

**OED REVIEW OF BANK SUPPORT FOR CAPACITY BUILDING
IN AFRICA**

MANAGEMENT RESPONSE

APRIL 7, 2005

MANAGEMENT RESPONSE: OED REVIEW OF BANK SUPPORT FOR CAPACITY BUILDING IN AFRICA

I. INTRODUCTION

1. Management welcomes the evaluation by the Operations Evaluation Department (OED) of the Bank's support for capacity building in Africa. The evaluation is timely, given the ongoing work on capacity development by the task force led by Callisto Madavo. Also, the evaluation confirms the importance of approaching capacity building in Africa as a core objective of the Region's assistance strategy.¹

II. SUMMARY OF OED'S FINDINGS AND RECOMMENDATIONS

2. The main conclusion of OED's review is that the Bank should put capacity building at the center of its relations with its African clients and ensure that its capacity building support is country-owned, results-oriented, and evidence-based. The evaluation also asserts that the Bank has not established a body of knowledge to guide its capacity building work as it has for other important issues.

3. The following are the main recommendations of the review:

- The Bank should strengthen its knowledge base and amplify its framework for capacity building to better help countries prioritize capacity-building activities and guide donor support; link institutional, organizational, and human capacity developments; and transform traditional capacity building tools to improve results; and it should ensure that guidelines and processes are in place for self- and independent evaluation of Bank capacity-building interventions.
- Sector and Thematic leadership should develop sector-specific guidance on diagnosing public sector capacity needs and developing the tools for monitoring and evaluating interventions.
- Regions should use CAS processes effectively to help countries identify and strengthen the capacities they need to plan, implement, and measure the results of their poverty reduction strategies and guide donor support; and they should ensure that all operations that aim to build public sector capacity are based on adequate assessments of capacity needs and incorporate ways to monitor and evaluate results.
- The Bank should reassess what role training should play in its capacity-building support, how that training should be provided, and what should be the roles of a central training unit and Regional programs in any future support for this activity.

¹ *World Bank Support for Capacity Building in Africa* (CODE2005-0016), March 14, 2005.

III. Management Comments

4. Management agrees that capacity building involves everything the Bank does, and that it should be approached as a core rather than a collateral objective. Management also agrees that the agenda for capacity development in Africa is still long and challenging. With that in mind, since the period covered by the evaluation (which looked mainly at activities through 2003), the Bank has made a start at strengthening and consolidating its focus on capacity building. The strengthened focus on results—starting from country priorities, their results management systems, and related capacity development needs, through results-based CASs, down to the Bank instruments that support the country program—is central to the Bank’s support for capacity building.² While poverty reduction strategies (PRSs) are country products and the Bank cannot and should not shape their content, country teams do raise capacity issues in the context of Bank support.³ In addition, the Bank’s recent strategy for supporting low income countries under stress, which may not have a PRS or CAS, emphasizes capacity building in the wider sense of the term used by OED.⁴ Management will monitor progress in capacity building in several ways, including using the Country Policy and Institutional Assessment (the CPIA, a key measure of country progress in capacity development in the wider sense used by OED), the HIPC tracking exercise, governance indicators, and the reform of operational results indicators linked to CASs and their tracking during implementation.

5. *Specific Comments.* The following paragraphs provide Management's specific comments on the review’s recommendations. Many of the comments clarify the current direction of the Bank’s work in support for capacity building in Africa.

Recommendation 1. The Bank, at the corporate level, should strengthen its knowledge base and amplify its framework for capacity building to better help countries a) prioritize capacity building activities and guide donor support, b) link institutional, organizational, and human capacity developments, and c) transform traditional capacity building tools to improve results. It should also ensure that guidelines and processes are in place for self- and independent evaluation of Bank capacity building interventions.

6. *Operational Framework.* Management agrees that the knowledge base and framework for capacity building can usefully be strengthened, and it will continue its efforts in this area. In this regard, Management would like to go further by pointing out specific areas where the knowledge base and framework need to be strengthened. The traditional approach to capacity building has emphasized individual skills and, to some extent, organizational capacity. This approach needs to be complemented by a greater emphasis on cross-cutting public management systems and broader checks and balances that provide incentives for attracting, retaining, and using capacity. This implies that capacity building needs to be embedded in the broader public sector reform strategy and framework. The 1997 World Development Report provides such a

² *Implementation of the Agenda on Managing for Results: Progress Report and Annexes* (CODE2004-0017), March 23, 2004.

³ *Results Focus in Country Assistance Strategies: A Stocktaking of Results-Based CASs* (R2005-0042), February 25, 2005.

⁴ *Low-Income Countries Under Stress Implementation Overview* (SecM2003-0560), IDA/SecM2003-0647), December 19, 2003.

framework,⁵ which has been refined in subsequent policy papers ranging from the public sector and governance strategy⁶ and the Comprehensive Development Framework⁷ to the recent Country Assistance Strategy guidelines to staff. The challenge is to embed capacity building in this framework, to better align capacity building with the role of the state, and use incentive mechanisms to build and retain capacity. At the same time, public sector reform initiatives need to place greater emphasis on underlying capacity requirements. The lessons of experience have informed changes in our approach to capacity building, including increased emphasis on scaling up successful projects and strengthening country systems rather than ring-fencing Bank projects. This thinking has been the guiding principle in, for example, recent reforms in public financial management and procurement policy and in work programs that give capacity building the central focus.⁸

7. ***The Central Role of Governance in Capacity Development.*** In Management's view, the role of governance, and the Bank's role in supporting governance strengthening (notably through WBI and PREM), are key elements of stronger Bank support for capacity building. There is evidence that capacity development efforts have been undermined by poor governance and corruption. The governance agenda has provided the overall framework, diagnostic approaches, indicators and other tools for work on capacity development, particularly in the public sector, in many of the successful cases of capacity development. WBI's work on governance has been critical in developing indicators, carrying out country-level diagnostic processes, and building stronger country ownership and commitment for change.

Recommendation 2. *Sector and Thematic leadership should develop sector-specific guidance on diagnosing public sector capacity needs and ways of monitoring and evaluating interventions.*

8. ***Progress on Guidance.*** Management agrees with the overall thrust of this recommendation and has already started to produce some of the needed guidance. For example, in the area of public financial management (PFM), when the Country Financial Accountability Assessment (CFAA) Guidelines were revised in FY03, the CFAA scope was expanded to include a development (specifically, a capacity-building) objective. Also, government, donors, and the Bank now normally undertake CFAAs as collaborative exercise and agree on a Development Action Plan. Many countries have benefited from the CFAA instrument and its follow-on process—Uganda, for example, although the country was not covered by the OED review. In many places the CFAA diagnostic has been complemented with PFM workshops, which aim to build PFM capacity and focus the government officials' attention on PFM reforms. Similarly, Public Expenditure Reviews and Country Procurement Assessment Reports, with their follow-up action plans, are now more focused on support for capacity development.

⁵ *World Development Report 1997: The State in a Changing World* (New York: Oxford University Press for the World Bank, 1997)

⁶ *Reforming Public Institutions and Strengthening Governance*, Public Sector Group, PREM, November 2000.

⁷ *A Proposal for a Comprehensive Development Framework (A Discussion Draft)*, Memorandum from the President (R99-135) January 21, 1999; and *Comprehensive Development Framework: Internal Guidance Note* (SecM99-244), April 12, 1999.

⁸ *Expanding the Use of Country Systems in Bank-Supported Operations: Issues and Proposals* (R2005-0018/2), March 8, 2005.

Recommendation 3. *Regional senior management should ensure that CAS processes are used effectively to help countries identify and strengthen the capacities they need to plan, implement, and measure the results of their poverty reduction strategies, and guide donor support. They should also ensure that all operations that aim to build public sector capacity are based on adequate assessments of capacity needs and incorporate ways to monitor and evaluate results.*

9. **Progress with Regard to CASs.** Management has emphasized the importance of capacity building in the overall development scheme, and has linked it to CASs. The 2005 CAS Retrospective stated that “the CAS should identify key areas for capacity building based on country diagnostic work, including domestic capacity for monitoring and evaluation, and fully integrate up-front capacity building efforts in the Bank Group’s program, taking into account the country’s and other partners’ efforts in this area.”⁹ There is evidence of progress; the OED review concludes that “at the country level, the most recent cohort of 15 Africa CASs do a better job of addressing capacity building needs than a comparator group of ten CASs from the mid-1990s.” It highlights as good practice three new multisector capacity-building projects in Tanzania, Ethiopia, and Rwanda.

10. **A Framework for Systematic Learning.** A framework for a systematic learning process was outlined in the Africa Region’s contribution to the 2000 Bankwide strategy, *Reforming Public Institutions and Strengthening Governance*;¹⁰ its 2002 contribution “Reviewing our Operational Efforts” to the Bankwide update of this strategy; and the 2004 volume on lessons learned from operational work produced by staff from the Region’s public sector capacity-building group, *Building State Capacity in Africa*.¹¹ These documents emphasize the same approach to capacity building highlighted in paragraphs 2.5 and 2.6 of the OED review—emphasizing institutional capacity, demand as well as supply factors, and the importance of fitting capacity-building initiatives to country-specific political and institutional realities. This approach has provided the basis for the recent scaling-up of IDA credits in Africa with cross-sectoral capacity building as a central theme—from under US\$150 million in outstanding commitments in 1999 to US\$450 million by 2004.

11. **Growing Support for Coherent Country Capacity-Building Strategies.** Building on this learning process, there is evidence that AFR has been taking a more coherent approach to supporting countries’ capacity-building efforts:

- In Ethiopia, capacity building is at the very center of the most recent CAS and is underpinned by a very ambitious multisector project.
- Mozambique also has a 2003 multisector public sector capacity-building project—targeted explicitly at the education, health and rural sectors (along with cross-cutting

⁹ *Results Focus in Country Assistance Strategies: A Stocktaking of Results-Based CASs* (R2005-0042), February 25, 2005.

¹⁰ *Reforming Public Institutions and Strengthening Governance*, Public Sector Group, PREM, November 2000.

¹¹ Levy, Brian, and Sahr Kpundeh, eds., *Building State Capacity in Africa: New Approaches, Emerging Lessons*, World Development Studies, World Bank Institute, 2004.

capacity building of public management systems)—but this project seems not to have been included in the OED review of that country.

- Malawi considered adopting the multisectoral approach but, given deep-seated issues in expenditure transparency and commitment more broadly, it was decided to first focus more narrowly on strengthening public financial management.

Recommendation 4. *The Bank should reassess what role training should play in its capacity building support, how it should be provided, and what should be the respective roles of a central training unit and Regional programs in any future support for this activity.*

12. ***From Training to Broader Capacity Development Support.*** Management notes the broad success that WBI has achieved with its training programs in Africa and also notes the criticism that these activities were not aligned to broader public sector reform for most of the past decade. In the last two fiscal years, WBI has embarked on a strategic shift to align its programs with Bank operational priorities and to focus training on organizations and institutions in addition to individuals. This shift in strategy which is only in the second year of implementation, was motivated in part by recognition that training alone is insufficient to build country capacity, as the OED report correctly notes, and also by a Management request that WBI take on a broader, network-like role of supporting country teams and clients in designing, implementing, and evaluating capacity-development programs.¹² In response to this request, WBI has begun to work with country teams in a small group of pilot countries in an experimental, learning mode to test new approaches to identifying and prioritizing needs, linking capacity programs to broader development strategies at the CAS level, developing baselines and progress indicators, and evaluating results. This experimental work uses a case study approach from which WBI hopes to learn and distill lessons, including how to better measure progress and results. The intention is not to lead capacity-building efforts at the country level but rather to support country teams that wish to integrate capacity more systematically and strategically into Bank programs, as the OED report recommends.

13. ***WBI's Evidence-Based Strategic Shift.*** WBI's strategic shift was motivated by many of the arguments that OED makes in this review. Many of the points made to support the OED recommendation reflect, and indeed are based on, evaluations conducted by WBI's internally independent evaluation group, WBIEG. However, OED's comments on WBI's performance as measured by WBIEG require some clarification:

- The comment that WBI outcomes do not meet institutional standards: Because WBIEG evaluations are relatively new, no institutional benchmarks have yet been established for outcomes. Institutional benchmarks exist for immediate activity quality and learning achievement results.
- The comment that learning achievement has not improved since 1999: This statement is true, but Management does not expect learning achievement to improve over the years, as achievement is already high by education measurement standards.

¹² This request originated in the 2002 Implementation Forum.

- The comment that evaluations are based on task manager nominations: Outcome evaluations are based on a representative random sample of WBI activities.

Management therefore welcomes the OED evaluation and considers its main messages to be of critical importance to WBI's future agenda. In that context, it is important to note the role that WBI has played already in raising capacity development as a critical issue at the corporate level, and the shift begun by WBI to address capacity development more strategically at the country level. Management regrets the misunderstanding, clarified above, with regard to the interpretation of WBIEG evaluation methodology and results.

14. ***Refocusing Will Take Time and Further Review.*** WBI's shift from a strategy based primarily on training to one that includes technical assistance and diagnostic instruments will require time and shifts of personnel and funding strategies. Further review work is under way to analyze how best to align WBI activities with country strategies. While training has without a doubt contributed to developing capacity in many countries (and WBI's evaluation techniques for its training activities are among the most sophisticated of those used by similar entities), WBIEG's evaluations and those of other organizations suggest that training is most successful when it is integrated in a clearly articulated development strategy, the participants are carefully selected, the training itself is focused on developing specific action plans, and an enabling institutional environment supports the collective actions of the trained individuals. Such approaches require strong strategic alignment with country processes and high levels of customization.

OED Review of Bank Support for Capacity Building in Africa Management Action Record

OED Recommendation	Management Response
<p>The Bank, at the corporate level, should strengthen its knowledge base and amplify its framework for capacity building to better help countries a) prioritize capacity building activities and guide donor support, b) link institutional, organizational, and human capacity developments, and c) transform traditional capacity building tools to improve results. It should also ensure that guidelines and processes are in place for self- and independent evaluation of Bank capacity building interventions.</p>	<p>There is already a basic conceptual framework to guide the Bank's support for capacity building. It was set out in the 1997 WDR and has been refined in subsequent policy papers ranging from the public sector and governance strategy and the Comprehensive Development Framework to the recent Country Assistance Strategy guidelines. However, Management agrees on the need for accelerated progress in capacity building, further refinements to the operational framework, and improvements in the knowledge base. The ongoing work on capacity development by the task force led by Callisto Madavo is expected to provide the additional guidance. This work is expected to be completed by August 2005. The Regions, WBI, PREM, and OPCS are working to mainstream process facilitation tools to prioritize capacity development activities at the country level, including coordinated donor support, and to pilot new capacity development instruments. Once any changes (if found necessary) in the operational framework are made as a result of these efforts following the task force report, Management will consider this action complete.</p>
<p>Sector and Thematic leadership should develop sector-specific guidance on diagnosing public sector capacity needs and ways of monitoring and evaluating interventions.</p>	<p>Management agrees with the overall thrust of the recommendation, while noting that much progress has already been made, notably with regard to critical fiduciary support. Following the completion, anticipated for August 2005, of the work of the task force led by Mr. Madavo, Management will consider whether other sector-specific guidance is necessary. Once these guidelines (if needed) are in place, Management will consider this action complete.</p>
<p>Regional senior management should ensure that CAS processes are used effectively to help countries identify and strengthen the capacities they need to plan, implement, and measure the results of their poverty reduction strategies, and guide donor support. They should also ensure that all operations that aim to build public sector capacity are based on adequate assessments of capacity needs and incorporate ways to monitor and evaluate results.</p>	<p>Management agrees with the first recommendation and has already moved to implement it. All CASs in the Africa Region have a results focus, which includes the objective of capacity building. Increased emphasis is being placed on country-based monitoring and evaluation systems, and the Region is working with partners (both clients and donors) to assist with their implementation. In the next CAS Retrospective Management will assess these efforts and report on progress. If progress is good, Management will then consider this action complete. Management agrees with the thrust of the second recommendation but will need to review it in the context of the ongoing work of the task force. In an environment</p>

OED Recommendation	Management Response
	of very limited budget growth, difficult and important trade-offs in analytic work have to be made in every country program.
<p>The Bank should reassess what role training should play in its capacity building support, how it should be provided, and what should be the respective roles of a central training unit and Regional programs in any future support for this activity.</p>	<p>Management believes that a central unit, such as WBI, dealing with capacity issues can help to focus attention on the issues, assist country teams, and help monitor progress. Management notes that WBI has embarked on a strategic shift to align its programs with Bank operational priorities and country strategies. Management is monitoring and reviewing the implementation of this shift in WBI's strategy. Management will consider this action complete after the next report to Executive Directors on WBI's strategy and work program in FY06.</p>