CAMEO
CAPACITY FOR DEVELOPMENT

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This issue of Development OUTREACH focuses on the critical importance of capacity to development and to the efficient and effective use of donor assistance. The theme of Capacity Day held by the World Bank in June was that “capacity matters.” This is also the message conveyed on these pages by the authors, who represent different voices from different perspectives.

For years, if not decades, capacity development has been a main concern in the development community, and yet there is still little agreement about exactly what it means, and perhaps even less agreement on how to do it. The guest editors of this special report address these questions, not in theory, but in the context of substantive and country-specific needs. Moving away from the traditional view that capacity development depends mainly on government reforms and improved individual skills, they support the more recent perspective that it is “a long-term process requiring attention to both the supply and demand sides of the capacity challenge.”

They argue that although supply-side initiatives, such as management reform, have been the driving force in the past, it is now imperative to strengthen the demand side by, for example, developing civil society’s ability to engage and advocate for their needs, creating pressure and incentives for good public performance. Evidence suggests that inclusion and participation in the decision processes, program ownership, partnering, monitoring, and results-based accountability have yielded the most successful cases of capacity development worldwide. They have been the base for good governance.

The view that good governance is the key to capacity development is reflected in each one of the articles. The overall message is not only that “capacity matters,” but that the key to capacity development is in the hands of the people.
SPECIAL REPORT
CAPACITY AND DEVELOPMENT

2 Capacity for Development
Guest Editorial
MICHELE E. DE NEVERS, FRAN NIE A. LÉAUTIER, AND SAMUEL K. E. OTTO
This editorial defines capacity development and highlights its functions and challenges.

6 Today's Critical Challenge: Building Capacity to Achieve the MDGs
KEMAL Dervis
It is essential for poor countries to develop capacity in order to translate the envisaged large increase in aid into greater progress towards the MDGs.

9 State-Building as the Core of Capacity Development
FRANCIS FUKUYAMA
The author argues that strengthening state institutions is the key to generating capacity and lifting underdeveloped countries out of poverty.

12 Five Key Messages: Recommendations for Capacity Development in Africa
CALLISTO MADAVO
African governments and societies must take the lead in capacity development, which needs to be approached as a core area of country strategy for growth and poverty reduction.

15 Post-Conflict Mozambique’s Reconstruction: A Transferable Strategy
LUISA DIOGO
The author reinforces the importance of country ownership and participation in her overview of the implementation of Mozambique’s development agenda.

18 Civil Society Development in Ukraine and The Orange Revolution
VIRA NAnIVSKA
In Ukraine democratic institutions that ensure participation were built gradually from the grassroots with the help of international donors.

21 Where Next? Building Local Capacity in Governance
BY DANIEL KAUFMANN AND FRANCESCA RECANATINI
This article describes an array of governance indicators that provide a way of benchmarking country performance to promote transparency and accountability.

25 Looking Forward: A Results-Oriented Model
NILS BOESEN
This article highlights the importance of viewing the organization as the appropriate target for intervention, with a strong focus on outcomes.

28 A New Framework for Social Development
MARY MCNEIL AND MICHAEL WOOLCOCK
Drawing lessons from a successful Indonesian project, the authors argue that capacity development is a stop-go process that must be sustained over a period of time and among a wide range of stakeholders.

31 Beyond 2005: Changes in Donor Roles and Behavior
RICHARD MANNING
Emerging areas of consensus among donors about their role and behavior in ensuring that capacity development efforts are fully owned by recipient countries.

34 VOICES FROM THE FIELD
36 BOOKSHELF
38 KNOWLEDGE RESOURCES
40 CALENDAR OF EVENTS
CAPACITY for DEVELOPMENT

Guest Editorial

BY MICHELE E. DE NEVERS, FRAN NIE A. LÉAUTIER AND SAMUEL K. E. OTOO

Development gaps and capacity challenges

The challenges of global economic and social development have never been more pressing. There are now just ten years for all developing countries to meet the goals agreed at the Millennium Summit in 2000 to reduce poverty, disease and illiteracy—the Millennium Development Goals or MDGs. Recent assessments of progress and the outlook for achieving the MDG targets point to serious difficulties in achieving the necessary momentum in many countries. A significant number of countries are just emerging from conflict, and struggling to establish the foundations of statehood, including peace, security and basic services. There are also major global public good issues—including climate change and communicable diseases such as HIV/AIDS—that require important decisions across geographies and generations.

According to World Bank estimates, the number of people living on less than US$1 a day worldwide has declined over the past two decades. But there are stark differences in outcomes across regions. Outside China, the number of extremely poor people actually rose from 850 to 880 million people between 1980 and 2001. Growth is the principal driver of poverty reduction, but only about one-third of developing and transition countries have grown at more than 2 percent per capita for the past decade.

Looking beyond the first MDG goal of halving extreme poverty and hunger by 2015, the picture is even more worrisome. The 2005 Global Monitoring Report of the World Bank and IMF indicates that there is virtually no prospect of achieving the health targets for reducing maternal and child mortality or reversing the spread of HIV/AIDS. The goal of universal primary education also looks increasingly remote, with inadequate progress in three out of the six geographic regions.

The situation in Africa is especially bleak. Economic growth remains well below the global average, extreme poverty has increased in the past two decades and it lags all other regions in human development. Africa is the only continent not on track to meet any of the MDGs by 2015. At the current pace of progress, deprivation, disease and hopelessness will needlessly end and mar tens of millions of human lives in the coming decades.

Looking ahead, improved trade access for developing country exports and increased international aid are critical parts of the answer. The outcome of the Doha Round of Trade Negotiations is still pending. However, in July 2005, the Group of Eight industrialized nations agreed to double their aid to developing countries to $50 billion a year over the next five years. Echoing the growing emphasis on results first highlighted at the 2002 Monterrey Conference on Financing for Development, the G-8 also called for implementation of a framework through which the additional resources would be closely linked to performance and results.

The concern with monitoring and evaluating performance is shared by many developing and transition coun-
tries. The global experience of the past several decades amply illustrates that money alone will not yield the required results. The pace of development is determined by the volume of available resources, and the effectiveness and efficiency with which those resources are used. These challenges for effectiveness and efficiency at the organizational, governmental and societal levels form the core of the issue of capacity for development.

- What exactly is capacity and how is it developed?

There are no universally agreed definitions of capacity or capacity development. Still, when most development practitioners talk about capacity, it's usually capacity for something, i.e., the ability to set and achieve some objective in an efficient manner. Typically, the more specific the objective, the easier it is to identify the abilities or capabili-
ties required to achieve it. As the objectives get broader, and more continuous as processes, the complex of factors that affect outcomes grows quickly and the questions of what matters most, what needs to be addressed first, etc., become quite intractable. Viewed in this way, it is easy to see the difficulty in arriving at a simple operational definition of the capacity for development.

Traditional efforts at capacity development have focused primarily on creating or reorganizing government units and building individual skills. In view of many countries' still-weak public sector capacity and growing recognition of the critical importance of governance as well as deficiencies in private sector capacities, attention in recent years has turned to a broader and more holistic approach. This approach defines capacity development as a long term process requiring attention jointly to both the supply and demand sides of the capacity challenge—the supply of well-structured and efficient public and private organizations and institutions, and the civil society demand for government accountability and improved public sector performance.

The supply-side of capacity captures much of the traditional view of capacity as comprising material resources, technical skills and organizational capability to make appropriate policy decisions and also implement them. The demand-side, which is rooted in governance and political economy considerations, relates to the decision processes that determine how countries set priorities about what they actually want to do and, therefore, what they want capacity for. International experience shows that the most successful such processes have in common the systematic use of information to inform the decision-making process and allow for timely policy adjustments, as well as clear accountabilities for results actually achieved.

The importance of the demand side cannot be over-emphasized. Without a consensus on and commitment to a clear set of national priorities—i.e., country ownership—efforts on the supply side are unlikely to yield the desired results. Leadership, the capacity to set and implement national priorities in a given political context, is central and cannot be imported from abroad. The challenge of global poverty reduction illustrates the point. Many middle-income countries have development goals that do not focus on poverty reduction, despite sizable pockets of poverty and sometimes many people vulnerable to poverty. In many low-income countries, where the Poverty Reduction Strategy Initiative spearheaded by the World Bank and the IMF has been adopted, there is often a worrisome disconnect between stated goals and actual budgetary expenditures.

The multi-dimensional nature of the above conceptualization of capacity raises serious methodological questions about capacity measurement. Success is usually judged by comparing achievements to intended goals. Defining capacity goals is more complex. It is easier to do when defining particular skill gaps, but more difficult to determine the needs at the organizational level, and even more difficult to suggest what entire societies may need.

These questions about capacity requirements and measurement are mirrored in the challenges for implementation of the results framework highlighted at the 2004 Marrakech Roundtable on Managing for Development Results, which also seeks to map the causal link between outcomes, outputs and inputs. For instance, many country strategies and programs focus on the right issues for poverty reduction, but the links between specific interventions and poverty outcomes are not well articulated or measurable. Weak country capacity for monitoring results adds to the challenge in selecting activities with the highest poverty payoff. More and better analytical work and statistics are needed on the links between policy interventions, capacity needs and development results. In the near term, though, experimentation and learning are simply vital to moving forward.

On the supply side, recent evaluations of capacity development point to some generic issues that need to be addressed more systematically. First, and foremost, most efforts at capacity development remain fragmented, making it difficult to capture cross-sectoral influences and to learn lessons. Many capacity development activities are not founded on rigorous needs assessments and do not include appropriate sequencing of measures aimed at institutional or organizational change and individual skill building. Technical assistance and training have often proved inadequate in building sustained public sector capacity. What is needed is a more comprehensive and sustained approach, giving explicit emphasis to building a permanent capacity to manage sectors and deliver services. Finally, better tools are needed to track, monitor and evaluate capacity development efforts.

Looking ahead, learning from experience

FURTHER WORK is needed to improve our understanding of the "how" of capacity development. On the supply side, a growing emphasis is being given to strengthening organizations and
institutions. There are many cases where skills are a binding constraint. But, building skills in the wrong organizational or institutional setting does not lead to strong results. So, choosing which organizations to engage with in training and other learning activities, the modalities of these activities and the specific individuals to participate is very important. This is an area where donors need to strengthen their coordination to ensure that their activities (training and learning, analytical and advisory services, policy dialogue and technical assistance) work in concert and in a sustained manner to achieve lasting improvements in organizational effectiveness.

On the demand side, the priorities are to strengthen the institutions that produce good governance and civil societies' understanding of key development issues. This means enhancing the flow of information through the development and dissemination of individual country and cross-country comparative performance indicators, promoting multi-stakeholder dialogue (including governments, parliamentarians, journalists, nongovernmental organizations and other groups), expanding communities of awareness, and fostering a stronger commitment to transparency in government and increased attention to results.

Development partners—both donors and recipient countries—need to learn from each other about what works and under what circumstances. When countries know what outcomes they are trying to achieve and what has been tried in other country contexts and with what results, they are better positioned to choose how they want to go about things. Two recent events point the way: (a) a year-long examination of over one hundred case studies of success in scaling up poverty reduction efforts culminating in the Shanghai Conference of May 2004; and (b) the Capacity Day hosted by the World Bank in June 2005, which initiated a global dialogue on why capacity matters and the lessons of experience for capacity development.

These two events brought together academics, politicians and development practitioners from around the globe and shed light on key factors that have underpinned success in capacity development in at least some contexts, including: (a) country ownership and institutions that generate good governance; (b) access to ideas, information and knowledge, and an environment for learning and innovation; (c) the need to view capacity as a long term process that must be sustained to match the transformations and transitions of development; (d) the importance of focusing on concrete results; and (e) the role of external benchmarking in informing public opinion and stimulating change. The importance of these factors in varying contexts is highlighted in the articles in this issue of Development OUTREACH.

In this issue

The First Article by Kemal Dervis reminds us that it is essential for poor countries to develop capacity over the coming decade in order to translate the envisaged large increase in aid into greater progress towards the MDGs and other international development goals. Poor countries need to adopt long-term strategies for capacity development by addressing structure, incentives, functions and skills in government agencies, as well as other institutions and civil society. Donors need to coordinate better among themselves and with recipient countries, and reduce the administrative and managerial burdens imposed by their aid on national and local governments. Francis Fukuyama highlights the same basic concerns within the context of state-building. He argues that strengthening state institutions is the key to generating capacity and lifting underdeveloped countries out of poverty. Donors need to give greater priority to the creation of local capacities, even at some expense of delivering services to the population in the short term.

Callisto Madavo discusses key messages emerging from the work of the World Bank’s Task Force on Capacity Development in Africa. He stresses that African governments and societies must take the lead in capacity development, which needs to be approached strategically as a core area of country strategy for growth and poverty reduction. External support should be oriented to engage with existing capacities, and provide independent monitoring and benchmarking. Luisa Diogo reinforces the importance of country ownership and participation in her overview of the implementation of Mozambique’s development agenda, through strengthening institutional capacity while giving voice and ownership to the people, and partnering with donors. Vira Naniksha writes about voice and participation in a very different country context. Ukraine, where democratic institutions were built gradually from the grassroots with the help of international donors. She stresses the role of the NGOs as organizations that can have a real impact on government policies. The challenge of stimulating demand for capacity is also taken up by Kaufmann and Recanatini, who describe an array of governance indicators that provide a useful way of benchmarking country performance to promote transparency and accountability.

The next two articles offer some operational perspectives on supporting capacity development. Nils Boesen highlights the importance of viewing the organization as the appropriate target for intervention, with a strong focus on outcomes or results and due consideration to organizational and political economy aspects of change. Drawing lessons from Indonesia’s successful Kecamatan Development Project, Mary McNeil and Michael Woolcock focus on the processes of learning and decision making. They emphasize the importance of local context and adaptation, and argue that capacity development is a stop-go process that must be sustained over a period of time and among a wide range of stakeholders. Finally, Richard Manning discusses emerging areas of consensus among donors about their role and behavior in ensuring that capacity development efforts are fully owned by recipient countries, and that donor support is aligned with country-led strategies and actually serves to develop local capacity by building on existing capacities.

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Today's Critical Challenge
Building Capacity to Achieve the Millennium Development Goals

BY KEMAL DERVIS

WITHIN THE development community and beyond, unprecedented global attention has been devoted in 2005 to the issues of what is needed to fight poverty and advance sustainable human development. Leading to the 2005 World Summit at the UN, a number of agreements created a momentum towards the achievement of the Millennium Development Goals by 2015. Such agreements included the historic commitment by the European Union to meet the long-held target of 0.7 percent of gross national income on official development assistance (ODA) by 2015, and the proposal by the G8 to cancel multilateral debts owed by some of the world’s poorest countries. The first steps towards these goals have actually been taken, and ODA has started to rise—reaching US$78.6 billion in 2004.

Today, we stand at a crucial juncture in global development efforts. Ensuring that we translate increased resources in human development into tangible development outcomes at the country level has never been more critical, both for developing countries and for the future of development cooperation.

Defining capacity development in a changing aid environment

THIS SCALING UP in development assistance is critical if the Millennium Development Goals are to be achieved by the 2015 deadline. At the same time urgent steps need to be taken to increase the capacity of countries to absorb increased resources. As the development community prepares for what may become the largest ever increase in development assistance, the role of implementation capacity in consolidating development gains and establishing the conditions for making further progress is extremely important.

Within this context, it is clear that as financial resources may hopefully become somewhat less of a constraint on development, issues such as the quality of institutions and their capacity to deliver—are going to define the ability of poor countries to achieve universal primary education, reduce child and maternal mortality or combat HIV/AIDS, malaria and other diseases, amongst other development targets. The target institutions are not only government ministries and the civil service, but social institutions more generally.

Moreover, it is not only domestic capacity that has been a constraint. The ability of countries to manage increased donor funds also requires better coordination from donors to reduce the administrative and managerial burdens on national and local government staff. The Paris Declaration on Aid Effectiveness, agreed upon in March this year, has provided a practical blueprint for donors and developing countries to monitor each other’s progress on the way aid is delivered and managed. There are healthy signs that more balanced and mutually accountable development cooperation is emerging. The Mozambican government recently called upon the donor community to be a part of a mutual assessment framework that reviews behaviors, rules and procedures, and capacity constraints on both sides.

Thus, while capacity development is an age-old concept, today it has both greater urgency and relevance because of a new and better conceptual framework and the anticipated greater investment in development.

In his report, In Larger Freedom, released in March 2005, the United Nations Secretary-General asked that each developing country with extreme poverty should by 2006 adopt and begin to implement a national development strategy bold enough to meet the Millennium Development Goals targets for 2015. He encouraged those countries to mobilize all their resources behind that strategy, as well as to take steps to improve governance, support the rule of law and tackle corruption. And to support those strategies, he also asked every developed country to increase the amount spent on development assistance and debt relief, and to take action to reform world trade. Clearly, there are capacity implications for implementing an MDG-
based development strategy in relation to the ability of countries to manage the scale-up needed to achieve the goals in the time left before 2015, while at the same time expanding the delivery of essential services. From public sector management and administration, to human resources and infrastructure, the need to strengthen the ability of countries to absorb additional resources and at the same time build their own national and local capacity has never been so important to achieving sustainable development outcomes.

But for too long, capacity development has been approached in a piecemeal fashion, often driven by isolated seminars and individual projects. A strategic long-term plan for building capacity by addressing structure, training, incentives, and functions is now vital not only in government ministries, but also in other institutions, and in civil society, which is increasingly playing a critical role in the delivery of essential services such as healthcare and education.

Working strategically to build capacity

**Given the hoped for increase** in resources and renewed attention on capacity, what are the priorities?

The first critical area is strengthening the capacity of national and local government, as well as non-state actors, in policy analysis and planning to produce and implement MDG-based national and local development strategies. UNDP is building on our experience to formulate and implement integrated development plans in a number of key ways: by building monitoring systems and improving statistical literacy in order to map the key dimensions of poverty; conducting MDG-based needs and capacity assessments to identify the specific public resources and policy reforms required to achieve ambitious national targets; and by integrating national poverty reduction strategies with nationally-owned MDG targets through public investment plans and pro-poor poli-
cies as well as macroeconomic frameworks and sectoral development strategies.

A second priority area is investment in building countries' capacity to formulate policy. To make sound policy choices and be able to implement them effectively at all levels is really at the heart of a country's capacity treasure chest. This area needs to be expanded as needs evolve. Take the example of Sierra Leone. Not being able to execute the public payroll effectively represented a substantial risk, which the government recognized needed to be addressed as a vital priority in its recovery from conflict. A capacity strengthening effort focused on effective payroll management and a subsequent internal audit of the payroll, and it helped to ease a potential crisis in the country's public sector administration.

A third dimension in need of support is the development of human resources, because a shortage of trained workers and managers across the developing world continues to be a critical constraint to development. The UNDP-sponsored Millennium Project report, Investing in Development, highlighted the need to rapidly increase the level and scale of training, and called for the deployment of village workers in health, farming, and infrastructure to ensure basic expertise and services in rural communities. The human resource challenge is particularly acute in countries confronted by HIV/AIDS, famine, or natural disasters. The Southern Africa Capacity Initiative is an innovative response to one of the most challenging development problems faced today, which seeks to address the debilitating impact of HIV/AIDS on governance and public service delivery at both the national and regional levels. This UNDP-supported initiative is conducting assessments of human resources and institutional capacities and needs, helping to fill capacity gaps through national and international volunteers, carrying out cross-cutting skills training, and building service delivery capacity, particularly at the community level.

Other vital areas where resources need to be directed towards capacity development include building capacity for the fight against corruption, through independent monitoring and review mechanisms for mutual accountability; and capacity development to assist national procurement capacities that will deliver essential drugs and healthcare to the poor.

Across all these areas, it's clear that a capacity development framework for action requires a discipline and rigour that has sometimes been absent in past efforts. The need to carefully assess, document, and learn lessons is key if capacity development is to help achieve the development results we all want to see at the country level. The principles and theoretical underpinnings of the concept of capacity development are sound, but the real test now lies in applying a model of capacity development that delivers results.

Greater resources without sustained capacity expansion in institutions—public, private and non-governmental—to absorb and manage them efficiently and effectively will not produce sustainable results. Instead, it is likely to elicit waste and inflate service costs, and to result in only a minimal improvement in development outcomes. Unless we address this problem now, there is a real risk that possible gains may be followed by disillusionment and failure.

As the UN's global organization for development with expertise in capacity development across all our practice areas, from support for democratic governance to crisis prevention recovery, and as the home of the UN Resident Coordinator system, and chair of UN Development Group, substantively and operationally, UNDP has an indispensable role in supporting governments in the challenge of building the capacity they need to deliver the real improvements in human development that increased aid flows can bring. Thankfully, the Cold War is over and development assistance can now really focus on human development, rather than being an instrument of military alliances. Important lessons have also been learned from past successes and failures. Let us hope that donors will not again allow narrow, short-term political considerations to drive attention from the central goal of human development, which is also the best long-term guarantee of greater security for all. For the first time we may actually truly be able "to make poverty history." It is the most exciting challenge there is. At the start of my time at UNDP, I look forward to joining forces with all partners worldwide so that we can meet this challenge successfully.

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STATE-BUILDING as the Core of Capacity Development

BY FRANCIS FUKUYAMA

There has been growing consensus within the development policy community that institutions and state capacity are critical to economic growth, and cannot be taken for granted in many poor countries. The problem we face, however, is that while we understand the importance of state institutions, we do not have good strategies for creating them in societies with weak demand for them. Worse, the international community tends to help poor countries by providing services directly, bypassing and thereby weakening indigenous institutions. Solving this conundrum will be a major task for the future.

The idea that state-building should become a priority for the world community may come as a surprise, given that the dominant trend in world politics for the past generation has been the critique of "big government" and the attempt to move activities from the state sector to private markets or to civil society. There are two separate dimensions of "stateness," however, that need to be separated. The scope of state activities has to do with the number of functions or activities a state assumes, while the strength of states refers to their ability to make and enforce rules. The old agenda of cutting back state scope remains valid for many countries with excessively large public sectors. What many people forgot during the 1990s, however, was that there are important residual state functions such as providing a rule of law and other basic public goods that can be done more or less well. While an optimal reform path would involve cutting both unnecessary and counterproductive scope through privatization and deregulation, residual functions would have to be simultaneously
strengthened. Unfortunately, during the 1990s, many countries lost scope and strength simultaneously.

Weak states are the source of problems

While the agenda of reducing the scope of nation-state still remains alive in many parts of the world, the imperative for our new global economic environment has become state-building, particularly in the developing world. In those countries, weak, incompetent, or non-existent government have little capacity for enforcing laws or implementing policies. For example, the AIDS epidemic in Africa has infected millions of people and will take a staggering toll of lives. AIDS can be treated as it has in the developed world, with antiretroviral drugs. There has been a strong push to provide public funding for AIDS medicine or to force pharmaceutical companies to permit the marketing of cheaper forms of their products in Africa and other parts of the Third World. While part of the AIDS problem is a matter of resources, another important aspect is government capacity to administer health programs. Antiretroviral drugs are not only expensive, they also are complex to administer. Unlike a one-shot vaccine, they must be taken in complex doses over a long period of time; failure to follow the regimen may actually make the epidemic worse by allowing the human immunodeficiency virus to mutate and develop drug resistance. Effective treatment requires a strong public health infrastructure, public education and knowledge about the epidemiology of the disease in specific regions. Even if the resources were there, the institutional capacity to treat the disease is lacking in many countries in Sub-Saharan Africa (though some, like Uganda, have done a much better job than others). Dealing with this epidemic thus requires helping afflicted countries develop the insti-
Lack of state capacity in poor countries has come to haunt the developed world much more directly. The end of the Cold War left a hand of failed and weak states stretching from the Balkans through the Caucasus, the Middle East, Central Asia, and South Asia. State collapse or weakness had already created major humanitarian and human rights disasters during the 1990s in Somalia, Haiti, Cambodia, Bosnia, Kosovo, and East Timor. For a while, the United States and other countries could pretend these problems were just local, but September 11 proved that state weakness constituted a huge strategic challenge as well. Radical Islamist terrorism combined with the availability of weapons of mass destruction added a major security dimension to the burden of problems created by weak governance. The United States has taken on major new responsibilities for nation-building in Afghanistan and Iraq in the wake of military actions there. Suddenly the ability to shore up or create from whole cloth missing state capabilities and institutions has risen to the top of the global agenda and seems likely to be a major condition for security in important parts of the world. Thus state weakness is both a national and an international issue of the first order.

How to intervene in state-building

While we understand how institutions work and why they are important in the developed world, we have much less knowledge of how they can be transplanted to societies in which they are missing or weak. This is true even for public administration (i.e., institutional knowledge at a micro level), which many people regard as a technical discipline. Economists have in recent years sought to model corruption and other types of bureaucratic dysfunction through so-called "principal-agent" models. The solutions to governance problems suggested by this approach seek to better align agent interests with those of the principals, often through redesigned monitoring and accountability systems.

While this framework provides important insights into the origins of poor governance, many problems cannot be solved through better monitoring and accountability, because many public sector outputs cannot be accurately monitored or have very high transaction volume. Oftentimes, workable approaches to public sector reform require changes in the normative structure of an agency or bureau, and thus have multiple possible solutions. Public administration thus often ends up being more of an art than a science.

It is also important to keep in mind the contradiction inherent in providing public services to developing countries, while at the same time engaging in institutional capacity building. External donors and their local contractors are often better positioned to provide services in order to face the immediate needs of the population. But in the long run, developing countries are better served by developing their own institutional capacity. The tendency of nation-builders to take over and to provide turnkey governments, as we have done under the Office of the High Representative in Bosnia or under the Coalition Provisional Authority in Iraq, creates problems for the future because it infantilizes local actors, impedes ownership, and ultimately retards long-term capacity development. There is no neat solution to this problem, but if we are serious about building institutional capacity we will need to develop approaches that are less intrusive even at the expense of short-term service provision.

The political dimension

Finally, we have to consider the political dimension. State weakness, in any part of the world, has international consequences because it invites outside intervention and thereby erodes the principle of sovereignty. Questions of democratic legitimacy have come to dominate disputes between the United States, Europe, and other countries in the international system. Strengthening state institutions through various forms of state-building is a task that has become vital to international security, but is one that few developed countries have mastered. Learning to do state-building better is thus central to the future of world order.

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This article includes excerpts from Francis Fukuyama's book, State-Building: Governance and World Order in the 21st Century, and is based on the lecture he gave on the same subject at the World Bank on December 14, 2004.
Five Key Messages
Recommendations for Capacity Development in Africa

BY CALLISTO MADAVO

As Africans and their international partners gear up for a major push to fuel development and poverty reduction, Africa has a new opportunity to push the development agenda and to improve conditions for the continent’s poor. In July 2005, the Group of Eight industrialized nations agreed to double aid to some $50 billion a year, recognizing the common interest in accompanying Africans on the road to sustainable development. But for increased aid flows to translate into better development outcomes, African governments and societies have to strengthen their capacity to implement development programs.

The attention paid to Africa’s lag in achieving the MDGs and its faltering economic performance has correctly drawn attention to Africa’s capacity gaps and the constraints that the continent faces in overcoming them. Using the new resources flowing towards Africa in the form of debt relief, aid, trade and investment requires that Africa and its partners address this capacity challenge, learning from the successes and mistakes of the past.

Shared growth requires capacity not only in the public sphere, but also in the private sector and civil society. Poverty reduction requires the state to carry out basic public management functions to provide access to basic social services. In the private sector, entrepreneurs, farmers and shopkeepers need regulatory institutions that ensure a competitive and cost effective business environment, low barriers to entry, and minimum risks to investment.

The starting-point today is much more propitious than at the launch of the African Capacity Building Facility (ACBF) more than a
decade ago. The PRSP era has paved the way for important innovations in the way donors and the World Bank do business. The introduction of budget support (including PRSCs) and Sector Wide Approaches (SWAs) aligned with government systems have put countries in the driver’s seat with stronger incentives to show results. Harmonization of donor efforts around country-owned benchmarks for poverty reduction although slow has likewise improved the efficiency of the partnerships with developing countries. The development of various country-level, multi-sectoral programs related to public sector reform and public financial management, community-driven development, and the fight against HIV/AIDS are also in place and show promise.

A few key messages

A TASK FORCE was set up to recommend changes in the way the Bank affects African capacity, both directly through operations aimed at capacity development and indirectly through the way it conducts its overall business of development lending and cooperation in Africa. Based on its assessment of the evidence of capacity development and widespread consultations with Africans and their partners, a few key messages are emerging which can inform and stimulate the efforts of all parties in capacity development on the continent. African countries, external partners, and the Bank. The Task Force regards these as a work in progress around which further discussion and reflection are on-going.

MESSAGE 1  
Capacity is the missing link in Africa’s achievement of the MDGs

Capacity comprises the skills, incentives, resources, organizational systems and structures—as well as the broader enabling environment—that allow individuals and organizations to plan, implement, and monitor their development. Equally important is the need to answer the question: capacity for what? In this regard, capacity is best developed and used most effectively and tangibly in pursuit of specific objectives such as delivering services to the poor, improving investment climate for private firms and entrepreneurs, empowering local communities to take part in public decision-making, and resolving conflict and promoting peace and security.

Capacity remains a binding constraint to development and poverty reduction despite concerted efforts by a number of African countries and substantial donor support. This underscores the crucial importance of easing the capacity constraint, in tandem with larger aid flows to Africa; the two need to go together.

Since the end of the 1980s, macro-economic, structural and social policies have improved all over Africa and political and economic governance has improved since the early 1990s. In short, with economic policy and good governance building blocks moving into place to create opportunities, together with the availability of external financing, capacity remains the most binding constraint meeting the stipulated MDC targets in Africa.

MESSAGE 2  
Capacity development aims at an effective state and an engaged society

Capacity development must be approached from what it intends to achieve. An effective state with an engaged society are needed to reach the end goals of poverty reduction, growth, empowerment, peace and security.

A state is effective when it delivers quality public goods and services meeting the needs of the population. Effective states require engaged societies that demand change and hold governments accountable for such delivery.

An engaged society, an end in itself, is also a key element of the domestic accountability system. Participatory institutions that are active holding the state accountable include parliaments and their committees, advocacy, interest and consumer groups, professional associations, local governments and communities.

MESSAGE 3  
Africans must take the lead in capacity development and aid management

Capacity development should be approached strategically as a core area of country strategy for growth and poverty reduction. As home-grown strategies are much more likely to address the right issues and be effectively implemented. African country stakeholders, including their regional institutions, have to be at the center of a strategic approach to capacity development.

African governments should design strategies for capacity development as part of a participatory PRS process, including a robust monitoring and evaluation system as an integral part of its medium term plan such as the PRS.

MESSAGE 4  
External partners must engage existing capacity in all African countries

External partners must respect African leadership and ownership of the design and implementation of national capacity development strategies. They must also follow a customized approach to supporting a country’s capacity development strategy.

The international partner community should support the implementation of the capacity development strategies with timely, flexible and predictable technical and financial assistance. Technical cooperation (including technical assistance) to African countries is on a strong rebound in 2004. it reached US$5.8 billion. Unfortunately these technical assistance expenditures are not building capacity, there is therefore a need for redirection of its use in two ways. One is to raise the share of technical assistance funding going to capacity building activities instead of expatriate salaries and support. The other is to provide it in a way that pools the fragmented financing arrangements into a basket to fund prioritized capacity development activities or filling country-identified short-term needs for achieving results with the country directing the investments. There is also a need to fund region-
al and sub-regional capacity.

In all African countries, external partners should take a longer-term, more patient and predictable approach to capacity development, extending over 15–20 years.

**MESSAGE 5** Achieving capacity outcomes requires independent monitoring

Mutual accountability between external partners and African countries has been gathering momentum especially in the context of the PRS process. Africa itself has shown the way though the African Peer Review Mechanism, which uses a regional framework to strengthen domestic dialogue and encourage change towards improved political and economic governance.

**A shared vision**

The emerging shared vision of effective approaches to capacity development provides a conceptual and operational underpinning for a common platform. It is supported by the literature review and the experiences documented in the country and thematic studies. And it is reinforced by a strong endorsement from the consultation process so far.

This platform provides the basis for a coordinated "big push"—a new compact—to be mobilized with our African partners, the donor community in general, and the World Bank Group. None of the three partners can do it all alone. While each of the partners may have a different role, sustainable capacity development calls for a spirit of mutually reinforcing support and accountability.

The renewed compact will require the commitment of African leaders and their development partners to address capacity development more strategically, systematically and boldly. It will require a frank and comprehensive assessment dealing with the real constraints to building capacity. It will require using and retaining capacity effectively. It will require analytical and financial support for homegrown strategies for capacity development. And it will require the evolution of modalities and practices for partners to support the development of country capacities.

Callisto Madavo, Task Force on Capacity Development, the World Bank, and former Vice President for the Africa Region.
Post-Conflict Mozambique's Reconstruction

A Transferable Strategy

BY LUIZA DioGO

IN POST-CONFLICT MOZAMBIQUE, over a period of roughly twelve years, we have witnessed an amazing economic turnaround. There has been a reversal from a GDP growth of minus 8 percent to one of plus 8.2 percent. This was due mainly to a successful capacity development program that relied on the participation of all sectors—government, private sector, civil society, and international donors.

When we prepared the first reconstruction program after the war, in 1993, we had about 4,000 projects, which had been agreed upon with the wide participation of all the stakeholders. For the first time, groups such as NGOs, economic associations, and local communities had the opportunity to make their voices heard. Faced with the challenge to prioritize this large amount of projects, the government focused on rebuilding the health and education infrastructure, and achieved its goals in three to four years.

The development agenda

AN IMPORTANT ELEMENT that contributed to our success was a strategy based on a specific agenda. This development agenda was built on consensus through a mechanism of discussion with civil society, so that every bill approved in the parliament had already been vetted by the society at large. There were two key factors that sustained the implementation of the agenda: a leadership with clear, long-term vision and international donors willing to accommodate that vision.

Former President Chissano’s vision was to create an environment of peace and stability, which would facilitate economic growth. He succeeded in doing so. President Guebuza’s vision is currently to reduce poverty, which is the matrix for a healthy and prosperous country. When we first tackled this task, we were in the dark. We lacked indicators, figures, and causes. Therefore, we had to start by doing research. The results from a household survey, in 1997, indicated that we had 70 percent absolute poverty in Mozambique. We analyzed the causes, and subsequently decided on how best to allocate our scarce resources in order to alleviate symptoms and also get to the roots of the problem. We ended up allocating 65 to 70 percent of the budget to education, health, agriculture and rural development, infrastructures, governance, including judiciary and decentralization processes, and macroeconomic stability.

It is important to point out that today, although we may not have consensus on every specific issue, we do have consensus on the essence and general direction the government has imparted to the country—on allocation of resources, on state control of resources, and on the way we receive aid.

Measures of success

IN ORDER TO BE ABLE to sustain the level of capacity development experienced in our country in the last decade,
we have to be aware of the areas in which we achieved our major successes. In the area of poverty reduction, indicators show that the living standards have improved thanks to economic growth. This is our first measure of success.

The second measure of success is the issue of institutional capacity. Our institutions are now able to make policies, create programs, and control projects. They are also handling gender issues at all levels. These are major improvements that strengthen institutional capacity. The third measure of success is the growth of the private sector, with a total investment, both internal and foreign, of US$7 billion since 1997. Only three countries in Africa have such a level of investment: Sudan, where there is oil; Angola, where there are oil and diamonds; and Mozambique, where there are neither oil nor diamonds.

Still another measure of success is the involvement of civil society. Our civil society is actively engaged in discussions of policy making with the government. These discussions are often time consuming, but they produce better policies based on consensus and, therefore, make implementation easier.

Finally, a key measure of success is community development. We are devoting more and more efforts to community development because this would be the basis for the country’s capacity development. When our communities are prepared to face the challenges of natural disasters and diseases such as malaria, tuberculosis, and HIV/AIDS, Mozambique will have achieved true capacity development.

Transferring the achievements

In view of the success Mozambique had in implementing its development agenda, we are often asked whether our country could be a model to be replicated in other post-conflict countries. My answer to this question is that Mozambique’s post-conflict experience may be useful to other countries, keeping in mind a few essential points.

Firstly, the given country should stabilize its post-conflict environment by keeping peace and security, consolidating democratic institutions, and encouraging broad participation in the development process. The latter is especially crucial, because one of the causes of conflict in Africa is poverty and
the sense of exclusion. Equally important is to strengthen democratic institutions. Mozambique's spending for the parliament went up from US$200,000 to US$3 million per year in the post-conflict period, which is indicative of the country's commitment to democracy.

Secondly, macroeconomic stability must be pursued in order to control inflation. Price fluctuation due to inflation creates problems for the consumers and leads to strikes and mass protests. Conversely, in a situation of macroeconomic stability it is easier for the government to implement policies that benefit society—agricultural policy, resettlement policy, demining policy, HIV/AIDS fighting policy, and so on. Macroeconomic stability should not be postponed as a policy.

Finally, much depends on leadership. Leadership at all levels must be guided by clear and far-reaching vision, which extends to the future of the country. It should set directions that put the country on a steady course, but should not force policies on the people without consensus. It should open up the development process to a great variety of voices from all the stakeholders. Stakeholders such as NGOs and foundations, on their part, should live up to their responsibilities and make a valid contribution to capacity development. And, last but not least, the government should protect the freedom of the press, which is one of the foundations of a democratic society.

Donors' cooperation

International donors are important partners in our development agenda. We need to keep them involved in the process. But we also have to take ownership of our programs. After all, ownership is a key measure of capacity development in the country. We are making progress in this direction.

In 1996, we started implementing the Sector Wide Approach (SWAp), which allows the government, once a program has been approved in consultation with the donors, to take ownership and implement it, without discussing disbursement of every single dollar. It practically amounts to budget support. During the implementation the government reports on indicators of process. Only at the end of the program, would the government account for output and costs. Under SWAp, the donors could present their projects, but they must fit in the government's strategy, and should be approved only after discussion and agreement.

There are at present 17 donors that participate in the SWAp approach, and they include the World Bank and the European Union. The great advantages of this arrangement are ownership, predictability, long-term commitment, and additionality of resources to the budget. While we had a very positive response to this approach from the donors that are currently working with us, other potential donors are still reluctant to join because of negative experiences they had in other countries.

I think that oftentimes this is due to the fact that some leaders are too timid to discuss their country's needs with donors such as the World Bank and the IMF. Rather, they would passively accept the donors' proposed projects without claiming ownership, and as a consequence implementation may not have a positive outcome. What the donors should do, in my opinion, is to challenge those leaders, to stimulate them, to encourage them to take initiatives, to provide examples of programs that worked in other countries in similar situations, and to create a space for ownership. The donor's representatives may raise questions such as: "How do you want to approach gender issues?" Or: "What do you want to do to improve girls' education?", and the like. The essential factor in dealing with the donors is dialogue. Initiative may start from one side or the other, but the issues should be discussed in a clear and transparent manner, and agreement should be reached, which assuages the donors' concerns and guarantees ownership to the receiving country.

I am convinced that the leaders' response would be enthusiastic, because if a government has been democratically elected by the will of the people, it is implicit that its role is to do the people's work and fulfill the mandate for a better future. And a better future is achievable mainly through capacity development.

Luisa Diogo is Prime Minister of Mozambique

This article is based on her presentation at the conference "Capacity Matters: Operational Implications," Washington, DC, June 8, 2005.
Civil Society in Ukraine and the Orange Revolution

BY VIRA NANIVSKA

FOR A COUNTRY TO PURSUE capacity development, democratic institutions must be firmly in place. The soviet system systematically destroyed any representation of interests other than those of the Communist Party leadership. This meant that countries like Ukraine lacked organized interest groups and the institutions of legitimate political competition after the collapse of the communist regime. Although the basic institutions of representative democracy—president, legislature, Constitution, elections at all levels—were quickly established in the early 1990s, this did not make Ukrainian society fully democratic because the institutions of everyday democracy—an independent judiciary, the participation of different interest groups in the policy-making process, and transparent governance—were still missing.

The role of civil society

YET THE EVENTS OF THE FALL OF 2004 made it clear that civil society played an important role. Thanks to its actions power changed hands in an organized manner, without victims and within the law. Civil society's capacity evolved gradually. In the post-Soviet period, there were unmistakable signs of an emerging civil society: legitimate political competition, non-government systems for monitoring political competition, including during elections, and interest groups among NGOs that promoted their interests publicly. Other encouraging signs included government's concessions to interest groups, changing the policy-making process and gradually introducing public policy approaches, an orientation towards European standards of
A WIDE RANGE OF SOCIAL GROUPS supported the process of changing those in power, putting to rest the totalitarian myth about the sacredness of power. People understood that power depended on their choice, that it could change hands, be criticized, and be answerable. The media acquired new freedom. Many civil organizations were forced to disclose their ideological basis, which led to a new relationship among NGOs and party organizations that could influence public opinion and is capable of organized and consensual action reached full capacity. Today, some 40,000 NGOs in Ukraine involve 12% of the population—and these organizations have been a key active force in the Orange Revolution.

Community-building and organizing

Community-building became more active and organized. For instance, Dnipropetrovsk oblast signed a memorandum with civic organizations, the oblast council, the oblast state administration, mayors, and local business associations containing 10 specific commitments to cooperate and develop local communities together. Parties have begun to understand the importance of local community support and its impact on their election campaigns. They, too, are now looking to participate in community-building and development.

Better oversight of the March 2006 elections

Since Ukraine is switching from presidential to parliamentary-presidential government, the 2006 Verkhovna Rada elections are likely to determine the further fate of democracy in Ukraine. NGOs are already forming coalitions to lobby changes to election legislation and work out how to avoid vote-rigging this time around. Some are organizing public dialog to review the content of election platforms and to analyze how parties did or did not fulfill promises made in earlier elections. Others are putting together training programs for those involved in the electoral process. President Yushchenko proposed that community organizations be allowed to monitor the elections.

Active resistance to the old ways of governing

Many community organizations such as Pora, which was a key force during the Revolution, are actively campaigning to reveal any backsliding towards the old regime in the new
Administration. Their websites report on corrupt activities among "newly minted" officials. They have been holding public hearings on issues of social transformation and they are studying the transparency and effectiveness of current policy.

NGOs in the Eurointegration process
A clear orientation on the real process of integrating into international and European organizations is making democratic changes more consistent and structured as to direction and objectives. This year, the number of NGO-organized public hearings and projects related to Eurointegration organized has picked up noticeably, along with increasing competition over the issue of where Ukrainian society should be going.

More competition and open positions among political forces
A constructive opposition is beginning to develop, among both parties of the old regime and new forces. The process is still fairly chaotic because the opposition lacks the capacity to organize itself and to take meaningful action. NGOs have been actively engaged in debating party activity and the contents of party platforms.

Social policy and a stronger role for NGOs
Young people's and student organizations have become especially active in working to change attitudes towards the problems of the young and their rights: the campaign against HIV/AIDS has grown stronger and more coordinated, as has the protection of minority rights and the fight against child abandonment.

What's next?
UKRAINE STILL has no targeted policies for institutional change in the system of public governance, yet both time and resources to institute such changes are shrinking. Judicial reform has not become a priority and the influence of those in power on court decisions remains very noticeable. Most voters are not confident that they can defend their rights. Should Ukrainian voters be disappointed in the progress of reforms, the legislative elections in 2006 could result in a return to the old system of power and the old style of governing.

There must be a shift in focus to some form of coordinated policy regarding technical assistance to Ukraine that would be clearly oriented toward the kinds of changes that the European Union undertook with countries that joined in May 2004.

Changes in the policy-making process itself
NEW POLICY CONTENT ALONE cannot have the proper impact without a new way of governing. The old system of hand-managing needs to be replaced by public policy-making and systems put in place to engage in public consultations and develop and negotiate alternative policies.

Instituting administrative reform, setting up an independent judiciary, modernizing infrastructure, and, of course, engaging the civil institutions in this process must become TA priorities. The World Bank can clearly play a leadership and coordinating role in political TA to strengthen the capacity and influence of civil society in Ukraine.

More development of civil society
THE STRATEGIC APPROACH for donor assistance needs changing. The tradition of funding one-off events of hundreds of tiny NGOs must be replaced by the implementation of large-scale, long-term programs through resource centers and NGO coalitions.

The involvement of many and ever-new groups in transferring models of democratic behavior was initially effective to familiarize Ukrainian society with democracy, but it is the wrong approach for democratic reforms. These can only be carried out by an organized civil society backed by enough money, resource centers, high-quality programs and NGOs that represent the interests of many different social groups.

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CAPACITY BUILDING is often mentioned as a key constraint to development. However, the link between governance and effective capacity building (and aid effectiveness) is much more complex than what we have acknowledged in the past. Traditional 'capacity building' investment has shown to have only a limited impact, especially in environments where governance is weak. As emphasized by Pritchett (2001), to build capacity where governance is weak, for example, may lead to "privately remunerative but socially wasteful activities." Given the extent to which some key governance failings remain, the importance of good governance for effective capacity becomes even more predominant.

The limited success of old style donor-funded technical assistance and 'capacity' efforts is due to the approach used that relied heavily on importing capacity hardware and organizational software, with little focus on the governance component of capacity building. Implicitly, this suggests that if sufficient resources are poured to build capacity and enhance 'absorption' of aid, this could ameliorate any concern about governance. This approach also fails to recognize that local demand for investing in capacity development can ensure that the capacity will be used effectively.

The limited successes have pushed the Bank to develop an integrated approach to 'build local capacity in governance', which emphasizes rigorous diagnostics and analysis, policy advisory services and collective action. This approach links action-learning methods to empirical diagnostic surveys and policy applications through collective action at the local level. Key components in this "integrated approach" are:

1) An analytical component that comprises three level of data collection and analysis:
a. "macro-level," for a vulnerability assessment based on Worldwide Governance Indicators Database and Analysis, covering about 200 countries between 1996 and 2004;
b. "meso-level," for a quantitative evaluation of the business climate in more than 80 countries, using various micro and macro dimensions of governance based on a survey of more than 10,000 firms:
c. "micro-level," for action planning and specific capacity building, based on in-depth diagnostic surveys to representative samples of public officials, business people, and users of public services.

ii) Learning activities and action planning programs using participatory approach and public discussion of action plans at national workshops.

iii) Specialized learning programs and support for implementation of action plans with Bank colleagues and donor representatives.

These first-generation efforts have led to the compilation of the governance indicators and in-country databases, and the design of innovative learning activities. Consider, for example, the ability to monitor on regular basis governance and its impact on poverty alleviation efforts—key for developing countries. This requires a multi-disciplinary national capacity, both human and institutional, which is weak in many developing countries. Focusing on national statistical systems, the Bank has developed learning programs aimed at strengthening the analytical capacity of developing countries. The programs, for policymakers and staff from the National Statistical Agencies, aim to build a sustainable, local monitoring capacity using an action-oriented approach (see References).

These efforts have also provided valuable lessons for the next stage. Governance and corruption can now be measured and analyzed, at both an aggregate comparative level as well as at an in-depth country level. Aggregate indicators allow to evaluate the quality of a country’s governance along six dimensions: (1) voice and external accountability, (2) political stability and lack of violence, crime, and terrorism; (3) government
effectiveness; (4) lack of regulatory burdens; (5) rule of law; and (6) control of corruption. These aggregated indicators can empower reformists in governments and civil society.

Linking these dimensions to development outcomes we observe that more focus is needed in improving citizen’s participation and empowering them with effective voice, and in promoting transparency-related reforms in public institutions. Moreover, mechanisms for collective action need to be deepened, engaging the private sector, parliaments, civil society as well as the judiciary—which often needs to be reformed. More effective cross-border collaboration is also needed, including addressing the challenge of bribery by multinationals.

Policymakers are at a crossroad nowadays. On the one hand, new initiatives signal an increased commitment to better governance (such as UN convention, recent OECD and OAS conventions). Innovations in this field, applied in a number of programs on the ground, show that progress is possible both at the country level and at the project level. On the other hand, new evidence suggests that for each success case there has been inaction or deterioration in others, highlighting the great variation in performance across countries and institutions in curbing corruption.

The Bank has concentrated its recent efforts on capitalizing from these lessons. At the macro level, WBI has released the new governance indicators for 2004. The more comprehensive database of aggregated indicators (available from 1996 to 2004) has improved practitioners’ capacity to analyze changes in governance across countries and has provided further evidence of the link between governance and development (see website: www.worldbank.org/wbi/governance/govdata).

The Bank has also been focusing on empirical research on transparency (described in the Box above) and human rights, two emerging key areas of governance. The data suggest that transparency helps improve governance and reduce corrup-
tion—essential ingredients for better development and faster economic growth. But there is a need for the development aid community to pay more attention to the issue.

An additional lesson is that even when governments use a comprehensive approach to improve governance, reforms cannot be sustained if the effort is just based on government institutions. It is crucial to involve key segments of civil society, the media, parliament, and the private sector through participation and accountability mechanisms. The governance indicators and the data on human rights suggest that countries that restrict freedom of the press, citizen’s rights, voice and participation, struggle to curb corruption.

Corruption and poor governance are not just a problem of the traditional public sector. The political structures and their links with the private elite are an area of focus for the next stage of governance reforms. It is clear that the private sector has a responsibility as well, since influential firms can affect policies and institutions in a country. Ensuring openness and competition to avoid capture of state institutions by vested interests is important. Such undue influence by private actors affects political structures, resulting in the institutionalization of corruption. To respond to these challenges the Bank has continued working at the meso-level, with multi-country enterprise surveys. These surveys allow to disentangle specific vulnerabilities of a country by analyzing institutional quality, performance, and constraints in the public and private sectors from the firm’s perspective. They also permit a cross-country assessment of many traditional and non-traditional challenges in governance.

In-depth diagnostic tools have been used to generate specific input for country-specific action programs. The Bank has supported the design and implementation of such tools in many countries, in partnership with bilateral agencies and local NGOs. During the past year, Zambia, Guinea, Guatemala, Mozambique, and Paraguay have completed such diagnostic efforts. The wealth of information collected allows policymakers to prioritize governance challenges and design appropriate policy response. The availability of in-depth country data has deepened our understanding of governance mechanisms at the local level. It has also allowed begin thinking about cross-sectoral issues, such as the impact of poor governance on specific sectors. Figure 4 provides, for example, evidence of the regressive impact of corruption on citizens seeking public health services.

The challenge of capacity building and governance confronting the world today strongly argues against "business-as-usual." A bolder approach is needed, and collective responsibility at the global level is called for. The rich world must not only deliver on its aid and trade liberalization promises, it must also lead by example. Moreover, the IFIs and donors need to grapple with questions of selectivity and effectiveness in aid programs, anchoring aid within a governance prism and help in countries build capacity to effectively absorb aid. Improving transparency is one of the keys.

Daniel Kaufmann is Director of Global Programs, The World Bank Institute
Francesca Recanatini is Senior Economist with Global Programs, The World Bank Institute

References:

The first offering of the programs for policy makers and staff from the National Statistical Agencies took place on November 17th and 18th, 2004 in San Jose, Costa Rica with participants from Bolivia, Costa Rica, Ecuador, Guatemala, Nicaragua, and Paraguay.
For downloading the course agenda, and materials please visit: http://www.worldbank.org/wbi/governance/costarica/index.html
Looking Forward
A Results-Oriented Model

BY NILS BOESEN

HELPING TO MAKE PUBLIC SECTOR ORGANIZATIONS work better is one of the most persistent and difficult challenges in development cooperation. Support from development partners has often focused on inputs to support capacity development (CD): technical assistance, training, equipment, and ad-hoc benefits to key staff. The record of delivering these inputs is at best mixed.

There are, however, promising ways forward for support to CD in organizations. The approach to CD outlined below has four key pillars:
- adopting an open systems view on organizations;
- applying a results-orientation;
- giving full consideration to the context;
- exploiting both the functional-rational and the political economy aspects of organizations and change.

The approach builds on findings from mainstream orga-
zational and political science, and was initially developed for Danida.

The open-systems approach to organizations is valuable for analyzing capacity. Any organization (or unit within an organization, or network of organizations) is viewed as a system with interdependent elements embedded in a context. The context provides incentives to the organization(s). Some incentives foster productivity and growth, others foster passivity, decline or even closure.

Beat around the bush

**In Principle**, the open systems model indicates the key factors inside and outside the permeable boundaries of organisations which must be analyzed to assess CD prospects. All factors have to be considered—but don’t start by looking directly at the capacity of the organization(s). Forget—initially—the organizational chart, the number of staff, cars, computers, and the development plans.

Instead, start by considering the organization(s) as a "black box": investigate what it actually produced and produces (products and/or services), and the context in which this happens. Only then, at last, open the front door, go into the box and look at the production process and the inputs.

This may sound counterintuitive, and since partners from the organizations seeking CD should be the prime actors, development partners and consultants will quickly find themselves inside the walls of an organization, looking at internal needs which rapidly translate into support for equipment, salary supplements, training, and technical assistance. This internal focus is also relevant, but all too often it leads to negligence of the context, and of the actual performance of the organization as measured by its products and services. Therefore, start with the latter.

Focus on outputs

**Outputs—Products and services**—are the immediate effect of organizational performance. The accounts department, for example, produces monthly account statements. Outputs contribute to outcomes and ultimate impact, which is the focus of development assistance as such. For capacity issues, it is important to come "closer to home", where the attribution chain from capacity to outputs is more direct.

It is particularly important to assess the existing outputs, and recent trends in quality and quantity. Outputs are good proxies for capacity. The output level will reflect the initial capacity, which most likely increases incrementally. This is important for setting realistic targets for CD.

Outputs are tangible results of performance. It thus fosters, from the very outset, a results-orientation, which can help to avoid that CD support ends up focusing on inputs. CD support should not be defined as a TA-team, or as training—but as the specific changes in outputs which the CD support will enable. Instead of specifying number of trainees being trained, or staff being coached, CD support logical frameworks should specify the measurable effect of these efforts on organizational performance.

Watch the context

**Seeing an apparently dysfunctional public organization** where productivity and morale are low can lead observers to point an accusing finger to poor salaries, poor procedures, lack of plans, and poor leadership. Salary enhancement schemes for selected staff, business process reengineering, comprehensive planning and management training—or change of leaders—could be the prescribed medicine.

In stable and conducive environments this may work. But what is seen as dysfunctional from the point of view of what is desired may be both functional and logical in a context where incentives to performance are weak or counteracted by stronger incentives to non-performance. This is why it is so crucial to analyze the context in which organizations are embedded.

Structural and institutional context factors outside the boundaries of the organization will influence it, as will the actions of other organizations and individuals. Some factors and actors in the context may be influenced, while others can only be appreciated in the short term (e.g., a fall in world market prices, social or gender inequality structures, decisions taken in a donor country to reduce development assistance).

Structural and institutional factors may seem to be abstract, and it may sometimes appear of little practical value to analyze these factors. But failing to do so is often the first reason for CD support to fail. If power structures in and around an organization are built on and sustained by nurturing loyalty relations, then an attempt to quickly introduce full transparency in the organization, strict adherence to rules, and recruitment based on merit, is likely to fail—simply because it would destroy the existing power base without replacing it by a stronger one.

Individuals and organizations pursue particular interests as they best can in the context of structural and institutional factors. The political elite, civil servants, civil society organi-
zations, the military, the judiciary—and development partners—all pursue agendas, and organizational change is influenced by and influences these agendas.

Characteristically, there are therefore always multiple actors, which adapt their decision making to that of others, in complex and dynamic patterns. This trivial observation has significant implications for approaches to CD and CD support. In stable, predictable environments, it is possible to plan as engineers do, but imagine trying to win any competitive sport—e.g. soccer—by having a blueprint for the entire game, without the ability to change strategy as the game unfolds. CD and CD support take place in contexts where approaches from competitive endeavors are at least as relevant as blueprint-oriented approaches.

**Functional-rational and political economy aspects of change**

Unfortunately, organizations do not only strive to meet fairly clear and specific official goals; and staff and external stakeholders do not always agree on and pursue these goals. All organizations have informal and even hidden norms and practices, and most—especially public sector organizations—strive to balance different goals and values, some of which are public, while others are downplayed or disguised.

Only focusing on the functional-rational aspects of an organization assumes—naively—that everybody only wants the best for the organization, and that technical optimization of processes, clarity of goals and establishment of good human relations, will ensure optimal performance. On the other hand, only focusing on organizations as arenas for power conflicts and competition between subgroups and pursuit of narrow self-interest would end up in cynicism. Assuming that altruism and egoism mix in changing configurations opens the space for analysis of both functional-rational aspects and political economy aspects of organizational performance and growth.

Analyzing political economy aspects in organizations and in their context is difficult and sensitive. It demands trust, time and high professional and ethical standards. Outsiders also have a different—and mostly more limited—role than insiders. But trying to support CD without alignment to the significant political economy factors is likely to fail.

**Four dimensions of capacity and change**

Bringing the key propositions advanced here together, successful CD and CD support should consider four analytical and strategic aspects (shown in Table 1, below).

Changes in the external factors may well be the most powerful driver of organizational change. The four dimensions also demonstrate why CD support to the internal, functional-rational dimension will only have a wider impact if the context and the "organizational politics" are conducive to change.

This also explains why development partners can only expect their support to be effective if there is country leadership of and commitment to change. Only in that case—where CD is a partnership effort—can required actions on the political economy aspects of change be taken effectively. Development partners can do little alone—organizational change is primarily a domestic affair.

Aligning CD support closely and flexibly to the context and the political economy dimensions is analytically demanding, and requires presence, mutual trust, and a long-term horizon. In such a setting of constant scouting, adaptation to the situation and flexible provision of inputs, the results focus is of crucial importance to ensure overall strategic direction, and to enable an informed dialogue about progress.

A focus on the context and on political economy factors may in some cases imply that development partners can do less than they would have liked to. The ultimate effectiveness of well conceived external CD support does not depend primarily on the providers, but on how well the support is adapted to the context and the domestic actors. Ensuring this adaptation is the key challenge, and by doing so, development partners can do better for capacity development, also when it sometimes implies doing less.

Nils Boesen, Process & Change Consultancy, Denmark.

**References**

The approach described in the article above was developed by Nils Boesen and Ole Therkildsen in a number of studies available at:


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**TABLE 1**

<table>
<thead>
<tr>
<th>Focus on the &quot;Functional-Rational&quot; Dimension</th>
<th>Focus on the &quot;Political&quot; Dimension</th>
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<tbody>
<tr>
<td>Focus on factors within the organization(s)</td>
<td>Getting the job done. Most support has been here—training, restructuring, technical assistance. &quot;Business Process Reengineering&quot; etc. also fall in this category.</td>
</tr>
<tr>
<td>Creating an &quot;enabling environment&quot; for doing the job. Examples might be budgetary reforms to ensure predictability of flows of funds to organizations, change in legal mandates, civil-service reform, strengthening of supervisory agencies.</td>
<td></td>
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<tr>
<td>Forcing change in the internal power relations from outside. Examples might be the strengthening of civil-society organizations or of political or client accountability, building external coalitions for change, strengthening media's role as a watchdog.</td>
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S E P T E M B E R  2 0 0 5  2 7
A New Framework for Social Development

The Case of Kecamatan

BY MARY MCNEIL AND MICHAEL WOOLCOCK

THE KECAMATAN Development Project (KDP) in Indonesia is one of the world's largest social development projects, reaching more than 28,000 villages across the country. KDP and its urban counterpart, UPP, now form a main pillar of the government's national poverty reduction strategy, and both projects are expected to expand to eventually cover all rural and urban villages in Indonesia. Interestingly, KDP's growth took place amid institutional collapse, major economic crisis, and one of the largest decentralization programs in the world.

What have been the keys to KDP's success, and what do they have to tell us about the role of capacity building in social development?

KDP's basic approach has been to mobilize and develop the capacities of rural communities themselves to take a more active role in building small-scale infrastructure and in improving the quality of a range of social services. Yet KDP's success, or its rapid "scaling up," rests on more than simply giving resources and responsibility to communities. Early on, the program showed that it could adapt to changing conditions, including recognizing that technically difficult activities, or those that require large programmatic solutions, were less likely to work in delivering
services. Second, although the program introduced a range of bottom up reforms to Indonesia’s planning system, it also took care to build on pre-existing planning structures, or the local contextual setting, to ensure sustainability when international assistance was withdrawn. Third, the program’s internal structure depended and was built upon more than ten years of World Bank and government-supported community development efforts (Guggenheim, forthcoming). Communities’ capacity was not built overnight, but followed a process of learning from successes and failures over a long time frame—a time frame often difficult to evaluate and usually underestimated in traditional World Bank project cycles.

These three attributes—adaptation, context, and process—form the pillars of successful capacity building in the social field. Together they provide the rationale for a new conceptual framework for capacity enhancement, and as such argue strongly for the crucial role of local capacity in bringing the developing world’s poor out of poverty.

Capacity and the nature of decision making

Within the World Bank, capacity building initiatives are often designed as either conventional short courses or self-contained training modules for sharing tools and disseminating best practice. The focus is usually on developing technical skills. Yet this concept of capacity building is so narrow as to miss out on what contributes most to bringing about change, particularly in those areas that most directly affect the poor and marginalized. The kind of capacity building needed for improved service delivery to the poor themselves, for example, is not simply a matter of training smarter technocrats or scaling up a standardized “best practice.” Such technical skills are unable to address the different degrees of decision-making that come into play at community and local levels. This is where a project or program meets the community or clients—the starting point for how service delivery takes place.

One way of addressing this is to look at two forms of decision making in the public policy process. The first has to do with the degree of discretion that decision makers are willing and able to exercise when confronted with a given problem. The second looks at how transaction-intensive the interaction between clients and providers is.

Decisions that are low discretion with few transactions, such as a cash withdrawal from a bank account, can be and usually are mechanized. Decisions that are low discretion with many transactions, such as child immunization, can be called “programs.” Because they are standardized, “programs” are perfectly well suited to the organizational structures of large bureaucracies, which enable resources to be carefully managed and controlled. Highly discretionary decisions with few transactions, such as setting interest rates, can be defined as “policies.” These are also well suited to modern bureaucracies. The problem is that we tend to believe that most development problems, especially those that address the plight of the poor, can be solved by either “programs” or “policies.”

The fourth decision-making area is defined as having high discretion and many transactions. These include, for example, classroom teaching, curative health care, and agricultural extension. Each of these requires that clients and providers interact with each other over long periods of time. They can be called “practices,” and they are very difficult for large organi-
zations to undertake since they cannot be solved by formulaic or standard analysis. This realm of "practices" is an important but often overlooked weak link in the long chain of activities and decisions required to deliver services. Without it, the credibility, effectiveness, and responsiveness of the whole enterprise are threatened.

Practices vs. programs and policies

**PRACTICES REQUIRE** what are called "adaptive" skills to be implemented, or those that require fundamental changes in people’s attitudes, perceptions, values, and behavior (Heifetz, 1994). A further interpretation of adaptive problem solving is to acknowledge that the answers to such problems are usually not knowable ex ante, and are compounded when data are imperfect or incomplete. Even if the answer is knowable, a solution arrived at through some form of "adaptive" process is a qualitatively different answer to the same outcome arrived at through technical means alone because it is then endowed with a degree of ownership and legitimacy. Many problems in the social sphere, because of their very complexity and relational nature, require adaptive skills to be solved.

Engaging in adaptive problem-solving as identified here, however, by its very nature relies on a fundamental understanding of local context. If services are to be provided to the poor—and be sustainable once delivered—they must build on local capacities, or on those who best understand the local context. Understanding, tapping into, and building on such local capacities, however, takes time and does not fit the standard form of operation. A recent OED evaluation on social development points to the finding that "learning about peoples' behavior and opinions in a continuous fashion is essential to ensuring that project objectives are relevant to peoples' needs, and that project implementation must take account of local realities" (World Bank, 2003, p.21).

This approach was first tested in the early 1990s in the water and sanitation sector, where studies showed the failure of water supply services when implemented through mechanisms “in which a universal need was met by a technical (supply) solution, and then implemented by an impersonal, rules-driven provider” (Pritchett and Woolcock, 2004, p. 196). This message was borne out by OED evaluations that found that “reliance on local knowledge and experience may result in higher upstream costs (building in time for input, consultation, capacity building, and conflict resolution), but determined that the improved sustainability of projects where stakeholders are sufficiently involved made up for this” (World Bank 2003, p. 25). A similar paper prepared by UK’s Department for International Development (DFID) also points to the need to better understand local context before designing interventions. Donors, the report argues, “should start with an analysis of each country’s particular context, not a specific list of policies. Understanding the social, political and historical context will help identify the underlying factors which could promote or inhibit pro-poor change” (Unsworth and others, 2003, p.1).

Social development argues not only that understanding local context is important, but that the values, power dynamics, culture, and informal and formal rules of the game dictate whether positive social and economic change is possible.

A stop and go process

**THE ARGUMENT HERE** points to a definition of capacity enhancement as a process, and one that is riddled with false starts, mistakes, and a decidedly un-uniform approach. It also is extremely difficult to measure. Consider the theme of community-driven development (CDD). In a paper by Stuart Gillespie of the International Food Policy Research Institute, CDD is defined as a “process that recognizes that poor people are prime actors in the development process, not targets of externally designed poverty reduction efforts” (Gillespie, 2004, p.i). Part of this process is not to push communities too fast—if proponents “drive for quick time-bound results that compromise quality” he argues, capacity development becomes “anathema to a true learning by doing approach” (Gillespie, 2004, p. 42).

These and other studies show that local capacity must be sustained over a period of time and among a wide range of stakeholder groups. Such capacity building must be targeted and designed on the basis of current capacity and local knowledge and skills. The South Asia Region’s Social Development Strategy sums it up well: "In talking about social development we are talking about long-term processes of social change. This happens slowly because it involves changes in the norms and values that underlie behavior." Generating and sustaining these changes in behavior is necessarily a relationally intensive exercise. Corresponding capacity enhancement initiatives need to reflect this.

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References


BEYOND 2005
Changes in Donor Roles and Behavior

BY RICHARD MANNING

The Year 2005 has been seen by many as a "make or break" year for accelerating progress towards the Millennium Development Goals. We can already say that we have the clear prospect of very significant increases of aid—possibly an additional $50 billion per year by 2010 and beyond. At the same time, one conclusion of the major reviews such as the Commission for Africa, the Millennium Review, and the G8 Gleneagles meeting, is clear: capacity development is one of the most critical issues for both donors and partner countries. So we have both the resources and the pressure for results, which represent possibly the best opportunity donors have ever had for helping developing countries address the long-term challenge of capacity development. Capacity is not a fixed quantum, but to increase it will require more sensitive, coordinated and longer-term investment than donors have often made in the past.
Capacity Building and the Results Conundrum

BY STEPHANIE NEILSON AND CHARLES LUSTHAUS

THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (IDRC), based in Canada, supplies funding and technical assistance to researchers in developing countries to carry out applied research on the problems and issues that southern researchers and policymakers have identified as crucial to their communities. To operationalize this mission, and fundamental to its approach for development, one of the Centre’s strategic goals is to “strengthen and help mobilize the local research capacity of developing countries.”

IDRC has three broad programming areas—Social and Economic Policy, Environment and Natural Resource Management, and Information and Communication Technologies for Development—which are operationalized through Programming Initiatives providing the technical support and funding for applied research in Africa, Asia and Latin America.

In 2004, IDRC initiated a strategic evaluation to gain a deeper understanding of what the Centre means by “capacity building,” and to examine the capacity results it has achieved, what works, what doesn’t work, and what work remains to be done. In early 2005, IDRC commissioned Universalia Management Group, Ltd. (UMG) to carry out three key pieces of this strategic evaluation. At the time of this writing, UMG had completed the first piece, which was an investigation into how IDRC staff and managers understand capacity building and how they operationalize that understanding in their work.

Three primary targets or outcome areas of capacity building are: individual, organizational and systems level. Data from our interviews suggest that IDRC primarily talks about these three targets or outcome areas; but the interview data as well as data from document reviews also suggest that interventions occur through networks, and by the state and society. This means, that there are essentially five targets or outcome areas: individuals, organizations, networks, state, and societal (i.e., the users of the research). Using these five levels of capacity targets or outcome areas may provide donors and others alike a way to more fully and systematically describe, and reflect on, who or in what area they are trying to effect change.

Capacity building and the dominant approaches

MOST DONORS HAVE A WIDE ARRAY of modalities they use to engage in capacity building activities to build research capacities. The type of approach used seems to be determined by the set of circumstances linked to the context, needs, donor, project designers and prevailing ideology. Some donors focus on themes and thus utilize approaches that can provide resources that are linked to help individuals, agencies, and networks improve the capabilities of those working on the theme. Others focus on organizations or institutions and thus their major approaches are related to organizational and institutional development. Approaches come in and out of favor as well. For example, a number of years back some donors stopped funding scholarships to their country because they felt it contributed to the so-called “brain drain.” Also a few years ago, donors preferred twinning arrangements between and among research centers as a mode to build capacity. While funders might have investment patterns, we have not located any evidence that provides insight on what types of approaches work in what setting. The lessons thus far tend to be quite context specific.

IDRC’s theory of action

IDRC Focuses on Capacity Building at five levels—i.e., individual, organizational, network, state, societal, or users of the research. But the entry point, or theory of change, for these outcome areas is the individual: they
affect change through individual researchers, with the expectation that these "champions" will go on to affect change within their organization, network, etc. For example, in some of the Environment and Natural Resource Management projects carried out in Latin America, the emphasis tends to be more on the organization, since many of the partner organizations IDRC works with in that particular region are considered to be quite "mature." However, even though the outcome area is at the organizational level, the actual focus of the capacity building intervention is often at the individual level. As such, IDRC focuses most of its investments on activities that support building their individual capacities to carry out high quality research and evaluation that can be used by others, including policy and/or decision makers (both inside and outside government, at various levels of government), by business and other private sector actors, by lobbyists and advocates, and by other researchers. It is through this individual work that IDRC expects to get at those capacities found in the other target or outcome areas.

**IDRC's and the individual**

**WHEN WE SPOKE TO PEOPLE** at IDRC, most identified a wide array of activities they use to build capacity; yet the activities they choose as part of the intervention process are often quite random or "ad hoc": they select the activities that they know and are comfortable with, but our study reveals that those choices are not necessarily theory-driven. Consistent with what we found in the literature, few people talked about a process (i.e., diagnosis-prescription-reflection), or how they mixed and matched activities into a specific approach for helping to build research capacities. Instead, most talked about their approach to capacity building as being a mixed bag of activities, often a combination of training coupled with hands-on experience.

Another key aspect to capacity building at IDRC has been its focus on formal training programs and awards, including Masters and PhD level training. During the 1990s, however, much of this programming was dismantled due to the international aid cutbacks that most donors and aid agencies had to endure. In our interviews, however, the need to re-establish a formal training program at IDRC was mentioned frequently. Many of these respondents mentioned this as a key bottleneck with their partners in Latin America, with a particular emphasis on PhD level training on natural resource management and gender issues and analysis.

The issue in Latin America, however, is not so much on building basic research skills, but rather the need to strengthen researchers' abilities to contribute to IDRC's development results (for example, influencing public policy) by strengthening their capacity to be policy relevant, to be close to the policy process and to articulate policy rele-

**Conclusion**

**FOR IDRC, AS FOR MOST DONORS,** the difficulty lies in creating a deeper understanding of how to use the various tools and activities to create approaches for capacity building that are robust and sustainable for the context within which they are operating. There is now a strong interest at IDRC to explore the idea of carrying out research on different approaches to capacity building and how these approaches can be linked to results. As we look towards the future of what capacity building interventions work or don't work, these are some of the most burning questions that we will need to explore further.

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Universalia Management Group (UMG), Ltd, is a Canadian management consulting firm that specializes in carrying out monitoring and evaluation assignments, working with clients to strengthen their M&E capacities, and implementing and managing complex development projects. For more information, visit: www.idrc.org and www.umd.ca

**Resources:**


The third volume in the miniAtlas series is an at-a-glance guide to the world’s most pressing problems and challenges. Illustrated in a clear and accessible format, the miniAtlas presents colorful world maps and engaging graphics that provide a wealth of information for over 200 countries and territories on today’s key global issues, from eradicating poverty and reducing child mortality, to eliminating HIV/AIDS, and promoting environmental sustainability. Specially designed to show detailed information on a small scale, the miniAtlas of Millennium Development Goals is a handy introduction and quick reference for better understanding the most important issues facing our world today.


This publication presents the latest update of the estimates of six dimensions of governance covering 209 countries and territories for five time periods: 1996, 1998, 2000, 2002 and 2004. These indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 37 separate data sources constructed by 31 different organizations. The data, as well as a web-based graphical interface, are available at www.worldbank.org/wbli/governance/govdata.


This book provides the most detailed collection of data on Africa available in one volume. It contains more than 500 macroeconomic, sectoral, and social indicators, covering over 50 African countries with data from 1965-2003. The volume is designed to provide all those interested in Africa with a focused and convenient set of data to monitor development programs and aid flows in the region, this is an invaluable reference tools for analysts and policymakers who want a better understanding of the economic and social developments occurring in Africa.


In an accessible style Michael Klein and Tim Harford argue that the aid industry is changing, old models of aid are under pressure, and both donors and recipients will ask more and more of aid agencies in the future. The chaos of competition and the search for new ideas risk harming the people whom the industry is supposed to benefit. Yet at the same time there is a tremendous opportunity to improve performance. Klein and Harford argue for rigorous methods of evaluation and creative use of the private sector to produce a more effective aid industry in which new experiments are encouraged.


A unique publication exploring the opportunities for addressing ten of the most serious challenges facing the world today: Climate Change, Communicable Diseases, Conflicts, Education, Financial Instability, Corruption, Migration, Malnutrition and Hunger, Trade Barriers, Access to Water. In a world fraught with problems and challenges, we need to gauge how to achieve the greatest good with our money. Global Crisis, Global Solutions provides a rich set of arguments and data for prioritizing our response most effectively.


Collapse examines why ancient societies, including the Anasazi of the American Southwest and the Viking colonies of Greenland, as well as modern ones such as Rwanda, have fallen apart. Not every collapse has an environmental origin, but an eco-melt down is often the main catalyst, he argues, particularly when combined with society’s response to (or disregard for) the coming disaster. Diamond provides well-reasoned historical examples, making the case that many times economic and environmental concerns are one and the same.
The author wants to dispel the view that globalization has done little good for poor countries. He supports his arguments with statistics from the Asian Development Bank, which show that in China the policies that characterize globalization reduced poverty from 28% of the population in 1978 to 9% in 1998. Bhagwati recommends that continued globalization should be managed, highlighting policies he believes will strengthen and ensure its positive effects.

This book looks at the recent growth and poverty reduction experience of client countries. It assesses the extent to which Bank interventions have contributed to growth and poverty reduction and the effectiveness of different types of interventions. The review uses the key elements of the Bank’s 2001 poverty reduction strategy to examine the extent to which these elements respond to the needs of the poor, are actually being carried out, and are having an impact.

This book illustrates the decade-long transformation of the Hungarian subnational system with a focus on subnational finance. It builds upon dozens of policy analyses prepared by local and international specialists and covers various aspects of municipal life, such as: revenue and expenditure assignments, taxation, intergovernmental transfers, strategic planning, outsourcing, public-private partnership, utility regulation, asset and liability management, municipal enterprises, household arrears, project financing, borrowing, and insolvency resolution.

Privatization is under attack. Beginning in the 1980s, thousands of failing state-owned enterprises worldwide have been turned over to the private sector. But public opinion has turned against privatization. The book is a compilation of recent studies that provide a comprehensive analysis of the record of and accusations against privatization, with important recommendations for the future. Seven countries are investigated: Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, and Peru.

This evaluation assesses Bank support for public sector capacity building in Africa over these past 10 years. It is based on six country studies, assessments of country strategies and operations across the Region, and review of the work of the World Bank Institute, the Institutional Development Fund, and the Bank-supported African Capacity Building Foundation.

This guide introduces participatory development communication concepts, discusses the effective two-way communication approaches, and presents a methodology to plan, develop, and evaluate communication strategies to address the following questions: How can researchers and practitioners improve communication with local communities and other stakeholders? How can two-way communication enhance community participation? How can researchers, community members, and development practitioners improve their ability to effectively reach policymakers and promote change?
THE CAPACITY DEVELOPMENT RESOURCE CENTER provides an overview of the literature, case studies, lessons learned, and good practices pertaining to capacity development. It also includes links to international and local capacity development agencies and other knowledge resources. The website is primarily intended to support World Bank task teams and other development professionals who support country-led capacity development initiatives.

www.worldbank.org/capacity

GOVERNANCE MATTERS IV covers the Governance Indicators for 1996–2004, drafted by D. Kaufmann A. Kraay, and M. Mastruzzi. This is the latest update of the estimates of six dimensions of governance covering 209 countries and territories for five time periods: 1996, 1998, 2000, 2002 and 2004. These indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 37 separate data sources constructed by 31 different organizations. The data, as well as a web-based graphical interface, are available at:

www.worldbank.org/wbi/governance/govdata/

CAPACITY DEVELOPMENT NETWORK (CDNET) is an open source virtual workspace providing opportunity for dialogue, exchange and learning on capacity development. Registered users can create their own discussions, working groups and libraries on CD topics of their choosing. "Resource Corners" serve as managed incubators for collective work around specific themes. They include "Resource Guides" that will eventually offer syntheses of pertinent research and analysis, tools and guidelines, case experiences, learning materials, expertise and related sites.

www.capacitywhoiswho.net/index.cfm

TECHNICAL ADVISORY PANELS & NETWORKS (TAP-NETS) of the African Capacity Building Foundation (ACBF) is a network of highly competent and experienced professionals, intellectuals, development practitioners, researchers, policymakers, civic leaders, captains of industry and commerce, among others. It focuses on a wide range of topics that include financial management and accountability, public administration, economic policy and parliamentary institution.

www.acbf-pact.org/tapnets/index.asp

ELDIS is an internet based information service: filtering, structuring and presenting development information via the web and email. It maintains an ever-growing library of editorially selected and abstracted online documents, and an organizational directory of development-related internet services.

www.eldis.org

THE IMPACT ALLIANCE is the first global capacity building network committed to bringing the know-how of hundreds of leading edge organizations from all sectors of development to your door. This initiative is hosted by PACT (see below). Sign in to access high quality technical assistance, collaborate with
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**PACT** is a networked global organization that builds the capacity of local leaders and organizations to meet pressing social needs in dozens of countries around the world. Its work is firmly rooted in the belief that local communities must be the driving force in ending poverty and injustice.

**THE AFRICAN CAPACITY BUILDING FOUNDATION (ACBF)** is the leading African institution in a partnership to build sustainable capacity for good governance and poverty reduction in Africa. Its objectives are to build and strengthen sustainable human and institutional capacity in the core public sector, in the sector's interface areas with the private sector and civil society, in training and research institutions as well as within regional organizations in order to spur economic growth, poverty reduction, good governance and effective participation by Africa in the global economy.

**CAPACITY.ORG** is an initiative of the European Centre for Development Policy Management with the aim to look at policy and practice of capacity development within international development cooperation. With a focus on both the "why" of capacity development—fostering debate on policy questions—and the "how" of capacity development—learning from practical experiences in the field. **Capacity.org** aims to encourage perspectives and experiences from the South, to provide ease of access to related materials and topics, and to promote a virtual platform for exchange.

**INWENT**—Internationale Weiterbildung und Entwicklung (Capacity Building International, Germany) is synonymous with human resources and organizational development in international cooperation. It addresses specialists, executives and decision-makers in industry, politics, administration and civil society. InWEnt works with partners in developing countries, transition states, and industrialized nations.

**AID WORKERS NETWORK** links relief and development field staff to share support, ideas and best practice. This web site is being developed by a team of experienced aid workers to provide a comprehensive resource for busy field workers needing practical advice and proven resources to help with their current work. The Aid Workers Network is a place to ask questions and find answers. This happens at the Aid Workers Forum and through the weekly email bulletin, Aid Workers Exchange.

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT (IISD)'s** capacity development work in the Measurement and Assessment area is focused on moving towards more policy-relevant sustainable development assessment, reporting and planning. In close cooperation with the Global Environment Outlook (GEO) initiative of the United Nations Environment Programme (UNEP), IISD is spearheading the delivery and further development of a training program aimed primarily at developing and transitional country audiences.
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21  International Day of Peace Worldwide
    www.internationaldayofpeace.org

24–25 World Bank and IMF 2005 Annual Meetings
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OCTOBER 2005

3   World Habitat Day
    United Nations, New York
    www.unhabitat.org
    habitat.press@unhabitat.org

12  International Day for Disaster Reduction
    www.unisdr.org

15  World Rural Women’s Day
    Geneva, Switzerland
    www.rural-womens-day.org
    wwsf@vtxnet.ch

16–20 Labor Practices in the Footwear, Leather, Textiles, and Clothing Industries
      Geneva, Switzerland
      www.ilo.org

17  International Day for the Eradication of Poverty
    UN Headquarters, NY, and worldwide

NOVEMBER 2005

16–18 World Summit on the Information Society
      Tunis, Tunisia
      www.itu.int

DECEMBER 2005

1   World AIDS Day
    www.worldbank.org/worldaidsday

13–14 Child Survival Countdown to 2015
      London, UK
      www.childsurvivalcountdown.com

13–18 Sixth WTO Ministerial Conference
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      http://www.wto.org/english/tratop_e/minist_e/min05_e/min05_e.htm
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GDLN in action: Interactive video conferences with participants in Afghanistan and Latin America

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India and the Knowledge Economy is a must read for those in government, the private sector and civil society committed to improving India’s future in an increasingly competitive and demanding international environment.”

Arun Maira, Chairman, Boston Consulting Group, India

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**India and the Knowledge Economy: Leveraging Strengths And Opportunities**

Carl Dahlman and Anuja Utz

In the global knowledge economy of the twenty-first century, India’s development policy challenges will require it to use knowledge more effectively to raise the productivity of agriculture, industry, and services and reduce poverty. India has made tremendous strides in its economic and social development in the past two decades. Its impressive growth in recent years—8.2 percent in 2003—can be attributed to the far-reaching reforms embarked on in 1991 and to opening the economy to global competition. In addition, India can count on a number of strengths as it strives to transform itself into a knowledge-based economy—availability of skilled human capital, a democratic system, widespread use of English, macroeconomic stability, a dynamic private sector, institutions of a free market economy; a local market that is one of the largest in the world; a well-developed financial sector; and a broad and diversified science and technology infrastructure, and global niches in IT.

But India can do more—much more—to leverage its strengths and grasp today’s opportunities. India and the Knowledge Economy assesses India’s progress in becoming a knowledge economy and suggests actions to strengthen the economic and institutional regime, develop educated and skilled workers, create an efficient innovation system, and build a dynamic information infrastructure. It highlights that to get the greatest benefits from the knowledge revolution, India will need to press on with the economic reform agenda that it put into motion a decade ago and continue to implement the various policy and institutional changes needed to accelerate growth. In so doing, it will be able to improve its international competitiveness and join the ranks of countries that are making a successful transition to the knowledge economy.

**World Bank Institute Development Study, 2005. 210 pages.**

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