Précis

WORLD BANK OPERATIONS EVALUATION DEPARTMENT SPRING 1999 NUMBER 180

Capacity Building in the Agricultural Sector in Africa

CAPACITY BUILDING HAS RISEN HIGH ON THE AFRICAN development agenda. The Bank, with other donors, is seeking appropriate means to work with African governments to enhance their capacity to implement development programs throughout the continent. Given the rural nature of most African economies and the concentration of the poor in rural areas, there is a pressing need to increase capacity to promote agricultural development. The studies discussed here explore the lessons to be learned in agricultural sector capacity building from the implementation of four agricultural projects with significant capacity-building components. The projects were implemented in Kenya, Ghana, Guinea-Bissau, and Malawi—a group of countries that is sufficiently diverse to encompass a significant segment of the range of African experience.

Four Projects: An Overview

The four cases demonstrate the difficulties faced in designing and implementing interventions to strengthen the capacity of governments to support agriculture. They provide powerful evidence of the need to reexamine established modalities for external assistance, using a realistic evaluation of existing efforts. Taken together, the findings suggest that the Bank may need to adjust its approach toward building capacity in the agricultural sector. This overview identifies some of the lessons that can be drawn and notes areas where the evidence is inconclusive or contradictory.

Capacity Building and Development

In three cases, outcomes of the projects were rated as marginally satisfactory; in the fourth case, Malawi, as unsatisfactory. The institutional development ratings were all moderate or modest. Sustainability was rated as likely in Kenya and Ghana, uncertain for Malawi, and unlikely in

Guinea-Bissau. At best, this is a picture of mediocre performance. The heightened attention given to capacity building in Africa reflects a concern that development is hindered by widespread weakness in the institutions responsible for implementing development programs. The broader environment of government capacity, which formed the context for the implementation of these agricultural projects, was negative. Poor economic performance had resulted in declining budgetary resources that were spread thinly over government programs. Government employment policies had led to overexpansion of government payrolls, with a resulting decline in the real wages of public servants and shrinkage of the funds to cover the costs necessary for public servants to perform their tasks. Poor incentives led to declining performance. Donor efforts to insulate "their" projects from the general decline in administrative capacity have had only limited success, and have deepened the deterioration by further distorting the incentive system.

Although some success has been achieved in implementing structural adjustment programs, with a consequent reduction in government activities to a more manageable size and liberalization of economic policies that improved resource allocation and producer incentives, there has been less success in reviving the capacity of public institutions.

Capacity can be defined as the people, institutions, and practices that enable countries to achieve their development goals. It encompasses human skills and institutional and organizational structures, procedures, and systems. Although capacity is a key factor in development, it is intangible. Because it is difficult to quantify and measure, it is correspondingly difficult to monitor and evaluate. The four African cases indicate that the difficulty in defining capacity-building goals in monitorable terms (and the consequent absence of explicit performance criteria) has led to capacity-building components receiving too little attention in Bank projects.

Activities in each of these categories were to be found in all four projects. But capacity building, broadly defined, also includes the effect of government policies on the capacity of institutions and actors outside government—for example, policy reforms that enhance the capacity of the private sector, the other main component of Bank strategy, can also be described as capacity building. It is probably here that Bank-supported policies have had the most positive impact on capacity.

The Bank Approach

Following the disappointing results of initial efforts at agricultural development in Africa, the Bank concentrated its attention in the 1980s on improving the policy environment, in agriculture as well as in other sectors. In addition to promoting adjustment policies to improve incentives, the Bank has sought to enhance the capacity of governments to formulate agricultural policies and programs by building analytical and policy-formulation capacity in ministries of agriculture. All four of the African projects included this objective, and the results offer insights on such efforts, as well as raising questions regarding the Bank's capacity to provide support for such an enterprise.

The Bank has also supported capacity building on behalf of the continued provision of government services that are appropriate in a liberalized environment. This support has focused on the agricultural extension services and the research required to provide the requisite knowledge.

The Projects

The four projects contain all three elements of this strategy in varying combinations: that is, promoting policy reform, building policymaking capacity, and building capacity for extension and research.

For the institution-building elements of this strategy, the Bank used three primary instruments:

- The design and implementation of organizational structures (such as planning units, extension and research services, and agricultural credit agencies)
- The provision of short- or long-term technical assistance
- Training.

The Framework for Capacity Building

The Length and Complexity of the Capacity-Building Process

Capacity building is a lengthy process, particularly where (as in Guinea-Bissau) initial capacity is very weak. Improvement may require commitment beyond the customary time limits of a World Bank project. Where a successor project is justified, there is a need to program for continuity, so that early gains are not eroded by hiatus or shifting priorities.

The human components of capacity-building activities are inherently unpredictable, which gives rise to the need for careful supervision, combined with the flexibility to adjust in accordance with the insights gained during project implementation. This suggests that capacity-building efforts would benefit from continuity in Bank support, which has not been easy to achieve. The Bank's new lending instruments give more flexibility here. From appraisal to completion, two of the projects each had a total of four task managers, one had five, and Guinea-Bissau had six. If support extended over two project cycles, the number of task managers would presumably rise even higher.

Sustainability

The essence of capacity building is sustainability—the creation of institutions and practices that continue to perform after a project is completed.

Many of the barriers to sustainability have the same root cause: the inadequacy of local resources to support project activities after donor funds have been drawn down. Special incentives to project staff, explicit or implicit, are discontinued, and even where resources are allocated from the government budget to fund staff, money is not available to complete unfinished capital works (Ghana and Guinea-Bissau) or to provide appropriate funding for the non-staff, recurrent items that had been carried by the project budget. (The Malawi study, for example, highlights the difficulties of maintaining an effective, personnel-intensive extension strategy in a very poor country.)

The failure to budget funds to sustain a project after completion can be taken to mean that the government awards less priority to the project than was expected when the project was appraised (it should not have been implemented) or that project design was not based on a realistic appreciation of the scarcity of budgetary resources (it should have been designed to operate at lower cost). For the Bank, which mounts ongoing macroeconomic and public expenditure reviews, it should be possible to subject sectoral projects to tougher appraisal standards with regard to their financial sustainability, in light of known budgetary constraints.

The sustainability of donor-financed projects is related to two other issues—the lack of an effective system to prioritize donor-funded projects in light of future resource constraints and the tendency of donor projects to be designed to unrealistic standards.

Policy Reform

During the implementation of the four projects, the major thrust of Bank strategy in Africa was to promote structural adjustment. In the agricultural sectors this typically involved trade and price liberalization, privatization of input supplies, and elimination of subsidies. Such reforms were being promoted by the Bank in all four countries.

In the pursuit of policy reform, the Bank uses *conditionalities*. This gives rise to divergent views regarding the balance to be struck among different objectives within the agricultural sector. In the pursuit of policy reform, it may appear necessary to delay project appraisal or interrupt implementation to bring pressure to bear in support of the desired changes. But this may break the continuity required for effective institution building. This issue has led to differences between OED and the country teams regarding where the balance should be struck (as in Ghana and Guinea-Bissau).

While Bank Country Assistance Strategies should be adjusted to the changing needs of specific countries, longer-term institution-building interventions should be insulated from the fluctuations and uncertainties resulting from short-term policy-reform tactics. It follows that the advisability of combining policy reform conditionality and capacity-building objectives as project components should be assessed rigorously in project design.

Capacity-Building Instruments

Public Service Incentives and Capacity Building

It is now widely recognized that the underpayment of public servants is a source of capacity weakness throughout most of Africa and a serious impediment to the effectiveness of capacity-building interventions. Indeed, sustainable capacity building may not be possible without reform in civil service incentive structures.

In the Kenya project, however, progress in capacity building was possible even without systemic reform. (It should be noted that the erosion in the real value of Kenyan public sector salaries has not reached the extremes seen in many other African countries, such as Guinea-Bissau.) Nevertheless, the main weight of analysis suggests that such progress is likely to be severely constrained in the absence of more general reforms. But even in the Kenya case, the positive contribution of technical assistance in a generally deteriorating civil service environment seems to have been a case of the project providing, rather than building, capacity. That is, long-term technical assistance personnel undertook line tasks for extended periods, and in so doing provided more continuity than did the national staff.

Low salaries have a number of obvious negative consequences. It may be impossible to attract appropriately skilled project staff. The decline in the real value of civil service salaries can result in grotesque differentials between local staff and foreign advisers, which dampens the potential for fruitful cooperation. And inadequate incentives are likely to be associated with a high rate of turnover of the most able staff, making it difficult to sustain improvements in organizational capacity.

Some of the tactics adopted by the Bank to handle this problem are seen in these cases. The Bank cannot pay civil servants, but it can pay local consultants, allowing staff to shift from line civil service posts into consultant status. Although this point is not explored in the project appraisals, one function of the training opportunities provided through the projects is to give additional incentives to staff.

However, such project-based means for boosting civil service incentives are flawed. The incentives are unlikely to be sustainable after project completion, so that gains from the project are likely to be lost. Introducing special project-based incentives is likely to further distort an already ineffective structure of public service incentives.

Fundamentally, project-level interventions are an inappropriate approach to a systemic problem. If the cause of weak government capacity is the repression of professional salary levels in the public service in economies with increasingly competitive labor markets, then that distortion needs to be tackled through the reform of government pay structures.

For the Bank, two conclusions follow. First: the Bank needs to press ahead in promoting systemic civil service reform. This is known to be difficult, and the results of such efforts have been modest. But the overall weakness of civil service capacity is becoming as widespread a barrier to the successful implementation of development programs as the poor macroeconomic policy environment was a decade ago.

Second: realism is needed in project design regarding the implications of recurrent resource constraints. Donors need to be more aware of possible contradictions in their own interventions between global appeals to the virtues of a "lean and well-paid" public service and project- and sector-level interventions that become an important vehicle for the expansion of pressure on recurrent budgets and for the creation of nonsustainable government activities.

Technical Assistance

The most negative conclusions of these evaluations relate to the ineffectiveness of the technical assistance supplied (the notable exceptions were in the Kenyan project). The evidence suggests that the large numbers of technical assistance personnel included in projects reflected initiatives from the Bank during project design, sometimes against the stated reluctance of the recipients. The impression is gained that the hosts were willing to receive foreign experts as a means to gain access to the other, more acceptable, components of the project (for example, equipment and training).

Large sums are involved in supplying technical assistance. Evidence from these studies suggests that, in most cases, foreign experts have often not been worth the cost. Even where support is through grants (e.g., bilateral and trust-fund finance), the opportunity cost should be taken into account.

The appraisals identify some weaknesses that might be tackled by the Bank and the recipient governments—including steps to ensure appropriate language skills (relevant in the case of Guinea-Bissau), proper backup from the consulting firm supplying the experts, and more care in selecting the experts.

However, the pervasiveness of the failures suggests that there may be underlying problems that will not be susceptible to resolution through procedural improvements. In Africa, technical assistance came to the fore in the post-independence period (for most of Africa, in the 1960s). Its main function was to ease the transition from colonial rule. The new African administrations were staffed with young and inexperienced (but reasonably well-paid) cadres. There were shortages of nationals with relevant professional qualifications, while there was a large pool of expatriates who had gained field experience in the colonial period.

The current situation is different on almost all counts. Institutional weaknesses are no longer primarily the result of a shortage of trained nationals—more typically problems arise from failures to mobilize or effectively use nationals because of weaknesses in incentive systems. Staff have often been exposed to a succession of foreign advisers. In such situations, technical assistance is not the solution to a dysfunctional incentive system. It is unlikely that a foreign expert can operate effectively, except as an expensive operational substitute for a national.

The findings of these studies also suggest another deviation from the original technical assistance model—the quality of the available advisory staff. Because technical assistance typically involves recruiting staff (often foreign) new to the environment, there is always a risk of failure. However, the generally poor performance of staff in this sample, despite their recruitment by established, reputable firms, suggests that there has been a decline in the availability of suitable talent.

Greater frugality in the use of technical assistance would release sufficient resources to fund more generous incentives for the professional cadres of the public service. This suggests the need for alternative approaches to support capacity building, including consideration of possible tradeoffs between the use of technical assistance and the funding of local staff. Any such step, however, must avoid the pitfalls of donor interventions distorting the public sector salary structure and lack of sustainability of donor-supported initiatives.

Training

The four cases provide insight about the effectiveness of long-term overseas training, generally for advanced degrees. Such training often does not have the intended impact, because the trainees are frequently lost to their intended employers, either because they seek more lucrative opportunities outside government (as with economists in Kenya), move into more attractive opportunities in government, or are reassigned to other posts.

This observation should be treated with some care. If individuals can find better jobs as a result of their training, this is an indicator of the success of the training, rather than the reverse. It would be perverse to propose that training be limited to the provision of nonmarketable skills. Training needs to be coordinated with personnel and incentive policies, in light of a realistic assessment of local labor market conditions. If an officer is offered advanced training, it should be because that person is on a career track that should lead to appropriate promotion and improved emoluments following successful completion of the training. In a liberalized labor market, the educated will expect to share in the returns to an investment in human capital.

Lessons

From the many detailed points suggested by these studies for future Bank projects in support of African agricultural development, six general issues stand out:

(1) The four projects provide further evidence of the difficulty of achieving sustainable capacity development in individual ministries of governments with systemically weak civil services. While it may be possible to build temporary incentives into a project to attract a high level of commitment, that commitment is unlikely to be sustained after project completion unless the overall incentive system is adequate. This suggests that capacity building in particular segments of the government apparatus should be tackled in the context of broader civil service reform. In the absence of such systemic reform, performance expectations should be modest.

(2) As a corollary, project design should be founded on realistic assessments of the domestic resources available to sustain project activities. This point is particularly important in relation to projects directed to labor-intensive service provision and to training. It is too easy for those designing projects that they consider to be of high priority to err in the direction of wishful thinking about the future availability of government finance.

(3) Capacity building is likely to require assistance for periods beyond the normal Bank project cycle. The Bank needs to develop country capacity-building strategies with an extended, although clearly bounded, time commitment. Discrimination is required to avoid an involvement that is too brief to create sustainable capacity, as well as indefinite, open-ended commitments that generate dependency.

(4) Capacity is not easy to define, and assessing capacity-building performance will always be somewhat subjective. As a result, the capacity-building elements of a multipurpose project can easily become the "soft" segment, not subject to rigorous design, appraisal, and supervision. The mediocre to poor outcomes in the capacity-building components of these four projects suggest a need to give more explicit attention to the design and implementation stages of such interventions.

(5) The Bank's current strategy of reducing use of long-term expatriate assistance is appropriate. Such assistance should not be offered where weakness of capacity results from failure to use the available national professionals effectively, but only after careful analysis of whether the capacity gaps are the sort that technical assistance can be expected to fill (and only when adequate Bank supervision is built into the project design).

(6) Sustainability is the essence of capacity building. If sustainability is uncertain or unlikely (as in two of the evaluations), it is doubtful that institutional development impact can be viewed even as modest. After decades of technical assistance that has left so little sustainable capacity, the application of tough-minded evaluation criteria is an appropriate response.

► This *Précis* was written by **Edward B. Rice**, based on his OED evaluation work.