

Executive Summary

LENPA Spring Forum 2005

Synthesis Report

Capacity Development under Program Based Approaches

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Capacity Development under Program-based Approaches

This report synthesizes key ideas and conclusions emerging from the Forum on Capacity Development Under Program-Based Approaches (PBAs) sponsored by the Learning Network on Program-Based Approaches (LENPA) in Washington, DC from April 25-27, 2005.¹

Background

This was the fourth such LENPA forum. Previous forums were organized in Ottawa (June 2002), Berlin (November 2003), and Tokyo (June 2004). All LENPA forums have dealt with capacity development (CD) to some degree in the past, but LENPA members had identified the topic of CD under PBAs as meriting concentrated attention.

A central premise behind the organization of this forum was that PBAs and CD are intimately linked. Whereas prior approaches to development cooperation have often had the effect of undermining host-country institutional capacities in a number of ways, PBAs are expected to have a number of positive effects, by:

- Strengthening host-country ownership
- Working through – rather than around – local institutional structures
- Shifting attention towards more strategic issues, including policy and institutional reforms, rather than upon the details of project implementation.

Furthermore, PBAs themselves can only succeed to the extent that local institutions have the capacity to deliver. This considerably raises the incentive for all parties to promote CD processes in those institutions.

However, PBAs also raise new challenges regarding how best to combine efforts and how best to catalyse and support change at the program level. These challenges have yet to be fully understood. Furthermore, there is an almost total lack of empirical material on this subject. The forum aimed to address these challenges and begin to fill the empirical gap.

Conceptual framework

Because PBAs involve coordinated support at the program level, they lend themselves to the sort of systems thinking about capacity that became part of the capacity development paradigm going back to the early 1990s. In the context of the Millennium Development Goals, PBAs serve two purposes:

- They facilitate the scaling up of pro-poor activities such as access to primary education and primary health
- They help to promote improved institutional performance at the systems level.

From a CD perspective, the emphasis under PBAs is thus on institutional performance at the systems level, or more briefly, “systems performance.” The two conceptual presentations in the

¹ Detailed information on this and other LENPA forums, including all of the papers and presentations, is available on the LENPA extranet site at <http://web.acdi-cida.gc.ca/pbas>. This is a password restricted site, so new users will have to register before they can access the site (follow the links from the home page). Information on the [LENPA network](#) is also available on the site.

forum focused respectively on systems thinking, and on the linkage between capacity and performance.

An advantage of systems thinking, as explained in the presentation by Peter Morgan, is that it encourages us to avoid reductionist thinking about capacity – which is to say, the reduction of capacity merely to its constituent parts. Capacity must, instead, be seen as emerging from the whole of the system, with the whole being either greater or lesser than the sum of its parts. Engagement in efforts to promote enhanced institutional performance thus requires an ability to consider both macro and micro levels of systems capacity, and the interconnections and interrelationships among the parts of a system, as these evolve over time. The case studies reviewed during the forum provided excellent examples of this way of thinking.

The PBA framework also encouraged participants to look more closely at the linkage between capacity and performance. Is “capacity” sufficient to ensure performance? The answer to this question depends on how the expression “capacity” is understood, but in common parlance, capacity is the potential to perform, and translates into performance only if that capacity is effectively harnessed in ways that satisfy stakeholders’ priority needs. A suggestion to emerge from the forum was the need to enrich out conceptual toolbox to make room for such distinctions.

To this effect, it was suggested that capacity understood in the somewhat technical sense of “abilities” (as it is usually defined) should be distinguished from issues of incentives and motivation and issues of governance. From this perspective, an enriched conceptual set to deal with issues of capacity and performance might include not just the conventional elements proposed in the CD paradigm (capacity, capacity development, promotion of capacity development), but also a number of others used by forum participants at different times, including the following:

- *Capacities (in the plural)* – The elements required to perform particular functions and to work together as a human system
- *Performance (or productivity)* – *how well* resources are used to produce results and to further improve performance over time (unit costs, quality and appropriateness, timeliness, learning, etc.)
- *Commitment, Motivation and Accountability* – Conditions for capacity to be mobilized, to translate into performance
- *Good Governance* – Conditions for capacity to be mobilized for relevant purposes.

To summarize how these various elements relate to each other, one could say that capacity – the potential to perform – is an emergent systems property that depends upon the existence of an appropriate mix of capacities. Capacity will result in performance if commitment, motivation and accountability are also present. Add good governance, and there is a greater likelihood of achieving performance around results that matter to stakeholders.

The case studies

Conference participants drew lessons of good practice and experience from several sources, including a review of World Bank experience in building state capacity in Africa, and more specialized efforts at building analytical frameworks for capacity development in public financial management (PFM) and procurement. This was complemented by a number of case studies. A total of 13 case studies were presented in Washington, as follows:

- Africa Forum
- Honduras Chagas Eradication
- South Africa Water and Sanitation
- Nicaragua Education
- Uganda Water
- Ghana Water and Decentralization
- India Health
- Senegal Health
- Tanzania Agriculture
- Bolivia Water
- India Education
- Honduras Education
- Nepal Capacity Development of Local Bodies.

This sample covered all three major geographical regions of the world, and included some representation from a number of sectors, including education, health, water and sanitation, plus the theme of decentralization. Where the sample is weak is in its coverage of Africa, where most of the world's PBAs are located. Although six of the cases covered were from Africa, three of those (Africa Forum, Senegal Health and Tanzania agriculture) were not regular cases of PBAs, but cases of a different variety from which useful lessons could be learned. All of the remainder were in the water and sanitation sector. Although this sample provided valuable insights to forum participants, as documented in the detailed report that follows, care must be taken to not overstate the generalizability of those results in the absence of a larger, more representative, sample.

Lessons from Africa

The main message emerging from the presentation and discussion of the World Bank's experience in building state capacity in Africa was that African governments and their partners should move from a narrow organizational and technocratic approach focused on the construction of a national bureaucratic machinery to a broader perspective that incorporates both the political dynamics and the institutional rules of the game within which demand for performance and oversight mechanisms play a fundamental role, at both national and local levels. This is in line with observations made above that a proper understanding of systems performance requires a broader frame of reference than the concept of capacity alone is capable of providing.

A second major conclusion from this session was that comprehensive reforms have failed more often than not in Africa. Yet partial, piecemeal, approaches have also failed. What was proposed, therefore, was an incremental, but strategic approach, involving a systems perspective, and a long-term sense of direction, combined with an incremental approach to change. The emphasis is thus shifting from models based on best practice and comprehensiveness to more iterative approaches focused on next steps, best fit, and the search for catalytic measures.

The resulting notion of "strategic incrementalism" quickly became part of the group vocabulary among forum participants. That capacity issues need to be managed holistically is well appreciated in the CD literature, which calls for a systems perspective. However, there is an increasing awareness that change in the real world is incremental in nature². The concept of strategic incrementalism provides a bridge between the ideal, which calls for a holistic approach,

² For a review of some of the related CD literature, see Nils Boesen and Ole Therkildsen, "Between Naivety and Cynicism: A Pragmatic Approach to Donor Support for Public-Sector Capacity Development" In *Capacity Development Evaluation*, Step 4 (June 2004), published by Danida, Foreign Ministry, Copenhagen, April 2005. (Accessible at <http://www.um.dk/en/menu/DevelopmentPolicy/Evaluations> and on the CIDA PBA website at: [Between Naivety and Cynicism](#)).

and the real world, which calls for sequencing of efforts according to emerging opportunities and constraints.

Lessons from work on PFM and procurement

Public Financial Management (PFM) and procurement are particular areas of concern under PBAs, in part because they are intrinsically important areas of institutional development, but also because of fiduciary concerns when donor funds are channelled through country systems. Considerable joint work has been done in these areas, both internationally and at country level. This work constitutes a model of how capacity development efforts could be applied to other systems as well. Some of the features of this model that emerged from the presentations and background documents include the following:

- Emphasis on building up the credibility and leadership of host-partner institutions
- Joint diagnostics, closely involving host-partner institutions
- Adoption of a holistic, but incremental and sequenced approach to reforms
- Awareness of political considerations and the need for external incentives
- Pursuit of early results to motivate further reforms
- Importance of a coordinated approach
- Adoption of a realistic pace of reforms
- Monitoring of results according to carefully selected performance indicators.

False starts

The power of both the CD and PBA paradigms is that they encapsulate some important lessons about how to approach development cooperation. In this respect, they help to avoid what might be called “false starts.” Several examples of false starts were identified by participants, but there is a distinction to be made between those that emerged from participants’ general experience in CD work and those that emerged from the PBA case studies reviewed.

The first category includes, for example:

- Thinking that capacity is something that can be “transferred” from North to South rather than something that partner country institutions must acquire for themselves
- Excessive emphasis on technical assistance (TA) and training as solutions to all capacity problems
- Excessive emphasis on donor-driven diagnostics
- Insufficient attention to context.

However, the false starts emerging from the case studies were mostly of a different type associated with the difficulty of applying the CD paradigm in a systematic way in the PBA context. What emerged from the case studies was an improved understanding of the transition that is taking place from old approaches – which may not have paid very much attention at all to capacity development or which addressed capacity development in a piecemeal way under the project mode – to a new approach, in which CD is a central preoccupation addressed in a relatively systemic way by a community of partners. Rather than speaking of false starts, the cases spoke more eloquently of promising, if imperfect, beginnings.

That the promising beginnings were imperfect is not surprising. The demands of the new approach are immense – requiring a strategic understanding of complex and dynamic systems

from a human, structural, as well as political economic understanding. The cases were useful in helping to identify certain areas of continuing weakness. They include the following:

- CD efforts were still focused on the parts of systems, with inadequate attention to how the parts worked together to produce overall systems performance.
- The predominant approach remains a technocratic one involving insufficient attention to political considerations.
- Donor coordination and harmonization remains insufficient.

Current Strategies and Approaches

As noted above, PBAs open up opportunities for engagement in capacity development that go beyond what would be possible under project-based approaches. The question asked in Washington in this respect was whether the partner community was availing itself of these opportunities. Although it is possible to answer this question in a general sense, to say that the case studies clearly reflected a different way of doing things, the forum did not allow us to present a clear and unambiguous picture of how CD is being pursued under PBAs. However, the case studies provided some valuable insights into emerging practice.

National to local models of capacity development

The first aspect of this emerging practice appears to be a transition to more complex approach, in which CD efforts are applied to systems including several levels on intervention, from the national to the most decentralized level of service provision. Although in conventional discussions of SWAs and budget support operations, attention to CD issues seems to dwell primarily on centralized government functions such as planning and public financial management, the cases reviewed in this forum did not fit this pattern, as they paid considerable attention to CD at both then national and lower levels. One of the discussion groups referred to this as the “Nation-community” approach.

Diagnostics

A second aspect that participants were asked to cover was the way that diagnostics were being done. Forum participants indicated that capacity assessments and diagnostics at the “front end” appeared to have been limited. Although diagnostic work was clearly undertaken under PBAs, such work appears to be ongoing, as a function of various decisions to be taken individually or collectively by different PBA partners. This approach to diagnostic work under PBAs seems to reflect the reality of change processes as ongoing and iterative processes with no clear starting point and end point.

It was noted that scale and diversity in large scale PBAs do not allow an ‘omnibus approach’ to be taken. Questions were raised about how to assess CD needs in complex systems, where needs are very diverse. Where various levels of intervention are involved, questions were asked also about how responsibilities for needs assessment should be distributed, in line with the principle of “subsidiarity.”. Evoking the notion of strategic incrementalism, participants emphasized that CD assessments and plans must be particularly attentive to the weakest spots and to the areas where the most progress and impact could be expected. A concern of forum participants was the need to promote host-partners’ capacity for self-assessment.

Demand and supply for capacity development

A third recurrent theme was the need for attention to both the supply and demand sides of capacity development. The demand side was seen to have two dimensions: on the one hand was the need for mechanisms to ensure that entities responsible for particular functions are able to articulate their CD needs; on the other hand these entities need to feel accountable for improved performance over time, in response to stakeholders demands. The need to promote accountability for performance was one of the most frequently recurring themes in the forum.

Roles of External Partners

One of the contributions of the CD perspective is that it emphasizes endogenous processes and the role of external partners in promoting those processes, rather than particular types of inputs, such as technical assistance or training. From this perspective, the role of external partners can be analyzed from the point of view of its contribution to such processes. The promotion of CD under PBAs involves a significant shift in approach that includes an enhanced role for learning by doing, for policy dialogue and multistakeholder engagement, compared to project-based approaches.

Participants were asked to consider five roles that donors or outside experts could play in promoting capacity development:

- Facilitating access to knowledge, technology, ideas, or new management approaches
- Facilitation of networking, new relationships with outside parties, and consensus building
- Policy dialogue and advocacy including specific policy reforms, promoting a results-based approach, support for accountability to beneficiaries, or encouraging participation & transparency
- Provision of incremental resources that can facilitate change processes
- Providing space for learning by doing.

PBAs were seen to provide space for donors to play all of these roles in an integrated way, at the system level, and examples of all of these roles can be found in the cases studied. For instance, the discussion group focused on the water and sanitation sector spoke of an integrated vision that includes sector policy dialogue, transparent incentives for water utilities and specific measures of support for CD (training, technical support, etc.).

The discussions pointed to a number of more specific roles that donors can play under PBAs, including the following:

- Helping to set the agenda for policy reform
- Keeping attention focused on issues of institutional performance
- Engaging in policy dialogue and exerting pressure for change
- Facilitating and accompanying change processes; enabling access for new actors.

It was argued in the closing session of the forum that the extent of donor pro-activity in promoting CD was not a moral issue but a pragmatic one based on what is likely to work in different circumstances. In some cases, donor involvement might extend to playing an active role in implementing change. In others, it may involve standing back and playing no role whatsoever.

Results achieved

On the subject of results achieved, the discussion in Washington did not focus so much on the achievement of particular capacities or enhanced performance in particular areas, so much as on

changed relationships, approaches and processes. The transition to new, more holistic, joined up approaches under PBAs was considered an important result in its own right, and mention was made, as well, of cross-sector learning from SWAs currently ongoing in different sectors of the same country. Participants also identified increased ownership of sector policy by sector stakeholders, increased attention to budgeting at the sector level, and more effective allocation of sector resources for CD, as results worth mentioning. Several references were made as well to the increased attention or resources being accorded to CD, and to enhanced, or more sustainable CD processes and structures.

Considering the frequent calls that were made for increased attention to accountability issues over the course of discussions, it is interesting to note how often improved accountability structures were evoked as a category of result. Among the examples noted were the following:

- A transition to monitoring focused on outputs and outcomes, not solely on inputs (water and sanitation sector)
- Use of tracking and value for money studies as bases for performance assessment (Uganda Water)
- Performance monitoring and strengthening of vertical accountability, so that entities previously accountable directly to donors are now accountable to the national ministry. (water and sanitation sector)
- Significant improvements in PFM and procurement (Honduras education)
- Adjustments made to the PFM system to align with the decentralization of functions and resources to local governments (water and sanitation sector).

Challenges ahead

Numerous challenges were raised as part of the discussions, including the following:

- Ensuring the CD receives adequate attention and that CD efforts are incorporated in PBA budgets
- Taking the role of non-state actors into account
- Ensuring the integration and complementarity of efforts both horizontally across different areas and vertically at different levels
- Addressing regional/local differences in large PBAs, to ensure that alignment with national programs does not impede adjustment to local realities
- Taking a systems perspective and focusing on systems performance
- Understanding the link between CD narrowly understood, incentives, accountability, and performance
- Dealing with the political complexity of change processes that are context specific
- Demonstrating the link between CD and results
- On the donor side, challenges raised by limited donor capacity to engage in CD programs, limited time horizon, and the lack of incentives for effective engagement
- The special challenge of CD in politically difficult contexts such as fragile states.

Principles of effective support to CD under PBAs

Finally, the discussions produced a number of recommendations about good practice for CD under PBAs, many of which are elaborated in section VI of the main report or taken up in

slightly different terms in the concluding summary presented in section VII. These included the following:

Make a priority of capacity development

The need to reinforce PFM and procurement is obvious when budget support is provided, since budget support raises obvious fiduciary concerns. However, the same argument holds for other functions related to the implementation of PBAs. If implementation is being done through local institutions, then the capacity of those institutions to deliver results is of obvious importance. Unfortunately, effectiveness in the implementation of development programs is less likely to come up as an issue of public debate, provided that some progress is evident on pursuit of the MDGs.

The focus of attention on impacts that the MDGs encourage tends to obscure issues of systems performance, because progress along some of the MDGs may occur despite poor institutional performance. Explicit efforts are thus required to get CD on the agenda. Donor guidelines for engaging in PBAs should include discussions of how to engage in the promotion of capacity development. At field level, priority should be accorded to joint diagnoses of capacity and performance issues.

Unpack capacity development

Dialogue on CD is more likely to be productive if some important unpacking of the concept is done. For instance, it is important to distinguish:

- CD for improved fiduciary management
- CD for improved service delivery
- CD for systemic reforms (institutional, policy, etc).

Indeed, the types of measures that may be taken to promote enhanced performance are likely to vary considerably from one category to another. Systemic reforms are likely to be the most difficult area for change, but are likely to be fundamental to progress on other fronts. Forum participants were reminded that salaries often eat up 90% of sector budgets. Issues relating to incentives and performance and salary reform are thus fundamental, and should be part of the dialogue on CD.

Adopt a systemic but strategic perspective

As the World Bank study on Effective States and Engaged Societies suggests, interventions that are “strategic” and “systemic” do not necessarily have to be comprehensive in scope. Indeed, it may be necessary to avoid overambitious schemes. The ambition and comprehensiveness of capacity development efforts need to be tailored to the absorptive capacity of the local context and the readiness of domestic partners to implement change in different areas. However, even “strategic incrementalism” requires an understanding of systems and existing levels of systems performance, a sense of where the partners would like to be in the future, and an appreciation how to get there, including some ideas about strategic sequencing. Such an approach involves a measure of CD planning, but is necessarily iterative in character, including plenty of room for steps that are opportunistic, un-integrated, non-comprehensive, and perhaps unplanned altogether. Quick wins, if they can be achieved, will help to move the agenda forward.

Focus on performance

A strategic approach means that CD initiatives need to be considered from the perspective of their impact on systems performance, not just in terms of specific CD needs. Efforts will be required to define what is meant by systems performance in particular cases, and to measure that performance. Improved systems performance means that unit costs are down, that service quality has improved, that timeliness of services has improved, etc. Indicators of systems performance are needed to complement indicators of impact, because the latter do not distinguish between the effects due to the application of additional resources and the effects of improved performance.

Attention to systems performance means focusing on concrete tasks defined in terms of specific functions, rather than upon imported models and theory of how systems should work. It implies the need to address the full sequence of factors required for improved performance, including skills and capacities, policies, incentives, and good governance. Supply side efforts should be combined with efforts on the demand side, by encouraging mechanisms that give visibility to performance indicators such as unit costs, service quality, and client satisfaction.

Use technical assistance judiciously

Where institutional capacity remains weak, technical assistance (TA) is likely to be required for some time to help fill strategic gaps and help to build up capacities over time. However, TA, especially when it is tied to donor country procurement or provided in kind, has been much criticized as a modality. Pooling of TA, or the creation of special funds for TA should seriously be contemplated in many cases. This might involve creation of a special TA fund to be managed by the recipient organization or by a particular donor or agency retained for that purpose. Donors may also divide up responsibilities for TA by covering different aspects of the reform agenda.

Other suggestions included the following.

- Finance for partner country institutions may be all that is needed in some cases. This allows the recipient to allocate funds according to perceived priorities, and to recruit consultancy services locally or internationally as required.
- Over the long-term, support for tertiary education and training may be a more cost-effective solution than TA.
- In some situations, twinning arrangements between Northern and Southern organizations may also be an effective approach.

Pay attention to non-state actors

Non-state actors (private sector and civil society actors) are important in all sectors, and in some sectors, such as agriculture, private sector producers are the main target group. Promoting or supporting CD among non-state actors is thus fundamental to effective sector transformation and growth. This can take several forms:

- Promoting the establishment of an enabling environment in which the private sector and civil society organizations can thrive.
- Building domestic capacity to support non-state initiatives through development funds, micro-credit programs or similar initiatives
- Helping non-state actors to build up their own capacities in areas such as engagement in policy dialogue, monitoring and evaluation, or securing access to government procurement.
- Engaging non-state actors through corporate social responsibility or other mechanisms to contribute in a sustainable way to development efforts.

Don't walk away from fragile states

Strategies on how to promote or support capacity development efforts need to be adapted to contextual realities. Participants identified four sorts of situations that could condition donor approaches to working with governments depending upon the capacity and commitment of those governments to engage in development reforms: low capacity/low commitment; low/high; high/low and high/high. Under PBAs, the situation is often one of low capacity but high commitment and most of the lessons identified in this report can be said to apply.

The situation changes when lack of commitment is manifest. Where commitment is weak, donors will have to use a flexible, and political economic approach in order to identify windows of strategic opportunity. This is likely to involve working with groups that are perceived as legitimate, and attempting to develop a critical mass of momentum for change over time. A variety of potential stakeholders may be involved, including the Diaspora, and the private sector. Efforts should be made to help establish checks and balances in society and to promote multi-stakeholder dialogue. This sort of approach requires patience and persistence, but may produce significant results over the long-term.

Conclusions

To conclude, the Washington forum allowed LENPA members to advance both their conceptual understanding of the CD/PBA challenge, and their knowledge of how CD is actually being promoted under PBAs. Much remains to be done. One of the reasons for organizing the fourth LENPA forum on this topic was because of the absolute dearth of empirical information on capacity development under PBAs. The case studies produced for the Washington forum have helped to fill that gap, but they are only a start. Further work is clearly needed, both in deepening our understanding and knowledge and in putting that understanding into practice. The fact that indicator 4 of the Paris Declaration bears directly on the coordination of capacity development efforts should hopefully provide some impetus for more vigorous and coordinated efforts to promote CD processes under PBAs.