Institute On Governance

Policy Brief

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*"Capacity Building":
A New Way of Doing Business
for Development Assistance
Organizations*

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1.   Introduction

 "Capacity building" has moved to the center of the agenda at agencies providing money, equipment or technical assistance to communities or countries for the purpose of economic, social or institutional development. Initially limited to the world of international development assistance, the term has now assumed wider significance.

This Policy Brief provides an overview of challenges faced by development assistance agencies as they seek to adopt a capacity-building perspective. It explores the operational roots of those challenges, and describes approaches to addressing them.

Because much of the capacity building literature[1] is derived from international development assistance, this paper is written from the perspective of international development agencies. But many of the concepts and lessons described here would be applicable to government agencies in the developed world that provide assistance to communities or organizations in their own countries.

2.   What is Meant by "Capacity Building"?

The term "capacity building" (or "capacity development") came into vogue in the early 1990s among international development agencies such as the World Bank and the United Nations Development Programme (UNDP).[2] Bilateral development organizations such as the Canadian International Development Agency (CIDA) have also adopted the terminology.

Use of the term has spread beyond organizations providing assistance to developing countries. Within the Canadian federal government, for example, Departments such as Indian Affairs

and Northern Development, and Human Resources Development, refer increasingly to the importance of "building the capacity" of the communities or partners with which they work.

The UNDP defines capacity building as "the process by which individuals, organisations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives."[3] The World Bank has similarly defined "capacity" (as opposed to the activity of capacity *building*) as "the combination of people, institutions, and practices that permits countries to achieve their development goals."[4]

3.   What's New About "Capacity Building"?

A respected development thinker has derided the term "capacity-building" as "analytically and practically useless."[5] Others say it risks becoming "a slogan rather than a meaningful concept."[6]

The definitions noted above do indeed suggest that capacity-building might be so all-encompassing a term as to be "useless" from an analytical and practical point of view. Helping societies "perform functions, solve problems and set and achieve objectives" covers virtually everything that a development agency might wish to do. "Capacity-building" is therefore indistinguishable from a common understanding of "development". The term appears at face value to add nothing to the approach to development problems.

On the other hand, the fact that the term is now in wide use suggests there is more to it than meets the eye. Though "capacity-building" adds

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[1] As well as the author's own experience.
[2] For a useful overview of the recent "history" of capacity building, see "Capacity Development: Definitions, Issues and Implications for Monitoring and Evaluation," by Charles Lusthaus and Marie-Hélène Adrien. Universalia, July 1999 (Draft). http://www.universalia.com/capdev/paper/paper.htm

[3] *Capacity Development*. Technical Advisory Paper 2. New York: United Nations Development Program, 1997, p. 3.
[4] *Partnership for Capacity Building in Africa. Strategy and Program of Action*. Washington: The World Bank. 1996.
[5] For example, see "Promoting Good Government by Supporting Institutional Development?", by Mick Moore. *IDS Bulletin*, Vol. 26, No. 2 (1995), p. 93.
[6] Lusthaus and Adrien, p. 8.

little from an analytical perspective, its rise to a central place in the vocabulary of development assistance has opened the door to reexamining how aid organizations ought to operate. Asking what it takes for an aid agency to be better at "capacity-building" is tantamount to asking what it takes to be a better aid agency, period.

The answer to "what's new?" is, therefore, *both* "nothing" *and* "everything":

- "Nothing" because *in principle*, development assistance has always been about capacity-building.

- "Everything" because, as summarized in the next section, the recent popularization of the term reflects fundamental discontent with approaches that dominated thought and action in development assistance from the 1950s through the mid-1990s.

4.   Beyond "Moving Money"

The President of the World Bank – the world's most influential development assistance agency – observed recently that improvements in social and economic conditions in the world's poorest countries have been "too slow"[7] despite huge volumes of development assistance. The explanation for this unsatisfactory performance lies with both the givers and receivers of assistance. To be sure, developing countries have frequently been unwilling and/or unable to make the most effective use of international aid. But the aid agencies themselves have also been at fault. Some have acknowledged in recent years that the effectiveness of their aid has been hampered both by a relatively narrow view of development built around economic indicators, and by their own "corporate culture" and management practices.

For too long, aid agencies focused too much effort on satisfying their own administrative

procedures and targets. Internal targets at organizations such as the World Bank emphasized *quantities* of financial and technical assistance transferred to developing countries. Insufficient attention was given to the sustainable development *outcomes* resulting from the provision of assistance. In particular, too little heed was paid to the question of whether assistance was contributing to the long-term capacity of developing countries to analyze and address their own development problems.[8] The objective of using development assistance to reduce, ultimately, recipients' dependence upon it was rarely if ever clearly expressed and deliberately monitored. Ironically, aid agencies were often guilty of contributing to a "cozy accommodation with dependency"[9] on the part of developing country governments.

There were, in fairness, sound reasons for the emphasis placed by development agencies on "moving money" to developing countries.

For one thing, development agencies were motivated by the urgent need faced by the world's poorest countries to dig themselves out of economic and social deprivation. Transferring large amounts of resources, quickly, was seen as an important part of the solution.

For another, focusing on the dollar amount of assistance transferred was expedient from a management perspective. It provided an objective, easy-to-measure and readily comparable performance indicator that the development agency could use to report on its overall performance, as well as that of its staff.

The recent interest in "capacity-building" represents awareness by aid agencies that past approaches – focusing on the quantity rather than the quality of assistance and geared more to

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[7] "A Proposal for a Comprehensive Development Framework," by James Wolfensohn. Washington: The World Bank. 1999 (http://www.worldbank.org/cdf/cdf-text.htm). See also *Assessing Aid.* Washington: The World Bank, 1998.

[8] A former senior World Bank official observed that even though the Bank had implemented a long string of highway projects over many years in an east African country, the country was no further ahead in terms of having the capacity to manage its highway system.
[9] *Partnership for Capacity Building in Africa*, p. vii.

the internal agenda of the aid-giver than the recipient country's need to build capacity to plan and manage its own affairs – have under-performed badly. Talk about "capacity-building" signals recognition that the *process* of development assistance needs to be turned upside down. A "donor-driven" process must become "client-driven." A process obsessed with "inputs" must obsess, instead, about "results on the ground."

5.   Techniques and Systems

From an aid agency's perspective, there are two inter-dependent paths to approaching capacity-building. One focuses on field-oriented techniques that aid agencies may integrate into their work on capacity building.

The other focuses on the aid agency itself, looking at the systems by which it makes its own decisions about delivery and management of assistance and by which it monitors, measures and motivates performance at an institutional and individual level.

Organizations such as the UNDP are a valuable source of thinking and information on capacity building techniques and "tools".[10] Oft-cited capacity-building tools include:

- development of a national, as opposed to a project-by-project, framework for capacity building;

- techniques for assessing national capacity deficits;

- change-management techniques;

- participatory consultation techniques;

- development of working styles that allow recipients of assistance to exercise leadership over ways in which assistance is used;

- integration of advances in information technology into capacity-building.

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[10] For example, see "Capacity Development" (Technical Advisory Paper 2). New York: UNDP, 1997.

There already exists a growing and valuable body of knowledge and "best practice" related to these and other capacity-building techniques.

This Policy Brief concerns the other path to capacity building discussed above, the one that covers the systems, rules and norms within aid agencies that have an impact on their effectiveness as partners in capacity building. The assumption is that unless an aid agency adopts formal systems and informal "cultural" practices that are conducive to capacity building, its operational work at the level of techniques will have little lasting impact. Focusing on techniques without attending to the underlying ways in which a development agency "does business" is a recipe for frustration.

6.   Shedding Old Habits

The rush to get development assistance "out the door" was a hallmark of the "old way" of doing business. The shift to a new paradigm that treats aid-recipients' capacity-building needs as paramount began in the mid-1990s and has yet to be completed. Development assistance agencies have been taking a hard look at realigning their policies, procedures and incentive structures to the needs of a capacity-building approach. Well-entrenched old habits have had to be exposed, debated and then adapted or rejected.

Here is how development agencies are, or ought to be, addressing some of the more significant "old habits":

- ***The Control Question.*** An irony of the "old way" of development assistance was that development agencies minimized developing countries' involvement in the planning and design of interventions that were, in principle, meant to be tailored to local priorities and circumstances. Critical steps of identifying, designing and appraising a project were controlled by the development agency. Important opportunities for capacity building were wasted because the *process* of preparing any development project or program is one of the most important capacity-building tools.

It is an opportunity for the aid recipient to develop its own capacity for analyzing development problems and designing interventions to address them. Development agencies dominated the project development process because of the perceived need to keep assistance flowing at a rate deemed acceptable by the agencies themselves. As development agencies have come to recognize the deficiencies of this approach, they have begun seeking ways to incorporate more recipient country control into the planning and design of projects and programs.

- ***Redefining Basic Concepts.*** Enhancing recipients' control over development assistance in order to maximize capacity building is requiring aid agencies to redefine key concepts – "results", "speed" and "quality" – at the heart of managing the performance of development interventions.

  ⇒ *Results* should be understood not in terms of projects approved or funds transferred by the development agency, but rather in terms of the agency's contribution to building recipients' capacity to plan, implement and evaluate their own development process. The ultimate desired result is that one day the aid recipient will *no longer need the development agency's support*.

  ⇒ *Speed* should be understood not in terms of the pace at which the development agency can process the financing of new projects and programs, but rather in terms of the developing country's need for capacity. Projects which move quickly through the development agency's internal process, but which ultimately have little impact on capacity building, indicate a slow-moving and inefficient approach to strengthening capacity in the recipient country.

  ⇒ *Quality* should not be understood solely in terms of the degree to which project/program documents and analysis

are prepared to the customary standards of the development agency, but rather in terms of the degree to which the project/program design is "owned" by the developing country and is built upon solid local commitment.

- ***Rethinking the "Project"***. The classic "project cycle" has been the dominant approach for transferring development assistance over the past 50 years. It is in many respects ill-adapted to the objectives of capacity building.   It assumes that development projects proceed in a linear way from problem identification to project preparation to appraisal to implementation to evaluation. This implies that solutions to development problems can be fully determined at the outset, that the major features of development projects can be defined in advance, and that a project can be implemented on a predictable time-table, and over a fixed period.

  This approach was geared to the large, stand-alone infrastructure and engineering projects that shaped the early techniques and processes of development assistance planning. But building capacity is different from building a power dam or a railway. It is often not possible to specify at the outset, in detail, the project techniques that would be most feasible, and the cost and implementation particulars. Capacity building requires a learning-by-doing approach that cannot easily be accommodated within the formalities of the classic project cycle.

  Development assistance agencies have begun tailoring their delivery approaches to the realities of capacity building. In 1998, for example, the World Bank introduced the "Adaptable Program Loan". It allows the Bank and the developing country to agree on long-term program goals, without committing to a long-term project design and implementation plan. It is a phased approach to delivery of development assistance that explicitly allows for

continuous learning, adaptation based on interim results, and capacity building.[11]

- ***Changing the Incentive Environment for Staff***. When "moving money" was treated as the over-riding objective of many development assistance agencies, personal career success was to an important degree influenced by the number and size of new projects for which individual staff members could "take credit". As noted (see above – "Beyond Moving Money"), this type of internal incentive environment did not encourage staff to pay close attention to capacity building. Some development assistance agencies have recognized the need to measure and manage the performance of staff in ways that recognize those who focus on building capacity in recipient countries rather than on generating traditional agency "outputs."

- ***Recruitment and Training***. Because the shift to a capacity-building paradigm is relatively recent, many current personnel at development agencies were trained and had much of their professional experience in the "old school." In order to speed the shift to a new way of doing business, development assistance agencies should adjust their recruitment practices to attract and select new staff who understand problems and approaches related to capacity building. As well, because staff turnover is a slow process in large organizations, recruitment efforts must be complemented by programs to train existing staff about renewed approaches to capacity building.

7.   Conclusion

Recent talk about "capacity building" is as much about a fundamentally new way for development assistance agencies to conceptualize and implement their mandate as it is about new field-level techniques.   Both are important, but the latter will see little success in the absence of the former. If a "capacity-building" approach is to be taken seriously, it means that development assistance agencies must become better at bending their policies and procedures – their "way of doing business" – to the needs and circumstances of the countries they serve. Beyond that, development assistance agencies must see their objective, *ideally*, as being to put themselves out of business. A development assistance agency is successful when a country or community it serves no longer needs its help, or at least, needs less of it.

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http://www.worldbank.org/html/extdr/pb/pbnewproducts.htm – "World Bank Lending Instruments and Financial Products."

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