The development process – escaping the capability trap

KEY FINDINGS

- Current development practice focuses too much on the form institutions take, at the expense of worrying about function.
- A focus on strict rules that aim to curb corruption and inefficiency can diminish the amount of experimentation and adaptation that is possible.
- The desire to have a way of visibly evaluating reforms in a short period of time has led to the adoption of a number of scripts which define acceptable types of reform.

Development projects have generally been successful when their aim has been to build physical things. Schools, hospitals, irrigation canals, roads and even government ministries, agencies and courts have all been successfully built as part of the development agenda. However building human capability can be more difficult. This is particularly problematic as many of the successes in terms of building physical capacity do not mean much in the face of insufficient human capacity. Schools serve little purpose if the state cannot use them to educate children, and hospitals are merely symbolic if they cannot effectively cure patients.

This occurs in part because developing countries seeking donor support often fall into a trap where institutional reforms are not matched by improvements in human capacity. Traditional development policy actually plays a role in setting this trap. Developing countries aiming to meet the criteria set by their development partners often focus on the form of institutions at the expense of worrying about actual outcomes. This problem can be avoided by adopting a different approach to reform, that of Problem Driven Iterative Adaptation (PDIA).

The capability trap

The capability trap can be usefully analyzed at three distinct levels, at the level of individual agents, at the organizational level, and at the systemic level.

1. At the agency level two tensions play out. Front line workers have to choose between simply complying with the rules or pursing more positive performance driven actions. Individual leaders and managers have to choose between seeking simple personal or organizational gain and attempting to create new public value from within the institutions they run.

2. At the organizational level there is a tension between complying with external expectations of what form the organization should take and the idea that their legitimacy should derive from demonstrating performance regardless of their structure.

3. There are a further two tensions at the systemic level. Systems can either reward compliance with a fixed agenda or reward demonstrable improvements in performance. Systems can also be either open or closed to new approaches.

The capability trap occurs when agents, organizations, and systems tend towards the more conservative approaches outlined above. When rules are more important than performance, conformity valued over innovation, and structure given preference over function then there is little incentive for any one actor to make the effort to break out and escape the capability trap.

Much of the literature on capacity building focuses on problems of corruption and inefficiency at the agency level. Clearly corruption is a problem in many developing countries, however sometimes focusing on it is counterproductive. Strict externally imposed regulations may sometimes help curb corruption; however they can also put a limit on how much local experimentation is possible, and encourage blind conformity to the rules, even if those rules are clearly dysfunctional.

Furthermore, recognizing the problems associated with the capability trap has led donors to make much aid conditional

on achieving certain institutional and economic reforms. These conditionalities often do more harm than good. This is mainly because the desire to have a way of visibly evaluating reforms in a short period of time has led to the adoption of a number of scripts which define acceptable types of reform.

For example the World Governance Indicators guide countries making governance reforms, Doing Business outlines the institutions that should connect the public and private sectors, and Public Expenditure and Financial Accountability highlights best practice with regard to financial management. Countries have to agree to follow these scripts in order to receive funds, and demonstrating progress, as defined by the scripts, is necessary for funding to continue. Remaining on-script clearly limits any country's ability to innovate and develop novel approaches to deal with their unique problems.

If the capability trap is to be escaped a new approach must be adopted. An approach that does allow for innovation, and which encourages a focus on performance rather than form, as well as unique problems rather than off-the-rack solutions.

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Problem Driven Iterative Adaptation (PDIA)

The key problem identified is that donors' traditional approach to promoting the building of human capacity in developing countries has a tendency to focus on form over function. Overcoming the capability trap then requires reversing this and helping individual agents and organizations perform better, regardless of the forms taken to achieve this. The PDIA approach can help to achieve this by focusing capability development on four key principles

1. Reform activities should focus on identifying problems rather than solutions.
2. Experimentation and positive deviance should be encouraged.
3. An emphasis should be placed on learning and feedback mechanisms.
4. The development process should engage a broad variety of actors.

The problem orientated approach of PDIA entails continually asking why a problem exists. Instead of identifying a problem and jumping straight to a solution that has helped solve a similar problem elsewhere, development

practitioners would have to dig deeper in order to fully understand the unique nature of the problem. Once the problem is fully understood a series of incremental reforms which each attempt to deal with a specific problem are likely to lead to an overall structure more tailored to the particular circumstances involved.

This process of incremental reforms should also help make the process of experimentation and positive deviance more effective as quick adjustments can be made in areas where the reforms are not working. Good feedback about the results of reforms is also likely to promote the desirable view that an organization's performance should be more important than its structure. The involvement of multiple actors in the process gives the changes a better chance of succeeding in the long term. Change is far more likely to take root if it involves a broad set of agents, all of whom are involved in the design and implementation of reform.

This approach would avoid the problems associated with traditional attempts to build human capacity, and allow countries to find solutions that actually work for their own unique circumstances. PDIA would create a space for novelty, allow for experimentation and involve local actors in solving local problems.

This argument for PDIA should not cloud the fact that the traditional development approach adopted by bilateral donors and the World Bank has been hugely successful in a number of areas. In particular logistical solutions of problems, such as the building of infrastructure or simple public health interventions, have been largely successful. Furthermore donors and the World Bank have both been successful in encouraging governments to scale back their involvement in areas where it is problematic. When it comes to building human capacity however, the traditional approach has failed. PDIA represents a viable alternative approach which could serve as a compliment to traditional development policy in areas where it is appropriate.

IMPLICATIONS

- **Donors should adopt an approach that does allow for innovation, and which encourages a focus on performance rather than form, as well as unique problems rather than off-the-rack solutions.**

- **Such an approach would be problem driven, and encourage incremental reforms and experimentation.**