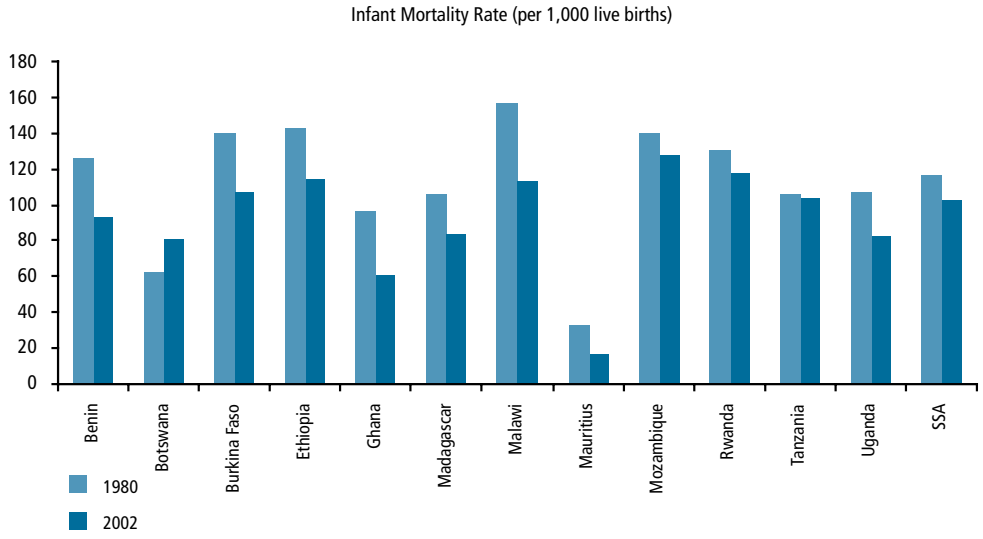


Figure 3
Maternal mortality ratio

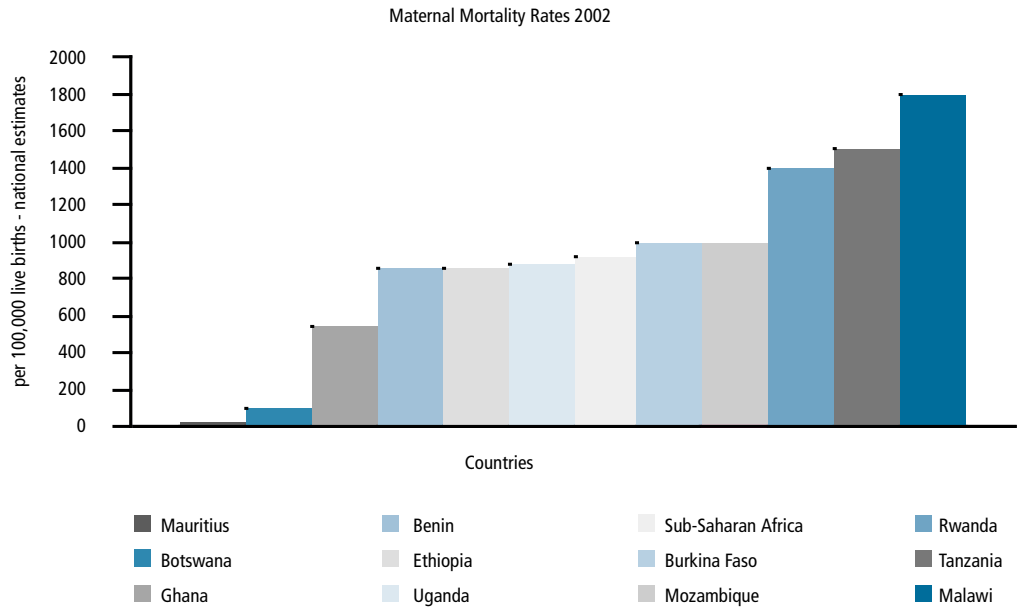


Figure 4
HIV prevalence in 12 case study countries

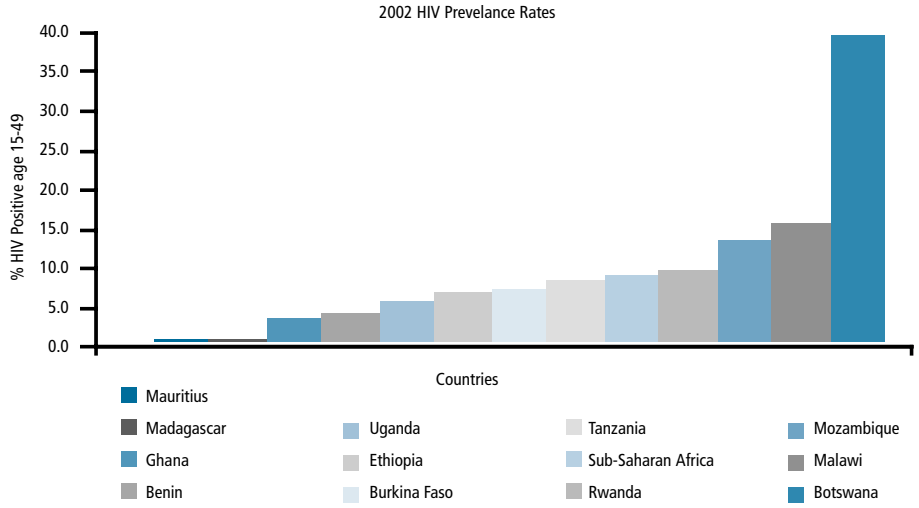


Figure 5
Net primary enrollment in 2000 for the 12 case study countries[29]

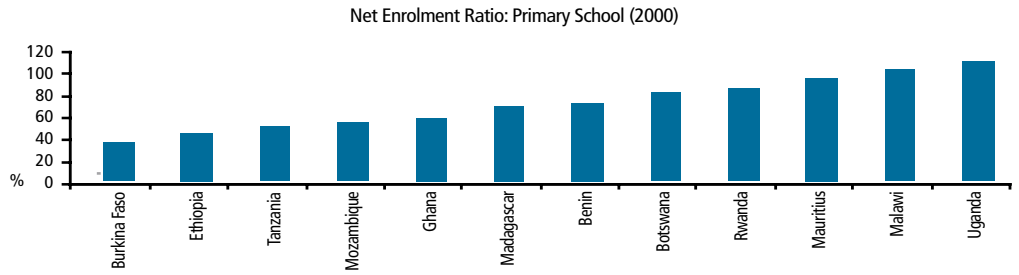
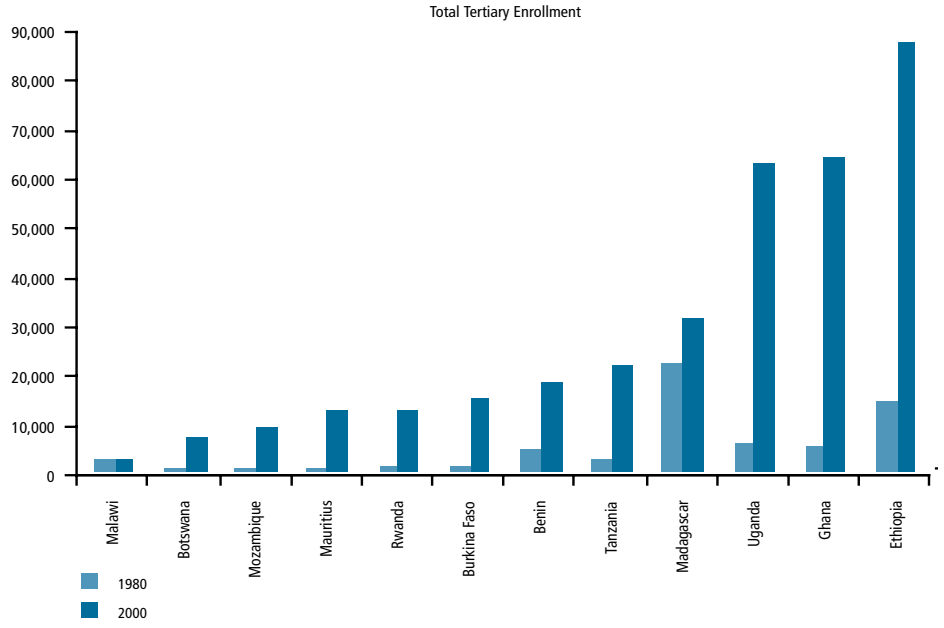


Figure 6
Tertiary enrollment, 1980 and 2000[30]



29 To cover all countries, 2000 data were used. However, Madagascar's primary net enrollment ratio rose significantly from 68 to 79 from 2000 to 2002/03 and Tanzania's rose from 50 to 69 in the same period, according to the UNESCO Institute for Statistics. The government of Tanzania reports that this strong rising trend has continued in 2004–05.
30 Tertiary education data for 1980 were not available for Ghana, therefore 1970 data were used instead.

Figure 7
Tertiary enrollment per million people

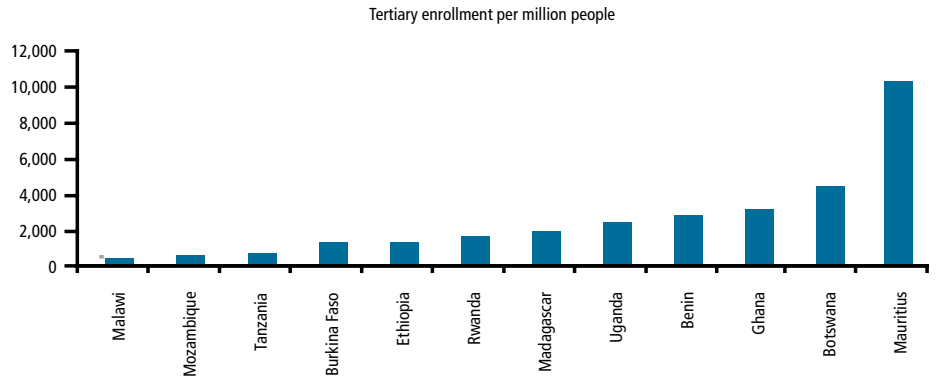


Figure 8
HIPC benchmarks met in 2001 and 2004

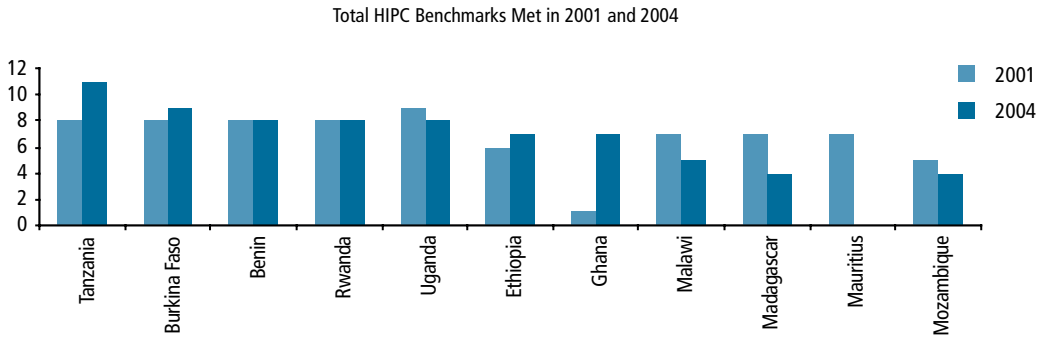


Figure 9
Institutional effectiveness

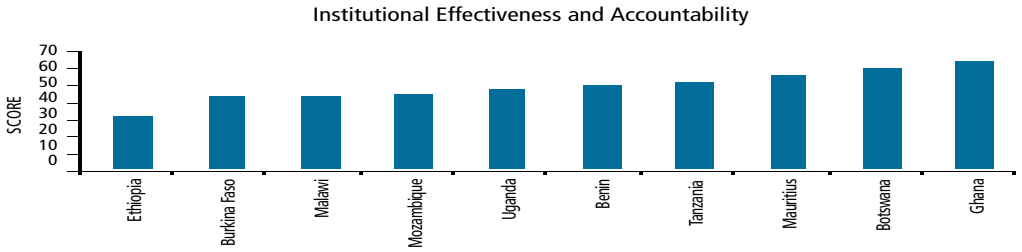


Figure 10
Respect for rule of law

Figure 11
Transparency and accountability

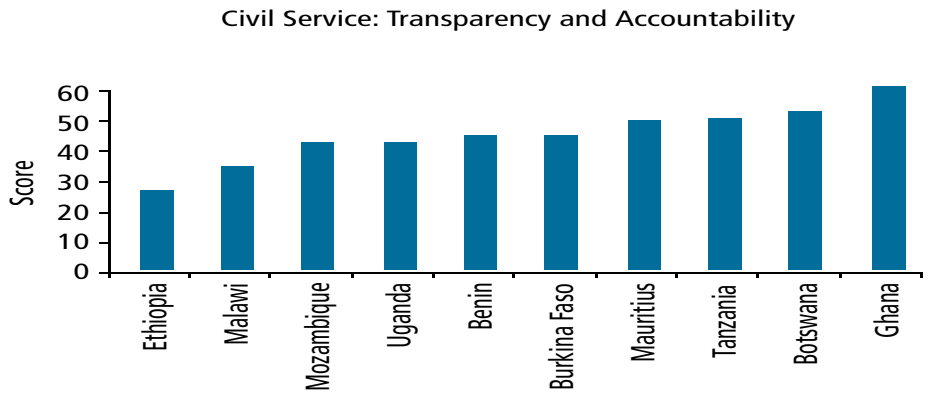


Figure 12
Investment policies

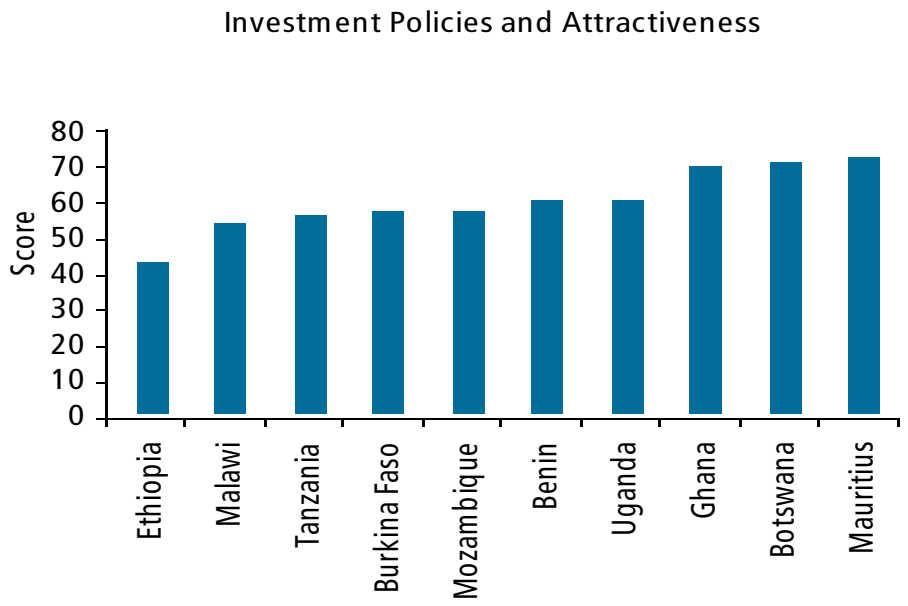
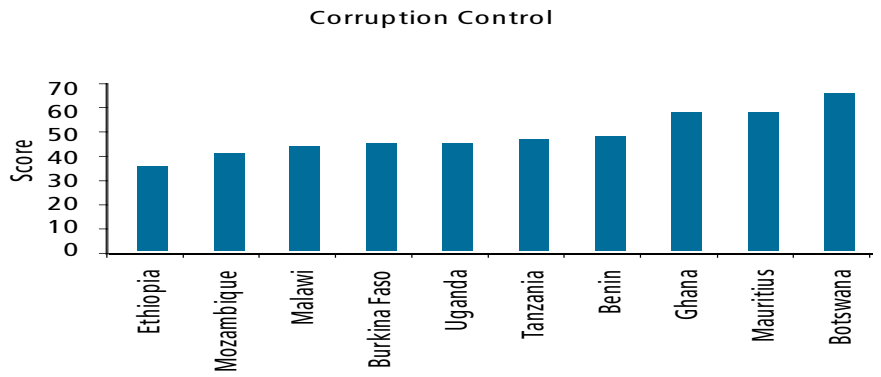
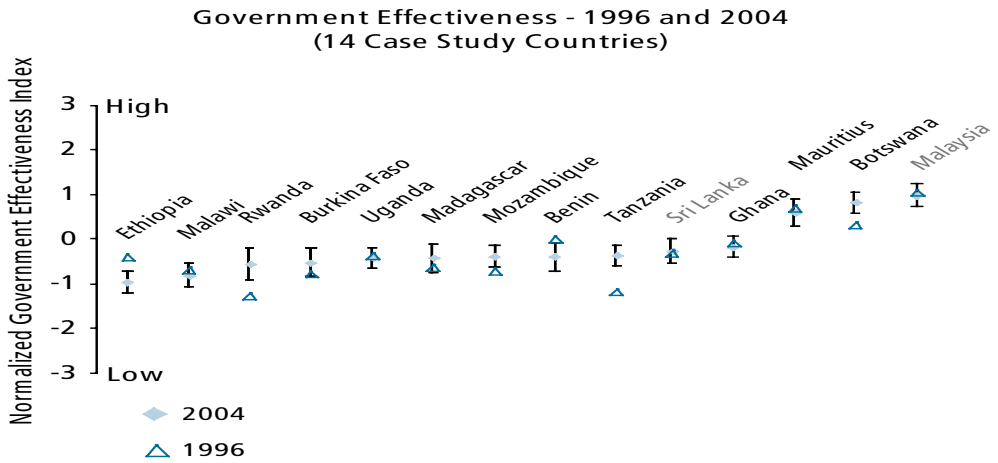


Figure 13
Control of corruption



The governance indicators presented in the figures below reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen, and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, NGOs, and international organizations.[31] Countries' relative positions on these indicators are subject to margins of error that are clearly indicated. Consequently, precise country rankings should not be inferred from this data. With respect to interpretation of the governance indicators presented below, the triangle symbols represent estimates for 1998, whereas the diamond symbols represent estimates for the 2004. The thin vertical lines represent standard errors around these estimates for each country in 2004.

Figure 14
Government effectiveness



31 *Source*: *Governance Matters IV: Governance Indicators for 1996–2004*, by Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, 2005.

Figure 15
Political stability

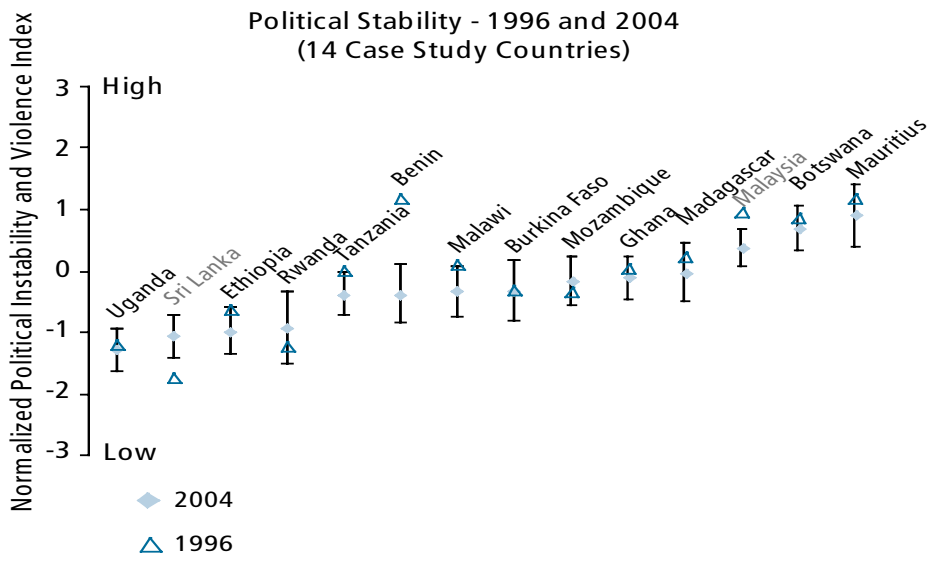


Figure 16
Regulatory quality

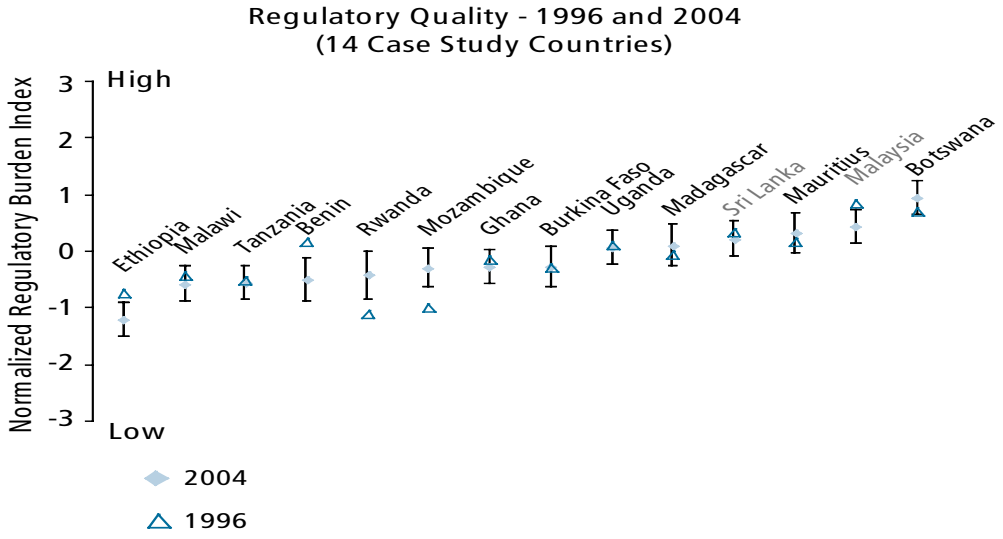


Figure 17
Control of corruption

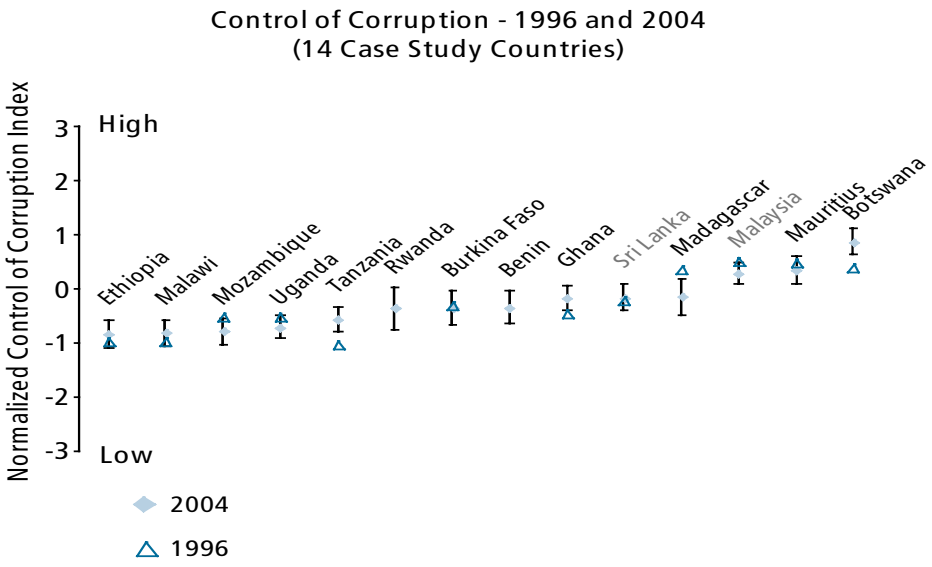


Figure 18
Rule of law

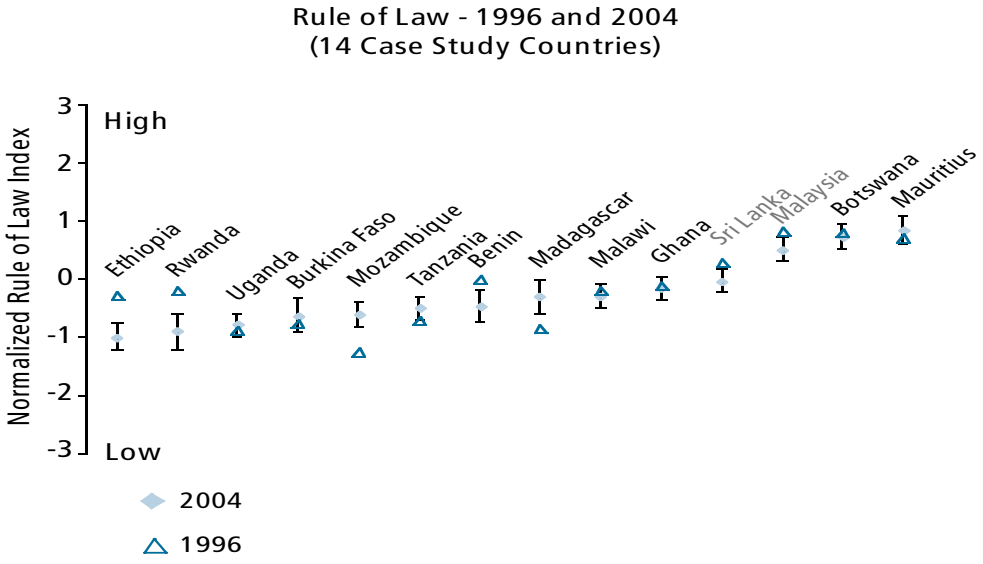
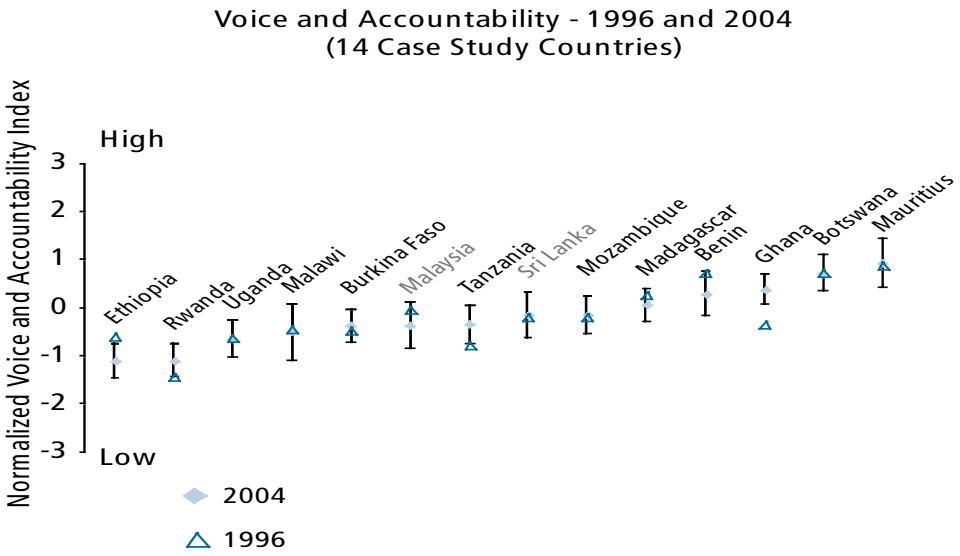


Figure 19
Voice and accountability



Annex 4. World Bank Portfolio review and assessment of capacity measures and outcomes

This annex provides an estimate of the amount of resources devoted to capacity building through lending operations between FY02 and FY04. It also provides an assessment of the indicators the Bank uses routinely to assess the quality of its work as it relates to, and therefore drives, capacity development as a key objective, and the quality and outcomes of the Bank's operations in the Africa Region, particularly as related to capacity development. Finally, the annex presents an analysis of the factors related to capacity-related project impact (as measured by OED's Institutional Development Impact ratings).

Portfolio review, FY02–04

Following the OED methodology, the Task Force conducted a review of all IBRD/IDA investment and adjustment projects (221 projects) that became effective during FY02–04 to examine the amount and proportion of project resources devoted to capacity development.[32]

Of the 221 operations that became effective during this period, 175, or about 88 percent, incorporated capacity-building activities as a project component or subcomponent. Tables 1 and 2 show the total commitments between FY02 and FY04, and the estimated amounts and proportions allocated for building capacity. About $3.25 billion of the total $11.7 billion, or 28 percent, is devoted to capacity building, yielding an average of a little over $1 billion a year. The OED estimate is $9 billion between 1995 and 2004.

It is important to note, however, that while this measure captures one dimension of capacity building, that which is directed through training, consultancies, etc., it does not capture overall project approaches that are fundamentally designed to build client ownership and sustained capacity (such as SWAPs). Thus the figures pertaining to capacity-building "actions" may actually be underestimates of the resources devoted to building capacity through changing the way in which development projects are managed and implemented.

Figures 1 through 3 show the proportion of funds devoted to capacity building by year and by type of operation. Adjustment Operations devoted a higher share (38 percent) of project funds to capacity building as compared with investment operations (24 percent). The estimate for investment operations is similar to the OED 1995–2004 estimate (a little over 25 percent), but about 12 percentage points lower for adjustment operations. This difference may be due to the fact that the current population comprises only those projects that were approved in FY02–04.

Information by programmatic versus nonprogrammatic[33] operations shows that over the three years, a higher share of nonprogrammatic funds (32 percent) was allocated for capacity development (see figure 3).

32 Since project documents do not routinely provide a breakdown of the costs of capacity-building activities supported as part of project components or subcomponents, we replicated the methodology used in the OED study, *Capacity Building in Africa* (2005) to arrive at estimates. Specifically, for investment projects, we summed the amount of funds allocated to technical assistance, training, consultancies, studies, and equipment and materials (designed to strengthen government functions). For adjustment operations, we developed estimates based on the number of conditions or actions directed to achieving specified capacity building objectives as a percentage of the total number of actions. Data were drawn from the Business Warehouse.

33 We included the following lending instruments in the "programmatic" category: APL, SAD, SIM, and PRC. The nonprogrammatic instruments include: ERL, FIL, LIL, SIL, SAL, and TAL. We developed these categories on the basis of discussions with AFTQK operations advisers.

Table 1
Total commitment amount and proportion allocated for capacity building, by type of operation (FY02-04) (US$ millions)

WB COMMITMENTS		Capacity Building COMMITMENTS (US$)		Capacity Building COMMITMENTS(%)	
$11,646		$3,252		28%	
INVESTMENT	ADJUSTMENT	INVESTMENT	ADJUSTMENT	INVESTMENT	ADJUSTMENT
$8,501 (73%)	$3,147 (27%)	$2,042	$1,210	24%	38%
PROGRAMS	NON PROGRAMS	PROGRAMS	NON PROGRAMS	PROGRAMS	NON PROGRAMS
$3,488 (30%)	$8,159 (70%)	$615	$2,638	18%	32%

Figure 1
Percent of Funds Allocated to Capacity Building, by Fiscal Year

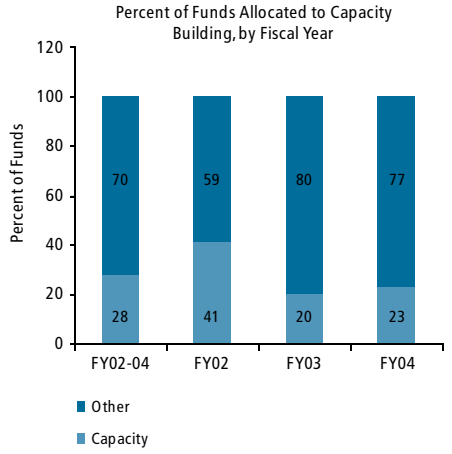


Figure 2
Percent of Funds Allocated to Capacity, by Investment and Adjustment Operations

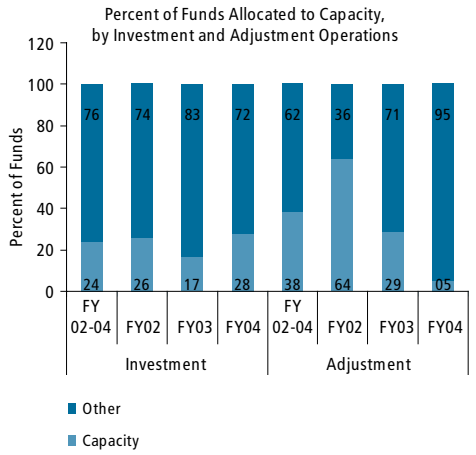


Figure 3
Percent of Funds Allocated to Capacity, by Programmatic and Nonprogrammatic Operations

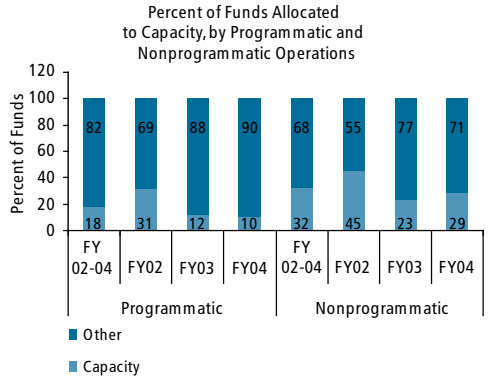


Table 2
Total amount and allocations for capacity, by fiscal year and type of operation (US$ millions)

	Total amount			Support for capacity		
	FY02	FY03	FY04	FY02	FY03	FY04
Investment	2,357	2,953	3,191	624	514	904
Adjustment	1,437	785	925	930	230	50
Programmatic	1,086	1,019	1,383	341	126	148
Nonprogrammatic	2,707	2,719	2,733	1,214	618	806

Capacity measures and outcomes for Bank lending operations

The Bank's annual quality at entry (QEA) and quality of supervision (QSA) assessments, conducted by the Quality Assurance Group (QAG), and project performance assessments, conducted by the OED, provide important information on the Bank's operations' performance. The purpose of this section is to review this information to explore the following three questions:

- What indicators does the Bank routinely use to assess the quality of its work as it relates to, and therefore drives, capacity development as a key objective?
- What has been the quality and outcome of the Bank's operations in AFR, particularly as related to capacity development?
- Are country-level institutional and policy environment factors, initial Bank performance (project level), and Bank quality assurance processes associated with capacity-related results, as measured by OED's institutional development impact ratings?

Our review indicates that the Bank's formal processes for assessing real-time quality, as well as results, focus on capacity-related issues through some indicators, although these measures are not comprehensive and not formally organized under a single key area of assessment. The review indicates the need to revisit the quality review processes to enhance focus on capacity-building measures in Bank operations.
The QAG data show that Africa Region lending operations significantly underperform on a number of measures of real-time quality as compared with other Regions combined, but not consistently every year. The patterns in the data lead us to conclude that two specific areas could benefit from greater attention: capacity of the implementation agency to implement the project (through perhaps more realistic project designs) and supervision inputs and processes (which pertains to the Bank's capacity in ensuring project performance).

When considering projects exiting between FY95 and FY05, the Africa Region has consistently underperformed in OED evaluations with respect to all three indicators of results (outcomes, sustainability, and institutional development impact), although the difference has been narrowing in recent years. Among these three ratings, one, institutional development impact (IDI), comes closest to assessing the project's contribution to capacity development and is defined as the "ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources." IDI also receives the lowest rating overall, barely surpassing the 50 percent mark for "substantial impact" for all Regions combined in FY04 and keeping well below that level for the Africa Region.

Our exploratory statistical model reveals that project-level IDI results are highly associated with factors outside the Bank's immediate control, such as the country's economic and institutional environment. However, the modeling results indicate that project quality and the Bank's quality assurance processes matter. Simply undergoing a QEA assessment is positively and significantly associated with "substantial" IDI. While the precise

ways in which this association is generated need further exploration, we hypothesize that because institutional development tends to be the weakest aspect of operations (as judged by IDI ratings), the scope for improvement is high through processes that support project quality enhancement—such as the QEA.

We discuss these results in further detail below: the first section provides an overview of the capacity-related questions and indicators used in the Bank's formal ex ante and ex post review processes; the second section provides the descriptive data from these reviews, disaggregated for Africa and all other Regions combined to highlight the results for Africa. The third section discusses the results from our regression analysis, which assesses the relationship between project performance on IDI the one hand, and country-level factors and the Bank's performance and quality assurance processes on the other.

Indicators of project focus on capacity development: leading indicators: QEA and QSA[34]

Beginning in 1997, the QAG began conducting annual sample-based assessments of project quality at entry and of supervision to promote accountability and to catalyze desirable changes early in the project cycle. These processes and their results serve as leading indicators of Bank performance and provide early signals for action on issues of quality. Our review indicates that the Bank's formal processes for assessing real-time quality assess capacity development as a feature of operations to some extent, but not coherently under one specific core area of concern. In addition, the supervision assessment captures some attention paid to the sustainability of the project and therefore tangentially to institutional capacity.

QEA Assessments

QEA assessments comprise nine main indicators based on several subindicators each. A review of these indicators reveals that one, R6, "policy and institutional aspects" addresses whether capacity-related issues have been taken into consideration in project design, and whether the project itself is designed to influence the larger institutional environment. This indicator comprises five subindicators, which are further disaggregated into several specific subcomponents:

- Extent to which the prevailing economic policy environment was considered in project design?
- Appropriate identification of agencies and institutions responsible for project execution and clarity of their respective roles?[35]
- Extent to which the implementing agencies have:
  — Capacity to implement the project?
  — Commitment to vigorously implement the project and promote the stated objectives?
  — Political capacity to carry out reforms and institutional changes included in the project?
- Where the institutional capacity is deficient, appropriateness and realism of the capacity building measures:
  — Institutional capacity assessment?
  — Technical assistance arrangements?
  — Staff and management training?

Subindicators 6.1 and 6.2, and each of the subcomponents, were assessed beginning with QEA4 (the fourth QEA conducted), for operations approved in FY01.

An additional indicator, R7, "implementation arrangements," also captures project aspects related to capacity development. It comprises two subindicators, "realism of time for completing reforms" and "experience from similar operations in the country/region being reflected in the implementation plan," but these apply specifically to adjustment operations only.

Project processes and evidence of borrower ownership, both of which may support the development of institutional capacity, are captured through two additional indicators, R1 and R3:

34 QEA and QSA descriptions provided here are based on the QAG's QEA5 and QSA5 reports, respectively.
35 Applied only to adjustment operations.

- R1: Strategic relevance and approach
  — Level of borrower ownership
  — Degree of borrower participation in operation design and implementation
  — Credible evidence of borrower ownership and commitment
  — Presence of strong champions

The latter three subcomponents were available beginning with QEA4, with FY01 operations.

- R3: Poverty and social aspects
  — Quality of stakeholder analysis and consultation
  — Adequacy of stakeholder analysis
  — Degree of beneficiaries and other stakeholders' participation.

QSA assessments

The QAG's quality of supervision assessments are summarized in four major indicators, one of which, "assessment of focus on development impact," pertains to attention accorded to capacity-related issues during project supervision. The following subcomponents capture information relevant to capacity:

- Focus on sustainability
  — Borrower and stakeholder ownership
  — Technical assistance, training, and capacity building
  — Readiness for operational phase

In addition, another important indicator is "assessment of adequacy of supervision inputs and processes," which reflects the Bank's capacity in maintaining project quality.

Indicators of Capacity at Project Completion: OED Ratings

OED conducts a desk review of all completed IDA/IBRD operations and provides evaluation ratings on three dimensions of results: outcomes, sustainability, and IDI. Among these three ratings, IDI comes closest to assessing the project's contribution to helping create long-term institutional capacity.

The outcomes ratings are based on a review of the[36]

- Relevance of the intervention's objectives in relation to country needs and institutional priorities
- Efficacy; that is, the extent to which the developmental objectives have been (or are expected to be) achieved
- Efficiency; that is, the extent to which the objectives have been (or are expected to be) achieved without using more resources than necessary.

OED's sustainability ratings are based on answering the following questions: At the time of evaluation, what is the resilience to risks of future net benefits flows? How sensitive is the project to changes in the operating environment? Will the project continue to produce net benefits, as long as intended, or even longer? How well will the project weather shocks and changing circumstances?

Finally, the IDI rating measures the degree to which the project contributes to the "ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources." This rating thus implies some measure of the project's contribution to sustained capacity.[37]

Quality and Results of Bank's Lending Operations in the Africa Region

Findings from QEA assessments

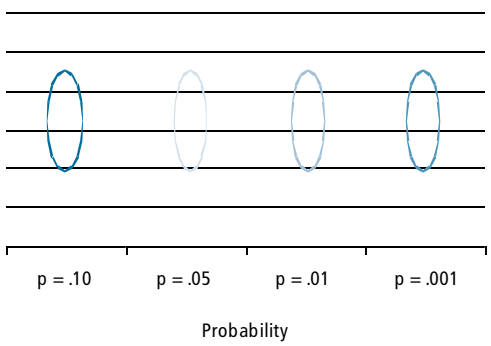
We examined the QEA and QSA ratings and found that Africa Region lending operations

36 The overview is based on information derived from the OED website. The assessment questions are direct quotes taken from materials posted on the website.
37 Not all projects specify IDI.

significantly underperform, compared with those in the other Regions combined, on several indicators related to capacity, but not consistently every year.[38,39] The results show that Africa Region operations obtained a significantly lower rating overall in three of the six QEAs that have been conducted thus far (figure 4).

The legend below identifies significance levels for the differences highlighted between AFR and other Regions. An oval indicates that the difference is statistically significant.[40]

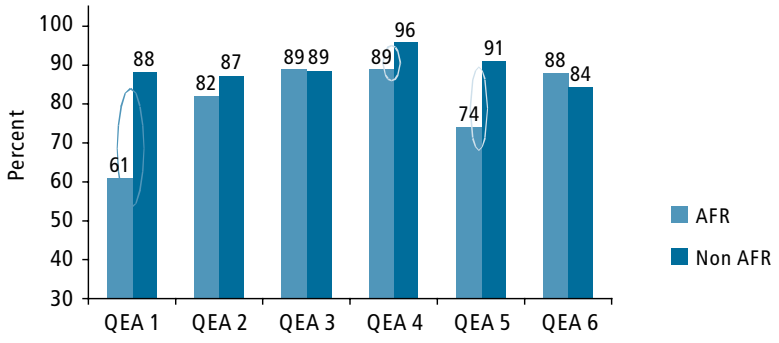
Significance Levels



When we consider the "policy and institutional aspects" main and subindicators, the Africa Region tends to obtain ratings similar to those of the other Regions combined, although in the latest assessment, QEA6, it scored significantly lower (figure 5).

It is noteworthy that in the assessments for which "policy and institutional aspects" subindicator data are available (QEA4–6), "capacity of the implementing agency to implement the project" received the lowest satisfactory ratings overall (figure 6). The ratings range from 61 percent to a little over 70 percent and are only slightly better for the other Regions combined, ranging from 70 to 77 percent. However, surprisingly, "implementing agency commitment to implement the project" and its "political capacity to carry out reforms and institutional change" received higher ratings (figures 7 and 8). In fact, the QEA6 gap between "capacity to implement" on the one hand and "commitment" and "political capacity" on the other is the highest for Africa, at 39 and 28 percentage points, respectively.

Figure 4
Overall Percent Satisfactory



[38] Colored ovals indicate levels of statistical significance.
[39] Comparisons across years are tentative because of some differences in sampling methodology between years.
[40] Significance tests are based on *z*-scores for percentages (weighted) of satisfactory ratings.

These results would imply that in fact the Bank is in a position to design appropriate capacity interventions, as the environment (at the micro level) for implementing them is favorable.

The improvement in ratings between QEA4 and QEA6 on indicators of institutional capacity assessment shows that, in fact, project teams may now be utilizing better approaches for determining capacity needs and capitalizing on the opportunity to design appropriate interventions. For QEA6, however, at 83 percent satisfactory, the Africa Regions's rating on institutional capacity assessment is a good nine percentage points lower than the rating for the other Regions combined at 92 percent (figure 9). However, the "realism of technical assistance arrangement" and "staff and management training" were better (94 and 90 percent, respectively)

Figure 5
Policy and Institutional Aspects (R6) Percent Satisfactory

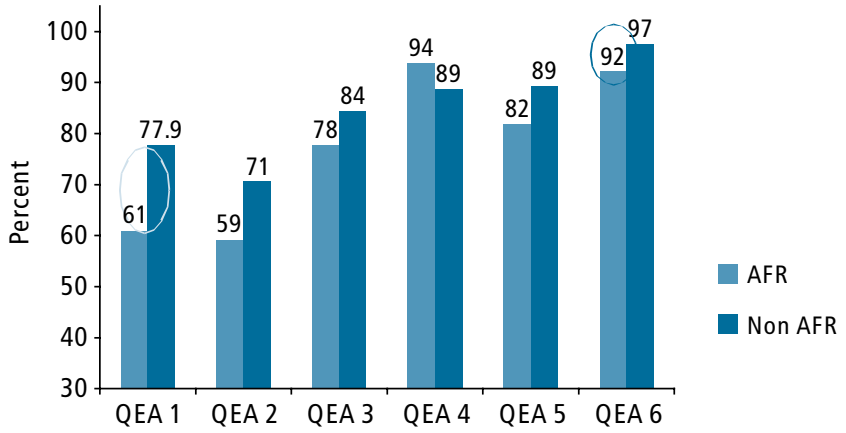


Figure 6
Implementing Agency Capacity to Implement the Project (6.3a) Percent Satisfactory

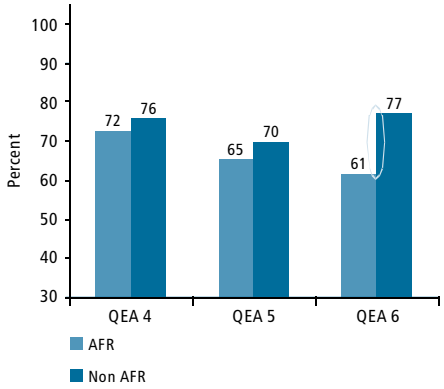


Figure 7
Implementing Agency Commitment to Vigorously Implement the Project (6.3b) Percent Satisfactory

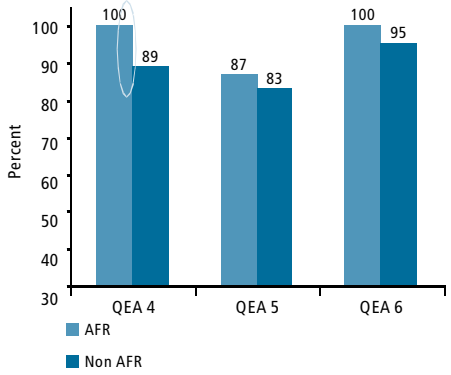


Figure 8
Implementing Agency has the Political Capacity to Carry out Reforms and Institutional Changes (6.3c) Percent Satisfactory

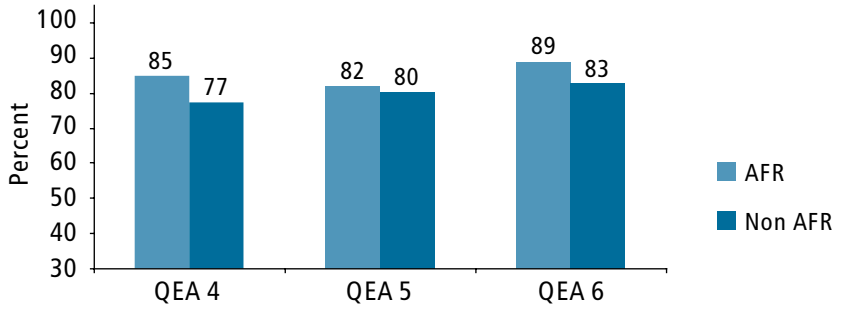


Figure 9
Realism of Institutional Capacity Assessment (6.4a) Percent Satisfactory

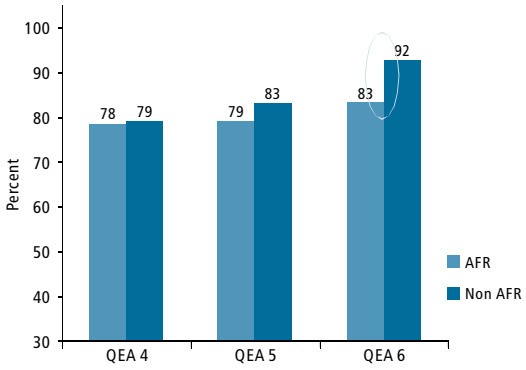
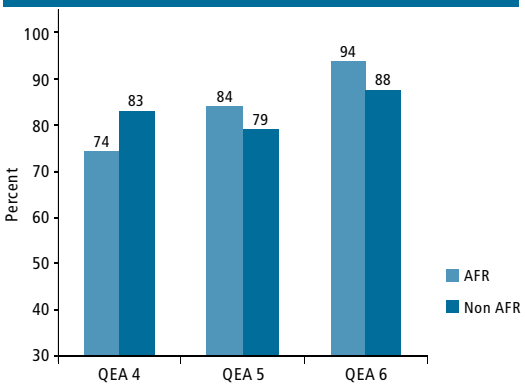


Figure 10
Realism of Technical Assistance Arrangement (6.4b) Percent Satisfactory



in QEA6 and comparable to the other regions combined (figures 10 and 11).

Findings from QSA Assessments

We also reviewed QSA evaluations produced by the QAG and examined the Africa Region's ratings relative to those for other Regions combined. These ratings indicate that, overall, the Africa Region has not fared as well as the other Regions combined.

The overall ratings for operations supervision in the Region are significantly lower for four of the six QSAs (figure 12).[41] Results on the subindicator show that the Africa Region underperformed compared with the other Regions combined on "focus on sustainability" in QSA4 and QSA5 (figure 13) and on "technical assistance, training, and capacity building" in QSA5 and QSA6 (figure 15). Furthermore, the Region's ratings on "adequacy of supervision inputs and processes"—which is a comment on the Bank's capacity to deal with project issues and provide guidance—are significantly lower than in other Regions combined in four out

[41] Robust comparisons over years are not possible because of some differences in sampling methodology.

Figure 11
Realism of Staff and Management Training (6.4c) Percent Satisfactory

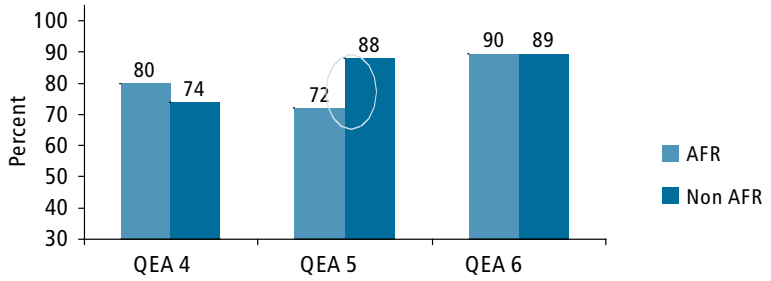


Figure 12
Overall Percent Satisfactory

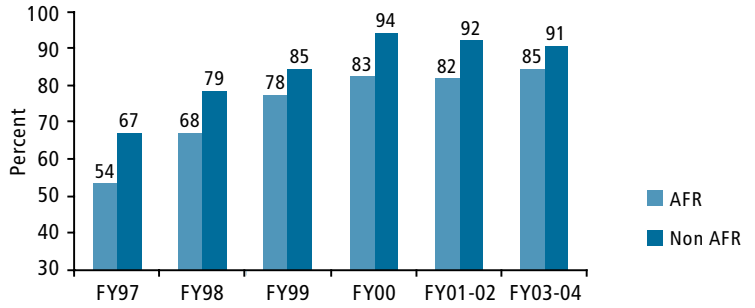


Figure 13
Focus on Sustainability (1.2) Percent Satisfactory

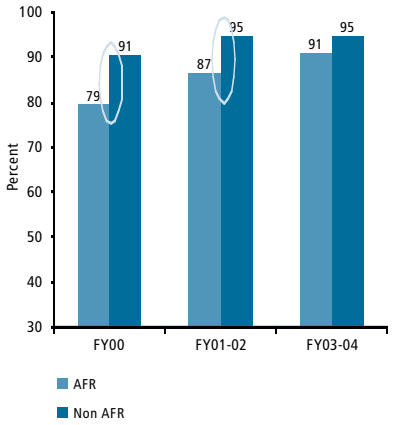


Figure 14
Borrower and Stakeholder Ownership (1.2a) Percent Satisfactory

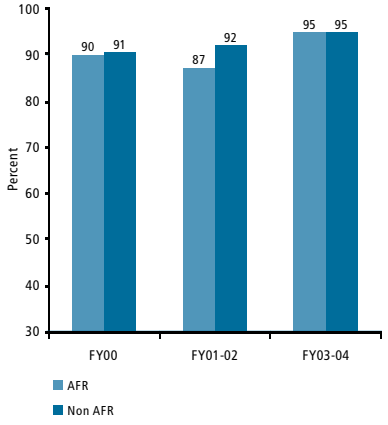


Figure 15
Technical Assistance, Training, and Capacity Building (1.2b)
Percent Satisfactory

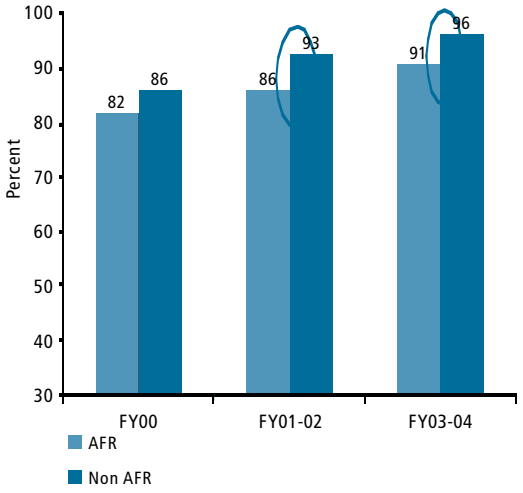
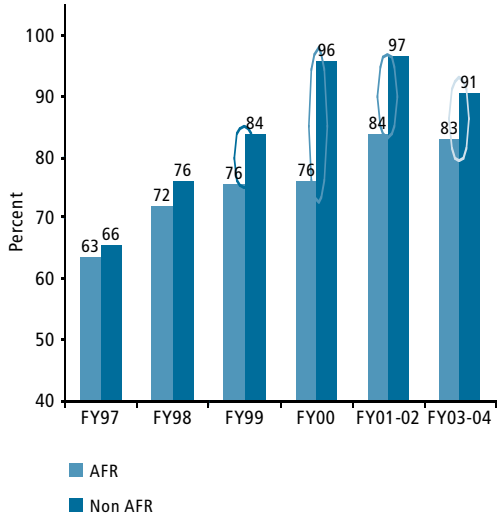


Figure 16
Adequacy of Supervision Inputs and Proceses (R3)
Percent Satisfactory



of the six assessments (figure 16). It is important to note, however, that the trend for the Africa Region has been upward.

Findings from OED Ratings

Considering results, AFR lending operations have consistently underperformed in OED evaluations with respect to all three components: ***Outcomes***, ***Sustainability***, and ***Institutional Development Impact*** for projects exiting between FY95-FY04. Figure 17 shows the number of projects exiting the portfolio from FY95 through FY04.

Over the ten-year span, OED ***Outcome*** ratings for AFR lending Operations have been significantly lower than for those in the other Regions combined, although the difference has narrowed over the FY02-FY04 period, ranging between 6.4 and 7.5 percentage points (see Figure 18). Similarly, AFR operations have also underperformed on ***Sustainability*** in each of the ten years, and on IDI in seven of the ten years between FY95 and FY04 (see Figures 19 and 20).[42] Among the three results indicators, ***Institutional Development*** (IDI) receives the lowest rating overall, barely surpassing the 50 percent mark for "substantial" impact for all the other Regions combined in FY04 and keeping well below that for AFR.[43]

The Africa Region has also been significantly more likely (by as much as 14 percentage points in FY01) to have projects with a net disconnec- between self-assessed Implementation Completion Report (ICR) ratings and OED ratings (figure 21).[44]

[42] The ratings scale for Sustainability changed from a 3-point scale to a 4-point scale in June 2000.
[43] As mentioned previously, part of this reason is that not all projects specify IDI as an objective.
[44] Net disconnect is defined as "the difference between the percentage of projects rated as unsatisfactory by OED and the percentage rated by the regions in the final PSR as unsatisfactory for achieving their development objectives" (***Annual Report on Portfolio Performance***).

Figure 17
Number of Projects Evaluated, by Exit Fiscal year

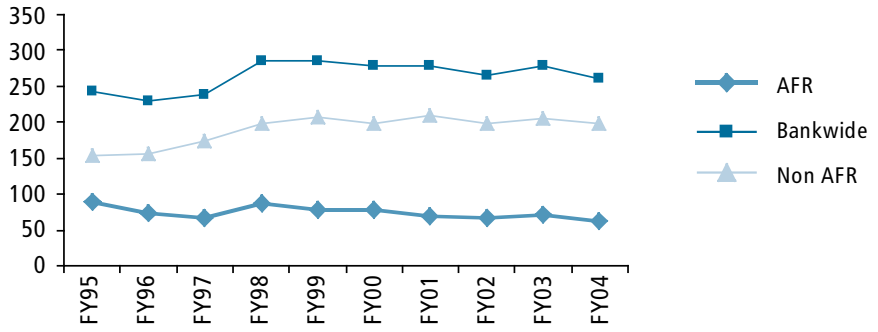


Figure 18
Outcomes Percent Satisfactory

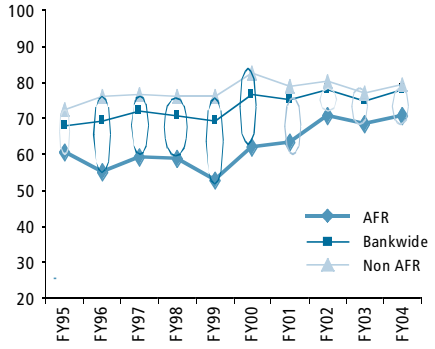


Figure 19
Sustainability Percent Likely

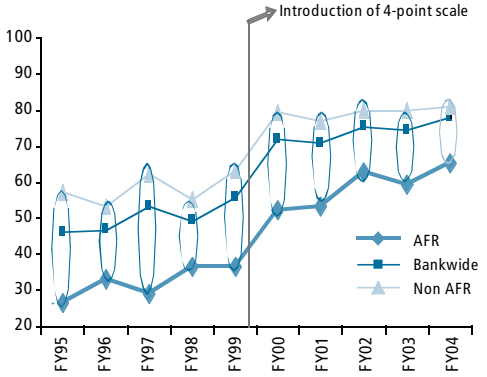


Figure 20
Institutional Development Impact Percent Substantial

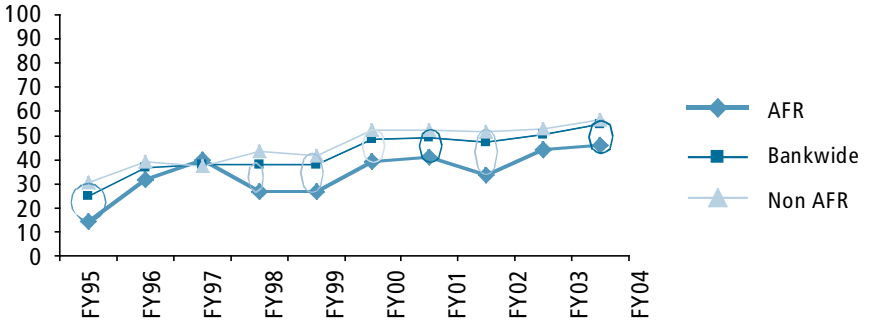
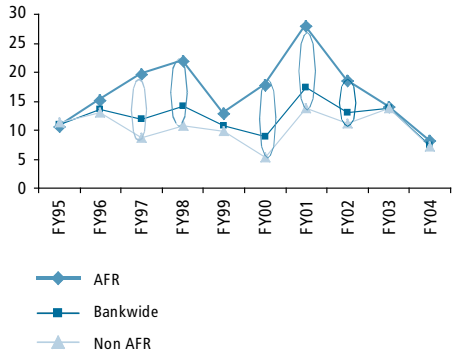


Figure 21
Net Disconnect



The relationship of results to Bank performance and quality processes and indicators of country capacity

We specified a probit regression model to assess whether, and the degree to which, project IDI results (as assessed by OED) are a function of the Bank's performance at entry (also assessed by OED), quality assurance processes (QAG's QEA and QSA, as a measure of real-time quality and feedback process), and country-level factors related to institutional capacity (using the Country Policy and Institutional Assessment—CPIA—as an indicator of country economic and institutional environment). We hypothesized that a positive empirical relationship exists between project IDI results and project quality at entry, real-time project quality assurance processes, and measures of country capacity.[45] We reasoned that if our hypothesis holds, then our results would provide support for paying more specific attention to both—internal quality processes and country institutional environment—for project design, to attain better IDI results for the Bank's lending operations.

Our analysis is based on investment lending operations exiting the portfolio between 2001 and 2004 that have OED ratings. Table 3 provides a summary of our findings. First, the results clearly support and are consistent with previously reported findings that Bank project results are largely (significantly) associated with country-level institutional factors outside the Bank's immediate control (in this case, the proxy for the country's economic and institutional environment, CPIA).[46] We also find that, as expected, OED ratings of Bank performance at entry are also positively related to IDI results—overall performance quality, logically, should have a bearing on results. However, our analysis also reveals a key finding: just the fact that a project goes through a QEA is significantly and positively related to its IDI rating. This result holds regardless of the type of model we specify—expanded or parsimonious. Table 4 contains variable descriptions, and table 5 provides the full modeling results.

Since the QEA ratings are independent of OED ratings, we put forth the idea that the process of undergoing QEA helps the project teams refine and pay more attention to institutional capacity dimensions of the project than they would have otherwise. OED data indicate that, in fact, this is a weak area of Bank project performance. If this is indeed the case, the ways in which the QAG process is conducive to boosting institutional development impact, and therefore institutional capacity, are worth examining further.

[45] Similar studies conducted previously support these hypotheses, but with different model specifications. We use more recent OED data, and we include QEA/QSA flags in our analyses. Other studies include ARDE 2001; ARDE 1997a; Dollar, D. and Svensson, J. (1998) ***What explains the success or failure of structural adjustment programs?*** World Bank Policy Research Working Paper 1938; Dollar, D. and Levin, V. (2005). ***Sowing and reaping: institutional quality and project outcomes in developing countries.*** World Bank Policy Research Working Paper 3524.

[46] One could hypothesize that the relationship between OED results ratings and the CPIA is due to a "halo effect" (as noted by Dollar and Levin, 2005)–that is, that OED would tend to provide better ratings to projects located in higher CPIA countries. This alternative hypothesis is not refuted independently in the current paper, but Dollar and Levin's (1995) analysis would tend to suggest otherwise.

Simulation results from changing the number of QEAs are not dramatic but still significant. A doubling of QEAs from 12.5 percent to 25 percent of all projects shows roughly a two percentage point gain in "substantial" IDI. This result is more dramatic when we simulate QEAs for all projects, which we estimate would result in a 12 percentage point gain in projects receiving a rating of "substantial" IDI. The association might be stronger if the assessment comprised a broader and deeper analysis of institutional development issues.This result raises two possibilities for consideration. The first is that since the country's economic and institutional environment is an important factor in project IDI results, the Bank perhaps has a significant role to play in providing appropriate knowledge-based services and support that build capacity in this area. Second, the Bank's internal quality assurance processes could be strengthened and focused more explicitly on institutional capacity-related issues as a lever for driving institutional changes through lending operations. While this does not necessarily imply an expanded role for QAG, it does mean that similar quality assurances processes or support mechanisms (that empower teams to focus more specifically on institutional and other capacity) could be utilized on a more widespread and regular basis within the Regions themselves.

We provide some figures based on bivariate data to illustrate the differences in results by two key factors that are significant in our model: CPIAs and QEAs.[47] A higher share of projects located in high CPIA countries received "substantial" IDI ratings than those located in low CPIA countries (figure 22). QEAs are also important to IDI: a larger share of projects with QEAs received "substantial" ratings than those without QEAs (figure 23). The difference is more pronounced in the Africa Region than in the other Regions combined.

It is important to note that the QSA did not yield a similar relationship to results. It is possible that because it comes later in the project cycle, it is less powerful for driving changes. We conducted some initial analyses, with variables defining when the QSA is conducted in the project's life, but they did not yield any significant results. The relationship between results and specific QEA and QSA ratings need to be explored further.

[47] We used 3.5 as the cut-off point for classifying countries in the high or low CPIA categories.
CPIA Ratings Scale: 1 (low) through 6 (high)
1 Unsatisfactory for an extended period; 2 Unsatisfactory; 3 Moderately unsatisfactory; 4 Moderately satisfactory; 5 Good; 6 Good for an extended period
Intermediate scores of 2.5, 3.5, and 4.5 may also be given. Scores of 1.5 and 5.5 may not be given.

Table 3
Summary of regression analysis results

DEPENDENT VARIABLE	INDEPENDENT VARIABLES												
	Africa	Entry: Pre 1997	Growth: Annual % Change GNI Per Capita	GNI Per Capita at Entry	Duration (Years)	Net Commitment	Bank Performance at Entry (OED rating)	QEA Evaluation Y/N	QSA Evaluation Y/N	IBRD lending	CPIA Rating at Exit	Risk Flags Y/N	Effectiveness Delays Y/N
Institutional Development Impact							+***	+*			+***		

* Significant at the 10% level
** Significant at the 5% level
*** Significant at the 1% level

Figure 22
Substantial Institutional Development Impact, by CPIA and Region

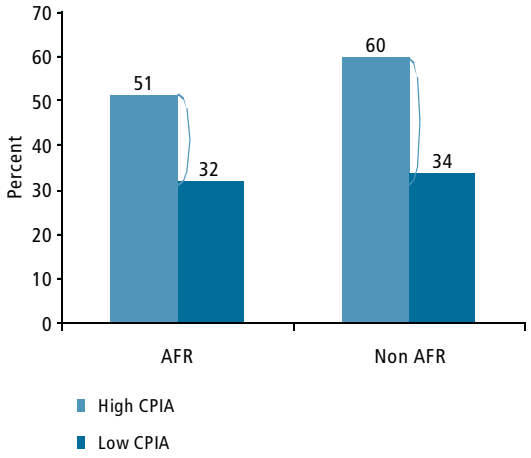


Figure 23
Substantial Institutional Development Impact, by QEA and Region

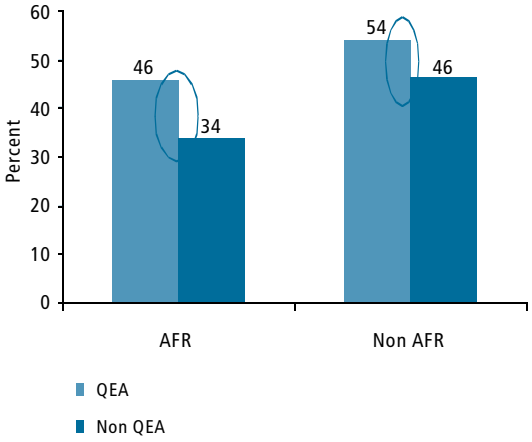


Table 4
Variables included in the regression

VARIABLE	DESCRIPTION
Institutional Development Impact: Substantial	Dichotomous variable: 1=Substantial or better rating 0=less than substantial rating
Africa	Dichotomous variable: 1=Africa region 0=Other
Entry: Pre 1997	Dichotomous variable: 1=Pre 1997 Entry 0=Post 1997
Growth: % Change GNI Per Capita	Average annual % change in GNI per capita over project's life
GNI Per Capita at Entry	GNI per capita in project country at project entry (international dollars PPP)
Duration (Years)	Duration in years
Net Commitment	Net commitment in millions of dollars
Bank Performance at Entry (OED Rating)	Dichotomous variable: 1=Satisfactory or better rating 0=unsatisfactory rating
QEA Evaluation Y/N	Dichotomous variable: 1=QEA evaluation "Yes" 0="No"
QSA Evaluation Y/N	Dichotomous variable: 1=QSA evaluation "Yes" 0="No"
IBRD lending	Dichotomous variable: 1=IBRD funding 0=Other (IDA, GEF)
CPIA Rating at Exit	CPIA rating for country of project
Risk Flags Y/N	Dichotomous variable: 1=One or more risk flags "Yes" 0="No"
Effectiveness Delays Y/N	Dichotomous variable: 1=Effectiveness delays "Yes" 0="No"
PPAR Evaluation Y/N	Dichotomous variable: 1=PPAR rating "Yes" 0="No" (Post-ICR review rating)

Table 5
Probit for institutional development impact

Probit estimates			# of observations	671
			LR chi2(12)	182.94
			Prob > chi2	0
Log likelihood = -373.62998			Pseudo R2	0.1967
INSTITUTIONAL DEVELOPMENT IMPACT: SUBSTANTIAL	**DF/DX**	**STD. ERR.**	**Z**	**SIG**
Africa*	0.0808114	0.0652911	1.23	0.218
Entry: Pre 1997*	-0.0157338	0.0716092	-0.22	0.826
Growth: Annual % Change GNI Per Capita	-0.0043812	0.012223	-0.36	0.720
GNI Per Capita at Entry	8.20E-06	0.0000147	0.56	0.577
Duration (Years)	0.0235358	0.0166491	1.41	0.157
Net Commitment	-0.0004469	0.0003096	-1.44	0.149
Bank Performance at Entry (OED rating)	0.4409922	0.0379309	9.77	0.000
QEA Evaluation Y/N*	0.1425057	0.0748359	1.85	0.064
QSA Evaluation Y/N*	0.0009453	0.0452613	0.02	0.983
IBRD Lending*	-0.0106181	0.0667627	-0.16	0.874
CPIA Rating at Exit	0.339847	0.062893	5.40	0.000
Risk Flags Y/N*	-0.0312214	0.0959336	-0.33	0.745
Effectiveness Delays Y/N*	-0.0007006	0.0540676	-0.01	0.990
PPAR Y/N*	0.1010026	0.078151	1.27	0.203
observed P	0.4992548			
predicted P	0.4904584	(at x-bar)		
*Dichotomous variable				

Table 6
Regression variable descriptives (sample and total OED population)

	SAMPLE: 2001–2004 INVESTMENT LENDING PROJECTS WITH GNI AND CPIA DATA					TOTAL POPULATION: INVESTMENT LENDING WITH OED OUTCOMES RATINGS 2001–2004				
VARIABLE	OBS	MEAN	STD. DEV.	MIN	MAX	OBS	MEAN	STD. DEV.	MIN	MAX
Institutional Development Impact: Substantial*	689	0.499274	0.500363	0	1	891	0.518519	0.499938	0	1
Africa*	690	0.265217	0.441769	0	1	910	0.236264	0.42502	0	1
Entry: Pre 1997*	690	0.676812	0.468033	0	1	884	0.642534	0.479525	0	1
Growth: % Change GNI Per Capita	690	3.21798	2.078955	-4.65863	11.27687	838	3.361641	2.302854	-4.65863	22.26239
GNI Per Capita at Entry	690	3262.884	2439.373	420	13150	839	3349.774	2440.724	420	16640
Duration (Years)	690	6.651628	1.948907	1.048597	15.22793	882	6.66048	1.981172	0.134155	15.22793
Net Commitment	690	55.55275	75.32862	0	475.3183	906	53.48426	73.59183	0	475.3183
Bank Performance at Entry (OED Rating)*	690	0.684058	0.465227	0	1	909	0.69527	0.460547	0	1
QEA Evaluation Y/N*	690	0.12029	0.325536	0	1	884	0.117647	0.322372	0	1
QSA Evaluation Y/N*	690	0.4	0.490253	0	1	884	0.442308	0.496942	0	1
IBRD Lending*	690	0.502899	0.500354	0	1	910	0.501099	0.500274	0	1
CPIA Rating at Exit	690	3.593828	0.507232	1.5	5.48	789	3.587336	0.508275	1.5	5.48
Risk Flags Y/N*	690	0.93913	0.239264	0	1	855	0.932164	0.251612	0	1
Effectiveness Delays Y/N*	672	0.217262	0.41269	0	1	855	0.238597	0.426475	0	1
PPAR Evaluation Y/N*	690	0.075362	0.264167	0	1	910	0.071429	0.257681	0	1

* denotes dichotomous variable

Table 7
Correlations among variables

	Outcomes: Satisfactory	Institutional Development Impact: Substantial	Sustainability: Likely	Africa	Entry: Pre 1997	Growth: % Change GNI Per Capita	GNI Per Capita at Entry
Outcomes: Satisfactory	1						
Institutional Development Impact: Substantial	0.6437	1					
Sustainability: Likely	0.503	0.537	1				
Africa	-0.0747	-0.1541	-0.0523	1			
Entry: Pre 1997	-0.0256	-0.0093	-0.0063	-0.0648	1		
Growth: % Change GNI Per Capita	0.1384	0.1878	0.1079	-0.1906	-0.0179	1	
GNI Per Capita at Entry	0.0777	0.1489	0.1468	-0.4723	-0.0824	-0.0866	1
Duration (Years)	-0.0554	0.0041	-0.0079	-0.0188	0.6679	-0.0072	-0.0965
Net Commitment	0.0911	0.1413	0.0249	-0.205	0.2285	0.1161	0.0714
Bank Performance at Entry (OED Rating)	0.5357	0.4602	0.4106	-0.1208	-0.0743	0.133	0.1466
QEA Evaluation Y/N	0.0423	0.0242	0.0513	0.0127	-0.4896	0.0109	0.0848
QSA Evaluation Y/N	-0.0439	-0.0064	0.014	-0.0698	0.2936	-0.0051	-0.0452
IBRD Lending	-0.0026	0.108	0.0687	-0.5315	0.1146	-0.0557	0.6266
CPIA Rating at Exit	0.2282	0.3524	0.3026	-0.2919	0.0406	0.343	0.5022
Risk Flags Y/N	-0.2401	-0.237	-0.1709	0.2059	0.1163	-0.2399	-0.1527
Effectiveness Delays Y/N	-0.0616	-0.0863	-0.0487	0.0855	0.0873	-0.1025	0.0528
PPAR Y/N	0.0508	0.0491	0.0767	-0.0237	0.0809	-0.008	-0.0452

	Duration (Years)	Net Commitment	Bank Performance at Entry (OED Rating)	QEA Evaluation Y/N	QSA Evaluation Y/N	IBRD Lending	CPIA Rating at Exit
Duration (Years)	1						
Net Commitment	0.2918	1					
Bank Performance at Entry (OED Rating)	-0.1474	0.0816	1				
QEA Evaluation Y/N	-0.3208	-0.0842	0.0643	1			
QSA Evaluation Y/N	0.2923	0.1335	-0.0194	-0.1343	1		
IBRD Lending	0.102	0.2959	0.0222	0.0227	0.0473	1	
CPIA Rating at Exit	0.0013	0.1557	0.151	-0.0131	-0.0149	0.3272	1
Risk Flags Y/N	0.1691	-0.0661	-0.2472	-0.0657	0.0331	-0.0417	-0.3485
Effectiveness Delays Y/N	0.1153	-0.0971	-0.0922	-0.0501	0.0355	0.0519	-0.0978
PPAR Y/N	-0.0093	-0.0294	0.0817	-0.0478	-0.0115	-0.0646	-0.0116

	Risk Flags Y/N	Effectiveness Delays Y/N	PPAR Y/N
Risk Flags Y/N	1		
Effectiveness Delays Y/N	0.2428	1	
PPAR Y/N	0.038	-0.0341	1

Annex 5. WBI's evolving role to meet the challenge of capacity development in Africa

For most of its 50-year history, the World Bank Institute (WBI) has focused on training developing country individuals. Formerly known as the Economic Development Institute, the non-lending knowledge and learning arm of the World Bank was located in separate premises and took a certain pride in helping its participants develop independent skills to formulate and implement development policies. Over the years, the numbers of participants in these programs expanded dramatically, and its alumni grew to include leading practitioners across the globe. At the same time, it became clear that developing sustained country capacity requires more than training programs for individuals and that WBI's independent, classroom training approach had limits, especially in countries plagued by poor governance and unclear development priorities.

Based on the revised view of how best to leverage knowledge and learning for desired change, WBI has over the past three years gradually shifted its strategy to develop tools and approaches that are more likely to drive fundamental institutional changes and to become more aligned with World Bank country strategies. In this regard, WBI's comparative advantage over the Regions is its dedicated focus on capacity development and its ability to strengthen the demand for good governance through engagement with civil society, parliaments, the media, and the private sector.

The Task Force holds the view that WBI and the Africa Region must now work to channel WBI's comparative advantages more effectively. WBI has the potential both to support operational priorities and to complement Bank projects, by working with a broader array of constituents, not only the government, and to support a broader set of capacity development objectives beyond project boundaries. At the same time, however, the vast dimensions of the capacity development problem mean that a unit such as WBI must make sometimes difficult choices about how to allocate limited resources and implement its mission. Therefore, the Region needs to engage WBI actively to harness the Institute's full potential in the priority areas for Africa.

The Task Force sees promise in WBI's efforts to refocus on activities that are integrated with country strategies and respond to the lessons learned about the most successful approaches to capacity development. WBI's current Africa strategy is based on its focus country approach, providing customized support to nine countries agreed on with the Africa Region management. The Task Force recommends that the Region take a more proactive stance in guiding WBI's programs, in line with its comparative advantages and with the principles of this report. Our recommendations are summarized in box 1.

WBI has established a new unit that will spearhead knowledge-sharing on capacity development issues. The aim of this unit is to create a community of practice within the Bank that generates and shares knowledge of good practices and lessons learned in capacity development across Regions, Networks, and WBI.

WBI in Africa

WBI's emerging Africa strategy is embedded within its overall evolving capacity development strategy. In FY03, WBI launched a new, three-pronged approach to capacity development services to client countries:

1. Alignment and integration with regional Operations, to support Country Assistance Strategies (CAS) and project implementation

Box 1
Summary of Task Force recommendations on the role of WBI

1. WBI and the Africa Region must work more closely to align WBI programs with country strategies in a way that helps build country ownership of and demand for capacity development interventions.
2. Skills and training remain a critical need. But because of the scale of the capacity problem, WBI needs to continue its move away from retail training toward a brokering and wholesaling role, helping countries devise strategies for ongoing training needs and building local training institutions and an indigenous consulting, research, and policy advisory industry.
3. Supporting knowledge networks, peer learning, and exchanges between developing countries (such as the Shanghai Poverty Conference) show promise as a way that countries learn from each other and build momentum and competition for improved performance.
4. WBI's work focused on strengthening the demand for capacity development and good governance is also important and should be expanded. WBI has shown that it can play a useful role helping to build stronger engagement by civil society, parliaments, and the press. Recently initiated programs to facilitate priority setting and expand capabilities of country leadership teams should be expanded.

2. A gradual shift from retail training focused on building skills to interventions at the wholesale level, supporting local training institutes and other local actors on the supply side; when retail interventions are appropriate, focusing on leadership and sustained organizational and institutional changes
3. A stronger country focus, with the identification of nine focus countries in Africa, as a way to concentrate efforts and maximize impact.

This approach is premised on the assumption that capacity development efforts need to be country specific to be effective, they need to be contextualized within the broader socio-political system and acknowledge the influence of both formal and informal institutions, and that the change process is slow but cumulative, requiring client ownership and long-term engagement.

As part of this new approach, WBI, in collaboration with the Regions, identified a list of 33 focus countries in which to channel its country-focused capacity development work. The intention was that the identification of focus countries would allow more focus, selectivity and depth in WBI programs and, over time, should result in stronger impact. The nine countries in Africa, selected in consultation with the Africa Region, are Burkina Faso, Chad, Ethiopia, Ghana, Kenya, Madagascar, Nigeria, Senegal, and Tanzania. In FY05, WBI devoted 50 percent of its program budget to focus countries, which it plans to increase somewhat in successive years.

The Task Force has observed that, in fact, WBI continues to be active in a broad range of thematic programs—currently 16—and that even in focus countries WBI tends to spread its resources across that wide range of programs rather than focusing on critical priorities. In the planned discussions with the government of Senegal in the summer of 2005, for example, no fewer than nine programs were to be included. Better focus and prioritization is therefore indicated. The Africa Region management should take the lead in setting priorities for WBI programs.

Preliminary results

WBI's adoption of country focus has resulted in some immediate numerical outputs indicating WBI's greater quantitative emphasis on the Region within the country-focused approach.

For example, the number of WBI activities held in Africa witnessed a nearly fourfold increase, from 55 in FY00 to more than 200 in FY04 and FY05. During this same period, the number of activities in the focus countries increased from 20 to 167 and comprised 70 percent of all Africa Region activities in FY05. In contrast, the growth in activities overall was only 75 percent (figure 1).

During the same period, the number of Africa Region participants nearly quadrupled, from about 5,600 to about 24,000. In contrast, the increase in overall participant numbers was less than triple. Africa Region participants in FY05 comprised 35 percent of the total participant population, nearly half of which, 45 percent, were focus country nationals (figure 2).

However, it is unclear the extent to which the increase in volume of activities and participant numbers has resulted in higher impact or indeed reflects real integration with Operational and country programs and priorities. Feedback indicates that the Africa staff was largely unaware of WBI's designation of the focus countries, indicating the need for better communication with staff and a more refined strategy to use WBI's expertise within the Africa Region.

In addition, while the quality of many of the activities that WBI provides may be acceptable

Box 2
Four strategic principles for WBI

Demand: Ad hoc requests for training do not constitute demand. Evidence of demand—in all single-country programs—should meet all three of the following tests:

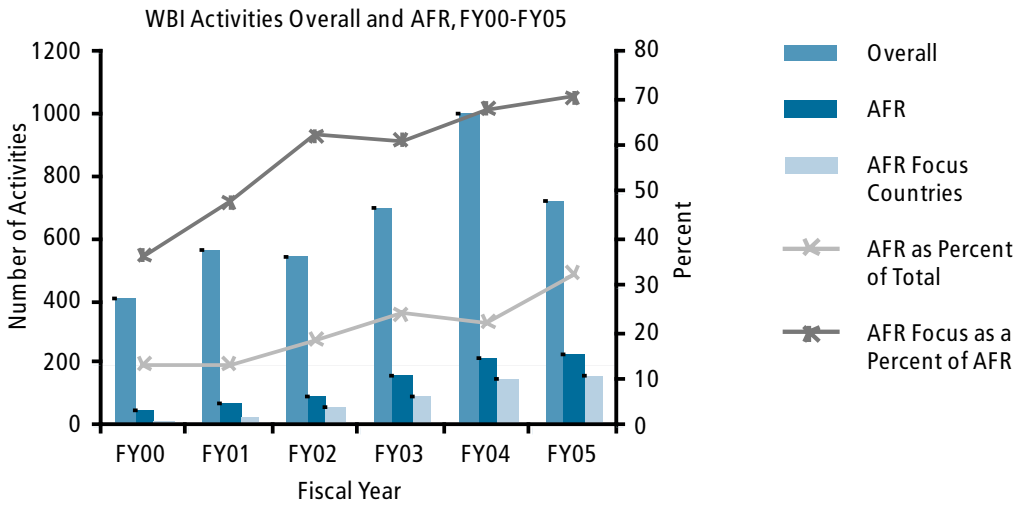
- Emanate from a priority as defined in a country-led development strategy such as the PRSP
- Contribute to priorities as defined in the CAS
- Be closely coordinated with the country team.

Instruments: WBI should define the instruments of intervention according to the country context. Retail training, because of its high cost and limited impact, should be replaced with support to country-level institutions, which can carry out training on a continuous basis. WBI's role should focus on building knowledge links with leading practitioners in other developing countries, supporting active networks, and providing technical assistance focused on higher level interventions more likely to drive organizational and institutional changes.

Incentives: WBI has recently begun moving away from participant training days as the key means of measuring its programs and has introduced new technical assistance product lines that fit within Bank-wide tracking and quality assurance systems. Further work remains to be done in decreasing reliance on tied trust funds, which have tended to favor supply-driven activities and introducing client-paid services and cross-support to operations as a means of ensuring demand and defining priorities.

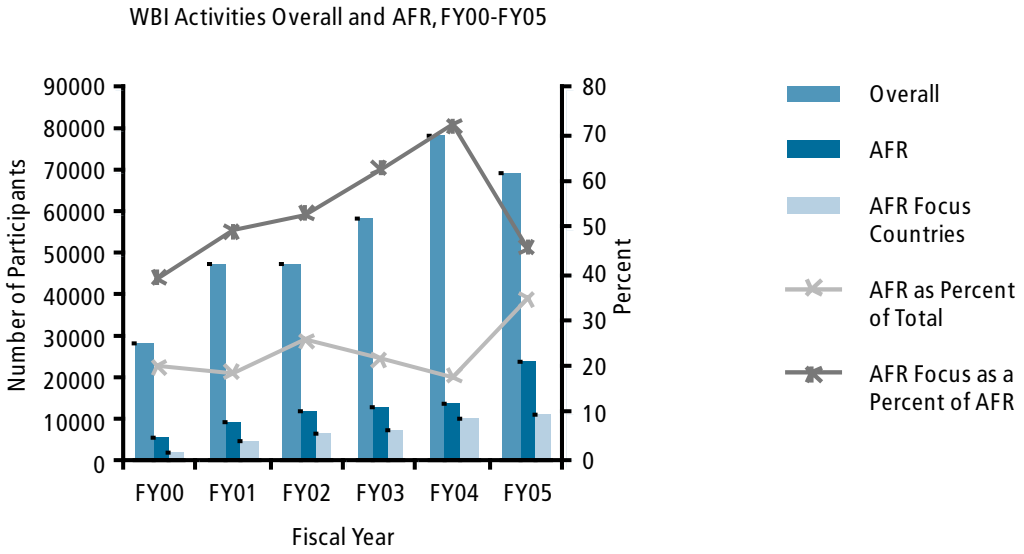
Audiences and content: WBI's work in country-level governance diagnostics and data-driven action learning programs, its work with institutions that hold the state accountable (such as the media and parliamentarians), and its programs working with local communities have opened new paths for influencing demand for good governance and capacity development in countries. This work is seen as a useful corollary to Bank operations, which tend to focus more on state institutions, and it should be expanded to constitute the majority of WBI's activities in the Region. Learning programs should focus less on technical issues alone and more on the governance of the sectors and the societal engagement that makes those sectors accountable to their constituents.

Figure 1
Number and proportion of activities in the Africa Region increased, FY00-FY05



Note: The number for FY05 is incomplete; the data are as of the end of April, 2005. The figures are year-to-date data reported in WBI's Monthly Monitoring Report. Data are for clients only and exclude any staff training activities.

Figure 2
Number of Africa Region participants quadrupled, FY00-FY04



Note: The data for FY05 are preliminary.

from individual participants' points of view, the massive scale of the capacity problem and the breadth of WBI activities mean that many of these activities may not be sufficient to drive significant desired changes at the country level. A summary of WBI's internally independent Evaluation Group's (WBIEG) studies indicates that there is progress, but, consistent with the Task Force's own assessments, a more refined strategy is clearly needed.

Evaluations: work ongoing for improved outcomes but more effort needed

Since FY03, WBIEG has conducted systematic evaluations that are being used to inform WBI strategy and to develop baselines against which to judge future performance. While these evaluations have not comprehensively covered the new initiatives, they provide initial indications of how WBI has fared in the Africa Region, and how WBI can refine its strategy going forward.

In FY03, WBIEG launched baseline outcomes evaluations in 12 focus countries, including three African focus countries, Burkina Faso, Kenya, and Nigeria. Based on these results, WBI appears to have done better in the Africa Region than in other Regions, as measured by immediate outcomes: participants' ratings of the effectiveness of WBI activities and the frequency with which they use the information, knowledge, and skills they gained from the activity.

Results show that WBI is paying more attention to organizational capacity now than it did previously. WBI's effectiveness has increased between the first six months of FY01 and the last six months of FY03.[48] The increase has been the largest in "providing strategies and approaches" to development, signaling that WBI's strategy is shifting from providing skills only (an area in which WBI received higher ratings initially), to working more intensively in the area of transferring "how to" and working with issues related to organizational/institutional levels (figure 3).[49]

Country-specific results from the same evaluation show that participants from the Africa Region provided higher overall ratings on effectiveness, as compared with the 12-country average (figure 4), suggesting the potential for higher impact in the Region, given the right approach.

Interviews with Regional Operations staff indicated that in recent years WBI activities have been more closely aligned with CASs but that coordination and collaboration on the ground was less systematic. However, a survey of Operations staff completed in late FY04 indicated that WBI's alignment with and relevance to the country programs improved between FY03 and FY04, and the percentage of Operations staff who were aware of and knew about WBI activities also increased from approximately 55 percent to 65 percent,[50] an indication that greater collaboration may be taking place between WBI and regional Operations.

Client and regional Operations staff views do not always coincide in these evaluations. It is evident that while coordination and collaboration with Operational staff is essential, it is not sufficient to increase the effectiveness, relevance, and outcomes of WBI's activities. Much depends also on other elements such as the design of the capacity development—use of action plans, sustained engagement and followup, targeting the right audiences, and the degree of commitment of the client country.

These evaluations suggest a need for a more systematic collaboration between Country

[48] Results based on a sample of more than 1,300 clients in 12 countries: Brazil, Burkina Faso, Egypt, Guatemala, Indonesia, Kenya, Nigeria, Russia, Sri Lanka, Tajikistan, Thailand, and Yemen. The results are reported in Quizon, J., Khattri, N., Zia, H., & Gunnarsson, V. (2005). ***An Evaluation of the Effectiveness and Outcomes of WBI FY01-03 Activities: Results from 12 Focus Countries***. WBI Evaluation Studies EG05-108.

[49] Information based on WBI participants' ratings on the effectiveness of the WBI activity they attended on a scale of 1 = "not effective at all" to 7 = "extremely effective." The ratings were obtained 8 to 22 months after the activity was completed.

[50] Khattri, N. & Ouchi, Fumika (2004). ***Formative Assessment of WBI's Capacity Enhancement Strategy***. WBI Evaluation Studies EG05-97-R

Figure 3
WBI effectiveness in building skills and providing strategies and approaches to development increased, FY01-Y03

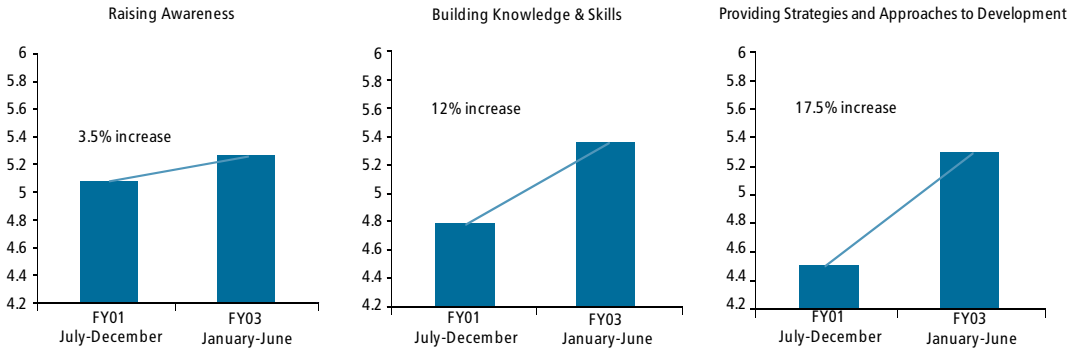
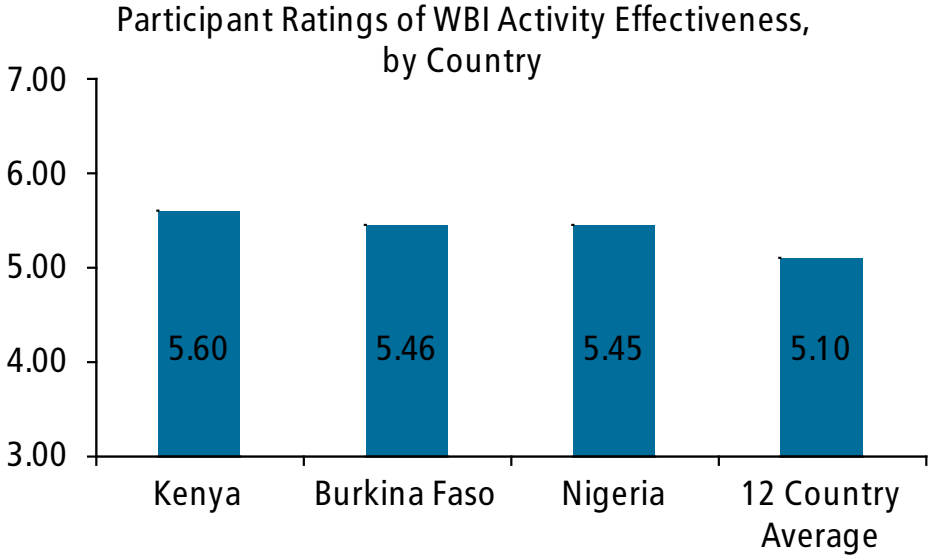


Figure 4
WBI effectiveness in the Africa Region compared with other focus countries



Operations and WBI for selectivity, relevance to country needs, and targeting of participants, while also addressing the need to work closely with local organizations, develop sustained engagement strategies, and take a long-term view of outcomes and impact.

WBI's future in the Africa Region

The evaluation conclusions as well as the Task Force's own observations imply that WBI can be successful in the Region, but it needs to think carefully about being much more focused on a few key topics and issues where it can add real value and where Operations does not have a competitive edge. These areas would complement the work that Operations does and that would in fact catalyze the results for the Bank and its clients. The Task Force analysis suggests that WBI could play an increasingly effective role in areas in which the Bank has not traditionally been active for various reasons—some traditional, some statutory—including the sometimes long period of time it takes to effect meaningful changes as well as the audiences that would need to be engaged in bringing about those changes.

While the specific country programs should be designed in consultation with the Region and individual countries, the Task Force suggests that WBI is particularly well positioned to help build stronger demand and accountability for good governance, which would include collaborating with both formal and informal institutions and organizations such as the parliaments, the media, and local community organizations at both the country and regional levels.

The Task Force recommends that the Region engage in a dialogue with WBI on the selection of countries and topics with a view to more efficient and effective use of WBI's limited resources. In particular the Task Force recommends that the Africa Region encourage WBI to focus its activities on demand-side activities targeted at strengthening non-government groups that contribute to the "engaged society." In addition, along with PREM, LICUS, and some regional teams, WBI has recently initiated a program of support to leadership teams in Africa and the Task Force recommends that this work be expanded. Some promising examples of a fruitful use of WBI's resources follow.

Examples of promising approaches

The Task Force has found anecdotal evidence of some current WBI programs and approaches that hold promise and could be used as a model going forward, keeping in mind the principles of demand, complementarities to the Bank's approaches to the country, and long-term engagement. Although the outcomes and impacts of these specific examples is not yet firmly evident, they do provide a sense of the types of approaches to be considered for the future.

Capacity for good governance

An approach for supporting good governance includes WBI's work to help develop an alternative dispute resolution system in the Region.

Another example includes the seminal work that WBI does in the area of governance and anticorruption.

Similarly, WBI is working with the parliament and the media to strengthen transparency and participation. For example, in Ghana, the Parliamentary Support Program will seek to strengthen the oversight capabilities of Parliament and other constitutionally mandated entities. At the same time, it will work with civil society groups to monitor the government and provide feedback on policies and service delivery. In Nigeria, WBI's program is designed to develop the capacity of the Nigerian media organizations and journalists to cover economic and social change.

Alternative dispute resolution to improve access to justice in Anglophone Africa

In January/February 2005, the Governance Group of WBI, the Africa Practice Group of the Legal Vice Presidency, and the PREM Group delivered the Judicial Reform for Improving Governance program, focusing on Alternative Dispute Resolution (ADR) in Ghana and Nigeria. The program was prepared and delivered as a response to country demand identified during CAS discussions.

During the four-week program, delivered by video-conference, a diverse set of stakeholders (approximately 100 participants) discussed and analyzed the possibilities of implementing and improving ADR mechanisms in the context of their countries' judicial reform activities. Their activities focused on the following set of key questions:

- How does ADR increase the effectiveness and efficiency of the judiciary?
- What issues need to be addressed in the design of an effective ADR system?
- What kinds of laws and court rules facilitate the development of ADR systems?
- What are some models of ADR implemented in various countries?

During the program, country participants had the opportunity to discuss specific topics, including the framework for the design of ADR programs, case studies, and country experiences with ADR, as well as elaborate five action plans that can be incorporated into activities on judicial reform in Ghana and Nigeria by the World Bank and other donors. WBI is building on the outcomes of this workshop to prepare a more customized program to strengthen the adjudication capacity of traditional authorities.

Governance and anticorruption in Sierra Leone

The governance and anticorruption (GAC) assessment was conducted in response to a request for action on governance and capacity building from the president's office in February 2002. The GAC surveys were conducted to assess the institutional strengths and weaknesses in Sierra Leone. The surveys were completed by a local survey firm with technical assistance from WBI. A steering committee, comprising representatives of key government agencies, civil society, the media, and the donor community, implemented the assessment and designed a national governance strategy on the basis of the survey results. The resultant Governance Action Plan brought together separate efforts to improve governance, creating greater awareness and support for change. The work was done in collaboration with DfID. Sierra Leone's vice president presented the GAC report at a national workshop in Freetown in October 2003. The outcome was six action plans targeting the top priorities of the country.

Approaches to organizational/institutional learning to ensure effectiveness

An encouraging recent development in WBI is the emphasis on developing organizational competencies and facilitating institutional change. Evidence to take this direction came from several sources but specifically also from WBI's internal evaluation that showed that team-based learning yields higher WBI effectiveness, and that WBI participants are likely to use information, skills, and knowledge they gained more frequently when they attend learning programs with their colleagues than when they do so by themselves (figure 5).

WBI has begun working on a sustained basis with a number of organizations to develop their staff's collective capacity for service delivery and training. Three of these 13 initiatives are located in Burkina Faso, Kenya, and Uganda. WBI, in partnership with the Africa Region, the International Monetary Fund (IMF), and the Africa Development Bank (AfDB) is supporting the Joint Africa Institute to assist with developing regional organizational capacity.

Action plans and results frameworks to enhance outcomes

Similarly, WBI is shifting to the use of action plans and results framework to enhance outcomes. Results from several WBI internal evaluations reveal that WBI activities that include the development of action plans are more effective than those that do not. This approach is being mainstreamed more systematically into some WBI capacity development activities. Additionally, WBI has launched support strategies for key leadership and implementation groups to take a results-based approach to their development policies and plans.

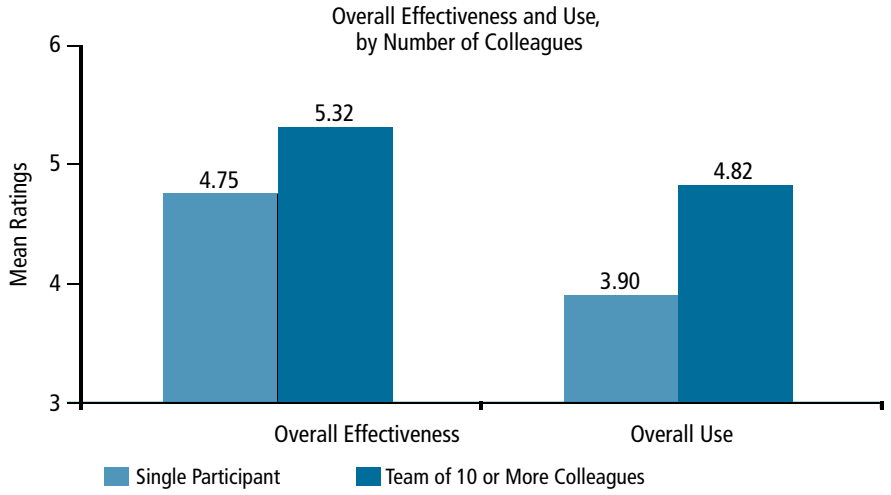
Partnership for organizational change with Centre de Formation Continue, Burkina Faso

WBI has developed a long-term partnership with Centre de Formation Continue (CEFOC) to jointly design, organize, and administer trainer-of-trainer activities. The activities will focus on rural development, including rural infrastructure, the role of stakeholders in rural policy, supply chain management, and land use and management policy. By FY06, CEFOC is expected to a key player within a regional training institutions network, specialized in these areas of expertise. In addition to joint curriculum and pedagogy development, WBI is helping to strengthen CEFOC's management and monitoring of its training program.

Using a results-based framework for aligning strategies and capacity objectives in Madagascar

In Madagascar WBI is providing support to the Governance and Institutional Development Project (PGDI) management team in their annual work planning to ensure alignment of capacity investments with priority results of the country. WBI is supporting the PGDI project team in developing a results-oriented approach to their work, including the development of annual work programs, new curricula, and monitoring frameworks for two civil service training institutes supported by the project. WBI is using an analytical tool that helps to disaggregate capacity constraints by type, facilitate design of interventions, and clarify accountabilities (figure 6).

Figure 5
WBI effectiveness and participants' use of knowledge and skills are higher in team-based learning



Note: Information based on WBI participants' ratings on the effectiveness of the WBI activity they attended on a scale of 1 = "not effective at all" to 7 = "extremely effective"; and the frequency with which they use the knowledge, information, and skills they gained from the WBI activity on a scale of 1= "not at all" to 7 = "very often." The ratings were obtained 8 to 22 months after the activity was completed.

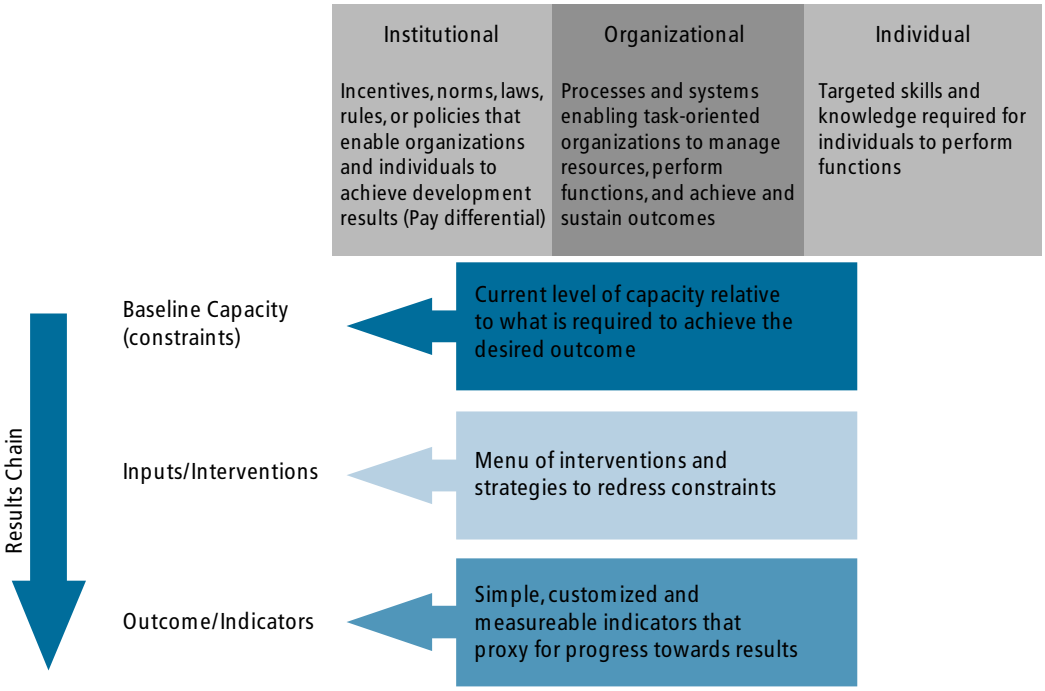
Developing action plans for improved public financial system in Chad

The Government of Chad has identified the development of sustainable capacity to plan, execute, monitor and evaluate its development actions as the most important component of its strategy to combat crippling poverty in the country. Tackling Chad's capacity development deficit is a major challenge that will require a comprehensive strategy of support to individuals, organizations, and institutions throughout the country and over a sustained period of time.

Over the next five years, the World Bank has agreed with the government to concentrate its efforts on strengthening the critical area of public financial management and the institutions that support good financial governance of the country's public institutions. WBI is working with local counterparts in the civil service and representatives from public and private local institutes that provide training in the field of public financial management.

In the first phase of this work, in 2004, WBI worked with a number of local training institutes to internalize the capacity-results approach and help them better focus their capacity-building program. This work has resulted in the institutes coming together in the creation of a confederation of training institutes. Representatives from this confederation are currently participating in intensive in-country consultations with civil service representatives to develop a comprehensive action plan for the improvement of the public financial management system in Chad.

Figure 6
Results framework for capacity work



Conclusions

On the basis of its review of WBI's recent changes in strategy and the available evaluation data, the Task Force concludes that:

1. The Africa Region needs to engage WBI actively to harness its full potential in the priority areas for Africa. The Region and WBI need to have an institutionalized, ongoing dialogue to select countries and topics of intervention that take best advantage of WBI's capabilities. Both the Region and WBI also need to ensure that staff understand the role WBI is to play in Africa.
2. WBI needs to work hard to ensure that its programs respond to country-level development strategies, relying less on retail training, and more on sustained approaches to institutional and organizational development with local partners.
3. WBI must help build effective demand for good governance by, for example, working with domestic and regional accountability systems, including the parliament, the media, and local civil society and community organizations.
4. The set of recommendations also implies that WBI will need to do fewer activities but do them more intensively, over longer time periods, and at higher levels of impact, taking into consideration the design issues and lessons identified by its evaluation group.