

# Capacity Development BRIEFS

SHARING KNOWLEDGE AND LESSONS LEARNED

## LINKING INDIVIDUAL, ORGANIZATIONAL, AND INSTITUTIONAL CAPACITY BUILDING TO RESULTS

By Vinod Thomas, Director-General, Independent Evaluation Group

*Achieving rapid development calls for improved capacity in the public and private sectors to support development policies and projects. The World Bank recognizes that capacity building is a long-term process requiring a systemic approach. That is why many Bank projects in Africa and elsewhere include capacity development activities. But three drawbacks have limited the effectiveness of these efforts:*

- *Many operations do not—but need to—take an integrated view of solutions involving the individual, organizational, and institutional contexts.*
- *Individual, organizational, and institutional links vary greatly across sectors; not addressing these differences has led to less effective capacity building.*
- *Capacity goals as they relate to this understanding of the individual, organizational, and institutional aspects have not been explicit.*

*This Capacity Brief discusses and illustrates the importance of integrating capacity-building efforts at all three levels, addressing differences among sectors in their integration, while setting forth explicit capacity goals and monitoring and evaluating progress toward them.*

Donors have addressed human resource problems mainly by financing training of individuals. These efforts almost always achieve their target numbers of people to be trained. But training is only part of the solution to building human capacity. For example, low salaries and poor working conditions often contribute to high outflow of trained staff. More important, the record is mixed when it comes to the effectiveness of organizations where the trained people work.

The Independent Evaluation Group's (IEG's) evaluation of the Bank's support for capacity building in Africa (World Bank 2005a) found that individuals are too often trained for specific tasks before the organizational framework has been reformed to allow them to use the training effectively. The more successful

efforts are demand driven and integrated within a coherent capacity-building effort.

The goals of training, furthermore, are usually not defined in terms of the desired outcomes for an orga-

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nization's effectiveness. Many of the measurement tools currently in use measure the reaction of the individual participant, which is not necessarily a good predictor of how much the training improved his or her organization's performance. So it is indeed difficult to draw links between training and organizational capacity. In IEG's evaluation of the Bank's support for capacity building in Africa, IEG recommended that the Bank reassess what role training could play in its capacity-building support, how training could be provided, and what the respective roles of a central training unit and regional programs could be in any future support in this area.

### Need for an Integrated View

An important consideration in the overall effectiveness of capacity building then is:

- How well institutional rules of the game (for example, relating to tax and spending regimes) are linked with sustained performance of both organizational entities (such as ministries and their departments) as well as individuals responsible for delivering results (for example, staff).

Only about one-third of the projects that IEG reviewed for its Africa evaluation were clear about the relationships among individual, organizational, and institutional aspects of capacity and the need to make changes in their sequence and combination that can be expected to deliver results. For example, in the health sector in Mali and elsewhere, a lot of effort was devoted to fixing weaknesses in organizational capacity, even though the main problem was poor incentives for staff. In other cases, the evaluation found that individuals are too often trained for specific tasks without reforming the organizational framework to let them use the training effectively.

In contrast, individual, organizational, and institutional aspects running more in tandem have shown success. For example, El Salvador's success in electricity sector privatization is due in part to progress made in preparing institutional changes in the form of comprehensive sectoral legislation and rules that allowed the organizational and individual improvements to deliver results (box 1). Recent capacity building and reform operations, such as those in Ethiopia, Mozambique, Rwanda, and Tanzania (box 2), incorporate some of the lessons learned in El Salvador. In these examples, an effort is being made to align what an individual ministry is trying to do with the government's overall development goals, and training

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programs are seen within the context of larger institutional reform effort to ensure that the skills will be retained and applied.

### Varying Success across Sectors

In addition, success in enhancing the performance of the public sector and individual, organizational, and institutional links varies greatly across sectors.

- Not addressing differences in linking individual, organizational, and institution capacity building has led to less effective results.

For example, capacity development in road construction projects has been particularly successful, because the operations combine human resource development plans with changes in the institutional framework and organizational processes. Road projects tend to be characterized by clear goals, stakeholders with a direct interest in change, known techniques that are transferable across countries, and readily measurable

*More effort is needed to derive capacity building lessons along sectoral dimensions and to promote country-led capacity building planning within sector programs.*



### Box 1. El Salvador: Bank Group Work in a Country Committed to Power Reforms

A technical assistance project in El Salvador was delayed for two years, while the best structures of the power sector were defined. During this period, divergent views existed within the Bank on the extent of privatization and reform to carry out. In the end, the project succeeded in:

- (a) Developing a legal and regulatory framework for the sector, including restructuring of the Comisión Ejecutiva Hidroeléctrica del Río Lempa, the state-owned electricity utility; organization of the Transactions Unit (Unidad de Transacciones); and initiation of design of a wholesale market for electricity
- (b) Drafting and enacting a new electricity law and creating the sector regulator
- (c) Estimating the marginal costs
- (d) Preparing a sector environmental action plan and implementing an environmental impact assessment
- (e) Developing a least-cost expansion plan for the system
- (f) Training the state-owned utility and government staff in new operations and technical aspects.

As a result, sector reforms have led to an increase in service coverage, reduction in system losses, and decrease in state subsidies. Progress has continued even after Bank assistance ended. The four government-owned distribution companies were privatized in January 1998, and generation companies were privatized in 1999.

The following lessons can be learned from the privatization experience in El Salvador:

- Sector policy and regulatory reform must be well underway before privatization in the sector, so that bidders feel they are entering a secure environment and will have a sound basis for calculating their bids. Much of El Salvador's success in privatization is due to progress made beforehand in preparing comprehensive sectoral legislation and rules.
- The government's reform and privatization team benefits from being staffed with qualified top-level staff with proven commitment to a reform and track record of getting things done under extremely tight deadlines.
- Full-time attention must be paid to constituency building, lest public resistance impede the process or threaten its results.
- High-level political support is important for the success of the reform and privatization process. When the message from the top is clearly in favor of privatization, the process moves ahead rapidly.

*Source:* World Bank 2003.

results. These factors foster the emergence of a coherent capacity development strategy that has helped

### Box 2: New Multisectoral Projects in Africa Integrate Essential Capacity-Building Elements into Project Design

Four new multisectoral capacity-building projects in Africa address both inter- and intra-ministerial capacity building issues in an integrated way. The \$41.2 million Tanzania Public Service Reform Credit, \$100 million Ethiopia Public Sector Capacity Building Program, \$20 million Rwanda Multisectoral Capacity Building Project, and \$26 million Mozambique Public Sector Reform Project have four key elements in common:

- A capacity needs assessment conducted by the ministries/departments with stakeholder participation
- A strategic process that aligns objectives and improvements sought in individual ministries and departments to the government's overall development goals and public expenditure policies
- A human capacity development program (training, equipment, and resources) within the context of a larger institutional civil service reform effort to ensure retention and application of skills acquired
- Development of monitoring and evaluation systems to provide (a) interprogram tracking and coordination so outcomes of the capacity-building program and other complementary reform efforts remain coherent and (b) ministerial tracking and reporting on capacity development efforts.

*Source:* World Bank 2005a.

generate institutional, organizational, and human resource achievements.

It is not easy, however, to replicate road construction project experience. Health and education projects, for example, have seen less success in integrating the three dimensions; health and education face greater challenges, because they tend to be labor intensive and decentralized, relying on thousands of dispersed frontline service providers. Public pressure for change is more diffuse and it is more difficult to measure and manage for results. The health sector in Africa is further handicapped by the continuous outflow of trained staff due to low salaries and poor working conditions. It is, therefore, much more difficult to set monitorable goals and to measure progress in the health and education sectors, compared with roads. More effort is needed to derive capacity building lessons along sectoral dimensions and to promote country-led capacity building planning within sector programs.

## Moving toward Results

To be effective, capacity-building efforts also need well-specified objectives and indicators of success, in other words:

- An understanding of the integration of individual, organizational, and institutional aspects of capacity building must relate to a clear results agenda.

As part of this, IEG recommends that operations that aim to build capacity be based on an adequate upfront assessment of capacity and incorporate ways to monitor and evaluate results. The knowledge base needs to be strengthened, so that staff and clients can understand and build on links among the individual, the organizational, and institutional dimensions.

Worrying about outcomes and results is a challenge for many organizations. The Bank provided \$9 billion dollars in lending and almost another \$1 billion in grants and administrative budget to support public capacity building in Africa during the 10 years up to 2004. This support unfortunately focused little on outcomes from these efforts; yet, if African countries are to achieve their goals of reducing poverty, accelerating economic growth, and providing better services to their citizens, they must see better outcomes in the form of improved performance of their public sectors. That in turn is necessary for sustaining the benefits of projects.

A focus on results could shift the discussion in the following ways:

- *A disaster project might want to assess the potential result of being prepared for the next disaster.* Between 1958 and 1995, the Bank committed \$120 million to Honduras, financing the construction of 1,270 kilometers of highways and feeder roads (an approximately 50 percent increase from the total kilometers of existing roads in 1955). In 1998 Hurricane Mitch destroyed 6,000 of 10,000 km of existing roads in Honduras, almost five times what the Bank had helped to build. Studies show that \$1 spent on prevention (such as disaster preparedness) can save up to \$40 of damages in the future.
- *A health project might be assessed in terms of its impact on the capacity to solve problems.* Building and strengthening institutions and the capacity of the ministries of health, the lead technical and implementation agencies in national AIDS responses, has been central to the success of AIDS projects. Building capacity in subnational

institutions and collaboration with key sectors are also important in the national AIDS response. In Brazil, a prison condom program required cooperation and inputs from the Ministry of Health, Ministry of Justice, and Ministry of Interior. The first India National Aids Control Project created the National Aids Control Organization, a subnational institution under the Ministry of Health and Family Welfare.

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- *The interplay with political factors in getting results might get more attention.* Political commitment and government conditions at all levels can affect the success of institutional development and capacity building. Broad sector reform is a long-term goal requiring country-specific institutional development and capacity building, particularly in the area of regulation. A lesson learned from El Salvador's success in electricity sector privatization is the importance of top-level political commitment. Political commitment to reform was important for the success of the reform and privatization process.
- *Improved sector management would be seen as essential to turning educational resources into learning gains.* Peru shares with many countries a fundamental lack of capacity for managing a massive and highly spread out primary education system where teacher and school accountability are nonexistent and the main reasons for the poor quality of educational services. The Peruvian case suggests that management capacity building from the Ministry of Education to school classrooms needs to be a priority for governments and for agencies lending to improve results in primary education in developing countries.

In Africa, the bottom line is to boost the performance of the relatively weak public sector. As more





### Box 3: Chile's Whole-Government Monitoring and Evaluation System

Chile's monitoring and evaluation system, which is managed by the powerful finance ministry, has developed progressively with time, partly in response to fiscal pressures, partly to the changing landscape of public sector reforms, and partly in an opportunistic manner.

Major milestones include the following:

- *Ex ante cost-benefit analysis* (1974) has been required for all government projects.
- *Performance indicator information* (1994) has been collected for all government programs. Regular information on about 1,600 indicators is being used in formal reports prepared for the Congress and as key data for various types of evaluation conducted.
- *Comprehensive spending reports* (1996) have been produced.
- *Government program evaluations* (1996) are basically program reviews. The approximately 160 conducted so far have clarified and led to agreement on detailed program objectives, preparation of a log frame analysis, conduct of desk reviews, and analysis of existing data. They cost an average of about \$11,000 each and usually take from four to six months to complete.
- *Rigorous impact evaluations* (2001) entail primary data collection and often use control groups. Fourteen have been completed to date, taking up to 18 months each to finish at an average cost of \$88,000 each. About 60 percent of the government's budget has been evaluated by means of either these impact evaluations or the government program evaluations.
- *Comprehensive spending reviews* (2002) review all programs within a particular functional area and look at issues of inefficiency and duplication of programs. The five completed so far have included desk reviews and cost an average of \$48,000 each.

Source: McKay 2006.

resources are invested in capacity building, better indicators would also need to track how outcomes are being affected by investments in capacity building and public sector management. In Latin America, Chile offers an example of a successful case of a whole-government monitoring and evaluation system that takes into account lessons learned from other countries and has tailored them to suit local conditions (box 3).

No single best approach to a national or sectoral monitoring and evaluation system, however, exists. Each country faces different starting and end points to which they aspire. The design of the system depends

on the intended uses of the information that such a system will produce, whether used to assist resource allocation decisions in the budget process, help national and sectoral planning, aid ongoing management and delivery of government services, or underpin accountability relationships. The more ambitious government systems endeavor to achieve two or more of these desired uses.

The need to tailor capacity development, particularly development of evaluation capacity, closely to country circumstances is more of an art, than a science. Even developed countries have encountered some difficulties in building sustainable monitoring and evaluation systems supporting sound governance. These difficulties are not so much technical as institutional. Countries often lack incentives to conduct monitoring and evaluation and use those findings to support better management, government decision making, and underpin accountability relationships. These challenges are only magnified in developing countries.

### Conclusion

It is evident from the preceding discussion that capacity-building efforts require a more nuanced and multilayered approach to produce results. Such efforts should adopt a three-tiered approach, synchronizing individual, organizational, and institutional components. They also need to be tailored to suit particular geographic and sectoral considerations, as well as flexible enough to take into account political factors that might influence the preconditions to initiating capacity-building efforts. As the El Salvador case illustrates, it might be better in some circumstances to delay a capacity-building project until the right preconditions are present. Furthermore, enhancing the effectiveness of capacity-building efforts to direct them more toward outcomes ultimately has the potential to transform the way development projects are conceptualized and implemented.

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## Acknowledgements

The author would like to thank Shampa Sinha and Bonnie Bradford for their assistance in developing and producing this note.

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