



Consultant's Report

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Pacific Capacity Development Study: Final Report (Financed by the ADB and AusAid)

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Asian Development Bank

ACRONYMS

ADB	Asian Development Bank
ASF	Advisory Support Facility (PNG)
AMD	Aid Management Division
AusAID	Australian Agency for International Development
CBSC	Capacity Building Service Centre (PNG)
CD	Capacity Development
CnP	consultation and participation
CJLU	Community Justice Liaison Unit (PNG)
CPS	country partnership strategy
CSO	civil society organization
CSP	country strategy and program
DAC	Development Assistance Committee
DMC	developing member country
DNPM	Department of National Planning and Monitoring (PNG)
DPLGA	Department of Provincial and Local Government Affairs (PNG)
EA	executing agency
ECDPM	European Centre for Development Policy Management
EU	European Union
ERP	Economic Reform Program
FEMM	Forum Economic Ministers Meeting
FHSIP	Fiji Health Sector Improvement Program
FMIP	Financial Management Improvement Program (PNG)
FTF	Falekaupule Trust Fund
GCI	Government of Cook Islands
GoPNG	Government of Papua New Guinea
GoS	Government of Samoa
HRD	human resource development
ISP	Institutional Strengthening Project
KM	knowledge management
LJSP	Law and Justice Sector Program (PNG)
MCA	Millennium Challenge Account
MDG	Millennium Development Goals
MfDR	managing for development results
MoH	Ministry of Health
MIA	Ministry of Internal Affairs
MID	Ministry of Infrastructure Development (Solomon Islands)
MTS	medium-term strategy
NGO	non-governmental organization
NSDS	National Sustainable Development Strategy
NTC	National Training Council
NZAID	New Zealand's International Aid and Development Agency
OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department (ADB)
OLPLLG	Organic Law on Provincial and Local Level Government (PNG)
PARD	Pacific Department (ADB)
PCaB	Provincial Capacity Building Project (PNG)
PDMC	Pacific Developing Member Country
PME	Participatory Monitoring and Evaluation
PPII	Provincial Performance Improvement Initiative (PNG)

RFT	Request for Tender
RMI	Republic of the Marshall Islands
SSF	Sector Strategic Framework
SLO	State Law Office
SMIHL	Star Mountain Investment Holding Limited
SOE	State Owned Enterprise
SWAp	Sector-wide approach
TA	technical assistance
TCR	Technical Assistance Completion Reports
ToT	Training of Trainers
TPR	technical assistance performance report
TTF	Tuvalu Trust Fund
UNDP	United Nations Development Program
USP	University of the South Pacific
WATSAN	water and sanitation
WMA	Wildlife Management Area
WPC	weakly performing country
WWF	World Wildlife Fund

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PACIFIC CAPACITY DEVELOPMENT STUDY: FINAL REPORT

EXECUTIVE SUMMARY

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

In order to advance this agenda and to secure a better understanding of CD in the Pacific region, ADB's Pacific Department commissioned a regional study in the latter part of 2006. The study is based on 21 case studies from 11 countries across the region, prepared primarily by Pacific island consultants. This report includes findings and recommendations that have benefited from inputs from an August 2007 Capacity Development Retreat at ADB headquarters. ADB's intent is to use the findings and recommendations of the study to guide future capacity building efforts in the Pacific.

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

Capacity Development: The Concept

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

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

Overview of Findings

Most of the case studies reflect a tendency, not unique to the Pacific region, to think of capacity primarily in terms of individual skills or organizational competencies. "Capacity development" is, thus, frequently equated with training or support for some type of organizational development process. Few of the cases demonstrated a systematic approach to analyzing or addressing capacity issues during the planning and design stages or in monitoring and evaluation. However, some of the experiences highlighted movement toward a broader

sense of CD, that is, to more attention to capacity "systems," interorganizational concerns, or enabling conditions, even if not always articulated in CD terms.

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

Several key factors influencing "success" in the case studies were found, including participation and ownership, leadership and vision, capacity to demand, relevance, readiness and receptivity, investing in understanding, getting the incentives right, an enabling environment, flexibility and adaptivity, effective use of technical advisors, ensuring sufficient time, taking a systems approach, and harmonization of efforts.

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

Four themes emerge from the study, stressing the importance, respectively, of 1) understanding the context; 2) thinking strategically about capacity—the dynamics of the capacity system, soft capacities (such as leadership, legitimacy, trust, motivations, and values), the relationship between capacity and performance, and the role to be played by the external intervener; 3) programming strategically for sustainable capacity; and 4) learning from experience.

Implications for ADB

There are several possible implications for ADB, bilateral donors, and DMCs in terms of their approach to CD. Three areas are seen to be of particular significance to ADB:

- 1) institutionalizing a CD approach in ADB's country programs, for example, by strengthening mechanisms to ensure a better understanding of the programming context as a basis for the country partnership strategy;

- 2) enhancing capacity development programming, such as through demand-driven pilots, fostering new approaches, and increased reliance on local capacity-building options; and

- 3) updating ADB's business processes and internal support systems with regard to strengthening internal capacity for CD, and modifying consultant selection and recruitment processes. A number of the options for moving forward draw on the work of ADB's Capacity Development Working Group and recent ADB reviews of technical assistance effectiveness and programming in weakly performing countries.

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

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

Statement by Kemal Derviş, UNDP Administrator to the Executive Board of UNDP/UNFPA, 11 September 2006

I. INTRODUCTION

A. Background

The idea of capacity development (CD) has gained increasing prominence in the international development community over the past twenty years or so. In 1993, World Bank Vice President Edward (Kim) Jaycox declared capacity development to be “the missing link in African development.” In 1997, the OECD’s Development Assistance Committee (DAC) issued *Shaping the 21st Century* which articulated a new approach to development cooperation, including greater emphasis on capacity development within “effective partnerships”. In 2004, Francis Fukuyama declared in *State Building: Governance and World Order in the 21st Century*, that donors should define capacity as the primary objective of all development assistance, rather than focusing on services, infrastructure or other results.

In 2005, the *Paris Declaration on Aid Effectiveness* affirmed the importance of capacity development, as well as ownership, harmonization, alignment, results and mutual accountability. The Paris Declaration specifically described “capacity to plan, manage, implement and account for results of policies and programmes (as) critical for achieving development objectives from analysis and dialogue through implementation, monitoring and evaluation.” These references to capacity development were embraced under the *Pacific Principles for Effective Aid*.¹

These declarations and commitments, among others from bilateral, multilateral and civil society agencies, have resulted in significant investments aimed at enhancing capacities of developing countries. The general consensus though is that progress has been disappointingly slow. The adoption of the United Nations (UN) Millennium Development Goals in 2000 added a degree of urgency to the capacity challenge. However, Global Monitoring Reports on MDG progress have consistently revealed that public sector capacity has lagged behind all other MDG benchmarks.

In 2004, ADB’s Board adopted capacity development as a thematic priority. In doing so, it described strengthening developing country capacity as a means to enhance performance, but also as a goal in its own right. ADB staff has since developed a *Medium Term Framework and Action Plan*² for strengthening assistance for CD in Developing Country Members (DMCs). The ADB’s Action Plan calls for Bank-sponsored CD efforts to be more efficient, effective and demand-driven. More effective CD interventions with DMC partners are expected to contribute to better and more sustainable results by DMC organizations and groups which will help them realize intermediate outcomes, such as improved service delivery and better legal and regulatory enforcement. The anticipated longer term impact is better quality and expanded coverage of public services and ultimately reductions in poverty in the region. The Action Plan also reaffirms ADB’s commitment, articulated in the *Paris Declaration on Aid Effectiveness*, to increase the “alignment of their aid with partner countries’ priorities, systems and procedures and helping to strengthen their capacities.”

¹ Two of the Pacific Aid Effectiveness Principles refer specifically to capacity development (the corresponding Paris Declaration Principles are noted in brackets): Principle 5: Strengthened institutional mechanisms and capacity in countries to enable increased use of local systems by development partners. (*Paris Declaration 17, 21, 22-24, 31; Indicator 4, 6, 8*). Principle 6: (i) Provision of technical assistance (TA), including in aid coordination/ management, in such a way that ensures that capacity is built with tangible benefits to the country to support national ownership. Provision of an appropriate level of counterpart resources through established procedures and mechanisms. (ii) Short term TA, that addresses local skills gaps to conduct studies, is culturally sensitive. (*Paris Declaration 22-24; Indicator 4*).

² Integrating Capacity Development into Country Programs and Operations. *Proposed Medium-Term Framework and Action Plan*, Final Report, November, 2006

The objectives outlined in ADB's Medium Term Framework and Action Plan are highly relevant to the Pacific region given the number of weakly performing countries. Many countries in the region are constrained by policy and institutional weaknesses, limited organizational or individual capacity and in some cases have had to deal in recent years with the debilitating impact of conflict, with its attendant capacity implications.

In order to gain a better understanding of the roles, responsibilities and approaches of governments and development partners, including civil society actors, in capacity development, ADB's Pacific Department (PARD) commissioned a regional study in the latter part of 2006. The study is based on a series of case studies from across the region, prepared mainly by Pacific Island consultants. A total of twenty one cases have been commissioned, covering eleven countries in the region (see Annex 1 for a full list of cases and researchers).

An interim report on the study was presented at a workshop at ADB headquarters in Manila in August, 2007. The report was then modified based on feedback from workshop participants. ADB's intent has been to draw upon the findings and recommendations from this exercise to guide future capacity building efforts in the Pacific.

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

B. Scope of Study and the Process

This study was designed as a three phase process. During the first phase, the Team Leader met with ADB and other donor agency representatives in Papua New Guinea, Australia and Manila in order to: a) establish key issues from donor experience; b) produce a long list of possible case studies; c) validate the proposed focus of the study, and d) suggest a process for further Pacific island country reviews and for further donor discussions, while preparing an initial framework for the case studies.

The second phase entailed identification and hiring of the Pacific Islands consultants and preparation of the first group of case studies to further validate the focus of the study, and to affirm key issues and themes. The first set of draft cases was presented by the researchers at an ADB-sponsored 'writeshop' in Sydney in April, 2007. Based on feedback from writeshop participants (i.e. the other researchers, plus selected resource persons and donor representatives), the Pacific researchers undertook to finalize their drafts, with the support of resource persons³ and the Team Leader.

At the writeshop, Pacific islanders suggested follow up on this initiative in the region. Towards that end, Ms. Vaine Wichman, the case researcher from Cook Islands, made a presentation on the study at the July 2007 Forum Economic Ministers Meeting (FEMM) in Palau. PARD officials are also exploring the possibility of a presentation on the study at the Pacific Aid Effectiveness meeting in November, 2007.

^p
The August 2007 workshop in Manila was part of the third phase of the study. It provided an opportunity to present the interim findings and to reflect on options for moving the CD agenda

³ Resource persons have included: Tony Hughes (Solomon Islands), Lynn Pieper (Timor Leste), Tim O'Meara (Samoa) and Steve Pollard (RMI, Kiribati, Nauru, Tuvalu). Patricia Lyon, Senior Capacity Development Specialist, AusAID, also served as a resource person at the writesho

forward within PARD. Participants included PARD staff, selected Pacific Island consultants, resource persons and donor representatives, and the Team Leader for the research study. The workshop was followed by a session with donors on August 20-21 where ADB reported on the study findings.

The cases chosen for the study represent a cross section of experiences in the region by sector and thematic area, as well as source of funding. The majority of cases are ADB-funded initiatives, with others being supported by AusAID, NZAID, UNDP and the World Bank. The cases cover a range of programming experiences from economic planning, to infrastructure development, health and legal sector reform, civil society enhancement, fisheries and one regional initiative. The study also explores approaches to CD relying on different modalities (e.g. bilateral projects, provision of advisory support, sector reforms, TA facilities) as well as a range of country experiences, including post-conflict countries.

Sector or Thematic Area	Number of Cases
Public Sector Reform	8
Economic Sector	3
Social Sector	2
Civil Society Enhancement	3
Technical Assistance Management	1
Harmonization	1
Country Strategy Development	1
Trust Funds	1
Regional	1

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

- 1) The importance of Pacific Developing Member Country (PDMC) leadership or ownership in capacity development initiatives
- 2) Strategic attention to capacity issues (e.g. in project designs, national/sector strategies, use of innovative mechanisms),
- 3) 'Hard' as well as 'soft' capacity issues, and
- 4) Effective use of external resources for capacity development or utilization.

While the research was intended to reflect a wide range of experiences, relatively greater weight has been given to initiatives which were considered to be 'successful'⁴. In the selection process, emphasis was also placed on initiatives which were relatively contemporary, including ones which would help to deepen understanding of emerging practices in the region.

Throughout this process, the consultants have worked closely with ADB, and other donor staff, including AusAID which generously contributed to the implementation of this initiative.

Further details relating to this process are outlined in the Terms of Reference for the Pacific Islands consultants which is attached as Annex 3.

⁴ The Team Leader surveyed various stakeholders in the region, including ADB and AusAID staff, regarding prospective case studies. No formal criteria were used to assess success or effectiveness.

C. Organization of the Report

The first two sections of the report include some background on the study as well as capacity development, including the origins and evolution of the concept, what precisely is meant by CD, some general thoughts on the 'how to' of capacity development and what ADB's approach entails.

The third section offers an overview of the findings from the case research. These are presented under three categories: Conceptualization and Planning of CD Interventions, Implementation, and Monitoring and Evaluation. It also examines country specific issues, and some of the particularities of capacity challenges in the Pacific region, as well as in fragile or post conflict states.

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

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

D. Limitations

Several limitations should be noted. First of all, the Team Leader had to cancel a planned visit to Fiji in December 2006, due to the coup. During that visit, he was to have met with various stakeholders as part of the preliminary scoping study. As noted above, the Team Leader did meet with stakeholders in Australia, PNG and Manila during the first phase, but the cancellation of the visit to Fiji resulted in a smaller sampling of views at that stage than originally planned.

Secondly, it should be acknowledged that the Pacific Islands consultants tasked with preparing the case studies were given what can only be described as a 'difficult task'. They had to immerse themselves in the complexities of capacity development over a relatively short period of time and they were asked to prepare the cases using a 'story telling' approach. The case studies are rich in their findings, and hopefully true to Pacific story telling traditions, but they also reflect our collective, ongoing learning about what capacity development actually means in the Pacific in the early days of the 21st century.

II. CAPACITY DEVELOPMENT

A. Why Capacity Development - Origins and Evolution of the Concept

Increased interest in capacity development in the 1980s and '90s was largely a response to acknowledged shortcomings in the realm of development assistance over the preceding forty years, in particular concerns about the effectiveness of technical assistance and limited apparent success in realizing sustainable capacity gains. This led increasingly to calls for approaches which were more systematic and holistic, and with greater emphasis on developing country ownership and sustainable results.

Since capacity development came to the fore in the 1990s, there have been numerous reports, studies, papers and official donor documents which reflect an increasingly sophisticated perspective on the concept. Ubels et al (2005)⁵ point to the following trends in thinking about capacity development in recent years:

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

B. What do we mean by Capacity Development

This discussion of capacity development is guided by the definition of CD developed by the OECD's Development Assistance Committee (DAC) and adopted by ADB, among other agencies:

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

This definition underscores several important considerations with respect to capacity development: the idea of CD as a multi-dimensional phenomenon (i.e. involving *people, organizations, and society as a whole*) which is country owned, open to the lessons of experience and the flexibility to modify approaches, while maintaining a focus on sustainability.

However, as Morgan⁶, among others, have noted, numerous frameworks have been developed to aid thinking and analysis about capacity issues, each of which reflects a different theory of change or view of human behaviour. The various CD frameworks or perspectives draw on different disciplines or bodies of knowledge including:

⁵ Ubels, Jan et al, From Local Empowerment to Aid Harmonization, A tour d'Horizon of Capacity Development Trends and Challenges, in Capacity.org Issue 26, September, 2005 ECDPM

⁶ Morgan, P. Ways of Thinking About Capacity (Draft), ECDPM, May, 2006,

- Organizational development
- Political economy
- Institutional economics
- Strategic management, and
- Systems thinking or complexity theory

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

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

Capacity Development Principles

CD is based on:

- Broad-based participation and a locally driven agenda
- Understanding of the context
- Building on local capacities
- Ongoing learning and adaptation
- Long term investments
- Integration of activities at various levels to address complex problems

C. The 'How' of Capacity Development

The strategies or 'how to' of capacity development embraced by practitioners, managers or analysts usually reflect the school of thought they subscribe to. Morgan suggests, for example, that NGOs tend to follow an organizational development model, drawing occasionally on political economy analyses. Private sector organizational specialists tend to think in terms of institutional economics – supply and demand, and incentives which drive behaviour. Some donors, such as DFID have embraced a political economy perspective emphasizing power and 'drivers of change'. Most other donor agencies though tend to take an instrumental view of capacity issues, relying on strategic management tools and results-based management, with a particular emphasis on technical and managerial capacities required for performance improvement, often though to the relative exclusion of social, political or cultural dimensions which might influence behaviour.

In an earlier paper on capacity development⁷, Morgan noted the following possible operational strategies:

- Eliminating old or inappropriate capacity
- Reducing demand on existing capacity
- Making better use of existing capacity and strengthening it
- Providing space for innovation or creative use of capacities
- Creating new capacity

⁷ Morgan, P. Capacity and Capacity Development – Some Strategies, October, 1998

Experience suggests that project or program planners often gravitate instinctively towards strengthening capacity or creation of 'new capacity' (e.g. through training or by focusing on new organizational structures) in response to development problems. However, this has frequently proven to be inadequate, particularly when dealing with deeply rooted political or socio-economic problems.

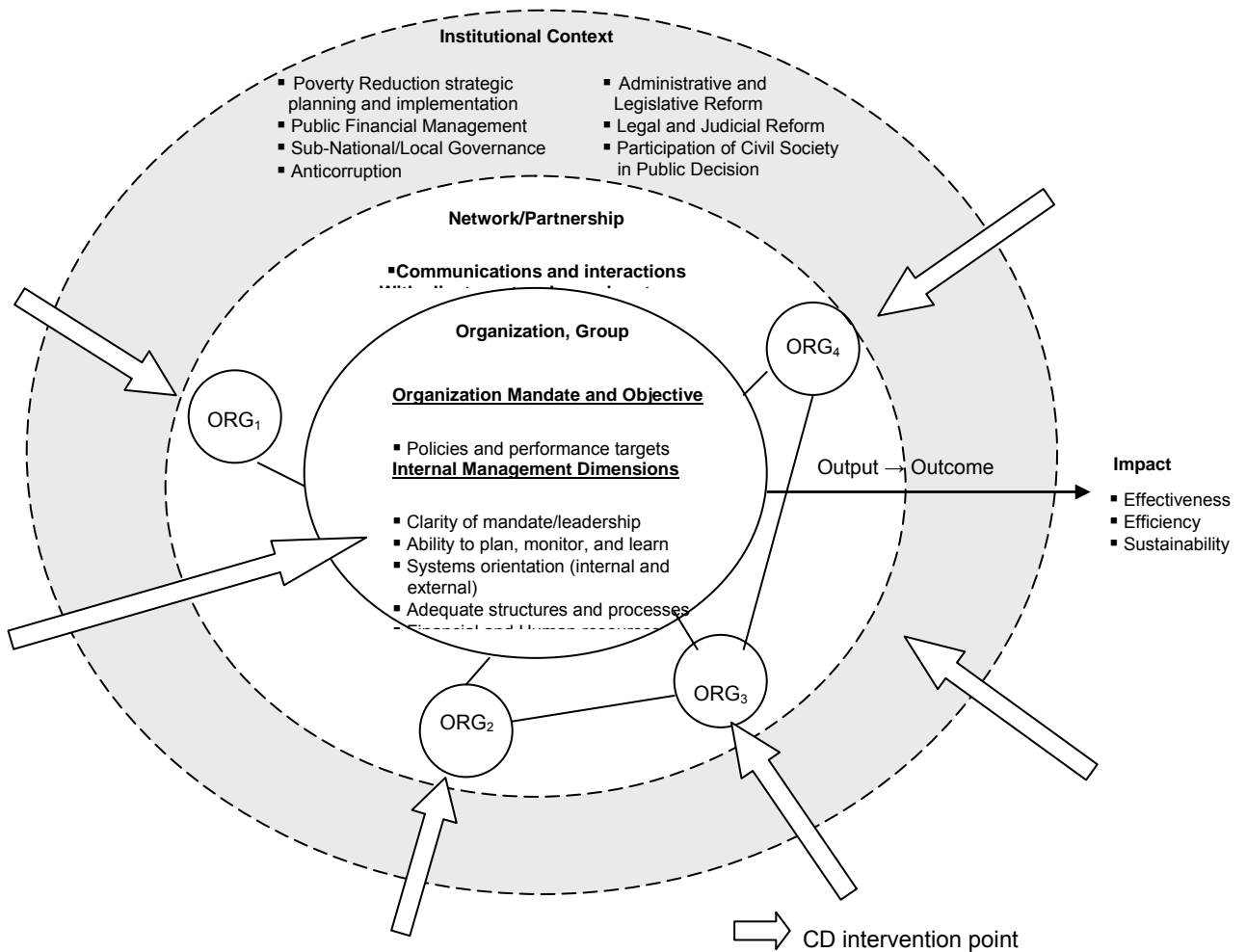
The tendency to lead with 'developing' new capacity has also led many observers to suggest that other options, such as making better use of existing capacity, should be considered first in the interest of sustainability and local ownership. The latter might involve, for example, reviewing an organization's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

D. ADB's Approach

As noted above, ADB has endorsed the DAC's definition of capacity development. However, ADB also recognizes the multiplicity of definitions and the likelihood that different stakeholders will arrive at their own definition or characterization of capacity and capacity development. The ADB's Framework and Action Plan thus relies on a template which draws on common features from various definitions but allows PDMCs to determine their own definition or conceptualization of CD. ADB's perspective on capacity development is rooted in an assumption that public sector agencies will remain the key entry points for ADB's CD operations, but that other key organizations and groups, e.g. private sector, and civil society also have significant roles to play.

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

Figure 1: Framework for Capacity Development



Source: CDWG discussions.

ADB's Action Plan and Medium Term Framework distinguishes between capacity development and governance, noting: "Governance and CD differ insofar as governance is a normative concept that identifies certain standards, such as transparency and accountability, and measures country circumstances against these standards. In contrast, CD places emphasis on achieving objectives identified by DMC organizations and other relevant stakeholders. CD is instrumental to achieve governance objectives as it is to achieve environment, gender or sector objectives."⁸ The Action Plan also notes that governance and capacity development are mutually supportive as realization of governance objectives, such as improved accountability, often requires an investment in capacity just as strengthening capacity frequently depends on adequate or good enough governance conditions.

⁸ Asian Development Bank, Integrating Capacity Development into Country Programs and Operations, Proposed Medium Term Framework and Action Plan, Draft Final Report, November 2006, p.15.

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

III. THE STUDY – OVERVIEW OF FINDINGS

Data for this review came from various sources, including the case studies, as well as articles, papers, reviews and evaluations relating to capacity development and aid effectiveness (See Bibliography in Annex 5). Information on ADB initiatives also came from evaluations and Technical Assistance Completion Reports (TCRs) prepared by ADB staff. It should be noted though that while ADB has recently introduced a classification system for capacity development, it is only beginning to report on CD systematically. At this stage, most of the focus in CD reporting is on 'quality-at-entry' considerations.

AusAID staff and consultants also provided material for this review, including evaluation reports and lessons learned documents which capture the agency's experience in capacity development in a range of sectors and thematic areas.

A. Conceptualization and Planning of CD Programming

1. Articulation of Capacity Issues

Through this study, we were interested in getting a sense of how PDMC stakeholders think about 'capacity' and what 'capacity development' means to them – conceptually and operationally. Most of the cases, as well as the material reviewed for the study, reflect a tendency, not unique to the Pacific region, to think of 'capacity' primarily in terms of individual skills or organizational competencies. Following from that, 'capacity development' is frequently equated with training, or support for some type of organizational development process.

This perspective is reflected in Esekia Solofa's case study on the *Samoa Public Sector Improvement Facility* which notes: "Ever since the start of the New Zealand scholarship scheme for Samoa (which predated Samoa's independence by several years), Samoa has always understood the capacity building and development purpose behind aid, although in its narrow sense of human resource development (HRD)."⁹

On the other hand, a number of the cases highlight movement towards what may be described as an emerging international 'consensus' on capacity development, with increased attention to capacity systems, inter-organizational relationships and enabling conditions, even if they weren't always articulated in capacity development terms.

This issue of how capacity and CD are conceived was seen as worthy of reflection in this review for several reasons: 1) the fact that much of the literature, guides, tool boxes etc. on capacity development has emerged from the donor community, and 2) capacity development is consistently referred to in those same documents as an endogenous or locally-driven process. The question which arises is whose view or conceptualization prevails. Is it the definition agreed to by donors through the DAC, which sees CD as endogenous process, based on a notion of levels and a systemic approach¹⁰, or is it a conceptualization which focuses largely on human

⁹ Solofa, Esekia, *The Samoa Public Sector Improvement Facility, A Case Study in Capacity Development* (draft), July, 2007, p.14

¹⁰ The DAC uses the term 'systemic approach' to refer to the interaction between capacity levels (individual, organizational and enabling environment). This language is used interchangeably throughout this report with the

resource development and the capabilities of individual organizations? Or are we seeing a convergence of views over time. In brief, the cases suggest there is some convergence, although the language and practices between donors and developing country partners still differ.

2. Capacity Assessment Processes

Consistent with the points highlighted above, few of the cases revealed a systematic approach to analysing or addressing capacity issues during the planning and design stages. To the extent that it was done, there was a tendency to focus on ‘capacity gaps’ or deficiencies, but with limited systematic attention to capacity systems, e.g. the capacity of organizations to work together, or the potentially constraining impact of ‘capacity negative’ policies or institutional rules. The cases also demonstrated little attention specifically to soft capacities such as leadership, legitimacy, values, or identity as part of the assessment process. This doesn’t necessarily mean that stakeholders weren’t attentive to such issues, rather that they simply weren’t part of the formal assessment process.

Among the exceptions was the Tuvalu trust fund case which incorporated a more purposeful approach to capacity issues from the start. The government had requested the ADB to provide TA to develop the idea of a trust fund into a project. It was agreed that the approach would, among other things: “Determine the critical success factors for capacity development at the island level and develop a model that could be applied, building on strengths and supporting weaknesses.”¹¹ The TA eventually provided by ADB focused on strengthening the capacity of central and local governments in planning, management and implementation of development projects.

Similarly, the Provincial Performance Improvement Initiative (PPII), an AusAID-funded project which is presently ongoing in Papua New Guinea (PNG), built on an extensive diagnosis of service delivery in the country while its own feasibility study examined key institutional constraints. The latter was followed in PPII’s first phase by a “systematic analysis of the capacities of the provincial, district and local level government administration in relation to service delivery.”¹² This led in turn to Provincial Corporate Plans and provided a basis for supporting Capacity Development Plans for participating provinces.

The design of other initiatives studied were clearly responsive to shifts within broader capacity systems which often opened up space to advance new policies or ways of utilizing or strengthening domestic capacity. However, they weren’t usually informed by detailed capacity analyses leading to specific CD plans, as in PPII.

3. Role of PDMC Stakeholders

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

idea of a systems approach or systems thinking with a recognition that the latter is backed up by a much more complex body of theory which we do not endeavour to unbundle.

¹¹ Bell, B. Tuvalu’s Falekaupule Trust Fund: A case study of bottom-up capacity development, July, 2007 (draft), p. 2.

¹² Saldanha, Cedric, Case Study on the Provincial Performance Improvement Initiative, PNG (draft), July, 2007, p. 3

and the associated challenges, including how to promote ownership when capacity is weak and national institutions are fragile.¹³

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

In the Tonga health management case study, author Kaveinga Tu'itahi, speaks of the Ministry staff defining the key directions for the project. He quotes one of the senior managers in the government as follows: "I can say that effectively all they (AusAID) did was ask us what we needed, then they just coached us along and facilitated our journey in this project"¹⁴ The ADB's Implementation of the Urban Planning and Management Strategy (TA No. 3860), 2002-04 in Samoa also underlined the significance of participatory processes and broad stakeholder support, including in the design, as government agencies and the TA steering committee actively participated, and the government demonstrated its ongoing commitment. In other case studies, including Samson Rihuoaha's examination of the institutional strengthening of Solomon Islands Ministry of Infrastructure Development (MID), local leadership in setting directions was less evident (although not totally absent) given the severe capacity constraints they were facing in the aftermath of that country's ethnic conflict.

4. Defining Capacity Objectives

As suggested above, capacity objectives were rarely defined explicitly in the cases. In fact, in most cases, objectives were defined in terms of expected performance improvements, with improved capacity almost an implicit feature of the design.

It was even rarer to have a project which incorporated a 'grand design' for capacity development. When capacity objectives were, in fact, spelled out, it was usually in relation to specific perceived shortcomings in local skills, competencies, or organizational capacities which were seen as key to addressing a specific performance deficiency, e.g. poor water and sanitation or health services. There were some exceptions though, particularly in some of the larger reform programs - e.g. the Provincial Performance Improvement Initiative and the Capacity Building Service Centre (CBSC), both in PNG - where capacity objectives have been defined more explicitly and in more holistic terms. In these cases, the project designers made clear links between individual competencies, organizational capacity, policies and institutional conditions required to support and sustain capacity improvements.

A number of initiatives also focused specifically on what may be considered 'higher order' capacity issues, e.g. linking different or complementary capacities through networking, or seeking to create more enabling conditions for capacity utilization via policy reform, but again these were rarely, if at all, described as 'capacity' strategies, or even acknowledged as strategies which

¹³ See ADB's Achieving Development Effectiveness in Weakly Performing Countries (The ADB's Approach to Engaging with Weakly Performing Countries), April, 2007. According to the report, ADB has modified its own processes to reflect the realities on the ground in WPCs.

¹⁴ Tu'itahi, K, A New Vision for the Health Sector in Tonga: Change and Capacity Development Strategies (draft) July, p.8

could have a capacity benefit, e.g. unleashing capacity, removing binding constraints to capacity, or institutionalizing incentives for more effective capacity utilization.

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

While acknowledging that most interventions lacked an explicit or detailed capacity strategy, many were actually guided by what may be described as a mental model or view of how change would unfold. This is consistent with the findings from some of the case studies in the European Centre for Development Policy Management’s (ECDPM’s) study on *Capacity, Change and Performance*¹⁵ which noted that:

“everybody in the cases, be they analysts or practitioners, who dealt with capacity issues had tacit mental models or ‘frames’ of change and capacity development. They subscribed to certain principles and assumptions about what motivated people and organizations. They operated on the basis of assumptions about what caused what and what led to what. Or what made people and systems become effective. Or what issues mattered more than others. Their perspectives led to views about where to start a process of capacity development and what to do and in what order. Each way of thinking, in practice, reflected different theories of change and different perspectives on human nature.”¹⁶

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

B. Implementation

1. Different Approaches to Capacity Development

As the sections above imply, there are various ways one could frame a discussion about approaches to capacity development. For example, one could draw on the different conceptualizations of capacity development – institutional economics (supply and demand, incentives), drivers of change (power), organizational development, systems or complexity theory,

¹⁵ The ECDPM study has been carried out under the aegis of the GOVNET, the working group on governance and capacity development of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). It includes 18 case studies and various theme papers.

¹⁶ From draft of final study report (not released).

demand-driven approach, instrumental approach (plan and control), iterative or emergent - as a way of analysing or drawing out lessons about strategies or approaches. Another way of framing the analysis would be to focus on the nature of the inputs. Annex 4, for example, outlines a range of CD intervention options, from provision of advisors to training, infrastructure support, and financing of programming for CD processes. A third option would be to examine how 'capacity strategies', explicit or otherwise, played themselves out in the various cases, in relation to the level of intervention (e.g. individual, organizational, sectoral). In fact, the section below will take a blended approach looking partly at CD approaches by intervention level, while also focusing in on different mechanisms or strategies which it was felt merit particular attention.

a. Enhancing Individual Skills and Competencies

In the early days of development assistance in the Pacific considerable emphasis was placed on development of individual skills and competencies through scholarship programs, work placements, study tours and other means. As noted in one of the case studies: "Samoa has been generously supported for human resource development (HRD) by the New Zealand scholarship scheme, which has been operating non-stop since it started some sixty years ago, and by the Australian scholarship scheme which is now approaching 30 years' continuous operation."¹⁷

The Samoa case goes on to note that HRD has remained "a core driver for public agency involvement with aid-funded development schemes" providing opportunities that have directly benefited individual public servants. PDMC commitment to HRD is reflected in a number of the cases, with some being more successful than others in ensuring that benefits accrue not only to the individuals involved but their home organization as well.

The case study, *Revamping the Cook Islands Public Sector: Rightsizing, Enhancing Skills and Changing Attitudes*, examines attempts to enhance individual skills through training, although within a broader economic and governance reform process. As the title suggests, the case focuses on capacity development interventions linked to the rightsizing component of the Cook Islands Economic Reform Program (ERP) which was undertaken in the 1990s. The interventions included training and skill upgrades to facilitate a shift for individuals either to the reformed public sector or the private sector.

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

The case also raised questions about the extent to which the HR focus should have been on individual competencies or strengthening local institutional capacity to provide relevant training to Cook Islanders on an ongoing basis. As noted in the case, while the initial focus was on key individuals from the Cook Islands government, there was a recognition over time of the need to establish local institutional capacity to provide training of this type for future generations of

¹⁷ Solofa, E. Ibid, p. 14

participants. This was done eventually through an arrangement with the University of the South Pacific (USP).

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

Samoan case writer Esekia Solofa acknowledged the need for ongoing human resource development in Pacific countries such as Samoa, but the challenge according to him is how to turn such individual capacity transactions into sustainable organizational capacity transformations.¹⁸ The paper will return to this issue in subsequent sections.

Another question which came up in several cases was the appropriateness of training in the given context. In some instances, the issue was ensuring training materials were relevant to the local context. The Cooks Islands case offered a positive example as case study material for the program with Massey University was based on local experiences identified by Cook Islands participants. In other cases, the issue was the relationship between the level of the training materials and the capabilities or knowledge base of participants. The latter was noted in several cases of training provided for local leaders. As a local consultant cautioned in the Tuvalu trust fund case: "international agencies need to step back from international best practice and pitch advice at a level appropriate to the recipients."¹⁹

b. Strategies for Effective Utilization of Existing Capacity

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

Does Training Work?

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

- Designed and financed by the employer
- Focused on specific organizational outputs and outcomes
- Take place within a results-based organizational environment
- Operate within a favourable institutional, legal, economic and political environment with demonstrable demand.

¹⁸ DFID's 2006 *How to Note - How to Provide Technical Cooperation personnel*, distinguishes between initiatives which are *transactional* in nature, e.g. "to help a state or private sector organisation to establish new systems and technology, and deliver specific outputs" and others which are "more ambitious and *transformational* – to support the organisation's sustainable capacity to deliver its main outputs in the future."

¹⁹ Bell, B. Bell, Brian, Tuvalu's Falekaupule Trust Fund, A case study of bottom-up capacity development, (draft) July, 2007, p. 12

Pay reforms was one option employed in several cases to try to ensure staff wouldn't depart government for 'greener pastures' – this included staff who had already been trained through government and/or donor-funded programs. This strategy worked to varying degrees, depending on the specific incentives the government was able to offer and how they compared to opportunities outside the public sector. In some cases though, there seemed to be an expectation that loss of public servants was all but inevitable, and that those who left would simply be replaced by the next generation of graduates, who would gain quality, entry level work experience which would, in turn, be followed by their departure from the public service.

In the Tongan health management case, the author describes how the project harnessed the Ministry's capacity through effective use of workshops, on-site discussions, interactive meetings, and use of committees and working groups with staff from relevant areas. This was referred to as 'developing Tongan solutions to Tongan problems'²⁰ and was seen as one means of trying to motivate and make better use of existing staff.

A number of other cases, described further below, displayed how a strong sense of ownership or commitment to a cause among local stakeholders (e.g. improved water and sanitation), or the creation of a more positive work environment by employers created conditions more conducive to the retention and utilization of local capacity.

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

c. Gap Filling

Absolute gaps in specific capacity areas is an ongoing challenge for a number of Pacific island countries given weaknesses in education systems, as well as small, and in some cases, mobile populations, e.g. the Cook Islands, and the Republic of the Marshall Islands (RMI). This reality leaves these countries vulnerable, in capacity terms, quite often in areas of high strategic importance – e.g. trade negotiations, anti-corruption and money laundering, telecommunications. In these circumstances, evidence suggests that 'traditional' capacity development strategies, such as training of public servants, may not be the optimal strategy, or may need to be combined with other approaches.

Rather than allowing these gaps to shut down a whole system, gap filling is often relied upon to ensure continuous service in the relevant area. A 2005 review of the Commonwealth Secretariat's *Strategic Gap Filling Program*²¹ noted the different approaches taken by long term advisors under that program. They included:

- operational gap filling (sometimes with secondary responsibilities for skills transfer or systems development)

²⁰ See Tonga Health Sector Planning & Management Project - Phase II - Project Design Document - AusAID & Government of Tonga - March 2001, p. 9

²¹ The review was undertaken by the European Centre for Development Policy Management (ECDPM) and included a review of the Commonwealth Secretariat's program in the Pacific.

- assuming an advisory role (e.g. on strategic policy or programming priorities)
- mentoring/skills transfer role (time limited from a centralized or regional base), including 'in and out' mentoring.

Each of these approaches was seen as having merit in light of the prevailing capacity situation and given the compelling needs being addressed in the broader capacity systems in the concerned countries.

Gap filling in this sense is different than the oft criticized scenario where expatriates assume roles which could otherwise be filled by national actors. Nevertheless, gap filling is still criticized for not responding sufficiently to long-term capacity needs or doing enough to break cycles of dependency on external expertise. That critique came out in the Commonwealth Secretariat review which found that the 'gap filling' assignments were not always clear on counterpart arrangements, or broader capacity building strategies the advisors should fit into. However, the report also found that if properly designed, gap filling TA can contribute to CD, particularly if it is tailored to the particular needs of the beneficiary country. And as suggested above, by responding to strategic priorities at key junctures, it can reduce a country's vulnerability and provide a stronger base for use of existing capacity in the country²²

The need for ongoing gap filling in the Pacific reflects the reality that many countries in the region are not able to either develop or retain the skills they require, the net result being that they either have to buy the skills on international markets, rely on technical assistance provided by donor agencies, or do without. Gap filling, as a phenomenon, also reflects the reality of an increasingly globalized world with skills being transferred regularly across international borders, and in that sense all countries, industrialized, or other, engage in gap filling.

The term 'gap filling' was not used in any of the cases covered in this study. However, some of the TA interventions were consistent with the description above. For example, as detailed further below, the advisor to the ADB-sponsored RMI fisheries project became involved in marketing of RMI as a destination for investment on behalf of the government and took part in negotiations on the government's behalf. These activities were beyond his terms of reference but reflected acknowledged and strategically important weaknesses in the RMI government. This 'gap filling' provided an opportunity for the government to address issues which would lead to more effective use of capacity within the country's private sector. In the Solomon Islands infrastructure development case, the consultants provided training and advisory support, but also took a fairly active role in implementation, partly due to capacity gaps in the Ministry in the aftermath of the conflict. The implications of this approach in a post-conflict scenario such as Solomon Islands are discussed further below.²³

d. Supporting Organizational Capacity Development

The Tonga health management case - *A New Vision for the Health Sector in Tonga* - offers an example of a TA project focused primarily on organizational level capacity issues, specifically within the country's Ministry of Health (MoH). The case study describes how pressures

²² Examples of this would include be a 'gap filling' trade policy adviser enhancing the potential for small to medium size entrepreneurs to function effectively under a new trade regime, or advisors to national law offices increasing the capacity of local officers to address money laundering issues.

²³ For more on gap filling and other approaches to TA, see Land, Tony, *Joint Evaluation Study of Provision of Technical Assistance Personnel: What can we learn from promising experiences?*, Synthesis Report on the Study on Promising Approaches to Technical Assistance (ECDPM), Pre-publication draft, August 2007

on the health care system had intensified over a number of years leading to the determination that the 'core problem' was a need for improved planning, management and coordination in the Ministry. It was anticipated that the proposed changes would strengthen the Ministry's planning, human resource management, training and communications, as well as work practices, procedures, performance measurement and monitoring. The latter, in turn, would help to identify solutions to difficulties faced in specific areas, such as medical records and procedures for patient admission, transfer and discharge.

The Tonga health project was designed with three phases. The first phase involved an intensive diagnosis of capacity issues in MoH, and an assessment of MoH's absorptive capacity for changes proposed for the next phase. Phase II built on activities from the first phase, extending them to the division and section levels, while Phase III focused on consolidation of achievements and development of a model that other government agencies could use.

According to the case study author, Kaveinga Tu'itahi, the positive achievements realized in this case could be attributed, in large measure, to the management team and the conditions they provided for the change process. The case speaks to "their vigilance in addressing the various challenges and taking a clear visionary and focused strategic approach to the tasks they face."²⁴ Much of the credit was given to the Minister who was described as "young and open to meaningful change" and who put "the full weight of his office" behind the initiative. The importance of leadership, vision and senior level support to organizational change processes, including efforts to address capacity issues, is a theme which emerged in a number of cases and is addressed further in the section on Key Success Factors.

The aforementioned Solomon Islands case study *Reconstruction of a Fragile State* examines efforts to re-establish the capacity of the Ministry of Infrastructure Development (MID) after the ethnic conflict in that country. After security was re-established, the government drew up a Medium Term Development Strategy to contribute to the stabilization and restoration of the economy. The Plan's 5th key strategic area was *Revitalization of the Productive Sector and Rebuilding of Supporting Infrastructure*. As the case notes though, "MID officials believed that before SI's medium and long term reconstruction issues could be addressed effectively, MID's internal capacity would have to be strengthened."²⁵ This led to a request to the ADB for technical assistance to strengthen the capacity of MID to plan, manage, and finance infrastructure development in Solomon Islands "in a sustainable manner". Besides training of professional staff, the TA helped the SI government prepare a National Transport Plan, and establish a Transport Policy and Planning Unit, as well as a National Transport Fund.

The Solomon Islands initiative was seen as a 'success' in terms of meeting its expected deliverables, but this could be attributed, at least in part, to the significant role played by the advisors, e.g. in developing the plans and designing new organizational structures. However, the case also underscores the challenges of taking on a complex organizational capacity development initiative in the 'early recovery stage' following a conflict. An evaluation of the project noted that while skills were effectively transferred in areas such as project management, the project was less successful in sustaining skills in areas where local staff had limited prior experience. The evaluation went on to state that: "No evidence can be found that any training,

²⁴ Tu'itahi, K., A New Vision for the Health Sector in Tonga: Change and Capacity Development Strategies (draft) July, 2007, p. 4

²⁵ Rihuoha, S. Reconstruction of a Fragile State, Institutional Strengthening of the Ministry of Infrastructure Development, Solomon Islands, draft, July, 2007, p.4

either formal or on the job training, was provided in the creation of new institutional structures and procedures within MID²⁶ – something which would seem to be key to sustainability.

Some of the perceived shortcomings in the Solomon Islands project were attributed to an inaccurate assessment of MID's capacity (including its ability to absorb training), and lack of time provided for follow up support. The evaluation also noted how the large number of vacant positions in the Ministry following the conflict affected efforts at enhancing MID's internal capacity, as did the government's slowness in recruiting new staff due to a recruitment freeze.

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

e. Enhancing Capacity for Sector Reforms

Sector reforms lend themselves to a systems approach to capacity development given the need for coordination and collaboration across government systems, and with non-governmental actors. This was the case in the AusAID-funded Legal Sector Strengthening Program in Vanuatu (VLSSP) which tackled a range of issues within the legal sector - staff development, relationship building, administrative reform, review of existing laws and structures and improvements in accommodation for justice sector offices. The VLSSP was also aligned with Vanuatu's ADB-financed Comprehensive Reform Program (CRP) which included a broader reform agenda covering areas such as governance, public sector reform and private sector development.

Sector reforms, such as SWAs, and capacity development processes, are expected to reinforce or build on host country ownership, working through local institutional structures. However, the experience with VLSSP, and other sector reforms, also demonstrate how they can be 'capacity-demanding' given the need for the lead ministry to advance policy and institutional reforms, enhance collaboration with domestic partners and harmonize with external actors – all areas requiring significant capacity which is often in short supply in line ministries. The ability of the lead ministry to advance reforms can also be compromised by factors in other parts of the system, such as remuneration packages for lawyers in the case of VLSSP, which were not seen as competitive enough to sustain legal careers in Vanuatu's public sector.

In both of the Marshall Islands case studies (fisheries and youth services), author Ben Graham noted how the ADB collaborated with the government to address a range of capacity issues within the fisheries sector and in the youth field respectively. The key stakeholders recognized the need to address a spectrum of issues in an integrated manner - simultaneously or sequentially - in order to realize the expected objectives. In the RMI fisheries case, there was an explicit recognition of the need to deal with both policy and organizational issues within the sector – as the case described it “a rethinking of fisheries development” which could only be supported by a broad-based, multi year reform program which dealt with the fisheries sector as a whole system.

The youth project, while not a sector reform, strictly speaking, had two streams, one of which focused on 'Development of the Enabling Environment' (e.g. policies, strengthening of the

²⁶ ADB, Institutional Strengthening Of the Ministry Of Infrastructure Development, Project TAno. 4494-Sol, Evaluation Specialists Report, June 2006, p. 13

responsible Ministry as well as non-state actors, and enhancing collaboration amongst the diverse set of actors involved). The other focused on ‘Development of Youth’ addressing issues ranging from improved school retention rates to enhanced service delivery capacity and engagement of youth in civic affairs. Similar to the Vanuatu case though, a lesson arising was that while taking a broad approach to the analysis of the problem and the design of the intervention is appropriate, it doesn’t necessarily lead to the expected results at the broader systems level, particularly if a binding constraint intervenes— e.g. a capacity gap, a lack of commitment, poor relationships amongst relevant stakeholders, a disabling policy environment, or any combination of such factors.

The difficulties described briefly above reflect the inherent challenges in reforms which involve multiple stakeholders within an extended capacity system. Linked to that, they point to the need to invest in understanding of the ‘system’, to identify strategic entry points²⁷, appropriate sequencing of inputs, and the need for flexibility and the capacity to adjust in response to changing contextual realities – in other words, a clear strategy for capacity development, including how inputs such as TA are used to support it. Providing sufficient time is another important consideration under sector reforms which is discussed further in the section on Key Success Factors.

f. Policy and Institutional Reform

A number of the cases reviewed included an explicit focus on policy or institutional reforms, usually as part of a broader reform process. The Vanuatu legal sector reforms, for example (discussed above) involved support to strengthen the capacity of key sector institutions, and to review existing laws in order to identify priorities for legislative action. The latter led to drafting, amending or passage of key legislation, e.g. Legal Profession Bill, Criminal Procedure Code, Penal Code.

In the Kiribati case study – *A Tale of Two CDs: Capacity Development and Community Development in Water and Sanitation Projects in Kiribati* – the proponents recognized the need to deal with a range of issues, e.g. community health, education, water supply, sanitation, appropriate technology, institutional strengthening and management aspects, in a coordinated approach, including the development of “suitable strategies and policies for addressing the issues.”²⁸

Both of the Marshall Islands cases also recognized the need to update or develop new policies to provide an enabling environment for planned reforms. In the youth services case, this was combined with interventions to strengthen the capacity of the Ministry of Internal Affairs (including the Youth Bureau), the Marshall Islands Youth Congress and to increase cross-sector collaboration.

In none of the cases was support for policy and institutional reform described specifically as a ‘capacity development’ initiative, although some cases did involve external advisors working with Pacific islanders to strengthen policy development skills, usually in a ‘learning by doing’ mode. Nevertheless, the experiences point to the potential for relying on policy and institutional reform as a ‘capacity strategy’ which can open up space for effective use of capacity in the local

²⁷ The RMI youth services case talked, for example, about ‘following the energy’ in the system.

²⁸ Mackenzie, Ueantabo, *A Tale of Two CDs: Capacity Development and Community Development in Water and Sanitation Projects in Kiribati*, July, 2007, p.2

or national context, e.g. by removing constraints, such as disabling policies, or by reforming institutions which have previously limited reform processes.

g. Strengthening Inter-Organizational Collaboration

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

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

The PPII is still in its relatively early days, but is likely to yield interesting lessons over time, including how to engender or strengthen capacity to collaborate - a particular challenge in a context such as PNG with its significant capacity constraints (especially at the decentralized level), where the approach to decentralization remains controversial, and where incentives have not always favoured collaboration.

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

The Tonga health management case offers a somewhat more optimistic example of inter-organizational collaboration. The Tongan Ministry of Health (MOH) secured the support of other agencies in government, including the Ministry of Finance, the Central Planning Department, and other key public service agencies to advance their reforms. It also relied on policy and executive committees, and as well as human resource training and development committees towards that end. As the case study noted, “This ensured a wider network for mutual support and essential and effective networking.” The other Tongan case study, which examined an ADB TA aimed at enhanced integrated strategic planning, offered a similar picture as it brought “the strategic

planning process in harmony with fiscal planning in the Ministry of Finance²⁹, by enhancing collaboration between the Central Planning Department and the Ministry of Finance.

h. Regional Strategies for Capacity Development

The Vision Statement in the *Pacific Regional Plan* recognizes the “limited capacity and fragile and vulnerable environment” of the region’s small island states, leading to a call for more “regional approaches to overcoming capacity limitations in service delivery at a national level, and increasing economic opportunities through market integration.”³⁰ Towards that end, one of the strategic objectives of the Pacific Plan is “the building of strong partnerships with national and regional stakeholders.... (including) regional volunteer schemes and other forms of regional exchanges for capacity building.”

One of the case studies - *The Role of USPNet in Capacity Development in the South Pacific Region* - was chosen specifically to garner insights on the role of regional institutions in capacity development in the Pacific. As the authors Ron Duncan and James McMaster note, the case study “tells the complex story of how a regional university has changed its delivery systems for teaching and learning to serve the growing needs for tertiary education of students living on thousands of small islands in the Pacific Ocean (including) the development and use of its communications technology system called USPNet.”³¹

The University of the South Pacific’s (USP) distance education program in the region actually started in 1970, focusing mainly on in-service teachers. By 1976, USP had a total of 90 distance education students enrolled in 16 courses through four university centres and four education departments. However, by 2006 that figure had grown to more than 10,000 distance education students (almost half of USP’s total student population) who were enrolled in over 200 courses. Initially USPNet had ‘voice-only’ capacity, but with recent upgrades it is now able to offer instruction using a multi-media format which has increased the quality of the educational experience for students and helped reduce attrition rates.

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

- USP main’s headquarters - enhanced capacity to deliver regional programs and to serve as a knowledge facilitator or regional hub
- the twelve university campuses throughout the region - as an access point for knowledge and expertise and a source of service delivery, and
- the thousands of university students who have come to rely on it - increased access to knowledge at a reduced cost

However, the case also suggests that USPNet still has considerable untapped potential to contribute to strengthening capacity in the public sector, private sector and civil society in the region.

²⁹ Tu’itahi, K., Demand Driven Development, Capacity Enhancement for Participatory Strategic Planning in Tonga (draft), July, 2007, p.5

³⁰ Pacific Islands Forum Secretariat, The Pacific Plan for Strengthening Regional Cooperation and Integration, 2006, p.5. The Regional Plan includes 21 references to the word ‘capacity’ signifying its significance.

³¹ Duncan, Ron and James McMaster, The Role of USPNet in Capacity Development in the South Pacific Region (draft), July, 2007, p.5

From a capacity development perspective, the case offers interesting insights on both the opportunities and challenges associated with relying on regional institutions to address capacity issues. To begin with, it reflects what would appear to be an increasing interest in the Pacific, and elsewhere, in regional or 'network-like' responses to capacity challenges, e.g. the South Pacific Forum, South Pacific Regional Environmental Program, Forum Fisheries Agency. As suggested in the development literature³², networks, coalitions, and other types of partnership arrangements are increasingly being relied on to respond to complex issues (e.g. environmental management, economic cooperation, HIV/AIDs). They also reflect a desire to bring capacity together to respond more efficiently and effectively to rapidly changing realities, something which has been greatly facilitated by advances in information communications technology (ICT), including reduced costs.

The USPNet case draws attention to some of the capacities or capabilities required to make networks work effectively, e.g. leadership (more 'distributed' compared to other organizational forms), legitimacy and collective identity, technical capacity, capacity to manage or serve the network, including facilitating participatory approaches, knowledge management, and adaptive capacity. It also underscores the potential for relying on regional mechanisms, knowledge networks, communities of practice, or professional associations, as networks of, or facilitators of capacity. This type of collaborative capacity is particularly important in PDMCs given their weak (or non-existent) local institutions, limited skills base, and mobile populations.

i. Enhancing Domestic Capacity to Develop Capacity

The research team had selected several cases which were intended to bring to the fore issues relating to the use of TA Facilities. One of the case studies, which deals with Samoa's Public Sector Improvement Facility, has been completed, but the others (the Advisory Support Facility and the Capacity Building Service Centre, both in PNG) had to be put aside as the consultant identified was not able to undertake the work. Nevertheless, some comments are offered below on the two PNG initiatives based on review of relevant material. Examining experiences in the region with TA facilities was seen as important for several reasons: 1) technical assistance remains at the core of much capacity development work in the Pacific, 2) how TA has been utilized and managed, particularly in pursuit of sustainable capacity, continues to be controversial, and 3) TA facilities represent an alternative approach to technical assistance with increased emphasis on local management and control of TA, including ensuring responsiveness to domestic priorities.

According to the AusAID design document, The Samoa Public Sector Improvement Facility, was based on a desire to "design a facility appropriate to Samoa's social and cultural context, environment and economy that will support the Government of Samoa to build the capacity of its public service to implement its national development priorities. (It will) address priority small-scale needs in support of economic and public sector reform within the key GoS public sector agencies."³³ The mechanism is managed by a Facility Management Unit situated within the Ministry of the Prime Minister and is supported by a contracted support team. An overarching strategy is to strengthen cooperation amongst public sector agencies involved in public sector reform and between those actors and civil society and private sector interests. The facility has been operating for several years. Like PNG's Capacity Building Service Centre, discussed below, the start up years are seen as a transition period which will involve enhancing the capacity of the GoS team to, over time, assume full management responsibility for the Facility.

³² See for example, Taschereau, Suzanne and J. Bolger, (2007) *Networks and Capacity*, Discussion Paper No. 58C. Maastricht, The Netherlands: European Centre for Development Policy Management.

³³ AusAID, Samoa Public Sector Improvement Facility, Facility Design Document, September 2004, p. iv.

The experience to date with the Samoan Facility highlights some of the challenges associated with establishing such a locally-managed mechanism. As the case study notes, “the story of the Facility so far is entirely about building (practically from scratch) the capacity of the Samoa government to manage the Facility.”³⁴ Part of this can be attributed to the fact that the Facility is only several years old. However, the author offers several additional explanations: incorrect assumptions about the capacity of the government to run such a facility, lack of skilled and innovative leaders and an organizational culture amenable to supporting such a facility, as well as emigration which has drawn away some of Samoa’s best and brightest to overseas destinations, such as Australia and New Zealand.

The Capacity Building Service Centre (CBSC) in PNG’s health sector was established in 2005 to “improve the health of all Papua New Guineans by developing competencies and capabilities of individual, organizations and systems in the PNG health sector”³⁵ It represents a relatively new modality for AusAID: the *partnering approach*. The partnering approach entails joint participation by GoPNG, AusAID and the CBSC contractor in a Charter Board and Management Group which is intended to allow all three parties to share responsibility for the direction and performance of the Centre, while providing the flexibility to adjust its operations to address emerging needs.

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

As of 2007, the PNG Advisory Support Facility (ASF) had over 50 advisors working in 22 government departments and agencies or supporting specific initiatives in PNG, e.g. the Public Sector Workforce Development Initiative (PSWDI), Department of Provincial and Local Government Affairs, the National Economic Fiscal Commission, National AIDS Council, Treasury Department. One of the differences from CBSC is that ASF is more of a ‘free standing’ Facility which responds to ‘demands’ across many PNG departments and agencies rather than being dedicated or limited to a specific sector. A mid-term review of the ASF noted the following ‘Key Success Factors’:

- active, involved board of management
- a strategic plan linked to government priorities for Public Sector Reform
- professional recruitment of advisors and GoPNG selection
- comprehensive induction and ongoing support, and
- incentives for quality of advice vs outputs

The facilities described above represent attempts to address the important issue of TA management, and use of TA for effective CD, with local stakeholders in the drivers’ seat, from identification of need to recruitment, selection, and assessment of performance. And while these facilities show promise, including in ensuring greater flexibility, responsiveness and ownership,

³⁴ Solofa, E. p. 13 (draft)

³⁵ Statement taken from CBSC Charter between AusAID, GoPNG and the Australian Managing Contractor.

they also come with their own capacity challenges, as the Samoa case highlights. Questions worthy of further exploration as these facilities move forward include how effective they've actually been in localizing management of TA, reducing dependency on external advisors, and increasing the overall quality of capacity development processes.

Other issues which merit further exploration include the different arrangements and approaches used by the facilities, e.g. governance/management arrangements, learning agreements between advisors and 'counterparts', assessments of foreign advisors by local counterparts, the extent to which the facilities rely on national consultants, and incentive systems. And finally, it will be important to learn more about how 'demand' for TA and capacity development support is managed, how requests from local partners are reconciled with sector priorities and how capacity is utilized for sustainable benefit.³⁶ Positive findings on these and other considerations would enhance prospects for increasing reliance on such facilities for addressing capacity issues in other settings.

j. Voice, Empowerment and Accountability

Papua New Guinea's *Law and Justice Sector Program* (LJSP) supports the country's national strategy for law and justice. The overall objective of this AusAID-funded program is to increase the responsiveness of the justice system to community needs, including improved delivery of legal and judicial services and law enforcement. Key principles underlying the program include working through national systems to ensure PNG ownership, building linkages between the informal and formal systems of justice, acknowledging the strong social and cultural context of law and justice in PNG, and working with communities to resolve disputes and achieve good order, peace, and harmony³⁷

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

- facilitation of civil society participation in development of PNG's Sector Strategic Framework (SSF)
- participation of community representatives in the development of the SSF performance monitoring framework
- securing civil society's role as key collectors of performance data
- creation of a law and justice sector NGO focal group, and
- establishment of 2 pilot projects for improved law and order in Port Moresby leading to integration of new approaches by local administrators.

While the CJLU is still in its early stages, it has shown promise as a mechanism for enhancing the voice of PNG communities, an important demand-side capacity. The case is also noteworthy for what it reflects about the potential for external interveners to tap into and support

³⁶ For example, it would be worthwhile to establish a clearer sense of the so-called 'free good' syndrome and whether facilities encourage more critical consideration of the costs and benefits of different TA options.

³⁷ See McQueen, Tanya, *Facilitating Civil Society Participation in Program Based Approaches – Law and Justice Sector Program in Papua New Guinea*

traditional institutions, e.g., Papua New Guinean approaches to mediation and restorative justice, while encouraging links between the formal and informal aspects of the justice system. Nevertheless, PNG stakeholders acknowledge that challenges remain, including how to institutionalize the capacity which has been built up within PNG civil society in a manner which will allow civil society actors to continue to deliver services and hold government accountable on justice sector issues. An associated, practical challenge will be how to diminish reliance over time on donor funding and GoPNG support.

The Nauru case study, *Nauru National Sustainable Development Strategy: Building Capacity through Participation*, examines a joint effort of the Government of Nauru, the ADB, AusAID and the Pacific Islands Forum Secretariat. The project, which took place in 2005, assisted the Government and people of Nauru to determine and prioritize long term development options. While the key outcome of the project was to be a new development plan and implementation strategy, the project team saw the process as an opportunity to develop domestic capacity, consistent with the OECD's statement that an NSDS is "a strategic and participatory process of analysis, debate, *capacity strengthening*, planning and action towards sustainable development."³⁸

As the author of the Nauru case noted:

"The participatory planning approaches had particular power in building capacity because they presumed every citizen's experience has 'gold' to offer and sought to actively 'mine', process and celebrate this resource. Because people's experience and thinking was recognized and valued, they are more likely to feel a sense of engagement and ownership. And from this came motivation to 'be part of' the something new and different taking shape. In Nauru, as with other societies where large groups of individuals are traditionally 'disempowered' participation on this scale is a potentially 'radical' offering - yet due to the methods, the 'mining and processing' of individual experience was gentle and honouring."³⁹

The case goes on to describe the various types of capacity strengthened through this process, including participatory leadership, civil society strengthening and institutional capacity for development policy and planning. It also notes the perceived need among stakeholders to shift "from 'silo' thinking towards more holistic, integrated thinking" and a parallel shift from "a tradition of few individuals or institutions involved in finding solutions to shared problems, to ordinary citizens seeing they have a role to play, the belief that it could be done and that an individual could make a difference."⁴⁰

In the case study on Tonga's integrated, strategic planning initiative, the Director of the Central Planning Department noted that "SDP-8 stands or falls on public engagement and dialogue".⁴¹ As the case writer described, the participatory approach "was effectively a capacity development exercise" as it "built people's capabilities in identifying and articulating their needs and then negotiating these directly with government."⁴² The case went on to note that this

³⁸ OECD/DA (1999) *Assisting Developing Countries with the Formulation and Implementation of National Strategies for Sustainable Development*.

³⁹ Balm K. *Nauru National Sustainable Development Strategy: Building Capacity through Participation* (draft) July, 2007, p. 11

⁴⁰ Balm, K. *Ibid*, p. 13

⁴¹ Tu'itahi, K., *Demand Driven Development, Capacity Enhancement for Participatory Strategic Planning in Tonga* (draft), July, 2007, p.5. SDP means Strategic Development Plan.

⁴² Tu'itahi, K., *Ibid*, p.6

strengthened local ownership – “a pre-condition for effective capacity development” – while giving the government confidence that the strategic plan reflected the aspirations of the people.

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

Tonga - 'faka'apa'apa' (respect)

“Directly engaging in dialogue with people is symbolic of the closely related core Tongan values of 'faka'apa'apa' ('respect' in a general sense) and 'toka'i' ('to specifically defer to and allow others to express opinions - out of respect for their wisdom, values, dignity and needs as fellow humans'). In this sense, the concept of 'toka'i' is also a dimension of the discussion of *justice* as virtue. Whilst the ethical values of respect, deference and distributive justice may not be uniquely Tongan, consulting people (was a) recognition that they do have a right to be heard as the programs scheduled through SDP8 would affect their lives.” Tu'itahi, K., p.7

k. Financing Mechanisms for Capacity Strengthening and Utilization

One of the case studies - *Tuvalu's Falekaupule*⁴³ *Trust Fund: A case study of bottom-up capacity development* - looked specifically at use of a funding mechanism to support capacity development. Tuvalu's *Falekaupule Trust Fund* (FTF) was conceived in the 1990s as a mechanism to help build capacity for outer island development, building on the experience of the Tuvalu Trust Fund (TTF) which had already demonstrated its worth since 1987.

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

“Having just observed the difficulties of implementing projects under existing modalities it was clear a different approach was needed. Donors or central government drove the development process. Very few projects really seemed to take root and be sustainable with the island communities. The usual outcome was an initial burst of enthusiasm followed by a gradual spiral down of effort and impact once the ex-pat advisor had left, central government support faded away and the practical difficulties of implementing small projects in remote, resource poor conditions took effect. People from outside always seem to know better than those living with the daily issues of island life. The difficulties obtaining spare parts in a timely and cost effective way, the lack of key skills and access to practical advice when needed seemed to be overwhelming.”⁴⁴

⁴³ Falekaupule: the traditional assembly on the islands.

⁴⁴ Bell, B. Tuvalu's Falekaupule Trust Fund: A case study of bottom-up capacity development, July, 2007 (draft), p. 1.

As Bell noted, there was also very little by way of resources and capacity to “balance up the negatives”. This led to the idea of a fund which would “put the power in the hands of the community, where they could decide which projects were funded, where there was access to skills and advice at critical times to lift the participation and sustainability level.”⁴⁵ Communities invested their savings in the fund (matched by government funds)⁴⁶ which provided a significant incentive for local contributions, resulting in a strong sense of ownership in fund-related development activities.

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

The bottom line though, according to the case author, and ADB’s own assessment, was that the program was successful. “The technical assistance achieved its outputs. Capacity has been built in the Ministry of Home Affairs and Rural Development and the establishment of the FTF has provided a source of development revenue for island communities. Recent poor performance on financial markets has affected returns from the FTF, but the Fund should provide a sustainable source of revenue over the long-term.”⁴⁷

I. Doing it Without Donors

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

The initiative evolved out of years of frustration with wasted opportunities for economic development in the mine area, despite massive generation of wealth by Ok Tedi. The case study attributed these missed opportunities to a range of factors, including lack of organizational and economic development capacity in the mine community, capture of benefits by local elites and the lack of consensus on how to address the community’s long term interests. The mismanagement of economic opportunities was discussed with local communities using a *bilum* analogy⁴⁸. As case author Paulina Siop indicated: “The community was told that *‘there were many holes in their benefits - bilum - so there was a need to patch up all the holes so food does not drop from the holes’*.”⁴⁹

⁴⁵ Bell, B., Ibid, p.2

⁴⁶ Matching was initially on a dollar-for-dollar basis but eventually had to be capped.

⁴⁷ Bell, B., Ibid, p. 18

⁴⁸ A *bilum* is a traditional string bag used in PNG to carry various items, from food to babies.

⁴⁹ Siop, P., From Dependency To Sustainability: Building Capacity For Economic Development, A Case Study On Ok Tedi Mine-Area Community Economic Capacity Development, draft, July, 2007, p.8

SMIHL came into existence following an extensive community consultation process, facilitated by Papua New Guineans, which drew in the three generations of mine stakeholders. Soon after its establishment, SMIHL bid on and won a contract and the Tabubil Super Store business became Star Mountains' first investment. According to the case study, SMIHL has progressed well since then displaying "solid performances over the last three years". Just several years after start up, the company is worth "over PGK7 million"⁵⁰ with three subsidiary companies, and a property development and transport business divisions. SMIHL also has a management development program to support the local businesses of the community and the company employs up to thirty persons in its operation. The future growth potential for the company is enormous. It is currently negotiating a joint venture arrangement with an Australian company for a major contract with Ok Tedi Mining Limited on a mine waste disposal project."⁵¹

Among other things, the case highlights the value of locally-led and facilitated change processes, with all the understanding of local cultural dynamics and capacity issues that goes with that. Community consultation was also seen as key as it "paved the way for community acceptance and co-operation with the program. In a community that had no savings and investment culture; that had developed a general distrust for local businesses, the consultation approach had to be carefully planned. The community needed to have a sense of ownership toward the program but most importantly take proactive steps to change their savings and investment behavior."⁵² So far that objective seems to have been realized.

2. Key Factors Influencing 'Success'

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

a. Participation and Ownership

The case studies included in this study, and other initiatives covered in a desk review, displayed a relatively high level of developing country ownership, at various levels, including key stakeholders and opinion leaders. This sense of ownership was usually associated with a common vision (often emerging from participatory approaches) and coordination amongst key actors – not just within single departments or agencies, but across governments, and with civil society.

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

⁵⁰ 1 PNG Kina = 0.35 USD

⁵¹ Siop, P., *Ibid*, p. 11

⁵² *Ibid*, p.8

The Treasury Institutional Strengthening Project in Samoa (AusAID), which was not included as a case study, but was linked to other reforms being studied by case researchers, underlined the importance of government capacity to mobilize and coordinate donor resources, another important aspect of ownership. According to a review of the project, TISP also reflected a “deep commitment to organizational capacity building” on the part of the Government of Samoa and a participatory approach to organizational reforms.

An Advisory Group Review of the Tonga Health Sector Planning and Management Project (AusAID) noted the strong and committed leadership from the Minister and Director (as having) “helped to bring about significant change in the management, culture and work practices of the Ministry.” The report also referred to the “parallel development of a number of wider public sector reforms that reinforce, and are reinforced by, the project.” The Tongan and Samoan cases described above both offer examples of the convergence of clear local ownership (from the highest levels), based on a shared vision and sense of ownership, and a purposeful approach to capacity issues, including a recognition of the importance of management and organizational issues and inter-organizational collaboration to sector performance (a ‘systems approach’).

Several other examples from a desk review of ADB technical assistance also highlighted the importance of local ownership and broad based participation. Under the Improving Corporate Management in Government Services TA (Cook Islands), the ADB helped government ministries, agencies and outer island councils establish an approach to strategy development and business planning. The commitment and ownership of various stakeholders, effective counterpart teams, and the regular convening of the Steering Committee were seen as centrally important in this initiative. Lessons yielded include the importance of participation from the beginning, sharing ideas, testing ideas in a non-threatening environment and peer reviews.

In the Strengthening Capacity for Macroeconomic Analysis, Planning and Policy Formation TA (Samoa), the government insisted on a leadership role vis a vis the ADB-sponsored TA (the Deputy Secretary served as Team Leader), which led to or reinforced the sense of commitment or ownership by local stakeholders. Through this TA, the capacity of the Treasury Department to undertake macroeconomic analysis and policy formulation was “significantly enhanced”, according to the completion report.

Harmonization is supposed to enhance local ownership of development cooperation processes. As the Cooks Islands case study on aid harmonization notes: “The Aid Management Division (AMD) has, in fact, increased its capacity to ensure that the key executing agencies in the Cook Islands are aware of their responsibilities vis a vis the harmonized program. ... (The) capacity to manage implementation of the harmonized aid program does not rest solely with the Aid Management Division (AMD) only, but needs to be assumed as well by all implementing agencies - government, private sector or NGO. AMD has fostered this broader sense of ownership in the aid harmonization process, working with the Office of the Prime Minister (OPM) to support the NSDP, and the national M&E system that the OPM’s Policy Division is designing.”⁵³

The previously discussed PPII also displays a high level of ownership. According to the case study, this has been aided by corporate strengthening support under the program to DPLGA which allowed it to “reinvent itself” and take on “enthusiastic leadership” of PPII. This has led to increased support for DPLGA from PNG’s central agencies, including higher budget allocations which is key to sustainability of the program. PPII has also displayed a high level of Papua New Guinean ownership on the approach to capacity development as PNG stakeholders have played

⁵³ Wickman, V., Harmonising Aid Delivery in the Cook Islands, Making things simpler? (draft) July, 2007, p. 14

a central role in the diagnosis of capacity weaknesses, and the preparation of Capacity Development Plans, with the provincial administration team taking the lead in determining what capacity issues are to be addressed, and how, within their province.

The significance of developing country ownership has been echoed in many reviews and evaluations, including the 2005 IMF evaluation of technical assistance which found, among other things, a strong correlation between the level of ownership and involvement of local authorities in preparation of TORs.⁵⁴ In the Marshall Islands youth services case, Marie Madison, who served with the largest women's NGO in the country at the time of the initiative noted that "One of the good points about the TA project was the consultative exchanges with the youth and community members. Problem assessment techniques and planning exercises provided for real people (particularly youth) participation."⁵⁵

The case study on development of Nauru's *National Sustainable Development Strategy (NSDS)* described how a Nauruan Social Development Analyst was included on the contract team and two Government of Nauru officials were appointed to the project out of a recognition of the need for local ownership and with a view to strengthening internal capacity through the initiative. Designation of the Ministry of Finance as the executing agency also reinforced the sense of ownership, and gave the project team high level policy and decision-making access.

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

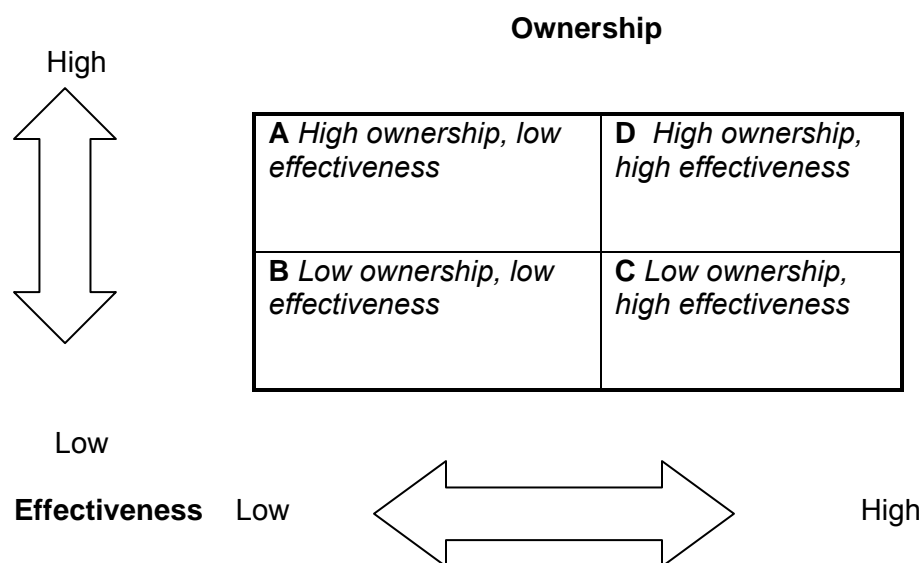
While ownership is uniformly recognized as being key to capacity development efforts, it can also be illusory in the absence of capacity, or where capacity is weak. Despite the generally positive examples cited above, this remains a challenge throughout the Pacific given the fragility of state institutions, and in many instances, the limited involvement of communities in development processes. In recognition of that, the ADB's 2006 *Capacity Development Thematic Report*⁵⁶ noted a need for the Bank to strengthen local ownership and leadership and to facilitate change management processes more effectively than it already does.

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

⁵⁴ International Monetary Fund, Independent Evaluation Office, Evaluation of the Technical Assistance Provided by the IMF, January 31, 2005

⁵⁵ Graham, Ben, Responding to the Youth Crisis, Capacity Development for Improving Youth Welfare: A Case Study from the Marshall Islands, July, 2007, p. 7

⁵⁶ Asian Development Bank, Capacity Development Thematic Report, December 2006

**Box 1**

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

Quadrant B: *Low ownership, low effectiveness* – Typical of initiatives which are driven by external stakeholders. They get 'stuck' in this quadrant and fail to move beyond it as local stakeholders don't commit resources (e.g. human, financial, physical) to support sustainable change.

Quadrant C: *Low ownership, high effectiveness* – Characteristic of initiatives which are run by Project Implementation Units. They may be efficient and effective in terms of delivering services or providing support, but are not likely to lead to sustainable capacity changes as they are not imbedded in local systems, and thus are considered low in terms of ownership.

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

b. Leadership and Vision

Various case studies, including the Tonga Health Sector Planning and Management Project, and the ADB-funded Strengthening Capacity for Macroeconomic Analysis, Planning and Policy Formation in Samoa underlined the importance of local leadership to the success of reform processes, including those focused on capacity development. In the various cases, local champions provided the space, leadership and legitimacy for processes which led to effective utilization of local capacity or ensured capacity deficiencies could be addressed in an open and systematic manner. While leaders or champions often came from the ranks of politicians or senior bureaucrats, they also came from civil society, e.g. NGO, church or youth leaders whose drive, energy or vision opened up possibilities for addressing capacity issues for the benefit of their fellow citizens.

The Cook Islands donor harmonization case referred to above speaks to the importance of leadership capacity. In this case, the leadership provided by the Aid Management Division

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

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

Leadership manifested itself in different ways in the cases. In the case of PNG's Provincial Performance Improvement Initiative (PPII), the Capacity Building Division of the Department of Provincial and Local Government Affairs (DPLGA) served as 'strategic manager' while PPII's Steering Committee 'led' by bringing together national agencies and provinces. PPII also actively encourages provincial leadership, through the Provincial Management Teams. Several other cases highlighted how a generational change in leadership opened the door to new ideas and thinking in the country, creating a more enabling environment for change.

A number of the case studies also highlighted the importance of PDMC capacity to develop a clear and shared vision to effectiveness of capacity development efforts. The Cook Islands case *Harmonising Aid Delivery in the Cook Islands, Making things simpler?* tells that story from the perspective of Garth Henderson, the Director of the government's Aid Management Division (AMD). As described in the case:

"The organizational landscape in the AMD was fairly rugged at the time. For one thing, Garth had to come to terms with the fact that the Division was poorly resourced, in terms of staffing, equipment and technical support. There was also a low sense of ownership of the aid programmes in the country; limited capacity in national and sector planning, and project analysis and implementation; no shared national vision due to repeated changes of government, poor integration with other agencies of government involved in implementing aid projects; political interventions at inappropriate stages that influenced delivery of projects; and under expenditure throughout the aid programmes." ... "To develop this capacity within the AMD, and with partner agencies, he believed it important that a national vision and shared sense of direction be developed by all stakeholders."... "This realization led to the National Sustainable Development Plan (NSDP), a document that "lays out the country's overall direction and priorities for development (and therefore national and aid funding)." Garth saw this plan as "a step in the right direction which will dramatically improve the extent to which we plan and implement development in the future. As he stated, 'We cannot effectively engage with donors unless we know where we are going. NSDP is a start'.⁵⁷

⁵⁷ Wichman, V., *Harmonising Aid Delivery in the Cook Islands, Making things simpler?*, pp 6,7, 10.

c. Capacity to Demand

This section explores the role of developing country actors in articulating and shaping demand for change. We were particularly interested in learning about: a) cases in which capacity development initiatives came about as a result of ‘demands’ of local stakeholders, and b) initiatives which focused explicitly on enhancing local capacity for demand, e.g. through support for NGOs, or community-based groups.

The Community Justice Liaison Unit (CJLU) in PNG, as noted above, is still in its early stages, but it offers some insights on the possibilities of enhancing civil society capacity for demand, service delivery and advocacy, particularly in a context characterized by broadly-based ownership of a reform process, and shared interests among civil society and government actors.

Several of the ADB TAs reviewed for this study yielded other insights on the potential for externally-funded TA to enhance domestic capacity for demand. The ADB TA for the Kiribati - Community Development and Sustainable Participation (TA No. 3838), 2002-2005, for example, was complementary to an ongoing ADB loan to support improvements in sanitation, public health and the environment. The TA provided concentrated on mobilizing community support and was described in the case study *Kiribati – A Tale of Two CDs* which noted that the first generation of water and sanitation (WATSAN) reforms in the country, which had focused mainly on hardware, had fallen short of expectations. However, the next generation of interventions, which were covered in the case study, brought in the community participation component which the Government of Kiribati had come to recognize as key to sustainability. This was facilitated through the ADB-sponsored TA projects, which sought to institutionalize community participation in Kiribati’s WATSAN efforts. The second generation interventions involved consultations with 75 community groups and the enhancing of their capacity to address community issues and to influence attitudes and behaviour regarding WATSAN issues.

In the Marshall Islands, the ADB-funded *Preparing the Youth Social Services Project* (TA No. 4219) 2004-2005 assisted the government to refocus policies and expenditures on priority issues affecting youth. It also actively encouraged demand for youth-specific services relying on participatory workshops, and use of the media to raise awareness of relevant issues. The TCR highlighted the importance of participatory processes and the provision of key staff by government. The initiative was described as “an example for the region” and the case study highlighted how the TA intervention helped civil society actors and youth articulate their interests and demands for change.

In PNG, through the desk review, we identified an example which highlights the experience of a national affiliate of an international NGO (World Wildlife Fund (WWF) PNG) in giving voice (capacity) to communities. With support from the European Union (EU), WWF PNG has supported local communities interested in setting up *Wildlife Management Areas (WMA)*. In the PNG context, landowners need to secure the permission of the Minister of Environment and Conservation to set up a WMA. WWF is authorized to work with communities who have expressed an interest to do so, and once the WMA is gazetted, WWF actively supports the community’s efforts to protect wildlife and to support environmentally sensitive economic development activities.

The interesting aspect of the WMA process, from a CD perspective, is the ‘10 Steps for Landowners’. Through this 10 step process, the whole community chooses the type of conservation area they want. They establish an agreement amongst themselves, decide on rules

and sanctions and a Wildlife Management Committee, before asking the government to declare the WMA. The process is one of community empowerment as WWF supports the process of decision-making, disengaging as appropriate when communities need to make decisions on their own, and then re-entering when the communities have decided on the type of support they want from WWF. The fact that WWF's role is recognized by the GoPNG and the WMA is sanctioned under national legislation gives legitimacy to the process.

d. Relevance, Readiness and Receptivity

A number of cases highlight how 'success' was more likely when external CD interventions were linked to processes and priorities which were seen as highly relevant by local stakeholders. For example, the 2005 AusAID Technical Advisory Group Review of the Tonga Health Sector Planning and Management Project (1999-2007) underlined the importance of its project design which focused on "the needs identified by the Ministry of Health staff themselves". The Tuvalu Trust Fund and the Kiribati Revenue Equalization Reserve Fund were also seen as relevant by local stakeholders as they helped to secure much needed long-term public sector finances. Similarly, capacity development in the Nauru case study was aligned with development of their National Sustainable Development Strategy (NSDS), a centrally important planning document for the country. While identifying 'relevance' as an important success factor may seem self evident, the apparent lack of commitment by local stakeholders in some initiatives suggests that relevance needs to be validated rather than assumed, e.g. through participatory consultative processes.

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

A number of the case studies also point to the importance of readiness or receptivity as a pre-condition or 'enabling factor' for effective capacity development. Much of this relates to, or is rooted in some of the points discussed above, e.g. ownership, the existence of local champions, or effective demand. In Vanuatu's Institutional Strengthening Project, with the Ministry of Finance and Economic Management, the emphasis in the initial stage on stakeholders 'getting to know' each other enhanced organizational readiness and receptivity to change. The combination of organizational readiness, enabling factors (e.g. the existence of appropriate legislation), ensuring sufficient time for the initiative to unfold, and provision of valued inputs in this case led to an upward 'virtuous cycle of change' which included enhanced confidence in the government among external stakeholders which resulted in direct budgetary support and funding through the Millennium Challenge Account (MCA).

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

crises appeared to open up space for thinking about things differently. In the Cook Islands, for example, the government was headed towards an economic crisis in the mid 1990s which provided the impetus for the economic reform program which followed. However, the case writer invoked a biblical story cautioning that “the seed that falls on rocky ground will not grow properly”. In other words, suggesting that while the crisis provided the opportunity, it didn’t really constitute ideal circumstances for enduring benefits.

The RMI fishery reforms were also borne out of a crisis in the sector which led to a recognition among sector stakeholders that fundamental changes were required. This led to the changes described in the case study, but in this instance the reforms have largely been sustained due to the real and measurable improvements in the sector, and leadership capacity which has driven the process over an extended period of time. Crisis or not, the cases suggest that relevance, readiness and receptivity to change are important factors meriting attention at the outset, particularly in fragile states with limited planning, management and technical capacity, significant institutional constraints, political tensions, civil unrest and weak economies.

e. Investing in Understanding

The case studies provided substantial evidence on the importance of understanding the programming context - a constant theme in the CD literature. This point was brought home in the RMI Youth Social Services Case which noted how: “A large part of the TA was spent up front on the situation analysis. This analysis brought together a substantial amount of information which related to youth issues and the research was enhanced by information collected through the participatory workshops.”⁵⁸

Similarly, the development of the Nauru Sustainable Development Strategy (NSDS) was grounded in a broadly participatory process which enhanced understanding of community aspirations, while strengthening the capacity of communities to be active participants in such processes.

As suggested earlier, investing specifically in understanding of capacity issues was less apparent in the cases, being a significant feature only in those initiatives which had a clear ‘capacity development’ mandate, e.g. PPII, and the TA Facilities in PNG.

f. Getting the Incentives Right

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

⁵⁸ Graham, Ben, Ibid, p. 7

As reported in the PPII case, progressive demoralization and disillusionment of provincial administrative staff was seen as a significant capacity weakness and a risk which had to be addressed. One way PPII has addressed the incentives issue at the institutional level is to make 'graduation' from one phase of the program to the next contingent on provincial teams meeting specified capacity criteria, e.g. completion of a Capacity Building Plan, or improvement in public administration systems. Incentives provided in the program include up to PNG Kina 250,000 per year for capacity building programs (Phase I) and PNG Kina 500,000 to 1M per annum for infrastructure support (Phase II).

In the Kiribati water and sanitation case, stakeholders relied on a combination of public education and mobilization and legislative changes as ways of inducing changes in behaviour – positive and negative motivators. In this case, the approach chosen was based on a recognition that mobilizing or educating people to 'do the right thing' may not always be enough and may need to be combined with sanctions for behaviour which go against the public interest. The latter entailed amendments to the penal code to increase penalties for people who vandalized water and sanitation facilities.

The Tonga health management case highlighted the potential limitations of more altruistic motivations. As noted: "On entry into the service, doctors were slotted into departments where it was assumed that tending to the needs of patients would be sufficient incentive for them to perform and to stay engaged. However, frustration or thirst for further knowledge or experiences usually drove them to leave the service either through retirement, resignation or migration."⁵⁹ The Tongan government recognized the need to respond to this reality or risk seeing its capacity diminish. According to the case, it succeeded in this respect through provision of refresher courses, and rotation of young doctors to different locations around the country which not only exposed them to a broad range of experiences, but provided them with an opportunity to acquire valuable management experience.

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

Finally on the issue of incentives, Peter Morgan in a 2007 paper entitled *Reflections on RAMSI and Capacity Development*, reminds us of the potential for a disconnect between donors, and their traditional focus on outputs and outcomes, and developing country partners that don't necessarily reward or sanction on the basis of predicted, measured results.⁶⁰ Clearly differences on that count reflect different institutional incentives which can affect collaboration and shared sense of responsibility for results between donors and PDMCs, including those aimed at enhancing capacity.

g. An Enabling Environment

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

⁵⁹ Tu'itahi, Kaveinga, A New Vision for the Health Sector in Tonga: Change and Capacity Development Strategies (draft) July, p.3

⁶⁰ Morgan, P., Reflections on RAMSI and Capacity Development, May 2007, p. 4

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

Interestingly, the ECDPM study on *Capacity, Change and Performance*, which included two cases studies from the Pacific region, suggests that:

“It is not always true, as conventional wisdom would suggest, that the ‘enabling environment’, needed to be positive. Organizations in seemingly adverse conditions went from strength to strength while those in overtly much more favourable circumstances did less well.”⁶¹

This somewhat ‘counterintuitive’ finding is attributed to a number of factors in the ECDPM cases, including inspired leadership, shared values amongst stakeholders, strong relations and incentive systems which contributed to the flourishing of capacity and performance in adverse circumstances. The study notes though that contexts are dynamic and can change, so the relationship between context, capacity and performance likewise can be fluid and unpredictable. A number of the ECDPM cases also reflect on the capacity of stakeholders to manage or influence the context in which they operate and the implications of that for capacity development efforts.

This ‘capacity to manage the environment’ was evident in a number of the Pacific cases, several examples of which have already been captured above. Other cases, also already described, benefited from a broader reform environment which provided the enabling conditions for sector or organizational level reforms to proceed, including dealing with capacity issues, e.g. RMI’s fishery reforms and Tonga’s health reforms. The Nauru case study also noted the importance of the enabling environment which the author remarked included institutional, political and informal leadership, which “helps to give permission to the new approach, legitimizes the outputs from the new approach, and affirms the outcomes.”⁶²

h. Flexibility and Adaptiveness

While it may be intuitive to think that ‘successful’ capacity development efforts need be rooted in clearly structured, systematic approaches⁶³, experience suggests it’s not necessarily so. In part, it depends on the complexity of the issue(s) being addressed – the implication being that change which involves a broad set of actors or capacity levels is likely to require a more coordinated, systematic approach. It also depends though on the degree of stability in the programming environment. Generally speaking, most of the initiatives reviewed for this study could be described as systematic in their approach, although many were also flexible, adapting to changing demands and contextual realities as required.

⁶¹ Zinke, J., ECDPM Study on Capacity, Change and Performance, Final Workshop Report, May 2006, p.4

⁶² Balm, K. Ibid, p. 20 (draft)

⁶³ By systematic, we mean methodical, well thought out plans and implementation strategies.

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

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

While the above examples point to the value of systematic or structured approaches to capacity development, other examples from the international literature⁶⁴ suggest that effective capacity development is not always a product of tightly scripted, ‘schemes’. Rather it can be emergent, and responsive to shifting local dynamics, as well as ongoing learning and adaptation. PNG's PPII, for example, which was described above as a relatively structured or systematic intervention also emphasizes moving at an “appropriate pace” (phased approach), providing ‘space’ for PNG colleagues to work out issues on their own, and supporting competency development and systemic issues simultaneously, suggesting a recognition of the need to balance structure, including a clear vision, and flexibility.

i. Effective Use of Technical Advisors

Extensive reliance on international technical advisors has been widely criticized in the development literature, with critics often characterizing it as ineffective and expensive.⁶⁵ However, a 2006 OECD report has suggested that “...although heavily criticized, technical co-operation is not ‘good’ or ‘bad’ – it depends on *how* it is used ...”⁶⁶

Various approaches to use of technical assistance advisors were revealed in the case studies. These included long-term advisors, short-term advisors, intermittent advisors, locally resident international advisors, regionally based advisors and local advisors. Some advisors ‘advised’, while others trained, mentored, facilitated, served as change agents, controllers, focused on systems development or policy reform, or assumed implementing roles. Some shared international best practices, while others worked carefully within local systems to facilitate indigenous solutions while seeking to enhance local capacity. In many cases, it was a combination of roles and approaches (see Annex 4 for a list of different approaches to TA).

⁶⁴ See, for example, Morgan, P., A. Land and H. Baser. 2005. *Study on Capacity, Change and Performance. Interim Report.* (ECDPM Discussion Paper, 59A).

⁶⁵ See, for example, Richard Berg, *Rethinking Technical Cooperation, Reforms for Capacity Building in Africa*, Regional Bureau for Africa 1993

⁶⁶ OECD (2006) Issues Paper – *Technical Co-operation – its role in Capacity Development.* Istanbul: 12-13 October 2006, page 3.

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

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

The Tuvalu case study also talks about the value of relying on local consultants. Referring to a 2000 UNDP evaluation it indicates: "The fact that a Tuvaluan carried out the review was extremely important as it allowed access to views, information and insights that are extremely difficult to obtain by an ex-pat consultant."⁶⁷

The literature on technical assistance and capacity development has a great deal to say about the importance of getting the 'right advisor' - the right mix of technical capabilities, personal attributes, cultural sensitivity, and openness to learning. As one source noted in this review:

"Consultants or advisors need to be culturally sensitive, good listeners, and effective at facilitating change. You don't always need the most highly 'qualified' expert."

This sentiment was echoed in the completion report for ADB's Implementation of State Owned Enterprise (SOE) Reforms (TA No. 3768) in Samoa, which suggested that technical assistance personnel provided for such interventions must be "apt communicators and capacity builders".

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

'Long-term engagement' of advisors was noted as a success factor in the ADB's Capacity Building of the Legal Sector (TA No. 3613) (Vanuatu, 2001-2002). The TCR reported that this intervention "significantly improved capacity" in the State Law Office (SLO) and helped facilitate a cultural change in the legal system. The report attributed this to: the continuity and quality of the TA provided (a retired Queen's Counsel); the fact that the advisor was based in country, and; the mentoring approach which was seen as building the confidence of local counterparts. Other interviewees also commented on the value of "continuous, ongoing support" (vs. fly in fly out advisors).

While continuity of advisors was clearly a positive in a number of cases, others demonstrated the value of short-term, intermittent engagement. In the ADB-funded Kiribati water and sanitation case, for example, neither the Team Leader, nor the specialists on the international consultant team were resident in Kiribati for the full duration of the project. This presented some challenges, particularly given difficulties in communications, but it gave the National Coordinator and other local staff space to carry out their work with a degree of independence based on agreed work plans. The case study on this initiative also referred to the importance of the relationship between the advisors and the local partners, describing it as “cordial and collaborative”. Similarly, the Nauru case study refers to the intermittent presence of the Team Leader and Development Economist which provided local members of the project team “space and opportunity to assume responsibility.”

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

‘Helping People Help Themselves’

Former World Bank official David Ellerman, in ‘Helping People Help Themselves’ (2005), discusses what he calls the “helping conundrum” - “how can an outside party (“helper”) assist those who are undertaking autonomous activities (the “doers”) without overriding or undercutting their autonomy?” In his book, Ellerman draws on eight thinkers from different fields (e.g. Dewey, Rogers, Freire, Schumacher) highlighting points of commonality using a framework of “helpers” trying to provide “autonomy-compatible assistance” to “doers”. The points of commonality he identifies are as follows:

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

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

j. Ensuring Sufficient Time

A 1993 assessment by an AusAID team suggested that the water and sanitation problem in South Tarawa, Kiribati was “critical and that it should be addressed in as comprehensive a manner as possible if sustainable and effective development is to be achieved.”⁶⁸ The team

⁶⁸ Mackenzie, U., A Tale of Two CDs: Capacity Development and Community Development in Water and Sanitation Projects in Kiribati, July, 2007, p.2

recommended a multi-disciplinary, ten year program in order to deal with the various dimensions in a coordinated manner. The need for a long-term commitment was reflected in the design document which recognized that “attitudinal and behavioural change cannot occur overnight”.

The PPII is another example of an initiative which has taken a longer term perspective with a projected time frame of 15 to 20 years. As noted previously, the PPII design also recognized the need to proceed at a pace consistent with the capabilities and absorptive capacity of the provinces and districts involved. As indicated in the case study: “The focus and pace of the CD process in each province is completely dictated and controlled by each provincial administration.”⁶⁹ The CBSC in PNG has also taken a longer-term view with respect to building capacity of the Department of Health and other sector actors.

However, most of the cases reviewed were based on shorter time frames with expectations for ‘deliverables’ to be realized in anywhere from six months to four years. In a number of instances, these times frames were insufficient to adequately address relevant capacity concerns and in the absence of follow up support sliding back to the status quo ante was a concern for local stakeholders.

k. Taking a Systems Approach

As suggested earlier in this paper, the idea of systems thinking, has gained currency in the discourse on capacity development. A systems approach can be contrasted with what may be described as more linear or reductionist perspectives on capacity, i.e. input ‘a’ leads to output or outcome ‘b’ which leads to change in performance ‘c’. According to systems thinking, rather than reducing capacity to its constituent parts and dealing with them as isolated entities, capacity is seen as emerging from and being influenced by a broader capacity system. Relying on this perspective, advocates suggest that interventions should be sensitive to capacity in different parts of the system, including how it evolves over time, and, most importantly, the relationships amongst capacity components.

The ADB’s CD framework for example, is described as “a system” with three main dimensions: organizations, institutions and inter-organization/group relations. As noted in the ADB’s *Medium Term Framework and Action Plan*, “The third dimension emphasizes systems, the need for various government and non-government organizations and groups to act in partnership to achieve agreed objectives. It focuses on ... a system of organizations and groups in DMCs that are primarily responsible for achieving certain development objectives.”⁷⁰ The enhanced attention to capacity systems parallels an increasing reliance on broader, more comprehensive approaches to development, e.g. SWAps, program-based approaches. Its value is in trying to explain complex systems with multiple actors, operating in sometimes unpredictable contexts.

A number of initiatives reviewed for this study reflect aspects of a ‘systems approach’. Health sector reforms in PNG, for example, have increasingly sought to address governance challenges, including those relating to decentralization, which are seen as potentially constraining sector reforms. This has required active collaboration amongst health sector actors, central agencies and provincial authorities, and has led to legislative changes and the introduction of administrative mechanisms to facilitate the functioning of PNG’s decentralized system. These

⁶⁹ Saldanha, C., Case Study on the Provincial Performance Improvement Initiative, PNG, draft, July, 2007, p. 8

⁷⁰ Asian Development Bank, Integrating Capacity Development into Country Programs and Operations, Proposed Medium Term Framework and Action Plan, Draft Final Report, November 2006, p. 14

'systems wide' interventions have been done in parallel with individual and organizational capacity building initiatives with actors within the sector.

The UNDP's Provincial Capacity Building Project (PCaB) in PNG seeks to strengthen financial management at the national and provincial levels. As with the health reforms mentioned above, PCaB has assisted provincial governments with their requirements under the 1995 *Organic Law on Provincial Governments and Local Level Governments* (OLPGLLG) – PNG's key decentralization legislation. It is thus intended to be responsive to institutional and policy challenges affecting performance at provincial and district levels, in particular, those associated with the OLPGLLG.

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

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

I. Harmonization, Coordination and Partnership

The Cook Islands harmonization story tells how the Government of Cooks Islands' (GCI) capacity (mainly the Aid Management Division) was enhanced to support harmonization and alignment with New Zealand and Australia. As indicated in Box 2, the agreements signed by the GCI, AusAID and NZAid had five primary objectives. While the Cook Islands harmonization objectives were not explicit on the issue of capacity, it was anticipated that harmonization would have positive capacity impacts, including reducing demands on GCI's administrative capacity and contributing to efficiency gains in the use of existing capacity. In fact, the case study highlights how demands on GCI capacity increased in the early days, which was partly what drove the AMD to push for increased staffing to address the new harmonization agenda.

Box 2 – Cook Islands Harmonization Objectives

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

Under the harmonization arrangement, the assistance programs were aligned with national priorities, and both donors adhered to GCI tendering, contracting and procurement arrangements. However, the case study suggests that the partners may have entered into the agreement with different assumptions about collaboration and alignment of systems. As the author commented: "The environment at the time was flavoured by donor concerns about ... their

own reporting obligations and accountabilities to their agencies and Parliaments.”⁷¹ Ultimately this meant that introducing the new initiative as a pilot was a good idea as it allowed the parties to learn from the experience and adapt over time.

From a capacity perspective, the aid harmonization pilot provided the impetus for the GCI, and in particular the AMD, to innovate, and to gain the knowledge and wherewithal to “turn things around in an agency that had been reactive rather than proactive, and to enhance its capacity so that it could take on a leadership role in aid management and coordination issues in the country.”⁷² The case concludes: “In the process, AMD’s capacity to lead reforms in the area of development cooperation has been enhanced. Whether they can be sustained will be a story for another day.”⁷³

The AusAID-funded Fiji Health Sector Improvement Program (FHSIP) was not one of the cases for this study but it highlights the potential for different ways of collaborating with developing country partners under AusAID’s *partnering arrangement*. The expectation articulated in FHSIP’s Request for Tender (RFT) was that the program would be developed following MoH Plans and relying on MoH leadership. As stated in the RFT: “As far as possible, the structure and function of Program arrangements will follow the Fiji management structures and organizational relationships”.⁷⁴ Consistent with this intent, the current Program Director is a Fijian who was selected jointly by the various program partners and who is permanently based in MoH Head Office. This approach is consistent with the *Pacific Aid Effectiveness Principles*, specifically its call for “use of local systems” and reliance on TA that “ensures that capacity is built with tangible benefits to the country to support national ownership”.

The Kiribati water and sanitation case offers an example of country level cooperation and its potential for harnessing the capacity of actors with shared interests. The case study describes how various water, waste management and community development projects worked closely together eventually forming the *Kiribati Te Boboto* (Make Kiribati Beautiful) Coalition. As the case study indicated, “The combined efforts of these various projects have contributed to building the capacity of individuals and households to better understand and manage their wastes.... The result of the combined efforts has (also) been very visible in the general cleanliness of South Tarawa and the virtual disappearance of recyclable cans.”⁷⁵ One of the local stakeholders noted that: “CDSP (the ADB-funded intervention) was very good at being open to working with others in the community working in the same issues area. Many projects can be insular, protecting their own turf, but the monthly meetings of the stakeholders provided a good place for wider input (which) resulted in a much greater collective output than otherwise.”⁷⁶

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

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

⁷¹ Wichman, V., *Ibid*, p. 15 (draft)

⁷² *Ibid*, p. 15

⁷³ *Ibid*, p. 15

⁷⁴ JTA International, Review of Technical Assistance: Fiji Health Sector Improvement Program, September, 2005, p. 3.

⁷⁵ Mackenzie, p. 6 (draft)

⁷⁶ Mackenzie, *Ibid*, pp6-7

n. Political Economy Considerations

For some analysts, political economy considerations are central to explaining the effectiveness (or lack thereof) of development interventions in low income countries. Political economy factors include social and political structures and behaviors, such as clientelism, patronage, and ‘state capture’ by local elites. These practices are often deeply entrenched and can seriously circumscribe reform efforts or attempts to develop or utilize capacity. Political economy considerations were a factor to varying degrees in the case studies prepared for this broader study, e.g. clientelism and the *wantok* system⁷⁷ in PNG, *faaSamoa* (Samoan culture and way of seeing the world), as well as the *matai* system, which is Samoa’s political tradition whereby political leadership is vested in community elders.

As the preceding description suggests, political economy considerations are often linked to traditional power systems or attempts to adapt them in a ‘modern’ context. As Turnbull notes, in an article on the Solomon Islands entitled *Blending Traditional Power and Modern Structures*:

“It is not the structure of the state that is the main impediment preventing it improving the living standards of ordinary Solomon Islanders. It is the way that practices based on the power relationships and means of social control practiced in traditional societies pervade the state today. Solutions need to be found to several problems. There needs to be ways of 1. avoiding the unchecked self-interest within the state at all levels. 2. reducing the time and energy that individuals spend on ensuring their political survival rather than on implementing policies for development; and 3. establishing a pattern of long-term cooperation between the state and various communities so that they can work towards mutual development⁷⁸”

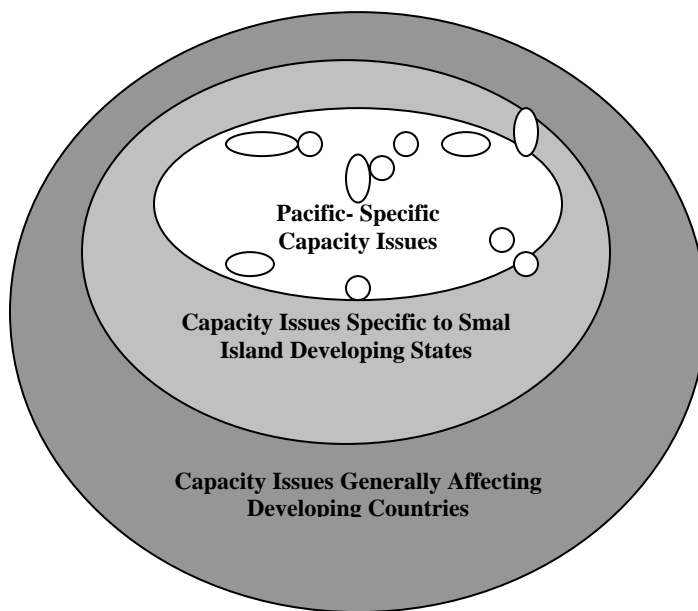
Partly because many Pacific island states are still relatively young, they are faced with the challenge of managing tensions between modern state institutions and traditional customs and institutional arrangements – the latter frequently having greater legitimacy and influence. As suggested in a number of the cases, this has implications for the functioning of the state in these countries and efforts to strengthen their capacity. It also underlines, once again, the importance of investing in understanding of the context before engaging in CD processes. This includes understanding of traditional culture and informal power arrangements, as well as their relationship to more formal structures and processes in society.

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

Before focusing on what’s different about the Pacific, it’s worth acknowledging the capacity challenges that Pacific island states share with other developing countries. At large, these include weak institutions, uneven policies, and limited availability of highly skilled and economically productive human resources. Collectively these are represented in the largest, outer portion of the graphic below.

⁷⁷ *wantok* literally means ‘one language’ in pidgin, but more generally refers to the set of traditional customs and obligations associated with being a member of a social grouping.

⁷⁸ Turnbull, J., *Solomon Islands: Blending Traditional Power and Modern Structures in the State*, Public Administration and Development, May, 2002, p. 200



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

- Small populations, with correspondingly limited skills base and specialized expertise
- Geographic isolation
- Poor access to markets
- Limited economic diversification
- Dis-economies of scale
- Vulnerability (economically, environmentally, culturally)
- De-capacitation through emigration
- Limited capacity to be effectively represented in global forums

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

- Gaps in capacity in strategically important areas which contribute to vulnerability and dependency
- Relatively young states, frequently struggling with issues of legitimacy
- Ongoing tensions between modern and traditional institutions
- Internal divisions (including active conflicts) which diminish capacity, de-motivate citizens and undermine state institutions
- Limited broad-based consensus on national priorities
- Limited capacity for effective demand, or to hold governments accountable, e.g. strong leaders often unchecked in the absence of a sizeable and capable middle class
- Limited capacity for effective regional collaboration
- Significant aid dependency, coupled with limited capacity to manage it effectively
- Challenges of leaders juggling multiple responsibilities

On the other hand, the cases highlight various features of Pacific island states which could be described as 'capacity positive':

- Strong social capital, including legitimacy of traditional institutions which can play an effective role in development or use of local capacity, if supported properly
- Small communities and local organizations which can be mobilized relatively quickly for change processes if effective leadership is in place
- Systems of engagement for the common good (e.g. the wantok system)

The smaller shapes within the ‘Pacific-specific’ oblong in the graphic represent the diversity of the region and are included to underline the reality that capacity challenges vary depending on where you are in the region – e.g. isolated micro-state, medium-size island state with higher level of economic diversity and stronger institutions, state with weak institutions emerging from conflict. Capacity challenges are also situation-specific, so the challenges facing Cook Islanders ten years ago, for example, may be quite different than the ones they are dealing with today. And the ones facing residents of Rarotonga in 2007 are quite likely to be different than those facing residents of the outer islands.

Further on the issue of Pacific capacity challenges, a 2004 ADB-funded review of governance in the Pacific suggested that “inadequate capacity building, coupled with the loss of senior staff who have management and technical skills, is common in many PDMCs.”⁷⁹ This failure to train and retain many of the most skilled people was seen as “a long-standing contributor to concerns over the quality of governance and institutions”⁸⁰ particularly in Polynesia, but increasingly in other countries in the region.

While not a uniquely Pacific concern, the ADB’s Pacific strategy also notes that “too often, capacity building (in the region) has been related to the objectives of the project rather than to those of the host organization, or capacity building requirements have been insufficiently analyzed, planned, or coordinated.”⁸¹

Despite these challenges, there are, as identified in the case studies included in this review, examples of central government departments, state owned enterprises and civil society groups in the region successfully enhancing their capacity. The challenge flowing from this is to better understand relevant success factors, particularly those which are especially applicable in the Pacific, whether it be strong leadership, effective engagement of citizens and non-state actors, organizational legitimacy or social stability.

a. Country Specific Issues

While people often talk in general terms about the ‘Pacific region’, the region, as the graphic and text above suggest, represents a multitude of realities. Many countries within the region do share common cultural characteristics, even histories, but each is also unique in various respects whether it be their size, the nature of their economy, their social institutions or their governance arrangements. The Cook Islands, for example, operates under a “free association” arrangement negotiated with New Zealand in 1965. Under this special relationship, Cook Islanders hold New Zealand citizenship and are able to travel freely to New Zealand. The levels of migration fluctuate over time, but during periods of economic downturn on the islands, rates tend to move upwards. “In 1974, for example, when the international airport opened on the main island of Rarotonga, an exodus of over 5,000 people was recorded over the next five years. The next

⁷⁹ ADB. 2004. Governance in the Pacific. Focus for Action 2005 – 2009.

⁸⁰ As footnote 1.

⁸¹ ADB. 2005. A Pacific Strategy for the Asian Development Bank 2005 – 2009. Responding to the Priorities of the Poor.

major exodus was a result of the economic downturn in 1995-96, when over 1,000 people left.”⁸² Given Cooks Islands small population (approximately 18,000), shifts of this magnitude can have a significant impact on the country, including loss of important skills.

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

Tuvalu is the fourth smallest country in the world with an estimated population in 2005 of 10,441. As noted in the case study on the trust fund, Tuvalu is a “small, isolated, resource poor country made up of nine low lying coral atolls about two hours flying time north of Fiji. Having virtually no physical exports, the main sources of foreign exchange generated locally are royalties from distant water fishing nations for access to Tuvalu’s Exclusive Economic Zone (EEZ) and remittances sent home by merchant seamen working on foreign merchant vessels. The once flourishing philatelic bureau revenue has dwindled to almost nothing. International development assistance from bilateral and multilateral sources supports the standard of living by providing essential infrastructure, operational supplies and technical assistance.”⁸³ The country also has a chronic budget deficit and has minimal infrastructure left over from colonial days. These were among the challenges which led the government to pursue the idea of a trust fund as an alternative mechanism for development, with the objective that it would increase economic self reliance.

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

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

⁸² Wichman, V., p. 12

⁸³ Bell, B., Ibid, p.3

A (Partial) History of Capacity Development in the Pacific⁸⁴

- 1948 - Secretariat of the Pacific Community created
- 1950s - Scholarship programs initiated by various countries
- 1960s - Volunteer sending (especially teachers, e.g. Peace Corps)
- 1965 to 1979 - countries prepared for independence
- 1960s - New Zealand funds allocated to establish tobacco factories for newly independent Samoa
- 1968 - University of South Pacific opened
- 1971 - Pacific Forum founded - first "serious attempt" at regional collaboration
- 1980s - Staffing assistance schemes (ASAS/OSAS); substitution gap-filling
- 1980s - Increased emphasis on Integrated Rural Development Programs and participation of communities; trust funds; UNDP localization.
- 1987, 2000, 2006 - coups d' etat in Fiji; implications for domestic capacity
- 1990 & '91 (Samoa) - cyclones Ofat & Val; Polynesian Airline crisis, taro blight – setbacks in CD; cyclones accelerated recovery as aid came in
- 1990s - Institutional Strengthening Projects (ISPs) with line agencies
- Mid '90s - emigration started in the Marshall Islands (the story of American chicken company Tyson Foods)
- 1990s – emphasis on public sector reform
- PNG since independence – increased involvement of donors, growing instability and conflict, ongoing capacity issues, issues of state legitimacy
- 1999 World Bank Report – emphasizes importance of policy environment to development
- 2000s - Millennium Development Goals (MDGs) signed by islands – raises question of CD for what; increased emphasis on development effectiveness, development results, environment sustainability, harmonization & alignment
- 2000s - Increased emphasis on 'fragile states'; more interventionist approaches, security focus, capacity substitution
- 2000s - New sources of aid money, e.g. People's Republic of China
- 2001 - PARD (ADB) established as Office of Pacific Operations
- 2002 - Pacific Paradox report
- 2004 - AusAID and ADB recognize CD as a priority
- 2005 - Paris Declaration (capacity as core requirement; Pacific Plan endorsed by regional leaders
- 2007 - Pacific Aid Effectiveness Principles embraced
- RMI compact with US – increasing money in recent years for infrastructure, education, etc. as opposed to CD
- 2003 – Australia's Enhanced Cooperation Program (ECP) with PNG - emphasis on security, stability; reliance on capacity substitution; gave rise to a dialogue and realization that CD requires long-term approaches
- 2006 - ADB CD framework approved, followed by CD regional study

⁸⁴ Participants at ADB's 2007 CD Retreat were asked to recall milestones and key events related to CD in the Pacific and mark them on a time line. This table, while incomplete, reflects the results of that exercise.

b. Fragile or Post Conflict States – Particular Capacity Challenges

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

The ADB's April 2007 report on Weakly Performing Countries⁸⁵ outlines a number of key points about operating in WPCs. First, it suggests that no single or standardized approach applies and that it's important to "re-examine local conditions to find ways to work effectively". Part of that entails ensuring a clear understanding of the reasons for the fragility of the state. In conflict, or post conflict situations, this includes gaining an understanding of the reasons for the conflict. However, as a recent AusAID report on Timor Leste indicated, "some advisors appear to be conflict blind waiting for things to 'return to normal'",⁸⁶ which leads to the suggestion that conflict analysis need be undertaken to ensure interveners avoid a 'business as usual' approach.

Derick Brinkerhoff⁸⁷ has identified four scenarios which can help to frame thinking about capacity issues in fragile states and how to engage governments on reforms (see box below).

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

Source: Brinkerhoff, adapted from DFID (2005)⁸⁸

As Brinkerhoff notes, all but the 'Good Performers' in the table above are considered fragile states, either because of 'weak capacity' or 'weak willingness', or both. Brinkerhoff cautions, however, that fragile states are not static; rather they evolve and shift over time depending on a myriad of factors which can influence the capacity of the state and the commitment of key stakeholders to reforms. The two conflict-related cases reviewed for this study

⁸⁵ ADB, Achieving Development Effectiveness in Weakly Performing Countries (The ADB's Approach to Engaging with Weakly Performing Countries), April, 2007

⁸⁶ AusAID, Technical Assistance and Capacity Building, Discussion Paper, Final (Timor Leste), June 7, 2007, p. 8.

⁸⁷ Brinkerhoff, D. 2007, Capacity Development in Fragile States, RTI International Washington DC, in cooperation with the European Centre for Development Policy Management, Maastricht

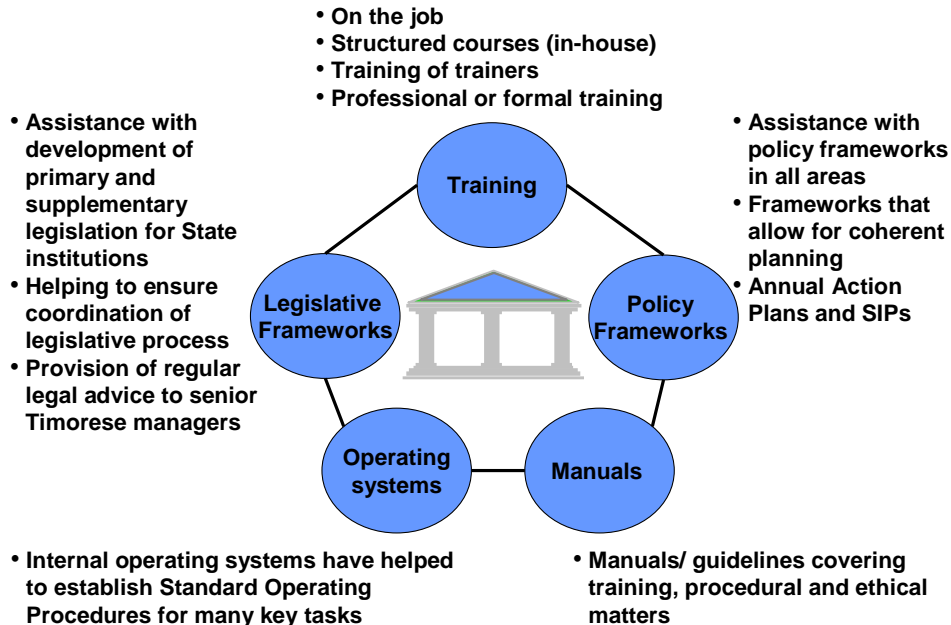
⁸⁸ Brinkerhoff, D., Under the broader category of failed state, the study describes PNG as 'deteriorating' and Solomon Islands as being in 'early recovery'.

– Solomon Islands and Timor Leste – can probably be described as having weak capacity and weak to strong willingness or commitment.

The case study on Solomon Islands’ Ministry of Infrastructure Development (MID) describes how MID went through a significant change process, with ADB support, following the conflict in that country. Solomon Islands was at the time of the project in an ‘early recovery stage’ which is often associated with modest or uneven results, due to factors such as lack of strong leadership to support reforms, or inadequate capacity to implement them. The TA provided by ADB sought to help MID develop new policies and procedures to support infrastructure development in the country, essentially shifting the Ministry’s role from being a provider of services to a regulator. As noted, the project evaluation noted successes in some areas, but limited success in others, in part due to the weakness of government institutions and miscalculations as to what could be achieved in light of prevailing circumstances and the relatively short time frame for the project. It also wasn’t apparent in this case the extent to which the design was informed by an understanding of the dynamics of the conflict, or thinking about how to address capacity issues in the early stages following a conflict.

The Timor Leste case describes how the UNDP supported the Government of Timor Leste to strengthen its capacity during the post conflict transition. UN support was broad-based, relying on a Three Pillar Model: skills and knowledge, systems and processes, and attitudes and behaviours (see graphic below). In support of these three pillars, advisors offered support in training, policy support, legislative frameworks, development of manuals and strengthening of operating systems.

SPHERES OF ADVISORS’ ACCOMPLISHMENTS



Source: CSG and UNDP

11

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

- Preparation of a National Poverty Assessment report (which provided necessary statistical data and baseline information)
- Human Resources Needs Assessment
- Establishment of Capacity Development Coordination Unit
- Completion of first National Development Plan, and
- Development of a Capacity Development Program for the National Planning and Development Agency (NPDA)⁸⁹

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

UNDP’s reflections on the use of the Three Pillar Model led them to conclude that it is a “good model”, but that it focused too much on skills and knowledge (at the expense of systems issues), and that there was a need to “better capture local realities and dynamics”. UNDP also saw the advisor model as being of “doubtful” effectiveness, given the limitations of a one-to-one approach and felt that use of non-resident coaches and mentors had been overlooked in favour of resident assignments.⁹⁰

4. Monitoring and Evaluation of Capacity Development

a. What is Being Measured?

Monitoring and evaluation (M&E) in most of the cases reviewed did not have an explicit focus on capacity issues. This is not inconsistent with findings in other capacity development studies which have found that, by and large, M&E of development projects and programs tends to focus on changes in performance (primarily output and outcome level). There are various reasons for this: changes in capacity are often difficult to measure, especially soft capacities such as leadership, or the collective capacity of multiple organizations working together. It’s also difficult to measure change in capacity systems (as compared to individual or organizational level change). Furthermore, donor incentive systems and monitoring frameworks are still geared predominantly towards measuring and being accountable for ‘performance results’.

There are several exceptions though in the cases studied. In the Cook Islands harmonization case, the M&E framework focuses, in part, on the capacity of the government’s Aid Management Division. The Participatory Monitoring and Evaluation (PME) surveys referred to in the Tuvalu trust fund case covered considerations such as awareness and participation in decision-making processes on participating islands which can be considered measures of community empowerment or capacity.

The TA facilities in PNG and the PPII, given their mandate and orientation, have taken a more focused approach to monitoring of capacity changes. They also rely on different approaches. For example, monitoring of the CBSC’s managing contractor in PNG’s health sector emphasizes ‘quality of inputs’, as opposed to outputs realized. This is due to several factors: the clear emphasis on ‘capacity building’ in the advisors role; AusAID’s and the managing contractor’s

⁸⁹ Based on brief paper entitled Planning for a Society in Transition: Creating Institutions and Building Capacity (Timor Leste) (case study is incomplete)

⁹⁰ See AusAID, Technical Assistance and Capacity Building, Discussion Paper, Final (Timor Leste), June 7, 2007, pp.14-15

recognition of the importance of quality of inputs and the nature of the advisor engagement to realization of capacity objectives, and; a recognition that multiple factors (many beyond the control of the advisor) are likely to affect output or outcome level results.

Similarly under the AusAID-funded Fiji Health Sector Improvement Program (FHSIP), long term advisors are subject to annual performance assessments which measure progress against their capacity building plans, their workplans, as well as a rating against performance quality competencies. The latter includes considerations such as ability to share ideas and information with others, ability to make adjustments to capacity building plans, and appropriateness of behaviour. The performance assessment process is based on feedback from the advisor, their counterpart and the FHSIP Program Director and/or a representative from the Australian managing contractor.

In the case of PPII, participants are monitoring capacity results being achieved, partly given the stage of the program as it's too early to demonstrate results at the service delivery or sector performance level. Capacity changes being measured under PPII include the extent to which the initiative has strengthened provincial management, budget and HR systems, coordination between provinces and districts, and links between the national and provincial governments.

Increasing attention is being given to monitoring of capacity given its stated centrality as a donor/developmental priority.⁹¹ This includes exploring ways of assessing changes in hard and soft capacities, and relying on more qualitative measures, including ones which are able to incorporate intermediary level capacity changes while not losing sight of longer-term capacity results. Part of the challenge is in reconciling long-term capacity interests with donors' usual commitment to 'objectively verifiable indicators' of change in time frames of four to five years or less. Despite recent experimentation and increased attention to M&E of capacity, as in the initiatives above, it remains a work in progress.

b. Who is Measuring? For What Purpose?

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

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

c. Are there Lessons and are they being Learned?

Given the observations above, it would be safe to conclude that, with several exceptions, the cases studied yielded few examples of systematic learning about capacity development through formal M&E frameworks. This means limited systematic learning about design processes

⁹¹ See, for example, Engel, Paul, Tony Land, Niels Keizer, *A balanced approach to monitoring and evaluating capacity and performance*, ECDPM, August, 2006

for CD interventions, about implementation strategies, or about the effectiveness of advisors in contributing to sustainable changes in PDMC capacity.

Nevertheless, the more ‘successful’ projects among the cases reviewed demonstrated an above average ability to learn and adapt as they proceeded. This ‘adaptive capacity’ is seen as an important characteristic of vibrant, well functioning organizations or systems and includes the ability to learn from experience, reflect and shift directions in response to learning or changing realities in the programming context. The question is how that capacity can be fostered and used to enhance analysis and understanding of CD processes.

IV. CONCLUSIONS – KEY THEMES

This section of the report highlights four areas which, based on the study findings, appear to be key to advancing the CD agenda within PARD.

A. The Importance of Context and Capacity Systems

One theme that is reflected in the case studies, and is a constant throughout the literature on capacity development, is the importance of the programming context in influencing opportunities for and the shape of CD processes. The ‘stronger’ projects in this study displayed a capacity to ‘get at’ the context, either through extensive consultative and participatory processes, by building on locally articulated policies or priorities, or by relying on advisors who had a solid understanding of the local context. As Simon Tiller, the lead consultant on the ADB-sponsored RMI fisheries project noted: “It is absolutely imperative to get under the skin of the environment you are working in. That was happening towards the end of the first TA and it was a major part of why we were able to move so quickly with the second TA.”⁹² Case writer Ben Graham went on to note that before arriving at a key turning point in the project, the lead consultant: “had not yet fully recognized the less obvious informal decision making processes that exist beneath the more formal government processes and procedures. As Tiller commented, these connections “weren’t on any organization chart.” Tiller added, “For the first time I felt we were partners and from that point on we began to make real progress.”⁹³

With Tuvalu’s Falekaupule Trust Fund, stakeholders made a clear decision to proceed “from an understanding of what works at the island level (and) develop processes that build on traditions and integrate these into internationally recognized development processes.”⁹⁴ This example highlights, as do others, the importance of understanding local traditions and culture as well as power dynamics and informal relationships.

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

⁹² Graham, B., Ibid, p.5

⁹³ Graham, B., Ibid, p.5

⁹⁴ Bell, B., Ibid, p.3

Political, economic, aid and associational links amongst PDMCs, and with larger regional countries, can also be important contextual factors, whether it be Cook Islands historical link with New Zealand, RMI's free association arrangement with the United States, PNG's sizeable development assistance program with Australia, or the set of regional arrangements which link Pacific island countries. In addition, there is the influence of new donors in parts of the region, particularly China and Taipei, China, which have begun to influence the overall landscape of external assistance and approaches to 'development' activities.

What all the preceding suggests is the need to ensure mechanisms are in place so that external stakeholders, in particular, have a solid understanding of the programming context (regional, national and local levels), including capacity issues therein, before programming decisions are made. Several reviews have noted this as an area where ADB could be strengthened, including recommendations for "more joint analytical work" and "political economy analysis".⁹⁵ The emphasis in the analysis is likely to vary by circumstance but based on the issues which have come to the fore in this review, would probably include considerations such as institutional, policy, political or security issues, stakeholder relationships, inter-organizational issues, organizational culture, leadership, technical and managerial capacity, incentives, informal rules, legitimacy and demand side capacity.

Mechanisms or processes which are likely to be effective in that respect include:

- Locally-based, participatory consultative processes
- Surveys
- Contextual analyses
- Capacity mapping
- Institutional assessments
- SWOT analyses
- Stakeholder analysis
- Sector assessments
- Capacity and vulnerability analyses
- Policy environment mapping

B. Thinking Strategically about Capacity

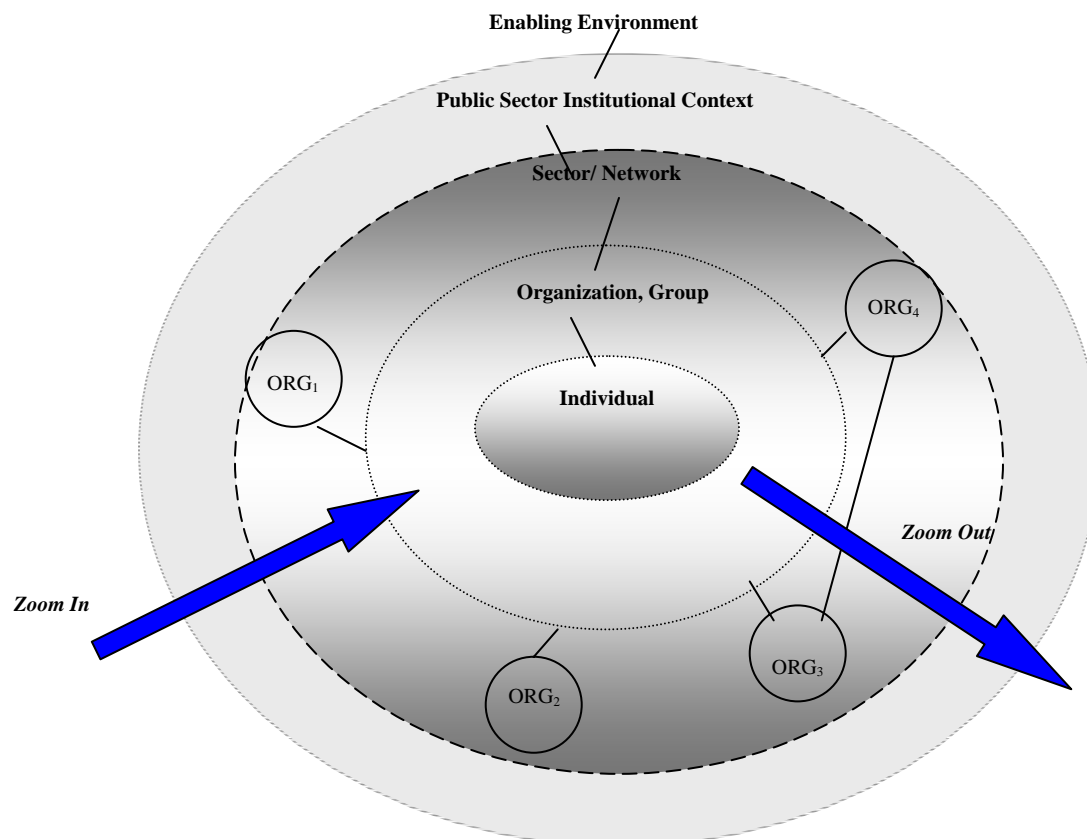
Assuming a reasonably clear understanding of the programming context has been established, the next step is to think strategically about capacity opportunities and constraints in that context. The findings from the case studies, and other reviews, offer some guidance on this. First is the importance of thinking in terms of *capacity systems*, specifically ensuring that analyses and programming strategies are informed by an appreciation of the dynamics and relationships amongst the various levels or dimensions of the broader capacity system.

The conceptual framework below offers a way of thinking about the relationships amongst the different capacity levels.⁹⁶ The framework suggests that the various levels are linked, and that changes planned in one level are likely to be influenced by factors in other parts of the system. For example, efforts to enhance organizational capacity or performance are likely to be shaped as much by forces in the enabling environment (e.g. laws, regulations, attitudes, values) as by

⁹⁵ See, for example, Asian Development Bank, *Achieving Development Effectiveness in Weakly Performing Countries* (The ADB's Approach to Engaging with Weakly Performing Countries), April, 2007

⁹⁶ This framework is a variation of the ADB framework shown earlier in this report. Among other things, it adds reference to individuals and the enabling environment.

factors internal to the organization, (skills, systems, leadership, relationships etc.). Similarly, the success of a training program is likely to be contingent as much on conditions in the participating organization, such as incentives, supportive management or finances, as the quality of the training inputs provided.



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

Interventions, for example, may ‘zoom in’ on an organizational change process, or alternately seek to address an issue(s) across several levels. Decisions about specific programming interventions are likely to be based on a number of variables including: the nature of the development problem, existing programs, current capacity strengths or weaknesses in the various levels, and opportunities or inhibitors in the ‘enabling environment’. In sum, the framework calls for systematic analysis of opportunities and constraints, identification of windows of opportunity, strategic entry points, and promotion of integrated responses. This perspective represents, arguably, the most important contribution of capacity development, i.e. a systematic recognition of the importance of thinking about individuals, organizations, programs and policies as part of a greater whole.

It's important to note though, as the World Bank's study on *Effective States and Engaged Societies* does, that interventions that are "systemic", don't necessarily need to be comprehensive in scope. In fact, the scope and timing of the intervention should be sensitive to the absorptive capacity of local partners and their readiness to implement change. This may lead to "strategic incrementalism" which itself need be built on an understanding of the dynamics of the capacity system and a sense of how inputs might be sequenced to maximize effectiveness.

The table below highlights specific capacity issues to consider in the various levels from the CD framework.

Capacity-Related Issues to Consider (a sampling)	
Enabling Environment	<ul style="list-style-type: none"> • Macro-economic situation • Government policies, legal/administrative environment • Regulatory environment • Socio-cultural environment • Views of prospective stakeholders • Political will, including historical and contemporary explanations • Power structures and formal and informal institutions • Incentives
Public Sector Institutional Context	<ul style="list-style-type: none"> • Poverty reduction strategies and plans • Public financial management • Sub-national governance • Administrative and legislative reforms • Civil society participation • Legitimacy, credibility of state institutions
Sector/Thematic	<ul style="list-style-type: none"> • Sector policies • Sector programming framework • Capacity of lead or prospective partner institutions • Sector or network leadership • Collaborative mechanisms
Organization	<ul style="list-style-type: none"> • Strategic leadership capacity • Credibility in their sector/field • Strategic links/relationships • Operational and management capacity • Organizational incentives • Informal aspects of organizations
Individual	<ul style="list-style-type: none"> • Skills, e.g. planning, management, operational • Incentives • Training programs, appraisal and reward systems • Work environment

Based on the research findings, a second area requiring strategic consideration during design and implementation is the issue of 'soft' vs. 'hard' capacities. Hard capacities usually refer to individual or organizational competencies, such as financial planning, engineering, or resource management. Soft capacities, on the other hand, include leadership, legitimacy, trust, ability to facilitate, motivate or strengthen identity, values or a shared sense of mission. It also includes the

notion of adaptive capacity, as well as the capacity to collaborate, network, or otherwise strengthen partnerships. Various reviews and analyses suggest that capacity development efforts often fail, or fall short of expectations, due to a lack of attention to these less tangible ‘soft’ capacity issues. Part of the reason is that it’s usually easier to address hard capacities which are more likely to yield objectively measurable results in the short to medium term.

The Cook Islands aid coordination case exemplified the importance of ‘soft’ capacities, such as in leadership, diplomacy and negotiation to deal with misunderstandings as they arose. These capacities weren’t necessarily cultivated through the project but existed in sufficient measure that they allowed the initiative to move forward successfully, including dealing with hard capacities such as management capability within the government’s Aid Management Division. The RMI youth services case also underlined the importance of leadership, although in the case it was the lack of leadership which ultimately placed limits on its success, despite significant investments in policy development and delivery systems.

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

A third strategic consideration to take into account at the planning stage is the relationship between capacity and performance. The ECDPM study on *Capacity, Change and Performance* has addressed this issue. The study’s interim report highlighted several key issues:

- ⇒ the relationship between capacity and performance is complex, particularly given the multitude of intervening variables at play within a capacity system at any point in time
- ⇒ most discussions about capacity are really about performance – i.e. how to improve it
- ⇒ short-term gains in performance are often important to sustain momentum in long-term capacity development programs but can be mistaken for sustainable changes in local capacity
- ⇒ there are few incentives or rewards for focusing on long-term capacity in a context where pressures to improve performance are intense. This is particularly so in highly destabilized (e.g. post conflict) or politicized environments.⁹⁷

The table below highlights some of the differences between a focus on development performance and developing capacity in an organizational context.

⁹⁷ ECDPM, Study on Capacity Change and Performance, Interim Report, 2005, pp. 17-18

Aspects	Focus on Development Performance	Focus on Developing Organizational Capacity
Purpose	Maximizing performance in terms of development results	Developing capacity
Approach to capacity issues	Seen as a secondary means in support of performance ends	Seen as an end in itself, or as a means to a longer-term performance 'end'
Leadership	Top-down	Participative
Main focus	Structures and systems	Individual and collective skills, culture and mindset
Planning	Systematic, directed and solution-driven	Emergent and more incremental
Application	Standardized and uniform	Responsive and varied
Motivation	Incentives lead	Incentives lag
Emphasis on learning experimentation	Modest	Critical
Monitoring and Evaluation	Focus on performance	Focus on capacity
Use of consultants	Intensive and focused on task achievement	Less intensive and focused on process and facilitation

From Baser and Morgan (ECDPM study)

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

A fourth strategic consideration to take into account, based on the findings from the case studies, is the role to be played by the external intervener. CD Specialist Peter Morgan has suggested there are, at large, four approaches to external interventions in development projects which could be plotted along a continuum:

- 1) External interveners doing the work and hoping that capacity will be developed through modeling or exposure (country systems tend to be bypassed).
- 2) External interveners design and control the approach, but try to engage local counterparts through consultation, participation, on the job training and other measures (the 'direct' approach)
- 3) External interveners work within developing country processes, building on local motivations and facilitating change (accompaniment or the 'indirect' approach), and
- 4) Providing payments for demonstrated progress ('hands off' approach)⁹⁸

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

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

The case studies didn't yield a great deal of hard evidence on the issue of sustainability, partly because a number of the projects and programs reviewed are still ongoing. Nevertheless, concerns were expressed in a number of the cases with respect to the likelihood of sustaining results, whether they be performance or capacity results. The Cook Islands public sector reform case, for example, illustrated the challenge of maintaining capacity reforms over a decade with changing leadership and shifting governmental priorities. The question which arises is what combination of inputs and enabling conditions are required to ensure sustainable capacity results – i.e. the challenge of turning capacity transactions into durable capacity transformations.

C. Programming Strategically for Sustainable Capacity

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

- local ownership and leadership are of paramount importance
- projects/programs should build on existing developing country capacities, using external resources only when value is clearly added
- participatory approaches are necessary to reinforce ownership, ensure legitimacy and strengthen capacity of local stakeholders - follow the local lead
- priority should be given to supporting developing country programs
- the primary role of the external partner should be facilitative and supportive

⁹⁸ Based on correspondence with Peter Morgan.

- donor coordination should be encouraged to ensure coherent approaches and to minimize demands on developing country partners
- investments should be geared to the long-term
- expectations should be realistic, i.e. based on capacity assessments and agreed targets
- donors should be flexible in their approaches and requirements
- projects/programs should rely on iterative approaches, ongoing learning and adaptation – this implies less of a distinction between design and implementation
- projects/programs should be managed for results and avoid excessive focus on management of inputs
- expected results should be seen as strategic directions that will change over time as a result of learning

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

- Eliminating old or inappropriate capacity
- Reducing demand on existing capacity
- Making better use of existing capacity
- Strengthening existing capacity
- Providing space for innovation or creative use of capacities
- Creating new capacity, or
- Creating more enabling conditions for capacity development or utilization

D. Learning from Experience

The fourth theme to focus on in this Conclusions section is learning. As noted earlier, not a great deal of systematic learning from experience was noted in the case studies, specifically on the issue of capacity development. This is a reflection of the orientation of the projects as, once again, the ones most likely to yield capacity lessons are those which have a clearer focus on capacity development in their design. The Charter agreement for the CBSC in PNG, for example, commits all partners to “innovation, outstanding performance, best practice and dissemination of lessons learned to continuously improve the performance of the Services Centre.” The Charter also commits to the establishment of a Learning and Innovation Panel which was intended to, among other things, “enable the Service Centre to develop and synthesize knowledge, skills, lessons learned and techniques to continuously improve capacity building within PNG.”

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

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

Encouraging organizations to focus on monitoring and learning can in and of itself be a valuable capacity strengthening exercise that has the potential to contribute to longer-term organizational well being and enhanced performance.

The bottom line on this issue though is that if development planners and practitioners are to strengthen capacity development efforts, greater emphasis needs to be placed on documenting of experiences and lessons, sharing them through various means and incorporating lessons in project and program designs (more on this in the following section).

V. IMPLICATIONS FOR ADB

The 'findings' and observations outlined in this report point to a number of possible implications for the ADB, bilateral donors and DMCs in terms of their approach to capacity development. These implications are addressed in the sections below.

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

Consistent with this study's findings, the ADB's first *CD Thematic Report* (December, 2006) notes the importance of the Bank's country strategy paper (CSP) to strengthening demand-orientation and effectiveness of capacity development. It acknowledges that there has been an enhanced effort in the Bank to integrate CD into CPS priorities and to take a more strategic approach, but suggests that CD still needs to be mainstreamed in the sector road maps. The report also indicates that there is potential to expand capacity assessments and that further work needs to be done to mainstream participatory approaches. It also calls for better support for local ownership/leadership, better change management processes and better diagnostics.

Several of the cases have underscored the particular challenges in dealing effectively with capacity issues in post conflict scenarios. At core is the dilemma of how to respond to demands for restoration of peace, security and government services while remaining focused on long-term capacity issues. The conflict-related cases reviewed in this study, and the broader literature, suggest particular requirements at the planning and design stage which were highlighted earlier on.

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

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

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

Some of the initiatives reviewed for this paper have attempted to take a more systematic approach to assessing the impact of inputs on domestic capacity. Closer examination of these and other similar experiences provide an opportunity for ADB to learn and adopt methods for

improving monitoring and evaluation of capacity development initiatives.⁹⁹ The case studies have also provided an opportunity to consider the incentives for M&E of CD, and the relatively limited feedback on this suggests that it is strongly driven by donor requirements rather than demands of local stakeholders.

A. Moving the Capacity Development Agenda Forward

A considerable amount of work has already been done within ADB to move the CD agenda forward following the Board's adoption of CD as a thematic priority. Of particular note is the work of the Capacity Development Working Group (CDWG) which was responsible for producing the November 2006 document: *Integrating Capacity Development into Country Programs and Operations, Proposed Medium-Term Framework and Action Plan*. The ADB has also produced various reports recently evaluating technical assistance effectiveness and how to achieve development effectiveness in weakly performing countries (WPCs).

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

1. Institutionalizing a CD Approach in Country Programs

Summary of Implications for ADB

The findings from this study, the ADB's CD Working Group (CDWG) report, and the 2007 CD retreat suggest that the Bank needs to:

- ⇒ Strengthen mechanisms to enhance understanding of the programming context, including capacity issues, as a basis for the Country Strategies, including political economy issues, leadership, ownership, commitment and capacities associated with key cross-cutting and sector issues. Political economy analyses should be done with local stakeholders and analyses carried out by other donors should be used where possible.
- ⇒ Draw on this enhanced understanding to secure agreement with PDMCs on CD priorities and strategies to be reflected in the CSP, as well as sector strategies and road maps.
- ⇒ See the country CD strategy process as an ongoing, country-led process guided by participatory methods.
- ⇒ Through consultations on the Country Partnership Strategy (CPS)¹⁰⁰, ensure a better 'fit' between ADB programming strategies (including CD strategies), PDMC programming and CD priorities, and the broader reform agenda in the country.

⁹⁹ Starting points for information on M&E of CD include: a) MandE News - <http://www.mande.co.uk/>, and b) Watson, David, 'Monitoring and Evaluation of Capacity and Capacity Development' (ECDPM Theme Paper, November, 2005, [http://spiderman.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/4EB26B200266AED5C12570C1003E28A2/\\$FILE/Watson%20M&E%20of%20CD2_November%202005.pdf](http://spiderman.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/4EB26B200266AED5C12570C1003E28A2/$FILE/Watson%20M&E%20of%20CD2_November%202005.pdf))

¹⁰⁰ CPSs replaced ADB's Country Strategy and Programs (CSP) in 2006 to reflect an enhanced emphasis on partnership based approaches.

According to the ADB CD Working Group's November, 2006 report, "... there is general agreement that in the past sector road maps have been generally weak. Road maps are often not based on a good understanding of country capacities and capacity development priorities, and it is not always clear to what extent ADB's program contributes to the larger reform agenda within a sector or theme. The understanding of the political economy context is often weak. It also appears that the rationale for sector or thematic prioritization often does not reflect a discussion among country teams of the relative capacities of key crosscutting and sector agencies. Assessments of basic change management issues, such as leadership, ownership, and stakeholder buy-in, are frequently not reflected in CSPs. In view of the required greater reliance on country systems, there is a need for a more effective strategic prioritization of such critical country capacities as public financial management and results-based management and for a clearer integration of ADB sector support into DMC sector strategies. CPS review processes need to build on endogenous capacity development progress reviews at crosscutting thematic, sector, and local government levels.¹⁰¹

The Working Group recommended that ADB respond to these shortcomings by: 1) working with country teams to identify priority organizations in DMCs to work with on CD initiatives; 2) determine which institutional elements of the enabling environment should be assisted as part of the CPS; 3) determine key stakeholders and partnerships or systems to be supported; and 4) determine how these initiatives will fit into sector roadmaps in the CPS. Specific expected results and associated activities identified in the CD Working Groups' Final report relating to CSPs and how to institutionalize a CD approach are outlined in Appendix 7.

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

- Mainstream CD in country partnership strategy formulation
- ADB should assist PDMCs in the analysis of political economy issues (drivers of change)
- At the CPS stage, more players, beyond government, should be involved
- Use country processes and the right local people to assess capacity
- Consultation and participation is "absolutely necessary"
- Hire people who know and understand the area
- Avoid multiple donor-led CD plans
- Don't just focus on "technical fixes"
- Focus on the country strategy but approve allocations annually
- Don't focus solely on money; look into other solutions
- Improve incentives for staff

Retreat participants recognized the challenge of understanding the drivers of change, as well as capacities of communities - a process that is made more difficult by the limited time allocated for community engagement and strategy development. A possible solution identified for ADB was to partner with an organization which has comparative advantage, has been doing political economy and is 'living' in partner countries, e.g. UNDP.

Other issues arising from the research to be considered as ADB moves forward include the following:

¹⁰¹ ADB. 2005. The Report on Innovation and Efficiency Initiative. Change Proposals on Country Strategy and Program and Business Processes. Manila.

- The nature of the consultation and participation processes required to ensure CD issues are addressed adequately in the CPS
- How to frame capacity issues in the CPS, including how to address them from a systems perspective
- The role of ADB's Country Office in the CPS process
- Roles for CD Specialist/Advisor in supporting development of the CPS, including integration of CD principles and strategies
- Special needs/requirements of small PDMCs, e.g. do they require different assessment processes?
- How to monitor capacity results linked to CPS
- The particular challenges of fragile or post conflict states – how does this affect the CPS process?

ADB's April, 2007 report on WPCs speaks to the last point indicating that ADB's response has been to modify its own processes to reflect realities on the ground. Recommendations from the WPC report could provide a reference point for determining how to deal with WPCs in the CPS process.

2. Capacity Development Programming

Summary of Implications for ADB

- ⇒ Select 'demand-driven' pilots in key ADB sectors/thematic areas in PDMCs to provide a basis for initiating new CD approach
- ⇒ Provide inputs to facilitate new approaches, e.g. stakeholder analysis, capacity assessments
- ⇒ Strengthen participatory approaches to enhance ownership and effectiveness of CD programming
- ⇒ Ensure programming decisions are informed by a strategic analysis of capacity options (e.g. best entry points, modalities, sustainability/exit strategy)
- ⇒ Ensure programming in conflict-affected communities is informed by proper analyses
- ⇒ Increased emphasis on capacity for demand and local accountability
- ⇒ Explore possibilities for increasing reliance on local capacity building options. e. g. facilities, exchanges, use of local consultants

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

Specifically, the CDWG report recommends "using the new conceptual framework and principles on a pilot basis (selecting one or two key executing agencies per DMC) and in sectors in which ADB has a substantial presence, such as transport, energy, or education."¹⁰² The report also recommends: a demand-driven approach in the selection of key executing agencies (to

¹⁰² ADB, Integrating Capacity Development into Country Programs and Operations, Proposed Medium Term Framework and Action Plan, Draft Final Report, November 2006, p. 25

ensure ownership), sharing of lessons from the pilots, supporting a gradual shift in approaches (e.g. by facilitating stakeholder analyses, organizational and institutional analyses, establishment of performance benchmarks and databases). In addition, the report calls for “disciplined analysis” of executing agency capacity and the roles of other stakeholders, including consideration of soft capacities and enabling factors. See Annex 7 for outputs and activities specified in the CDWG report.

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

- Fund participatory processes and make them the norm for strategy, design, and implementation in order to establish “real demand” for development
- Listen to and assess the needs of Government, civil society, NGOs in all interventions for sustainable capacity
- Invest in understanding what’s appropriate and will last and let that inform decisions re approach/modalities
- Promote a systems/program approach to CD, e.g. funding clusters of TAs for weakly performing countries
- Support longer-term interventions

Other issues relating to CD programming for consideration as PARD moves forward include the following:

- How to strengthen participatory processes in support of CD programming (what works in what context)
- How to assess capacity issues in advance of CD programming decisions
- How to determine the right programming ‘fit’ - varied and changing contexts, including shifts in local capacity, suggests that interveners need to draw upon a range of approaches and modalities when seeking to address capacity issues
- What role for Trust Funds, Capacity Development Funds
- How to determine the appropriate entry point and approach, e.g.
 - Contributing to a more enabling environment (e.g. policy advice)
 - Strengthening inter-organizational capacity (e.g. through advice, incentives)
 - Building Local Capacity to Build Capacity (e.g. facilities)
 - Individual skill enhancement (e.g. in country training, mentoring, secondments, placements, overseas scholarships, exchanges, placements)
- The duration of CD interventions and exit strategies
- How to enhance capacity for demand and local accountability
- Roles and responsibilities of various partners, e.g. assignment of counterpart staff by executing agencies
- Monitoring capacity results
- Role of ADB Country Office

The CD retreat had a session specifically on TA management given the importance of TA to many capacity development processes. The table below highlights suggestions which emerged from that discussion.

Processes for Managing TA	
Identification	Redefine process of TA identification (e.g. be more government-driven) Fewer, longer-term, larger TAs in cluster/phased modes Provide budget for Pacific-based selection, identification, and conceptualization of TA
Recruitment and Contracting	Governments be given more of a free hand in selection of TA personnel; nationally-driven Introduce new recruitment/contracting modalities (e.g. framework contracts) Delegate contracting/recruitment of individual consultants to PARD/Resident Missions with COSO having an oversight function Advertise through E-Consult
Orientation/preparation	Should have formal induction process for each TA, incorporating cultural and country elements
Management	Implementation should be supported as part of the TA The TA should report to the executing agency Mutual accountability between donor and executing agency
Monitoring and evaluation	M&E should be based on CD indicators

In the retreat discussion, it was suggested that ADB may not be ready, at this point, to delegate recruitment to executing agencies. However, participants highlighted different options which could enhance PDMC's role in recruitment, but without placing new administrative burdens on them.

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

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

- Determine if the need is real or perceived? (PDMC perspective)
- Think about gap filling strategically (including whether the contribution can be sustained)
- Understand the reasons for the gap (e.g. political economy issues) rather than just filling it without question
- Focus on gap filling within an appropriate institutional framework (avoid tactical responses)

- Fill gaps within a long-term CD strategy and long-term political, social economic growth strategy
- Avoid approaches which are potentially de-capacitating or which foster dependency
- Recognize capacity substitution as a valid public policy option
- Support longer-term interventions
- Consider volunteers as an option, especially in small communities
- Agree on an exit strategy for long term TA
- Encourage pooled regional capacity, where appropriate, for national needs
- Be selective about which sector to support
- Favor “essential” sectors (e.g. education and health)
- Require full beneficiary “buy-in,” including dedicated counterpart support

Other issues relating to the role of advisors touched on at the retreat or in the case studies which merit further consideration as PARD moves forward include the following:

- How to ensure clear, locally owned TORs - who drafts them, approves them
- Workplans of advisors – how to link them not only to Key Performance Indicators, but also mutually agreed Key Capacity Indicators
- Naming the role – e.g. advising, training/mentoring, systems development, gap filling. As indicated in AusAID’s 2007 Discussion Paper on *Technical Assistance and Capacity Building* in Timor Leste, “naming the role matters”. This reflects the fact that many ‘advisors’ end up performing in-line functions, either because a counterpart is not available, or simply to fill an existing gap which may have been the unspoken intent. As the AusAID report concludes: “Being clear about the purpose enables amore accurate terms of reference, better matching of potential candidates to the role, and helps establish transparent performance expectations.”¹⁰³
- How to recruit and select ‘effective’ advisors - the right combination of technical skills, experience, local knowledge, ability to facilitate, transfer skills etc.
- Value of long-term versus short-term TA - long-term TA is frequently seen as a preferred option given the importance of understanding the context, developing relationships with local stakeholders and the greater potential for focusing on long-term capacity needs. Some of the cases though demonstrated a preference for short-term and/or intermittent TA as it allowed local partners to benefit from specialized expertise while ensuring local ownership of the process.
- Use of local consultants – how can it be enhanced to increase ownership, strengthen local consultancy capacity, and to ensure better understanding of the local context, e.g. culture, traditions, power dynamics, informal systems, reasons for capacity problems.
- Monitoring advisors inputs, results or performance. This requires enhanced attention to M&E, including developing country capacity; it can also provide a boost to endogenous accountability.

Special consideration need be given to CD interventions in conflict or post conflict situations. The following factors have been highlighted by the DAC Network on Governance, among other sources, and are relevant to conflict and post-conflict situations in the Pacific region:

- Carefully analyse the country context, including the current (and prospective) capacity situation before committing to reforms (e.g. capacity deficits resulting from the conflict, financial limitations, role of traditional institutions)

¹⁰³ AusAID, Technical Assistance and Capacity Building, Discussion Paper, Final (Timor Leste), June 7, 2007, p. 5.

- Ensure a clear understanding of the conflict (e.g. history of the conflict, reasons for it, potential for slipping back)
- Ensure an understanding of stakeholders' commitment to reforms
- Jointly develop an approach that is likely to work in the given circumstances, being realistic about what can be achieved in light of contextual factors
- Promote multi-stakeholder involvement to bring communities together, build a critical mass in favour of change, and increase prospects for sustainability
- Give priority to capacity development efforts that reduce fragility or prevent a return to conflict or state collapse
- Identify partners carefully and support them over the long-term
- Where state capacity is weak, but political will is present, CD efforts should focus selectively on restoring core state functions (to create conditions for restoration of a broader range of state services)
- Think about the confluence of security, development and diplomatic efforts, and how development efforts can best fit in
- Respect local ownership and leadership (e.g. by setting realistic goals and thinking long-term)
- Where state capacity is severely challenged, consider channelling support through non-state actors
- Coordinate with other donors in order minimize demands on existing administrative capacity

3. ADB's Business Processes and Internal Support Systems

Summary of Implications for ADB

- ⇒ Strengthen internal capacity for CD programming in relevant areas, e.g. RBM systems, staff skills/incentives, HR management, accountability and reporting, knowledge management, increase demand orientation
- ⇒ Examine options for modifying consultant recruitment and selection, including increasing the role of PDMC partners
- ⇒ Consider options for Pacific island consultant rosters and reliance on framework agreements

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

The CDWG's final report, and other ADB documents, have highlighted areas for improving the Bank's business processes and internal support systems. The ADB's June 2007 report on *Enhancing the Impact of the Asian Development Bank's Technical Assistance Program*, for example, notes a number of procedural areas requiring attention including: "apparent lack of focus for parts of the TA program; internal procedures, which can be time consuming while adding limited value to project design; an emphasis on processing until approval rather than implementation; the risk of a supply-driven approach with insufficient ownership by DMCs and

EAs; and constraints in ADB internal TA management.”¹⁰⁴ Priorities from the CDWG report are outlined in Annex 7.

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

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

- Commit more resources to TA design and TA implementation
- Use a more selective approach in application of resources
- Design CD TA in Pacific countries, not in Manila
- Encourage joint donor approaches
- Departments’ work plans to recognize and give importance to CD
- Rely on staff with Pacific and CD experience
- Encourage application of innovative tools for mobilization of consultants (e.g. framework/ indefinite delivery contracts)
- Streamline access to funds
- More flexible/adaptive designs allowing changes through implementation
- Don’t lose sight of the value of small, flexible, rapid TA to respond to urgent capacity needs.
- Strengthen national consulting capacity in the Pacific
- Re-examine internal incentives – accountability/rewards for outcomes not loans designs/programming
- Seek board and management approval (exception) to fund Pacific WPC-country strategies rather than Pacific WPC TAs

¹⁰⁴ Asian Development Bank, Enhancing the Impact of the Asian Development Bank’s Technical Assistance Program, June 26, 2007, p.i

Appendix 1

**Pacific Capacity Development Case Studies
By Country and Author**

Cook Islands, Vaine Wichman,

- Economic Restructuring Program, 1996-1998 (ADB)
- AusAID-NZAID Donor Coordination

Kiribati - Ueantabo Mackenzie

- Community Development and Sustainable Participation, 2002-2005 (ADB)
- Integrated Urban Planning and Program Study 1996 (ADB)

Nauru: Kevin Balm

- Nauru National Sustainable Development Strategy (NSDS), 2005 (ADB, AusAID, Pacific Islands Forum Secretariat)

PNG – Cedric Saldanha

- Provincial Performance Improvement Initiative (PPII), 2004-2019 (AusAID)

PNG - Tom Seta

- Community Justice Liaison Unit (CJLU), 2003-2008 (AusAID)

PNG - Paulina Siop

- Ok Tedi Mine Area Community Economic Capacity Development (Western Province) (ongoing)
- Mining Sector Institutional Strengthening Project (World Bank)

RMI - Ben Graham

- National Fisheries Development Plan, 1996-1999 (ADB)
- Preparing the Youth Social Services Project 2004-2005 (ADB)

Samoa - Esekia Solofa

- Samoa Public Sector Improvement Facility (PSIF) (AusAID and NZAID)
- State Owned Enterprise (SOE) Reforms (ADB)
- Strengthening Capacity for Macroeconomic Analysis, Planning and Policy Formation, 2000-2002 (ADB)

Solomon Islands - Samson Rihuoha

- Institutional Strengthening of the Ministry of Infrastructure Development (ISMID) (ADB)

Timor-Leste - Helio Augusto

- Planning For A Society In Transition: Creating Institutions and Building Capacity (UNDP)

Tonga - Kaveinga Tu'itahi

- Tonga Health Sector Planning and Management Project, 1999-2007 (AusAID)
- Integrated Strategic Planning, Medium-Term Fiscal Framework and Budgeting, 2006 (ADB)

Tuvalu: Brian Bell

- Falekaupule Trust Fund, 1999 (ADB, NZAID)

Vanuatu - Henry Vira

- Vanuatu Legal Sector Strengthening Program (VLSSP), (AusAID)
- Public Financial and Economic Management Project (AusAID)

Regional: Ron Duncan and Jim McMaster

- USPNET

QUESTIONNAIRE FOR THE STUDY

I. Feasibility and Design

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

II. Implementation

- 5) What strategies were used to support, strengthen or ensure more effective utilization of local capacity, e.g. TA, training, study tours, institutional linkages, provision of financing, ensuring 'space' for local actors to pursue their own agenda, stimulating demand for change?
- 6) What levels(s) did capacity interventions focus on (individual, organizational, multi-organizational, institutional, policy)? How were the various levels linked?
- 7) What strategies were more or less successful, and why?
- 8) What were the key factors influencing the 'success' of the initiative (e.g. organizational readiness, an enabling environment, local leadership, legitimacy, good relationships, adaptiveness, demand, the nature of the external support)?
- 9) To what extent have socio-cultural or political factors or relationships either prevented or promoted CD? How?
- 10) Was the capacity development intervention a good "fit" in light of country policies, strategies and the prevailing institutional and political context?
- 11) How did contextual factors (e.g. social, political, economic, organizational) either support or hinder capacity development efforts?
- 12) Was the capacity development intervention implemented as per plan? Or was it more of an iterative, evolving process?
- 13) Was sufficient time allocated for the initiative in light of the objectives outlined?

III. Monitoring and Evaluation (M&E)

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

IV. Key Lessons

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

Preparation of Case Studies Terms of Reference

Pacific Islands consultants, with background in capacity development (CD), in depth local/regional experience and clearly demonstrated skills in research, analysis and writing, are required to prepare a case study (or studies) as part of a broader ADB research project on capacity development¹⁰⁵ in the Pacific region. The broader study will include a series of case studies of capacity development highlighting a range of experiences by sector, theme, region and source of external support. Particular attention will be given in the studies to more “successful” examples of CD while at the same time highlighting less successful initiatives and the reasons for them.

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

- The importance of PDMC leadership/ownership in capacity development initiatives (from identification through to implementation)
- Strategic attention to capacity issues (e.g. in national/sector strategies or plans, project design, use of innovative mechanisms),
- ‘Hard’ as well as ‘soft’ capacity issues, and
- Effective use of external resources for capacity development or utilization.

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

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

The field work for the case studies will be guided by a series of questions (see Annex 1). In an overall sense though, the research will test this basic hypothesis:

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

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

¹⁰⁵ ADB defines capacity development as “the process whereby people, organizations, and society as a whole, unleash, strengthen, create, adapt, and maintain capacity over time.”

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

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

The consultant will undertake the following specific tasks:

- (i) Review relevant documentation pertaining to CD in the country being studied. This will include PDMC national and sectoral plans, strategies, evaluations and reviews.
- (ii) Review relevant ADB corporate documents relating to CD and technical assistance (TA).
- (iii) Review other relevant development partner CD documentation (e.g. research studies, evaluations) pertaining to the country in question.
- (iv) Identify key principal(s) responsible for helping develop capacity in the example to be studied.
- (v) Conduct a field study on CD in sector x in country y based on the questionnaire/framework developed for this study (see Appendix 1). The field study will include interviews and focus groups (as appropriate) with relevant stakeholders and key informants e.g. government partners, private sector interests, civil society organizations, academics, development partners. The researcher will also endeavour to secure personal reflections from key practitioners who have been involved in CD initiatives.
- (vi) Prepare a paper (20-25 pages) which will include a background section describing, among other things, the origins of the initiative(s) studied and the context in which they were implemented, as well as a *detailed analysis of key issues and lessons learned with respect to capacity development*. Consistent with the emphasis interest in the study noted above, particular attention will be given to PDMC strategies for CD, the influence of local ownership, leadership, participation and demand on the initiative. In addition, the paper will identify themes, practices and principles that might guide future CD in the Pacific. (Note: additional information will be provided to guide the research, including ADB’s CD framework and other relevant literature on capacity development from the international development community.)

OUTPUT, REPORT REQUIREMENTS

A draft report will be submitted to ADB by early to mid March, and will be finalized by April 30, 2007 reflecting feedback from ADB, including the Team Leader, the Task Manager, CD panelists, and write shop participants.

PLACES OF ASSIGNMENT

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

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

Appendix 4

Capacity Development – Possible Approaches¹⁰⁶

	Pros	Cons / Risks
A. Technical Assistance (Expert Advisors)		
➤ Long-Term International Advisor (resident in country) – advisory role	<ul style="list-style-type: none"> - provides continuity, enhances prospects of building solid relationships and understanding of the local context - - focus on provision of advice and building capacity - able to take a 'long view' and avoid unrealistic pressures for 'short-term results' 	<ul style="list-style-type: none"> - risks increasing dependency - may be question of accountability to whom – contractor? local partner?
➤ Long-Term International Advisor (resident in country, in-line role)	<ul style="list-style-type: none"> - provides continuity, enhances prospects of building solid relationships and understanding of the local context - able to take a 'long view' and avoid unrealistic pressures for 'short-term results' 	<ul style="list-style-type: none"> - risks increasing dependency, esp if in advisor is in a line position - may be question of accountability to whom – contractor? local partner?
➤ Strategic Gap Filling (often long-term)	<ul style="list-style-type: none"> - can advise on issues requiring highly specialized skills not available locally, e.g. trade, anti-corruption, telecommunications - can provide operational or policy support in areas critical to functioning of government, e.g. judges, legislative drafting (esp important in small island states with limited specialized capacity) - can serve as change agent, bringing in international expertise, ideas, practices 	<ul style="list-style-type: none"> - doesn't necessarily address longer-term capacity needs or systemic constraints
➤ Long-Term International Advisor (in-and-out)	<ul style="list-style-type: none"> - provides 'space' for local staff to develop new skills independently between visits - stronger sense of ownership 	<ul style="list-style-type: none"> - advisor may have limited understanding of organizational culture, capacity issues, informal systems - may be more inclined to respond to pressures for short-term 'results' or deliverables vs focusing on capacity issues
➤ Short Term International Advisor (specialist expertise)	<ul style="list-style-type: none"> - responds to specific need at a particular point in time 	<ul style="list-style-type: none"> - advisor may have limited understanding of organizational culture, capacity issues, informal systems - more inclined to respond to short-term needs or pressures for 'deliverables' vs. longer-term capacity issues
➤ Short term International Specialist supported by regional institution	<ul style="list-style-type: none"> - broadens base of support for local institution - draws on regional capacity and encourages ongoing links (sustainability) - cost savings - local ownership 	<ul style="list-style-type: none"> - potential to by pass local institutions

¹⁰⁶ Some of these options are adapted from AusAID internal documents and the Fiji Health Support Improvement Program

	Pros	Cons / Risks
➤ Local Expert	<ul style="list-style-type: none"> - work done in country; reliance on local systems, procedures - in-depth knowledge of context, including political economy, org'l culture etc. - costs savings - local ownership 	<ul style="list-style-type: none"> - limits opportunities to draw in international expertise or build up external links -
➤ Local expert supported by Specialist short-term TA	<ul style="list-style-type: none"> - majority of work done in country with long distance support (e.g. e-mail, teleconference) or short visits - in-depth knowledge of context, including political economy, org'l culture etc. - cost savings - local ownership 	<ul style="list-style-type: none"> - Seconding local staff to project team can (potentially) diminish capacity of local partner in short to medium term - immediacy of support can be diminished by not having locally-based specialists
➤ TA through twinning	<ul style="list-style-type: none"> - works where there is high ownership such as for pre-accession states to EU - ongoing links to range of institutional capacities (experts, network partners, interactive websites) - can enhance credibility of local partner (incentive for staff) 	<ul style="list-style-type: none"> - most ODA examples show few relevant outcomes in organisational strengthening - activities tend to become routine - capacity development objectives have to be well defined - focus more on training than learning so recourse to formal courses rather than on-the-job learning
➤ TA through partnership with professional associations	<ul style="list-style-type: none"> - as above 	<ul style="list-style-type: none"> - as above
<p>➤ TA through pooling – different levels:</p> <p>Full – untied with procurement and strategic management by partner country;</p> <p>Mixed – tied or untied with procurement managed by donors and strategic management by partner country;</p> <p>Loose – tied or untied with procurement managed by donors and strategic management shared by donors and partner country</p>	<ul style="list-style-type: none"> - full – government in charge, makes decisions on TA; can reduce transaction costs in long run, less opportunity for dev orgs to put non-developmental demands on TA; transparent costs - mixed – less time to put in place; relieves gov'ts with limited capacity of management responsibilities; can reduce coordination costs in long run - loose – can be put in place relatively quickly; little pressure on partner country management systems 	<ul style="list-style-type: none"> - can take a long time to put in place; lowest common denominator kind of thinking ; individual foreign TA may be unwilling to sign contracts with partner country; risk of corruption - no opportunity to build up local procurement capabilities through experience; pool could be donor-led and undermine ownership; little transparency on costs - no opportunity to build up local procurement capabilities; gov't needs and preferences may not be given adequate attention, thus reducing ownership; no transparency on costs; possibility of overwhelming gov'ts
TA through delegated cooperation – one donor asks another to manage its programme in a particular country	<ul style="list-style-type: none"> - fewer donors for partner to deal with - implementing donor is usually chosen because of its comparative advantage in sector - diplomatic interim step to complete withdrawal from a 	<ul style="list-style-type: none"> - loss of visibility for donor delegating its programmes

	Pros	Cons / Risks
	country	
B. Training	<ul style="list-style-type: none"> - can directly respond to expressed needs and priorities (esp important if strategic gaps that need to be addressed) - can serve as an incentive to help retain staff - more effective if ongoing or linked to other activities 	<ul style="list-style-type: none"> - most analysis suggests that training is less effective than expected - rarely an effective tool for organisational and institutional capacity development - not always clearly linked to long-term organizational capacity requirements - trainee may move on to unrelated job with no enduring benefit for participating organization
<i>In Country</i>	<ul style="list-style-type: none"> - can link to local experiences (e.g. cases, placements) - enhances opportunities for ongoing learning 	<ul style="list-style-type: none"> - reinforces connections with other national colleagues/practitioners - focus on knowledge/skills gaps vs. organizational requirements
➤ formal training	<ul style="list-style-type: none"> - accreditation; formal recognition - <i>works best if:</i> <i>course content closely aligned with work responsibilities;</i> <i>individuals have opportunities to apply learning in practical assignments or in their jobs;</i> <i>culture or institution is ready for new ideas or practices</i> <i>training fits into broader development strategy either for institution or country more broadly</i> 	<ul style="list-style-type: none"> - can adversely affect capacity of agency in short to medium term - sustainability of skills depends on conditions, incentives in host organization
➤ on-the-job (mentoring, 1-on1, 1-on-many)	<ul style="list-style-type: none"> - can be more practical, relevant to trainee - 1-on-many increases prospects for sustainable impact 	<ul style="list-style-type: none"> - benefits may be lost if capacity gains not institutionalized (can be mitigated by focusing on 1-on-many vs. 1on-1.)
➤ distance education	<ul style="list-style-type: none"> - can access higher numbers of trainees 	<ul style="list-style-type: none"> - may be some trade off on quality of training, follow-up, reinforcement of learning
➤ continuous learning through communities of practice and other ways of keeping in touch with experts and practitioners dealing with similar issues (beyond a single course)	<ul style="list-style-type: none"> - <i>on-going support and mentoring</i> - <i>opportunity to make contact and exchange with peers</i> - <i>continuing exposure to new ideas and information</i> 	<ul style="list-style-type: none"> - <i>needs leadership and preferably some funding to keep going</i>
➤ train the trainer	<ul style="list-style-type: none"> - can enhance domestic training capacity and reduced dependence on external trainers/advisors 	<ul style="list-style-type: none"> - advisor/trainee may not have requisite training skills
➤ domestic work placement	<ul style="list-style-type: none"> - transfer knowledge and skills in a 'comfortable' environment, i.e. same language, org'l culture - strengthen relationships 	<ul style="list-style-type: none"> - capacity building objectives need be clearly identified - colleagues need have skills to transfer knowledge and skills
<i>Regional</i> - formal training - work placements, exchanges - university degree or diploma / certificate prgms	<ul style="list-style-type: none"> - reinforces regional links; provides basis for future professional links - connect with regional practitioners and colleagues - expose to new practices - build capacity for future cooperation - motivate staff 	<ul style="list-style-type: none"> - can adversely affect capacity of agency in short to medium term - need ensure training is relevant to host organization

	Pros	Cons / Risks
<i>International</i> (i.e. outside the region) - formal training - work placements, exchanges - study tours - university degrees or diploma/certificate prgms	- connect with international practitioners and colleagues - expose to new practices - build capacity for future cooperation - motivate staff	- can adversely affect capacity of agency in short to medium term - no benefits for regional training organizations or institutes - need ensure training is relevant to host organization
C. Infrastructure & Equipment	- may be key to effective use or strengthening of domestic capacity	- need ensure that capacity exists (financial, and human) to operate and maintain equipment on an ongoing basis (if not, relevant support can be provided as part of assistance)
D. Financing	- can create opportunities for effective use or strengthening of domestic capacity (removes a potentially binding constraint) - agreement to provide financial support usually reflects shared vision and agreement on policy and programming priorities	- financial contributions should be linked to, or be informed by, long-term vision re capacity

Appendix 5

UNDP's Default Principles For Capacity Development

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

1. **Don't rush. Capacity development is a long-term process.** It is not amenable to delivery pressures, quick fixes and short-term results seeking. Engagement for capacity development needs to have a long term horizon and be reliable.
2. **Respect the value systems and foster self-esteem.** The imposition of alien values can undermine confidence. Capacity development requires respect. Self-esteem is at the root of capacity and empowerment.
3. **Scan locally and globally; reinvent locally.** There are no blueprints. Capacity development means learning. Learning is a voluntary process that requires genuine commitment and interest. Knowledge transfer is no longer seen as the relevant modality. Knowledge needs to be acquired.
4. **Challenge mindsets and power differentials.** Capacity development is not power neutral and challenging vested interest is difficult. Frank dialogue and moving from closed curtains to a collective culture of transparency is essential to promote a positive dynamic for overcoming them.
5. **Think and act in terms of sustainable capacity outcomes.** Capacity is at the core of development. Any course of action needs to promote this end. Responsible leaders can inspire their institutions and societies to effectively work towards capacity development.
6. **Establish positive incentives.** Distortions in public sector employment are major obstacles to capacity development. Ulterior motives and perverse incentives need to be aligned with the objective of capacity development. Governance systems respectful of fundamental rights are a powerful incentive.
7. **Integrate external inputs into national priorities, processes and systems.** External inputs need to correspond to real demand and need to be flexible to respond effectively to national needs and possibilities. Where such systems are not strong enough they need to be reformed and strengthened, not bypassed.
8. **Build on existing capacities rather than creating new ones.** This implies the use of national expertise as prime option, resuscitation and strengthening of national institutions, and protecting social and cultural capital.
9. **Stay engaged under difficult circumstances.** The weaker the capacity the greater the need. Weak capacities are not an argument for withdrawal or for driving external agendas. People should not be hostage to irresponsible governance.

10. **Remain accountable to ultimate beneficiaries.** Even where national governments are not responding to the needs of their people, external partners need to be accountable to beneficiaries and contribute to the responsabilisation of national authorities. Sensible approaches in concrete situations need to be openly discussed and negotiated with national stakeholders.

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

Appendix 6

Expected Results Identified by ADB Capacity Development Working Group (CDWG)

I. Institutionalizing a CD Approach in Country Programs

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

II. Capacity Development Programming

Output	Activity
1.5 Increased capacity development focus of capacity development operations in priority sectors and themes based on quality-at-entry criteria.	<p>Establish mandate and performance benchmarks for target organization.</p> <p>Conduct baseline capacity assessments and stakeholder analysis.</p> <p>Adopt inclusive approaches and identify roles of partners in design implementation and monitoring of operations.</p> <p>Strengthen accountability systems to domestic constituencies.</p>

Output	Activity
<p>1.7 Increased experience with piloting new modalities and processes to support CD.</p>	Identify capacity development targets and routinely monitor progress.
	Take measures to maintain ownership and leadership of counterpart organizations in various aspects of design and implementation (e.g., contracting of consultants).
	Strengthen process and systems orientation.
	Avoid setting up parallel systems.
	Strengthen country systems that are critical to strengthen alignment of ADB operations with country systems (i.e., strategic planning for poverty reduction, procurement, financial management, results-based management).
	Increasingly engage recipient country service providers in capacity-development-related activities, such as organizational and institutional assessments, trainings, and endogenous monitoring of capacity development progress.
	Strengthen partnerships with other funding agencies, in particular the United Nations system and bilateral aid partners.
Strengthen linkages between grant, technical assistance and loan modalities.	
Pilot new modalities, such as capacity development funds.	
Engage in ADB-wide efforts to review modalities, i.e., in view of mainstreaming the Japan Fund for Poverty Reduction experience into ADB operations, analyzing sector-wide approaches and/or to	

III. ADB's Business Processes and Internal Support Systems

Outputs	Activities
<p>1.2 Strengthened RD-wide results-based management system for capacity development objectives.</p>	Take stock of existing RD-specific results-based management system for capacity development.
	Identify strengths and weaknesses of RDs' capacity development program and conduct gap analysis based on quality-at-entry criteria.
	Identify RD-wide capacity development objectives and performance targets.
<p>1.6 Increased resident mission and headquarter staff skills and incentives for capacity development.</p>	To work closely with the Resident's Mission's Role in Operations Review to ensure that consideration will be given to the recommendations made in the Framework.
	Place emphasis on recruitment of sector staff with CD skills and long-term DMC experience.

Outputs	Activities
<p>2.1 Effective Asian Development Bank (ADB)-wide leadership exercised in support of the proposed capacity development (CD) approach.</p>	<p>Relax restrictions on average length of field missions for CD projects.</p> <p>Reduce the average number of changes of project officers on CD projects.</p> <p>Ensure adequate handover of projects to new project officers. Decrease emphasis on processing as compared to implementation and monitoring for CD projects.</p> <p>Monitor and reward CD performance of staff.</p> <p>Provide opportunities for staff to participate in CD learning and development and networking activities.</p> <p>Management oversees implementation of the action plan.</p> <p>Management provides regular progress reports to the Board through the biannual thematic report on capacity development</p> <p>Management makes full resourcing of action plan a priority element in preparing work program, budget frameworks, and annual budgets.</p>
<p>2.2 Improved human resource management for capacity development.</p>	<p>High-level officials communicate ADB's capacity development approach in official speeches and include capacity development in policy dialogue with developing member countries (DMCs) and global partnerships.</p> <p>Estimate staff resource and skill needs based on functional responsibilities.</p> <p>Define generic job descriptions for sector specialists with capacity development competencies and resident mission staff with change management competencies.</p> <p>Conduct staff skills inventory against the competency framework.</p> <p>Identify and act on identified recruitment and/or redeployment needs.</p> <p>Ensure effective performance management of capacity development staff, including career paths and regular offers of learning and development programs.</p> <p>Conduct and update learning programs on a regular basis.</p>
<p>2.3 Improved capacity development focus of transparency, accountability and reporting mechanisms for ADB-wide delivery of results.</p>	<p>Establish feedback mechanisms to operational departments based on quarterly review of project performance monitoring system data and initiate reclassification where necessary.</p> <p>Summarize capacity development classification data on an annual basis.</p> <p>Provide thematic progress report on biennial basis to management.</p> <p>Contribute capacity development aspects to sector and thematic biennial reports.</p>

Outputs	Activities
	<p>Provide access to information as required by the Public Communications Policy.</p> <p>Attend to specific information requests by major clients.</p>
<p>2.4 Increased demand-orientation and effectiveness of upstream technical capacity development support.</p>	<p>Identify support needs.</p> <p>Design appropriate operational support measures (i.e., staff guidelines, tools, direct support).</p> <p>Develop capacity development quality-at-entry criteria for CPSs, sector road maps, technical assistance, and lending instruments.</p>
<p>2.5 Improved corporate and regional mechanisms for learning from capacity development experience.</p>	<p>Establish feedback mechanisms.</p> <p>Conceptualize knowledge exchange program based on planned and ongoing pilots and learning needs.</p>
<p>2.6 Effective internal and external knowledge sharing and coordination mechanism for capacity development.</p>	<p>Conceptualize network.</p> <p>Share concept widely with staff and invite membership.</p> <p>Conduct regular knowledge sharing activities, such as brown bags.</p> <p>Identify knowledge management tools (i.e., web-based resource center, practice notes, conference participations).</p>
<p>2.7 Enhanced capacity development focus of independent evaluations.</p>	<p>Include special evaluation studies in Operation Evaluation Department's (OED's) work program and increasingly base the studies on capacity development concepts and performance criteria.</p>

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