Capacity Building: The Missing Link in African Development
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I am going to talk about capacity building and as you know, this is something I feel very, very strongly about. I don't come to this out of the abstract though. Anybody who is involved in economic development anywhere in the world, but obviously in Africa, knows how critical human and institutional capacity is to the development effort and the chances of success. It is critical not only in the sense of better management of economies, but also in the ability to react to the realities of the world economy as they thrust themselves upon you. I must say in the last 20 years, Africa has had to face a very hostile general economic environment and most of the crises, in my opinion, have been generated by the inability to respond. You look at other countries that are also primary producers and if they had a slight edge in capacity, they were able to weather these storms better and in fact, they have done better. When you lack capacity, there is a tendency to substitute rigidities and rules and arbitrary activity to compensate for it.

At the macro level, we know that there are major economic reforms underway in Africa. They've been underway for a long time. But let's look at the micro level too -- project performance and the management of public administration. Here again, capacity is absolutely essential. The World Bank Group lends $4 billion a year in Sub-Saharan Africa, and right now we have $14 billion outstanding, waiting to be disbursed. This is equivalent to two IDA replenishments as far as Africa is concerned. It is an enormous amount of money. The commitments are there but the drawdown is not there. What's happening? It's an issue of capacity, in my opinion.

At the end of the colonial period, Africa certainly had quite a weak institutional and general capacity for management of the new, independent economies. Africans were left with that as a legacy. But in the period since then, this capacity has not grown fast enough for what's happening in the world. It's not grown fast enough to keep up with the requirements of the people. In fact, in many cases, it's declined. Let's just take a look at the state of African universities today. You can see that there is no longer the kind of capacity to generate new capacity in terms of human and institutional management that there was before. Just take a look at the civil service in many countries. It is not in good shape. It's demoralized; it's underpaid; it's bloated. The civil service is running often on a kind of informal or private taxation -normally venal activity -- instead of wages. We are not getting performance there.

Now it's my contention that the donors and African governments together have in effect undermined capacity in Africa; they are undermining it faster than they are building it, or at least as fast. And this has got to stop; otherwise we are not going to succeed in the development effort in Africa or anywhere else where this is taking place.

Let's talk about African governments first. African governments, in many cases, have pushed away professional talent that was trained at very, very high cost. In many cases, this is just the result of a very poor economic performance. Government can't pay these talented people, and they are not going to spend their life working for nothing and not even having the psychic rewards of working in a dynamic, forward-going society. There's been an amazing brain drain from Africa. We see it from our side because people are coming and working for us and indeed
they are available in much greater supply than we can possibly hire. The rest of the world has benefited from this, but it's not been to the benefit of Africa, in my opinion.

Bureaucracies are run sort of on remote because the capacity is not there to really think through each problem and treat it with tailor-made solutions. So we are running on bureaucratic autopilot and this is the death of professionalism everywhere. And I think in Africa it stands out as a major endemic pathology that has to be fixed.

Ethnicity has also gotten in the way of professionalism in Africa. People have been excluded; people have been thrown away; they have been discarded as ministers even, because of their ethnicity. There is also a phenomenon I think we have to recognize and that is when political power has been monopolized to the extent it has in Africa, in a single party or in a group, the in-group that is there for life, there is no room for professional growth. People in fact build up jealousies against anyone who is competent, anyone who might be able to threaten them intellectually, professionally, technically. This is not an atmosphere in which we can talk about capacity enhancement. It's not one you can throw money at either, I would submit.

On the donor side, they tend to use expatriate resident technical assistance to solve all kinds of problems. Not only do these problems not get solved, but I would contend that this is a systematic destructive force which is undermining the development of capacity in Africa. And most of this technical assistance is imposed, it is not welcome and there is no demand for it really except on the donor side. And when I talk about the donors, I am including the Bank. We are not a donor, we are a lender, but we have got all these problems the same as everybody else, so I want to be understood on this. I would like to see this changed. We have given very scant attention to what I would call "appropriate project design." We may design a project and then find a big mismatch between that project design and the local capacity to carry it out. So then we throw money and technical assistance at this, thinking that that will bridge this gap. Well it hasn't and I don't think it will.

This is in fact an endemic problem in the donor community -- expatriate management substituting for domestic management. Scarce domestic talent. What is left in that demoralized ministry is being attracted away by donors and salary supplements. For example, the Danes might be competing with the Swedes and the World Bank to get that one guy in the Ministry of Health who knows what he's doing or can manage a project out of the Ministry of Health to work on their little circumscribed project, in the hopes that that will somehow make that project more successful where all other projects are failing in the country. But the result of that, of course, is that the Ministry is undermined, the talent is taken away and the general system is further debilitated. Donors are still doing it. This happens all the time.

So in the rush of donors to go in and try and work around lack of capacity by substituting for what capacity exists or attracting that little bit of capacity that exists to their own cause, rather than the general one, the substitution effect has been that they're definitely, systematically destroying capacity that does exist. I think this is a major default, a major problem that has to be fixed. There's a recent book by Elliot Berg on the subject, "Rethinking Technical Assistance and Capacity Building". I think it's a must read. Get a hold of that book. I think it provides a lot of guidelines.

I say this must change. We have, in the Bank, been focusing on this because everywhere we turn, whether it's because we want to get that $14 billion drawn down or whether we want to get that project completed, or we want to get an economy managed from Accra instead of from the Fund,
we see the capacity problem. It stares us in the face. It's embarrassing sometimes. People go around saying the World Bank imposes policies. Now this has got to change because we're not imposing anything. We're supporting a tiny minority of people in those countries who know what they're doing and we agree. But the fact is in many countries they're not capable yet of putting together plans which will solve their problems. Now that's the fundamental reality. And I say the way we're going about it is not working either. The idea that we can provide this from 8,000 or 10,000 miles away is ridiculous.

But we too have been driven to what I call a default substitution kind of style of operation, which is not working. Now we've identified this as a nonworking situation for some time. We wrote the long-term perspective study. People in this room contributed to that. It was done in a collaborative way with African academics, political authorities, and so forth. It was done with the donors. It was done with the academic community outside Africa as well. Anybody who had good ideas was basically invited to share them with us and we worked them in. We focused on capacity building. We invented the words "capacity building" in that report. I don't think they were ever used quite the same way before and we meant to use those words in a way that would distinguish a new mode of activity, a new way of doing business from what we've been doing in the past. I hope that before this capacity building thing becomes a totally hackneyed cliché, we in fact do change the way we do business. It involves a very different way of going about it. In the Bank, this is what we're trying to do. And a lot of this applies only to the Africa Region, because we're really trying to do something about it and there's nothing in the Bank's policies that stops us.

First of all, the demand for professionalism in Africa must be created. There are 30 countries in economic reform in Africa where we're underwriting the economy, with hundreds of millions of dollars. We are now insisting that the governments generate their own economic reform plans. We'll help, we'll critique, we'll eventually negotiate and we'll support financially those things which seem to be reasonably making sense, but we're not going to write these plans. We're not going to say: Here you are, do this, and we'll give you money. That's out. So for the ministers and governors here, this is a wake-up call on that. We're not going to do this anymore, but you're going to have to find that domestic capacity. Now it exists; you've got it in the private sector; you've got it in the university; you can hire your own consultants; you can attract your own brains back to your country from wherever they are -- running some commodity exchanges up in Chicago or Toronto someplace. You can bring them back. Put them to work on your economy, solving your problems and we'll be glad to support that, even financially. We'll help you pay the bills, if you need to pay bills. But we're not going to do this work anymore.

The second thing is that we spend about $20 million a year out of our administrative budget on economic and sector work in Africa. We write economic reports on countries, on transport sectors, agricultural sectors, industrial sectors and the energy problem and this kind of policy and that kind of policy. In other words, there's a tremendous amount of intellectual work taking place out of the administrative budget of the World Bank. In the future, we're going to be seeking collaborative arrangements. We're not going to try to do this ourselves all alone. I'm going to use part of that $20 million, but not very much of it, to actually support collaborative arrangements on this economic and sector work in Africa. Governments are going to have to use their own budgets to finance their counterpart people. We're going to try to do these economic reports, sector analyses, and these policy analyses together. We've done that in the case of Botswana. I got a very nice letter from the previous vice president explaining what a wonderful thing it was
to have an economic report on Botswana where in fact everybody understood it by the time it got to Gaborone because they helped write it. And it was a shared thing, with ownership, and good analytical work too. This is a great benefit to us. That's why I'm willing to spend some money. A lot of reality comes our way by virtue of collaboration with people. We may have a theory pretty down pat by now, but we do not know the facts as well as the domestic economists and professionals, if they are made available, if they are allowed to work, if they are believed and supported and given some credibility by their own governments.

A third thing is to avoid undercutting. It's now forbidden for us to have any project management units on any World Bank-financed projects in Africa. It's going to be run by the Ministry or it's not going to happen. It's going to be designed in a way that it will not use foreign expatriate residents. You can have people come in for a week and come back six months later to see what happened. We'll finance that, but no resident expatriate, without coming to the loan committee, and I'm the chairman on the Loan Committee on Africa. Nobody; no exceptions. It's a big change. This is brand new. But it's come to that. This is a last resort. It's kind of a rigid way of managing something, since we can't seem to rely on common sense. We're going to insist that if you're going to use resident expatriates, you've got to get the permission of the vice president at the Loan Committee in the presence of all your peers, and I don't think there's going to be much of that in the future.

Now this means that projects are going to be different. Instead of doing that business where you make the project and then you discover a gap on the implementation side and try to fill the gap with expatriates, it means that you're going to have to redesign the project if it's going to be approved. It's going to fit within the domestic capacity or it isn't going to go ahead. We're not going to have more commitments every year than we have disbursements. This $14 billion backlog is not going to grow. I want to get the money into Africa, the money doesn't do any good if it sits in accounts, I can assure you. It doesn't do us any good to have a nice round figure for commitment every year and very much less going on, on the ground. So let's redesign the projects. Let's make sure that the capacity exists to carry them out; or that we have a real remedy to solve those capacity problems which does not include throwing resident expatriates at it.

Then, I think there's a whole area of direct support to capacity building, which we're already involved in, but we want to enhance. Obviously, training. In every loan, every credit, every operation, there should be a heavy training component and this has to be done better and with much more attention instead of being an afterthought or something that's not yet designed when we make the project, something that somebody will get to later. We're going to talk about upfront design and very careful monitoring.

Institutional support: the identification within a country of key institutions which can be used for training graduates, but also for training and retraining civil servants and managers. We would put bursaries in our loans -- money that would pay the cost of the training and put it in the hands of the trainee to buy these services so that the institutions get the money on the demand side. In other words, if the Ministry of Finance decides it wants to train a bunch of managers, it goes to the local training institution with each of its workers, with bursaries to pay the salaries of the local teachers or even expatriates, if there are a few involved there. But the point is, to get these institutions functioning using money -- cost recovery, the whole idea of value for money, services rendered, exchange, discipline, where if we pay money for this training, we expect this training to be good. We want these institutions to grow and become stronger, hence institutional support.
To give you an example of what this means, our Economic Development Institute has been training Africans and other nationalities in universities overseas. This is something the African-American Institute has made an art of, and I assume has learned a lot of lessons, good and bad from this. We're now shifting so that these programs have to go to Africa in a reasonable period of time. We're now financing a training program at McGill and in France that those universities won on competitive bid, to train African students at the masters level in economic management. But they have to move their course to universities in Africa within three years. That means they have to train the faculty in Africa. They have to worry about the administration of these courses in Africa, they have to twin with two African universities and the objective is to move the course to Africa within three years.

It's different from what's been happening before. There are a lot of universities in North America and Europe which are in fact training Africans and have been doing it for 30 years. But what about those institutions in Africa? Are they getting strengthened? Is this going to go on forever? I think not. I think this institutional development in Africa is very important. And I would think that within the academic community, there should not be any resistance to this, to building an academic community in Africa that's strong, vibrant and can cooperate instead of just becoming a weak partner.

Another area of activity is to, in effect, projectize civil service reform. We stumble into the civil service problems everywhere we turn. Government is trying to do too much with the civil service and not doing anything very well. We would like to see it concentrate on education and maintenance and health and these things that if they did well, African governments would be way ahead, instead of running meat-packing plants and dairy farms or whatever. The point is to get the concentration on an appropriate scope of work for a civil service and then reform it in a real sense. Up to now, we've talked about just cutting it down. In fact, in structural adjustment in the old days, the second tranche of this hundred million dollar structural adjustment loan depended on you getting rid of 14,000 civil servants. Now that turns out to be the wrong way to go about it because it hasn't worked. It hasn't saved any money. It's just meant we've had our tranches blocked, and we lost momentum. Anyway the people have nowhere to go. There's nothing happening in the real economy so the thing just creates social problems, with no savings, so it's not worth a candle. We've learned that. We don't do that anymore. But we have to do something about the civil service because the civil service is part of the problem, certainly not part of the solution yet.

Now, what we propose to do is projectize civil service reform. Instead of just talking about cutting people, we talk about contracting out services, hiving off things that shouldn't be in the government anyway, making sure that those things are taken up in the private sector, changing the salary structure so that it reflects the salary range that you're trying to keep in government, which means raises for people in upper skill categories. We want them to come to work. We want them to work five days a week. We want them to work 40 hours a week. We don't want them to have to do something else in order to survive and we want them to keep their hand in their own pocket. So why don't we just go about it that way? These people need training and equipment. They need organization and rationalization. We projectize it and we finance it -- that's kind of a new project, very much going to the heart of the matter. We've not done this before, so this is new, and about time, I would say.

Then there are the indirect issues of capacity building which are often underestimated. The Bank, in my opinion, international organizations, and donors should be trying to create this enabling
environment for professionals. What does that mean? I think we should be promoting pluralism. I think we should be breaking monopolies of information, breaking monopolies of economic and other power wherever we can. We have a small project which is educating the press, government-owned or private doesn't matter; educating financial and economic writers right across Africa. We are holding courses, we want to make sure that journalists know what they are talking about, and know what is happening in their own economy. It seems to me they have to be educated. We get the cooperation of the government on this. This is not something we are doing behind their back.

I don't know how any government can go into structural adjustment with an uninformed public. How could they possibly get away with it? Besides, Africa is going through a kind of democratic process. These problems, these credibility gaps, the real negative weight of an uninformed public is going to really be a major problem for Africa if reform programs are going to continue, which they must. So I think we have a lot to do on this front to create an environment where there is discussion, where there is debate, and where the public is aware. The documentation should be in the public domain. Professional groups should thrive and be serviced. So I am asking our resident missions -- we have about 30 of them in Africa -- to reach out to the public, to the Chambers of Commerce, to the various clubs, to make sure that they get all the documents that they need and all the information they want, and to make sure that the press gets regular briefings when possible.

I would also like to talk about the Capacity Building Foundation which you may have heard about. The African Development Bank, the UNDP and the World Bank together put up quite a bit of seed money, something in the order of $30 million, and we have managed to attract another $70 million from bilateral donors and African governments to create a fund of $100 million for capacity building in Africa. This is set up like a private foundation. It has all the characteristics of a private foundation except that the World Bank, the UNDP and the African Bank have at this stage of its life, a place on its board. But otherwise the board is made up of four eminent Africans and four eminent non-Africans who happen to be representing where the main sources of funding are, but they do not represent governments. In fact there are eleven OECD countries involved here, but only four directors and they have to sort that out. There are academics and there are people that never had anything to do with government to run this board. They are eminent people in the training business, they are trying to assist the small staff in Harare, where this is based, to come up with good proposals.

Now what is a good proposal? It focuses on capacity building. It is meant to be very practical. It can't improve all the universities in Africa with this amount of money. It sounds like a lot of money, but if you divide it up, you will find it doesn't go very far. The idea is to be catalytic. We want to see at least three dollars of other people's money coming for every dollar that is granted by this foundation. So that means they have to go out and come up with very good projects. I am not worried about attracting money in the sense that it is not there. It's there. About $4 billion a year goes into technical assistance in Africa -- equivalent to the World Bank lending program -- and it's all been the salaries of expatriate advisors.

This is being financed by the budgets of the North. We would like to see a big chunk of that shift away from what I regard as nonproductive, even undermining activity into a real capacity building mode. So we expect to get the money, but only if this foundation comes up with really good projects, projects which when you see them you know this is something that will make a difference. And the whole idea is to rise above some of the politics of this business, both donor
and African politics. The idea is to do the right thing. That means you can choose one university and reject another one. You don't have to do every university; you can be very selective, you can build on the strengths instead of the weaknesses. The ones that are so weak, you don't have to worry about. You really have to concentrate on the strong ones -- strong enough to really be world class. Africa has world class economic problems; it needs world class economic managers. There is just no doubt about it and they cannot come from far away -- they have to be home grown. So this is the objective.

It is in its first phase, and the idea is that with a hundred million dollar track record, the foundation, if it does a very good job and attracts three or four hundred million dollars of other people's money in the process, ought to be able to raise an endowment and stay in business without the help of the ADB, UNDP and the World Bank. We could just basically back out and leave a truly African foundation.

So these are our ideas. We are looking for more ideas. We are looking for your ideas, we are looking for any suggestions on what we might do which will further focus us on doing the right thing. I invite other donors and anyone influential in this business to adopt similar reforms in their own way of doing business because we are not going to make a big difference if we are the only ones that follow these guidelines. But I think that if we follow some of these ideas and focus on capacity building per se, not take it for granted that the capacity is there, not work around the problem, but focus on it -- we can make a tremendous difference in a very short time in Africa. And it will be a key difference. It will be a crucial difference for the future.