Contributions to Management Science

Elie Chrysostome *Editor*

Capacity Building in Developing and Emerging Countries

From Mindset Transformation to Promoting Entrepreneurship and Diaspora Involvement

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Foreword

Elie Chrysostome has been able to convince a number of committed scholars knowledgeable about Africa, Asia and the Caribbean, to address a practice, which is widely used by international agencies, yet lightly studied, and in my opinion poorly understood. The chapters present nicely some of the important challenges related to capacity building and ways to overcome them. There was a need for this state of the art, and economic development practices. The descriptions and discussions proposed are now here to tackle by anybody, scholars and practitioners, interested in international development.

Capacity building is about the basic foundations of economic development. Economic researchers have successfully associated economic development with education (in particular primary education), infrastructure, institutions (in particular laws and regulations about labour, women, children) and finally productivity (and its relationship to technology) and innovation. The logical conclusion was to prescribe that countries should all have these conditions to start economic progress.

With that in hand, governments and development agencies (in particular development banks) have adopted the idea of capacity building, which means ensuring that the previously mentioned conditions for development are met. The assumption in funding capacity building is that they are an early precursor in the economic development process. Although the associations mentioned earlier are unquestionable, whether one has to build capacities first is not clear. I would even argue that in developing and emerging economies, it is not observed.

In the 1990s, a massive study by the American congress of the World Bank (WB) record has shown that, despite massive spending in capacity development projects, the poorest countries targeted by the WB had not made much economic progress. The reason was that economic development requires the agency of nimble entrepreneurs. Entrepreneurs in the process of building their own wealth also build national capacities. They generate opportunities and create the conditions for other entrepreneurs to emerge and do the same in a virtuous cycle. Economic development cannot take place without these dynamic agents, who solve the hidden and intricate hurdles, which come in the way of wealth accumulation.

Economic development, when fruitful, is also relative and competitive. The key is economic actors concerned about building wealth for themselves and families. In so doing, they build advantages over others, thus creating resource asymmetry, which is the basis of competition, entrepreneurial energy and progress. Thus, the macro-level concerns of economic development research could be seen as irrelevant. It is how small entrepreneurs transform their milieu in building wealth for themselves, which makes the difference. Capacity is built as entrepreneurs build their activities.

Historian A.D. Chandler in his study of American industry has concluded that it is not the invisible hand of the market which has built the American economic system but "the visible hand" of managers and entrepreneurs. Of course, the market and perhaps some skilful economic incentives for education, infrastructure and the like are useful, but alone they cannot lead to economic growth.

Chandler's work is in fact truly relevant for developing countries. He was talking about a time when America was still building, with unclear institutions and weak governments. In such conditions, replacing entrepreneurs with bureaucratic rule-based, top-down processes is bound to fail. It leads predictably to corruption, and clan behaviour, rather than broad economic development. In my opinion, the problems highlighted in most of the papers in this book are manifestations of this basic misunderstanding about capacity building.

In thinking about how to stimulate economic development, the need to take into account context, both organizational and historical, is very important. Developing countries are at stages which are to be compared to the early times of today's Western countries. Economic development requires creative entrepreneurial strategies and structures, as China and several Asian countries have shown in the last half-century.

This book's contributions propose several ways to deal with the problems created by how capacity building has been traditionally conceived. It is therefore a reminder that the generally accepted wisdom about capacity building has also to be questioned when looking for cause and effect relationships. In reading the various chapters, one has to keep that in mind.

Also, and this may be the important contribution of the book, the papers highlight the difficulties related, in the less economically advanced nation, to building national capacity. These are specifically related to cognitive rigidities or the challenging need to develop a new mindset, but also to the availability of talents and human resources needed to do that. Suggested ways to overcome such limitations emphasize the importance of entrepreneurship. In particular, the diaspora or the elite living abroad could contribute to the change through entrepreneurial initiatives. Women entrepreneurs have also been mentioned as a dynamic factor in capacity building and in economic development in general.

The whole book is a useful contribution to the lively debate about how to enhance capacity in the less economically advanced nation, beyond the mechanical funding of project through traditional public channels. Students of economic development will find the various ideas stimulating.

HEC-Montreal, Montreal, QC, Canada Taïeb Hafsi

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I would like to express my distinct appreciation to all the colleagues and friends who provided various contributions and support to make this book possible. The chapters that are selected in the book went through a very rigorous review process. Each chapter was subject to a three- to four-round review process which was a very demanding and time-consuming exercise. Therefore, I would like to offer my heartfelt congratulations to all the authors of the book chapters for their courage to go through such a rigorous process and for their exceptional contributions. I would like to specially thank Ado Abdoulkadre, Barassou Diawara, Jennifer Donnelly, Maria Elo, Jean-Pierre Gueyie, Lavagnon Ika, Dina Laza-Berger, Rick (Zui Chih) Lee, Thomas Munthali, Ferdinand Ouedraogo, Indianna Minto-Coy, Isabelle Ramdiale Soubaya, Colin Read, Basu Sharma, Mengsteab Tesfayohannes Beraki, Mohammad Refakar, and Athanas Zimhunga.

I am immensely grateful to Prof. Taieb Hafsi of HEC-Montreal (Canada) who wrote the foreword of this book. The new approach to capacity building that he suggests deserves special attention as it represents a very serious alternative to consider in order to overcome the current limited outcomes of the effort of capacity building in developing countries for the last few decades. His advice and guidance at the different steps of the project of this book were very instrumental.

Very special thanks to the editorial committee and to the very dedicated reviewers for their support for the project of this book. They are outstanding experts of capacity building who, in spite of their very tight work schedule, devoted a lot of time and energy to read the chapters and provided very constructive feedback. The quality reflected by this book is also the result of their commitment to this project. I would like to specially thank Lavagnon Ika, Issouf Soumare, Basu Sharma, Jean-Marie Nkongolo, and Charles Moumouni whose experience in editorship has been very helpful but also Qirjo Dhimitiri, Jean-Pierre Gueyie, Razvan Pascalu, Luc Sarvard, and Gaston Gohou for their generous and timely feedback.

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Africa helped to relate this book to the current realities of capacity building in developing countries. Also, very special thanks to Bernardin Akitoby, the Assistant Director of the Department of Fiscal Affairs of International Monetary Fund, and to Steve Kayizzi-Mugerwa, Former Vice-President and Economist-in-Chief of African Development Bank. Their feedback was very constructive.

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Finally, I would like to thank Professor Irene Lee of the State University of New York—Plattsburgh for her editing work on this book.

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Challenges and Opportunities was co-edited with Dr Rick Molz of the John Molson School of Business of Concordia University (Canada). He has served on the Editorial Board of several well-known international journals of international business and management and is a member of the Academy of International Business and Academy of Management. He holds a PhD in administration sciences with specialization in international strategic management from Laval University in Canada.

Barassou Diawara is a Knowledge Management Expert at the African Capacity Building Foundation (ACBF). At ACBF, he is also a member of the Africa Capacity Report (ACR) team producing the ACBF Flagship Report which measures and assesses capacities in relation to the development agenda of African countries. Barassou Diawara is the focal point of the ACBF's supported Policy Institutes Committee (PIC) and Strategic Studies Group initiatives. The PIC is a network of ACBF-supported policy institutes and think tanks created to foster knowledge and experience sharing in the management of think tanks and policy issues facing African countries. The SSG is a strategic network of the foundation made up of global knowledge experts from various institutions that assists in identifying key policy and emerging issues requiring the attention of ACBF and its stakeholders. Barassou Diawara holds a master's degree in economics from Cheikh Anta Diop University in Senegal and a master's and PhD in economics from the Kyushu University Graduate School of Economics in Japan where he was also a research fellow before joining ACBF. His areas of expertise include development economics, education and poverty economics on which he has published a number of articles. Barassou Diawara is from Senegal.

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Athanas Zimhunga is a Knowledge Management Expert at the African Capacity Building Foundation (ACBF). He has been with the ACBF for two years. He is a member of the ACBF team supporting the coordination of the Africa Think Tank Network housed at ACBF and also a member of the Africa Capacity Report (ACR) team which produces the ACBF Flagship Report—measuring and assessing capacities in relation to the development agenda of African countries. Mr Zimhunga is the responsible person for research and writing of ACBF policy briefs based on the Africa Capacity Reports (ACRs) and ACBF's occasional papers. He also provides consultancy services to the Parliament of Zimbabwe as a budget analyst for various Zimbabwe Parliamentary Portfolio Committees. Mr Zimhunga has vast experience in higher and tertiary education, having lectured at the University of Zimbabwe from 2009 to 2014. He also once worked as an economist in the Government of Zimbabwe. Athanas holds a master's degree in economics from the University of Zimbabwe and a certificate in Capacity Building from Diplo-Foundation/LenCD. His areas of expertise include public policy, domestic resource mobilization and development economics.

Toward New Perspectives of Capacity Building in Developing and Emerging Countries: An Overview

Elie Chrysostome

Abstract Capacity building has always been considered as a critical tool for promoting sustainable socioeconomic development particularly in Developing and Emerging Countries. Most development experts concur with the idea that without capacity building, it would be difficult to promote socioeconomic development. Accordingly, for the last few decades, the international institutions for development have provided a huge amount of financial assistance for capacity building in Developing Countries. Unfortunately, in the majority of these countries and in particular in many Africans countries, poverty has remained prevalent. What are the challenges explaining the limited results from the capacity building efforts in Developing and Emerging Countries? Based on the previous experience, what can be done better? This book explores these questions and sheds light on some underexplored but critical areas of capacity building such as mindset transformation, entrepreneurship, and diaspora investment. Therefore, the first section addresses how to reduce the capacity gap in order to promote sustainable economic transformation. The second section focuses on capacity building in entrepreneurship and export activities of SMEs. The third section addresses the involvement of the diaspora in the capacity building efforts of their home countries and the last section of the book discusses capacity building focusing on the improvement of the business environment in Developing and Emerging Countries.

Capacity building has always been considered a critical tool for promoting sustainable socioeconomic development particularly in Developing and Emerging Countries. While there is no single definition of capacity building, this book uses the definition of the African Capacity Building Foundation (ACBF), a specialized Agency of the African Union (AU) on capacity development. In this definition, capacity comprises the ability of people, organizations, and society as a whole to manage their affairs

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successfully. It's the process by which people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time. Most development experts concur with the idea that without capacity building, it would be difficult to promote socio-economic development. Therefore, many of the development models that have been implemented in Developing and Emerging Countries so far have attached a significant importance to capacity building. Accordingly, the international development institutions have provided a huge amount of resources for capacity building in Developing Countries. In Africa, for instance, the African Capacity Building Foundation (ACBF) has devoted commendable effort and resources for capacity building since 1991, largely with support of the World Bank. Several other important institutions such as African Development Bank (AfDB), World Bank (WB), UNECA (United Nations Economic Commission for Africa) and United Nations Development Program (UNDP) have also been tremendously involved directly in capacity building in Africa for several decades.

International development experts suggest that for the last few decades since 1960, the amount of financial flows directed to Developing Countries aimed at tackling poverty is over 1 trillion dollars. Unfortunately, in the majority of African countries, poverty has remained prevalent. According to research by the African Capacity Building Foundation, one of the key missing links at least for Africa has been capacity—especially capacity to implement policies and development programs. While one cannot say that capacity building has been a total failure everywhere in all Developing and Emerging Countries, the current reality is that the outcomes of the capacity building effort in Developing Countries have not met the expectations of these countries. The situation of capacity building in African countries is not significantly different from the other developing countries on the other continents.

Key questions come forward therefore: What are the challenges explaining the limited results from the capacity building efforts in Developing and Emerging Countries? Based on the experience of implementing capacity building projects for the last few decades, what can be done better? This book explores these questions and sheds light on the other underexplored but critical areas of capacity building such as mindset transformation, entrepreneurship, and diaspora investment.

The purpose of the book is to explore new ways that can help to approach capacity building with a better chance of success in Developing and Emerging Countries. Therefore, it discusses in four sections the different pathways that seem often neglected or underestimated when it comes to capacity building in these Countries.

The first section addresses how to reduce the capacity gap in order to promote sustainable economic transformation. Specifically, drawing from the experience of the last six decades of capacity building in Developing and Emerging Countries, the first chapter of this section contributed by Elie Chrysostome, Thomas Munthali, and Abdoulkadre Ado suggests that Developing Countries should engage in a serious mindset transformation as such transformation is sine qua non condition for the success of capacity building projects and sustainable development. The second chapter contributed by Lavagnon Ika and Jennifer Donnelly suggests a new promising way of management of capacity building projects inspired from a project management perspective. In the third chapter of this section, Thomas Munthali, Barassou Diawara, and Athanas Zimhunga discuss the current challenges explaining the capacity gap in Africa and the research agenda priorities that should be considered to reduce this capacity gap. The chapter offers lessons that are largely applicable to developing countries in the other continents.

The second section of the book focuses on capacity building in entrepreneurship and the export activities of SMEs. In the first chapter of this section, Mengsteab Tesfayohannes and Rick Lee discuss how to promote entrepreneurship for Africa's sustainable development, while in the second chapter, Dina Laza Berger and Isabelle Ramdiale Soubaya focus on capacity building for female entrepreneurs. In the last chapter of this section, Ferdinand Ouedraogo and Elie Chrysostome analyze the challenges of the SMEs operating in mango exports and explore the strategies that can help to reduce the capacity gap and improve the export performance of these SMEs.

The third section of the book addresses the involvement of the diaspora in the capacity building efforts of their home countries. In the first chapter of this section, Indianna Minto-Coy, Maria Elo, and Elie Chrysostome discuss the important contribution of Caribbean diaspora in capacity building in their home countries, while in the second chapter of the section, Basu Sharma analyzes the positive and negative consequences of Nepalese diaspora remittances in capacity building in Nepal.

The last section of the book discusses capacity building focusing on the improvement of the business environment in Developing and Emerging Countries. More specifically, in the first chapter, Colin Read explores some of the fiscal capacity building initiatives that can help in sustainable development, while in the second chapter of the section, Mohamed Refakar and Jean-Pierre Gueyie discuss capacity building initiatives in corruption reduction.

The most important contribution of this book is its innovative approach of capacity building in Developing and Emerging Countries. Unlike most of the previous works on capacity building that used an economic perspective and are largely authored by economists, this book suggests a business management perspective with most of its authors being business management scholars. Moreover, while many of the existing works in the literature use a macroeconomic perspective, this book takes a microeconomic perspective focusing on mindset transformation, entrepreneurship with a focus on female entrepreneurship, and diaspora engagement. Several chapters of the book reflect the very promising bottom-up approach of capacity building consistent to Alfred Chandler's view, which contrasts the pervasive top-down approach experienced so far with limited results.

The editorial team and contributing authors of this book have a very rich and diverse professional and cultural background. They are academic scholars from prestigious universities in North America, Europe, and Africa but also international development experts from international institutions such as International Monetary Fund (IMF), World Bank (WB), African Development Bank (AfDB), and African Capacity Building Foundation (ACBF). These contributors have a deep understanding of issues related to capacity building, and in addition to their expertise, they are from 26 Developing and Emerging Countries located in Africa, Asia, Middle East, Caribbean Islands, North America, and Europe.

Part I
Capacity Building for Economic Transformation: Closing the Gap

Capacity Building in Africa: Toward an Imperative Mindset Transformation

Elie Chrysostome, Thomas Munthali, and Abdoulkadre Ado

Abstract Capacity building has been considered as a cornerstone of African development for the last six decades. Therefore, the international institutions for development and the governments of Africa have provided a huge amount of financial resources for capacity building during that period of time. Unfortunately, the results of such approach of development have been disappointing to some extent. While one should acknowledge that an economic transformation has been in progress in Africa, many African countries are still struggling with poverty. Some experts of international development have been persistently pointing now the issue of mindset as a serious impediment to the success of capacity building programs in Africa and as such as a major obstacle for a sustainable development of the continent. One has to admit that the issue of mindset has not been taken into consideration in the programs of capacity building implemented in Africa for the last few decades. Yet the mindset is a key determinant in the success or failure of any human initiative. In many African countries, the issue of mindset can explain to a significant extent the weakness of institutions, the political instability, and the uncertainty of the environment. The purpose of this paper is to draw the attention of international institutions for development and policymakers on the importance of mindset in the poor performance of capacity building programs in Africa and most importantly to explore strategies of mindset transformation in order to facilitate more effective capacity building programs and a sustainable development in African countries. Therefore, in its first part, this chapter will point out some critical facts that reflect the imperative necessity of mindset transformation in Africa. In its second part, this

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chapter will use some theories of mindset to explain some current development issues related to mindset in Africa but also to enlighten the reflection about the mindset transformation in Africa. The third part of the chapter will propose some strategies for mindset transformation in Africa, while the fourth part will be a discussion.

1 Introduction

The period of post-independence of African countries has been characterized by a strong willingness to go far beyond political independence toward economic independence. Such a goal is honorable and easy to understand given the African socioeconomic situation resulting from the European colonization and the long-term effects of slavery. Lack of skilled labor, embryonic education system, preeminence of export-oriented agriculture, absence of infrastructures in health system, transportation, and telecommunication among others reflect the picture of the socioeconomic situation of Africa. Various models of economic development were considered in the African countries. Some of them that are well known are the import substitution industrialization, the Lagos Plan of Action for the Economic Development of Africa by the United Nations Economic Commission for Africa and the Organization of African Union. These models revealed very quickly the urgent need of capacity building in all the different sectors of the economy. It's not surprising, therefore, that a great number of capacity building programs have been funded by international institutions for development, as part of the development effort of the continent. These institutions have transferred huge resources in capacity building initiatives and programs to ensure that the needed human, institutional, and organizational capacities are built for Africa's socioeconomic development. However, although substantial progress in capacity development in Africa over the past few decades cannot be denied, thanks to capacity development institutions like the African Capacity Building Foundation and partners, the capacity gap especially for implementation of development policies and programs has still remained a huge challenge holding back the socioeconomic development of most of African countries. This capacity gap is in turn responsible for the wide range of persistent syndromes of poverty. A close scrutiny of these syndromes reveals that beyond a lack of funds for development, mindset is a very important factor explaining the current situation of poverty on the continent. So, while capacity could have been built around human and institutional development on the continent over the years, the mindset of the people especially its leadership has not been capacitated for socioeconomic transformation. Therefore, a serious mindset transformation is urgently needed to significantly reduce the capacity gap and change the visage of poverty in Africa. Hence, the main goal of this chapter is to explore how to promote a mindset transformation in Africa.

In this book, we refer to mindset as thought patterns, set of assumptions, beliefs, values, or mental models of individuals, groups, societies, and even nations. Mindset defines people's character and attitudes and explains the choices and decisions made at any given time. It is a psychological condition that differentiates one person, group, or society from the other as it determines the choices that can be made, decisions, and even the actions that arise in any given situation. This is a very soft quality which is difficult to manage, given its psychological nature, and it is an intricate, human-based quality with so many subjectivities and emotional bearings which can be very difficult to control.

Current practices and approaches to capacity building have largely focused on availability of "toolset" and "skillset," without paying much attention to the centrality of "mindset," which would complement and complete the process. While toolset facilitates process management change and skillset, compartmental change, it is the mindset change that will bring about transformational change at the institutional and societal levels.

This chapter, therefore, proposes an analysis in four different sections. The first section analyzes the motives of an urgent mindset transformation in Africa, while the second section explores some theories that can contribute to the mindset transformation. The third section suggests a consistent set of strategies that can help to promote an effective mindset transformation in Africa. The fourth and last section is a discussion about the challenges likely to be faced while implementing the strategies for mindset transformation in Africa.

2 Pleading for an Urgent Mindset Transformation in Africa: The Motives

2.1 Mitigated Outcomes of Decades of Official Development Assistance (ODA)

According to the African Capacity Building Foundation (ACBF), capacity comprises the ability of people, organizations, and society as a whole to manage their affairs successfully and that capacity development is the process by which people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time (ACBF 2011). Despite the wide-ranging disciplines involved in capacity, there is a broad agreement in the literature on this operational definition. Over the years, a new consensus holds the view that capacity development should be an endogenous process that is strongly led from within the country, with development partners playing a supporting and catalytic role. In that setup, stakeholder/country ownership, political leadership, and the prevailing political and governance system assume crucial importance in creating opportunities and setting the limits for capacity development. This embodies on having the right mindset in appreciating the role and hence developing the requisite capacities.

Capacity building has been a top priority in most of African countries since their independence. The dominant trend however has seen it as being externally driven. The thinking has been that international institutions for development should provide to these countries strong assistance for capacity building. This development approach has led to huge outlays of financial and technical assistance from western countries and international development institutions. Most international development experts concur with the fact that a huge amount of funds has been devoted to capacity building in Africa for the last 60 years. According to Powell (2005), more than 1 trillion US dollars has been directed to the African continent between the 1960s and early 2010s including 400 million US dollars just for the period 1970–2000. In fact, these amounts represent only the tip of the iceberg. Sy and Rakotondrazaka (2015) suggested that the amount of official development assistance (ODA) was over 1 trillion of US dollars just for the period 1990–2012. According to the former president of the African Development Bank, Donald Kaberuka (2014), from 1967 to 2013, the bank committed 4003 loans and grants valued at $104 billion to the different countries that are members of the institution. As to the African Capacity Building Foundation (ACBF), the amount that it committed in different African countries between its creation in 1991 and 2016 is more than $700 million. Several other international institutions of development have been actively involved in capacity building on the African continent for decades, including the United Nations Economic Commission for Africa (UNECA), the New Partnership for Africa's Development (NEPAD), the World Bank (WB), the United Nations Development Programme (UNDP), the International Monetary Fund (IMF), the United Nations Conference on Trade, Agriculture and Development (UNCTAD), the United Nations for Industrial Development Organization (UNIDO), etc. It's believed that the amount of funds directed to the continent through these institutions for capacity for the post-independence period can approach several trillions of US dollars. One should add to this amount the resources related to the domestic initiatives of capacity building undertaken by the African governments.

Furthermore, with the increasing number of African diaspora for the last few decades, the amount of African diaspora remittances has become a major source of funds for economic development and even represents a significant percentage of the GDP of some African countries. The amount of diaspora remittances represents more than 29% of the GDP in Liberia (World Bank 2017), while the total of diaspora remittances in 2015 was estimated at 35 billion in sub-Saharan Africa (World Bank 2016). Some experts think that these amounts are really underestimated, as a great number of African diaspora use informal channels of money transfer, while the number reported by the World Bank only reflects the remittances through the formal channels. According to Bodomo (2015), more than 75% of African diaspora remittances use informal channels of money transfer; the real amount of sub-Saharan African diaspora remittances is between 120 and 160 billion US dollars. Although a high percentage of the African diaspora remittances goes directly for their families for poverty alleviation, a significant amount of these remittances can be considered as resources for capacity building. It's the case when these remittances are used to help family members to complete their education or various trainings that are needed to find a job or self-employment or to launch an entrepreneurial initiative. A small medical clinic in the neighborhood, a laboratory of medical imagery or for usual medical tests, and an education complex—from primary school to higher education—sometimes in partnership with Western universities are some of the capacity building-oriented entrepreneurial initiatives that have been funded by African diaspora remittances.

In light of the above analysis, it is obvious that a huge amount of funds has been devoted to capacity building in Africa since the independence of its countries, largely from the early 1960s. Unfortunately, the capacity gap is still huge.

2.2 Critical Capacity Gap in Africa: Some Facts

The normal expectation of the important financial flows to Africa for development is a significant alleviation of poverty. Unfortunately, this is not the reality reflected by the day-to-day life of many African people. According to the World Bank (2014), more than 600 million African people don't have access to electricity, and there are some countries where half of the population still don't have clean drinking water. The physician density is still very low in many African countries where the number of physician for 1000 people is lower than 5. Moreover, the African continent has continued to face various inconsistencies in different important areas of its development. For instance, by 2023, Africa will need for its development more than 4.3 million engineers. It has currently only 100,000 engineers, yet the student enrollment in universities is not consistent with the continent's critical skill needs (which are mostly in science, technology, engineering, and mathematics) as more than 80% of the students are enrolled in humanities (ACBF 2016a, b). In general, the capacity gap in Africa is still a very serious concern that holds back its development, despite all the financial flows of official development assistance (ODA). The Africa Capacity Reports (ACRs) published by ACBF since 2011, to assess and track capacities in Africa as well as the experience of ACBF in capacity building across the continent, serve as a good basis to highlight the critical facts related to the capacity gap in the region. Four critical facts illustrate the capacity challenges in Africa; they are as follows: (1) most countries have medium or low capacity; (2) capacity outcomes are not satisfactory; (3) financing capacity is grossly inadequate, unpredictable, and unsustainable; and (4) weak state of institutions.

2.2.1 Majority of African Countries Have Medium or Low Capacity

Since 2011, ACBF has annually produced the Africa Capacity Report (ACR). The ACR's objectives are to measure and empirically examine capacity against the development agenda in African countries by focusing on the key determinants and components of capacity for development, particularly capacity deficits. The ACR and its key index—the Africa Capacity Index (ACI)—allow decision-makers to

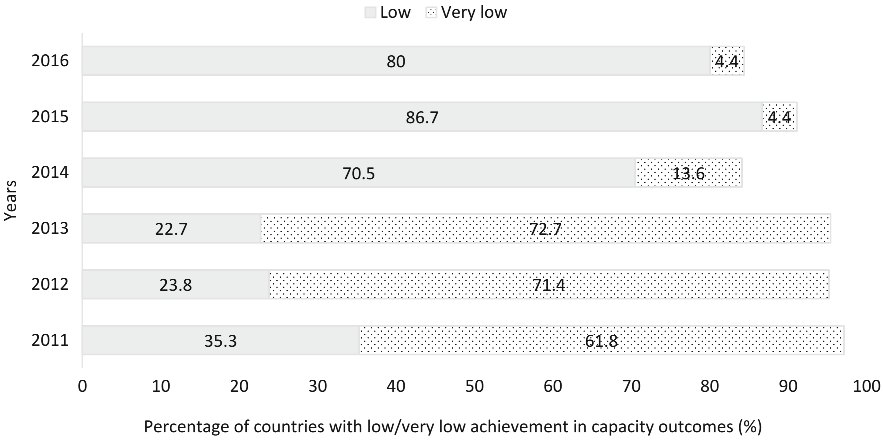

Fig. 1 African countries and the achievement levels on capacity development outcomes (2011–2016). Source: authors using data from various Africa Capacity Reports

identify the reforms needed to improve capacity and what to prioritize and finance to further develop capacity.[1] The capacity level of countries are assessed using four dimensions, namely, (1) policy environment; (2) processes for implementation; (3) development results at country level; and (4) capacity development outcomes.[2]

Data and evidence from the various Africa Capacity Reports show that the majority of the African countries surveyed have medium or low capacity. For instance, in 2014, around 68% of the 44 countries covered fell within the "medium capacity" bracket, while 14% were ranked as countries with low capacity (see Fig. 1). In 2015, around 73% of the 45 countries surveyed belonged to the category of "medium capacity" followed by a reduced number of economies with low capacity (9%). In 2016, relatively less countries were considered as having low capacity (5%), suggesting an increased number of countries with medium capacity (see Fig. 1). Notably, this medium capacity is largely explained by capacity to develop and analyze policies and development programs. However, there has been poor implementation capacity across African countries, suggesting the need for prioritizing investments toward those capacities that will improve service delivery mechanisms at the national and local levels to enable the provision of direct benefits for citizens' livelihoods (Nnadozie et al. 2017). So while countries have put in place strategies, policies, and processes, translating them into tangible results with visible benefits across all actors and countries remains a serious challenge. Critical to implementation has been the deficit of soft capacities including the mindset in the public sector—lack of flexibility to adapt development strategies to emerging shocks; lack of incentives (both positive and negative) in implementation processes (such that public servants can deliver critical development priorities); and

[1]See ACBF (2017, 2015, 2014a, b, 2013, 2012, 2011).

[2]For more information on the various dimensions, see ACBF (2017, 2015, 2014a, b, 2013, 2012, 2011).

establishment of tracking and monitoring mechanisms for accountability, impact, and learning, inter alia (ACBF, 2014a, 2015, 2017).

2.2.2 Capacity Development Outcomes Are Not Satisfactory

Aimed at measuring change in the human condition, capacity development outcomes are captured mainly through the financial commitment to capacity development, an actual achievement of key development goals (ACBF 2017). Evidence from various Africa Capacity Reports shows that the majority of the countries surveyed performed poorly in terms of capacity development outcomes. Results on the capacity development outcomes have been mainly affected or explained by the lack of regular conduct of capacity profiling and/or capacity needs assessments by the countries.[3]

The weaknesses in terms of performance on the dimension of capacity development outcomes are closely linked to the lack of implementation which has to do with the soft capacities. In fact, the relatively not-so-satisfactory outcomes can partly be associated with the inadequacies in terms of human, technical, legal, and regulatory capacities to effectively implement, finance, monitor and evaluate the designed programs and initiatives—while ensuring that the utilization and retention of the capacities are built (Nnadozie et al. 2017). The results with respect to the "capacity development outcomes" highlight the low performance of almost all African countries surveyed on the delivery of capacity development-related initiatives which is still a pressing issue. It is however to be noted that capacity development outcomes are difficult to achieve because most of the countries allocate relatively inadequate resources to capacity building initiatives and programs. This also borders on a mindset within the public sector and the international community supporting the African countries, where development programs have not been supported with capacity development plans as a necessity.

2.2.3 Financing for Capacity Building Is Still Inadequate, Unpredictable, and Unsustainable

An important challenge for the effective implementation of capacity building initiatives and strategies remains financing. Indeed, the increase in demand for capacity building support is not synchronized with the flow of resources allocated to capacity development programs and projects available to the continent—provided by government and development partners. Inadequate financial resources prevented capacity development institutions and providers to respond timeously to emerging capacity building demands in Africa. Using the proportion of government budget allocated to capacity development and the official development assistance (ODA) dedicated to capacity development (as percentage of the government budget) can give a sense of

[3]See the various Africa Capacity Reports—ACBF (2017, 2015, 2014a, b, 2013, 2012, 2011).

the inadequacy of the financial resources allocated to capacity building initiatives in Africa.

Figure 2 presents some estimates of the financial commitments of African governments to capacity building initiatives. Though there are regional and country-level differences in terms of resources allocated, on average the proportion of national budget allocated to capacity building is less than 7% during the period 2011–2014 (except in 2013 when it was estimated at 8.4%). However, evidence shows that (using the 2014 data), the ten countries with the best ACI performance allocated approximately 16.1% of the government budget to capacity development. This suggests that countries with higher budget allocated to capacity building are more likely to perform better on the Africa Capacity Index, highlighting the importance of financial resources in support of capacity building outcomes.

In fact, while the top ten African countries with the best Africa Capacity Index have seen 12.6% of ODA allocated to capacity development, on average less than 9% of ODA has been dedicated to capacity building initiatives (4% in 2011 increasing to 8.4% in 2014). Again, the evidence suggests that the higher the percentage of ODA allocated to capacity development, the higher is the performance of the countries in terms of ACI.

Besides the estimates using the macroeconomic variables, the case of ACBF—a Pan-African organization exclusively dedicated to capacity building in Africa established by African governments and multilateral and bilateral partners—can be used to illustrate the issues associated with financing capacity building across the continent (Fig. 2). While the estimated funding needs at the creation of ACBF in 1991 was US$ 1 billion, by 2017 the investments in capacity building were only around US$ 700,000, showing the inadequacy of the financial resources allocated in Africa (Nnadozie 2017; ACBF 2016a; Ofosu-Amaah 2011). Moreover, it is to be noted that the resource allocation has been unpredictable, with high variations in

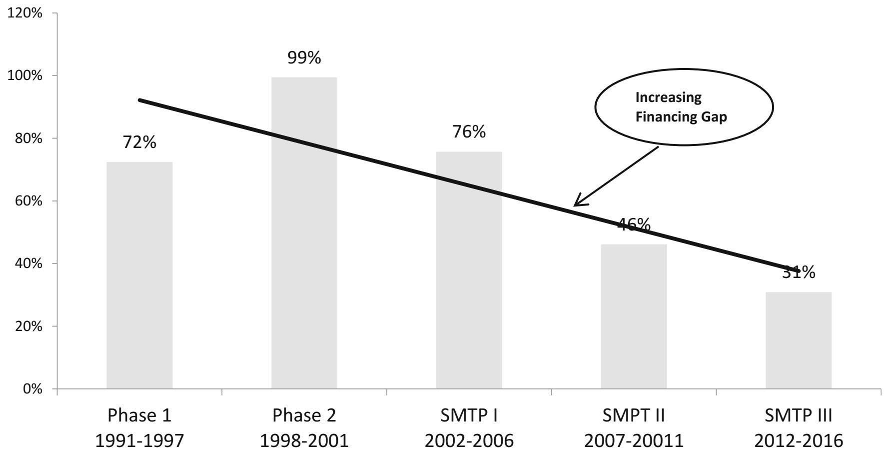

Fig. 2 Proportion of actual receipts relative to targets—case of ACBF. Notes: SMTP stands for Strategic Medium Term Plan. Source: Nnadozie (2017)

financing from one strategy to the other—while 72% of the resources requirements have been met in Phase 1, only 31% of the needs were covered in the Third Strategic Medium Term Plan (SMTP III). In addition, the sustainability of the capacity building investments is still a challenge given the reduction of overall financing envelope—the financing gap had increased from a low of 1% in Phase 2 to 69% in SMTP III (Nnadozie 2017). The volatility and inadequacy of financing for capacity building have resulted in longer gestation period for projects and programs in the pipeline to be approved and executed.

2.2.4 Weak State of Institutions

Weak institutional capacity is recognized as a major obstacle compromising the long-term economic growth and sustainable economic development and consequently Africa's socioeconomic transformation. Institutional capacity development has been recognized as a pressing issue affecting regional institutions and countries regardless of their status (federal, local governments, post-conflict, fragile countries, etc.), including the public sector, the private sectors, and the civil society organizations (ACBF 2014b).

Institutions in Africa can generally be assessed through the Country Policy and Institutional Assessment (CPIA) which describes the progress of sub-Saharan African countries in strengthening the quality of their policies and institutions. The average CPIA score for the 38 countries surveyed in sub-Saharan Africa was 3.2 in 2015 (score range is 1 to 6, with 6 being the best), representing a flat regional trend in the quality of policies and institutions. Rwanda led all countries with a score of 4.0, followed by Cabo Verde, Kenya, and Senegal, all with a score of 3.8 (World Bank 2016). More specifically, weaknesses were observed on issues related to transparency, accountability, and corruption in the public sector; property rights and rule-based governance; and quality of budgetary and financial management. All these attributes, whether in fragile or non-fragile countries, are important for institution building and would require enhanced efforts to achieve a successful transformation in the region.

More important though is that in all these efforts around capacity building, mindset transformation has not been given the attention it deserves. Africa has concentrated on developing strategies, tools, and skills to foster development, yet overlooking the need to psychologically prepare its people and, most importantly, the leadership to translate this investment into outcomes that can bring about transformation. Consequently, the continent has bred a citizenry that is talented and knowledgeable yet cannot implement its strategies to achieve desired outcomes.

2.3 *Chronic Sociocultural Obstacles for Development: Syndromes of Poverty*

2.3.1 Syndrome of *Octopus Family*

The term *octopus family* refers to big size family. The *octopus family* is still a current sociocultural reality in most of African countries. If this family model was relevant at a large scale several centuries or decades ago because it provides a workforce for farming, such a relevance seems very questionable today with the percentage of African people living in urban areas characterized by very high-cost living. In fact, today the highest fertility rates in the world are in Africa and in particular in sub-Saharan Africa. Except Timor-Leste which is an Asian country, the 25 countries with the highest fertility rates are all from sub-Saharan Africa. The fertility rate is around 7.5 in Niger, 6.2 in Somalia, and 6.0 in Mali, compared to the rates of 2.0 in Sri Lanka, 2.3 in India, 2.1 in Tunisia and Dominican Republic, or 1.6 in Iran. On the other hand, except Mauritius, none of the African countries is among the 25 countries with low fertility rates. Despite the debate between the family size and poverty, many experts suggest that there should be a congruence between the demographic growth and the economic growth. In other words, it's impossible to expect poverty alleviation in African countries if the *octopus family* is still at large scale the usual model. One can easily wonder if China could have succeeded with its economic transformation if the Chinese had the fertility rates of sub-Saharan countries. It may be interesting to investigate if the *octopus family* is not one of the factors of economic distress and poverty driving African young people to the very recent migrations to Europe resulting in tens of thousands of deaths in the Mediterranean Sea. The point being that with the socioeconomic realities of today, the *octopus family* is not anymore relevant and may be contributing to holding back of the various efforts of poverty alleviation in Africa. Poverty alleviation will have a better chance to succeed if African people are receptive to giving up the *octopus family* mindset and consider having the number of children that they are able to raise adequately. It's not surprising that some developed countries like France and international institutions like ECOWAS (Economic Community for West African States) are raising strongly their voices to encourage African countries to seriously address this problem.

2.3.2 Syndrome of Megalomania

How much is it acceptable to spend in sub-Saharan Africa to celebrate the funerals in order to honor a loved one who died? How much is it acceptable to spend at the 25th or 50th death anniversary of a grandfather or a grandmother in order to remember her or him? To celebrate a wedding or a baby birth? These are some of questions that unequivocally trigger a reflection about the extravagance of some custom celebrations in many African countries which rank among the poorest in the world. It's very easy but also simplistic to find the explanation of such practices only in the culture or traditions of African people. Although the syndrome of megalomania can take different forms in Africa, this research will mainly focus on one type, namely, the costly funerals. The cost of funerals in Africa vary from one country to another, but many analysts agree to say that the costs of funerals in sub-Saharan Africa are too high and represent a very serious burden for families. According to Kwaku, a funeral planner in Ghana, the funeral costs could range from $15,000 to $20,000. Notably, the Gross National Income per capita of Ghana is around $1880 (World Bank 2017). In Benin, which is among the low-income countries (GDP per capita of less than $1005) according to World Bank, the funeral costs can amount to $10,000 (5 million CFA), while the Gross National Income per capita is around $800. These numbers are higher than the average in a developed country like France that has an annual average income of $38,720 and where a family spends around $6000 for the funerals of their loved one. In Benin, for instance, it happens often that some families can't find $20 to $40 to buy the doctor prescription to save the life of their loved one, but after their loved one dies, they are able to find several thousands of dollars for funerals (including through loans). It's not rare that the deceased person is sometimes kept at the morgue for weeks or months, while the family members are struggling to convince legal and/or illegal moneylenders or friends to take loans for funerals. Some families end up in the claws of loan sharks with explosive interest rates debts resulting sometimes in the loss of their house and other important assets. Some analysts think that a single death of a loved one can plunge some families in a debt that can take many years to pay or that will keep these families in endless financial distress. Given the pervasiveness of the octopus and extended family in Africa, combined with poverty and deficient health systems, the costly funerals add to the poverty burden. The recent emergence of funeral insurance products has not been able to eliminate the financial burden of funeral expenses as very often only a part of funeral expenses can be covered by the insurance. Very often, the deceased family members who have a stable job or a good social status have to face the financial burden of these costly funerals, and there are all types of beliefs and witchcraft practices to scare them and to put pressures on them to comply. Some African countries have tried to regulate the practice of costly funerals with no success. Sometimes, due to cultural pressures, it's the government officials who are supposed to set the examples by complying with the laws are the first to openly violate the laws.

Some of the questions that can be raised given the situation described above are the following: is it acceptable that the people of the poorest countries in the world spend the money that they don't have for lavish funerals? Is it acceptable that the lowest GDP countries that are under international development assistance spend for funerals the resources that could have been used for various development projects or productive activities that can alleviate poverty? These questions leave no room for any other answer than exploring another mindset. The megalomania or other financial extravagance have not only contributed to maintaining poverty in Africa but have worsened it.

2.3.3 Syndrome of White Collar

It's a very popular belief almost everywhere and in particular developing countries that the white-collar jobs get good compensation. In most developing countries, the white collar enjoys a great respect in society. Therefore, the white collar has become a model of success that many Africans want to follow. This pattern of success is very popular in Africa where the dream of many people is to become an executive in a public institution or in a well-settled business or not-for-profit organization. This phenomenon is referred to as syndrome of white collar in this research. It's not very easy to explain how the mentality of white collar emerged in Africa and has become endemic in every African country. However, many analysts suggest that it may be part of the legacy of colonization that socially promoted the educated Africans to serve in the colonial administration. The privileged social status of these Africans may had shaped the beginning of the model of the white collar that has survived over decades. The white-collar pattern of success seems more visible in former French colonies than in British colonies where the business or entrepreneurial success was promoted over the white-collar success. As anybody can witness today everywhere in Africa, the white-collar model has not been able to provide as much jobs. First, there are a very limited number of white-collar jobs in every country, and as such it's simply impossible that every job seeker will find it. Second, the contribution of white collar in the wealth and therefore the jobs creation is limited. So the logical outcome of the syndrome of white collar in Africa is the high level of unemployment easily noticeable almost everywhere. In this regard, the various public and private initiatives that have been taken to move beyond the white-collar mindset toward creating jobs though SMEs should be encouraged.

2.4 Limited Results of Capacity Building

2.4.1 Alleviation of the Shortage of African Skills in the 1960s

African countries and their development partners put priorities in reducing the illiteracy levels and long-term reliance on expatriate personnel. The main idea and thinking during the 1960s was that African countries needed to invest in occupational skills training to complement investments in physical capital while addressing the lack of endogenous educated people. Indeed, during and right after the independences, African countries had insufficient institutional and human capacity to cope with the transition from colony to independent sovereign state, particularly with respect to the responsibility for economic management. With the technical and financial support of donors, African governments focused on building, equipping, and staffing schools and training centers in order to produce the skills needed for the rapid industrialization and replacement of expatriate workers (Sibisi 1993; Johanson and Adams 2004). The post-independence capacity building strategies were mainly directed toward "getting the numbers right" by attempting to ensure that there are enough people trained to take the tasks led by previous technical *cooperants*. As a result, there was an insufficient or no attention paid to the quality of those trained, career development, and school quality. The focus was more into quantitative estimates, forecasts, and the computation of cost-benefit ratio, while tertiary education was focused on preparing the officers and workers to Africanize the various countries' civil service (Sibisi 1993). The Africanization strategies aimed at alleviating the shortage of African skills have helped to somewhat reduce the level of illiteracy but could not address the economic transformation challenges faced by newly independent countries.

2.4.2 Meeting the Demand for High Skills in the 1970s

The newly built capacities and established African bureaucracies in the 1960s could not effectively deliver the required services to the people of the same or even better quality than that which was provided in the pre-independence period. Given the still limited indigenous capacity for development, the 1960s wave of enthusiasm about education was followed by an intensive rethinking of education priorities during the 1970s (Sibisi 1993). Countries therefore began to invest heavily in the social sectors and in particular in education and health—the principle of universal primary education was still a priority, with emphasis being placed on secondary and tertiary education. Higher education was considered crucial to meet the demand for high skills with the view to replace expatriates (Wangwe and Rweyemamu 2001).

To complement the investments in the social sectors, development partners and donors also paid special attention to "basic needs," namely, supporting the poorest, investing in informal education, and developing the informal sector (Sibisi 1993). Building on a relatively poor endogenous scientific potential faced in the 1960s, African countries experienced a particularly active phase of institutional development (training schools, research centers and institutes, and universities) in this period which was accompanied by an explosion of its university population and rapid growth in the number of students and researchers (Nanfosso 2011). The progress notwithstanding institutional and human capacity did not grow fast enough to keep up with the requirements of changing socioeconomic circumstances and the challenges faced by African countries.

2.4.3 Targeted Interventions for Impact and Efficiency in the 1980s

With the structural adjustment programs in the 1980s, African countries faced hard choices between continued and high public investments in education and training and rationalization of the education expenditures to increase the number of schools and universities, as part of their capacity building efforts. Emphasis was more into bringing the private sector on board and paying attention to issues related to impact and relevance of the various initiatives and programs (Sibisi 1993). It is in the same vein that African countries sought to liberalize their economies and create a more conducive environment for private sector development. On the political side, the reforms undertaken had resulted in the establishment of democratic systems and the liberalization of political systems in many countries (Wangwe and Rweyemamu 2001).

Countries have seen an improvement in terms of higher economic growth rates as a result of the economic and political reforms undertaken. However, the African countries (governments) faced serious capacity challenges that prevented them from sustaining the changes and economic performance. Indeed, it had become clear that sustained growth and development require more than just reforms but also state with adequate capacities (Wangwe and Rweyemamu 2001). The implementation of the policies was poor. Moreover, there has been a lack of ownership and political will to implement these recommended policies, despite the financial support and the associated conditionalities. The World Bank then appeared as a leader in the debate on African education and capacity building issues, especially in assisting African states to improve their effectiveness. However, this focus by the World Bank had mostly emphasized primary and secondary education rather than tertiary education as the former were seen to have higher socioeconomic returns than the latter whose benefits were considered to be accumulating to the individual more than to society, a position which has had to change with time.

2.4.4 Enhanced Endogenous Capacities Through the African Capacity Building Initiative in the 1990–2000s

Approach and support to capacity building in Africa took a new direction and focus since the establishment of the African Capacity Building Foundation (ACBF) in 1991. Partnership, ownership, and human-oriented became very important capacity building dimensions. ACBF was created to provide grants to national and regional institutions and programs to help strengthen economic policy analysis and development management within African countries (World Bank 2005). ACBF had thereafter become a key provider of long-term support to programs involved in developing human and institutional capacity in areas of development policy analysis and management. With the understanding that capacity building goes beyond policy analysis and management, a new initiative—the Partnership for Capacity Building in Africa (PACT)—was launched in 2000 and integrated into ACBF. The ultimate aim was to ensure that there is enough support to a wider range of interventions, including interactions of policymakers with civil society and private sector organizations (Ofosu-Amaah 2011). With the creation of the ACBF initiative, some considerable contributions have been made with respect to building the endogenous capacities in Africa, namely, through enhancing the skills, strengthening the institutions, supporting economic growth, and generating and sharing knowledge. ACBF has, for instance, committed over US$ 91 million to support 73 higher education institutions—besides investing over US$ 44 million in nondegree training programs during the period 1991–2016. The projects and programs supported have been largely focused on increasing the pool of skilled professionals in the fields of economics, public policy, public sector management, and financial management and accountability. Moreover, ACBF has invested in the creation and support to over 40 think tanks which have become key drivers of policy discourse and debates as well as reliable conduits or sources of technical and advisory support to stakeholders along the policy value chain. In addition, ACBF has produced and shared knowledge products which provide authoritative evidence and characterization of the state and evolution of Africa's capacity and development challenges (ACBF 2016a).

2.4.5 Africa's Socioeconomic Transformation in the 2000s and Beyond

Despite the good progresses in terms of capacity building and economic growth since the early 2000s, Africa's development efforts are being diluted by severe capacity deficits—shortages of critical skills, inadequate leadership, inhibiting mindsets, and weak institutions, inter alia. The deficits have severely hampered the implementation of policies and development strategies across the continent.

Research shows that capacity, more than financial resources, is the missing link and the critical impediment to effective implementation of projects and programs spelled out in continental, regional, and national development strategies. This weakness of the capacities explains the huge implementation gap on the continent, which has impeded even good development strategies from producing desirable development outcomes. As a result, while the capacity level of the majority of African countries has been assessed as medium (75% of the countries surveyed in 2016), almost all African countries face implementation challenges (ACBF 2017). One key reason being lack of transformative leadership that has the mindset to design and deliver on the development goals and policies. This mindset of business as usual also transcends all the way down to the grassroots.[4]

Both Agenda 2063 and Agenda 2030 (or the Sustainable Development Goals, SDGs) have highlighted the critical role and urgency of "mindset transformation" as a key capacity challenge faced by African countries. Both agendas present evidence and illustration of the commitment to transform the continent. To support Africa's socioeconomic transformation, an analysis of the capacity dimension has been conducted by ACBF, identifying four main categories of deficits, namely, operational capacity of organizations (human, institutional, and organizational capacity, systems and processes, and access to information and knowledge); change and transformative capacity (initiation, facilitation, and management of change); composite capacity (planning, facilitation, management of knowledge and risk, and design, finance, and management of programs); and critical, technical, and sector-specific skills—hard technical or specialist skills and subject matter knowledge (ACBF and AUC 2016). Change and transformative capacity, a key to the socioeconomic transformation of Africa, means that it is necessary to build the capacity to initiate, facilitate, and manage change—which is still relatively scarce in many

[4] ACBF and AUC (2016).

African countries and institutions. Change and transformative capacity also entitles the ability to foster "driver-of-change" approaches and systems, paying attention to issues such as "how to get there," "how to do things," and "how to make it happen." Such capacities include visionary and transformative leadership; change readiness; creating and maintaining the desire for change; having the ability to shift mindsets; technological predisposition and information and communications technology; invention and innovation commitment; risk management abilities; management and top leadership optimism; top management commitment; a shared inspirational vision; and ownership of decision-making (ACBF and AUC 2016).

In sum, the decades of capacity building in Africa have been characterized by a continent on a move and in constant search for its path to sustainable socioeconomic development. While African countries have improved in terms of socioeconomic and governance indicators, capacity deficits remain a significant challenge for African countries in their quest for sustainable development and certainly the main barrier to the continent's sustainable transformation. More efforts are needed. Critical to it is the need to develop a mindset that transcends from leaders in all sectors all the way to grassroots in getting policies and defined development goals implemented within effective and sustainable institutions.

3 Exploring Theories of Mindset Transformation

3.1 Relationships Between Mindset and Development

Studies on Africa's development challenges both at national and continental levels (Funke and Nsouli 2003; Wamukonya 2007; Asante 2016) continue to emerge. Many of those studies have pointed out unique challenges to specific countries or regions in Africa. However, the African development subject has been studied often from a purely economic and quantitative perspectives (Ado and Su 2016) or often with western models being used in Africa without sufficient contextualization or through inadequate lenses (Ado and Wanjiru 2018). To the best of our knowledge, studies are yet to explore how development challenges in Africa can be explained by mindset or mentality challenges, especially when it comes to capacity building. The link between development and mindset becomes even more relevant when the approaches to development are diverse on the continent. In this section, we will explore the major connections between mindset and development particularly in Africa and explain how Africans' mindset transformation becomes central to African development.

Mindset plays an important role in a society's development specifically when it comes to capacity building. Certain authors such as Dercon and Gollin (2014) and Duflo (2006) have explained the challenges to African development by pointing out failures from both individuals and institutions. Many countries became developed or are emerging as economic powers in part due to a transformation of mentalities of their citizens and their political leaders. Development is often achieved through new ways of doing things, innovation, determination, political will and action, and sacrifices. Many countries such as China, Singapore, or South Korea have shown the importance of mindset transformation to boost development. There is indeed an intertwined relationship between development and mindset (Dibie et al. 2015). The former can occur only when individuals and institutions are prepared to accept and to face challenges that come with stimulating development and building capacity. When citizens are optimistic about their future and believe that they can develop their country is a strong start for boosting development. On the contrary, when individuals lose hope in a better future and lack confidence in themselves and their abilities, national development becomes a myth to many. It is important that mindset and development aspirations and actions go hand in hand. Prosperity can be achieved only when these two have been aligned to support each other. Therefore, to understand development and capacity building, an analysis of actors' mindset is first required. Often, to achieve development goals, a mindset change is necessary both in terms of believing that the goal is achievable but also in terms of convincing a critical mass of people or followers to act toward that desired development outcome.

3.2 Mindset Theories

There are various theoretical perspectives on mentality and cognitive models of thoughts and actions. Although mentality theories are often customized to stimulate economic and social development, the core ingredients to achieving a country's prosperity remain similar across sectors and societies.

3.2.1 Optimistic Mindset Approaches

Revolutionist Perspective

Some scholars have argued that Africans need to radically change the way they think with regard to development to achieve industrialization. They suggest that a revolutionary mindset is required from Africans in comparison to Western industrial revolutions (Johnston and Mellor 1961). This means that there are sacrifices to be made both at social, personal, and institutional levels to boost African development. These theories have been tested in some African countries such as Burkina Faso (Wilkins 1989; Martin 1987) where the late president Thomas Sankara decided to create a national revolution by imposing policies and programs that aimed at radically changing people's mindsets to embrace hard work and indigenous stimulus to development. The revolutionist mindset perspective may require both political and social determination (Ake 2001) because even in countries where such policies were applied, there was a strong resistance to radical changes within the population and the political elite. Also, a key aspect of this revolutionist mindset perspective is that sometimes a more authoritarian approach becomes imperative and often leads to dictatorship. Some scholars argue that this perspective fits countries that have neither tasted large freedom nor experienced democratic regimes, or otherwise, the required policies would be hard to implement.

Independentist Perspective

The independentist perspective argues for a comprehensive African independence and a completely autonomous and indigenous approach to national development without seeking approval of former colonizers or western political powers. This mindset perspective clearly pinpoints African leaders and their place as role models to a spirit that cultivates independent action and equal-to-equal relationship with Western and other economic and political powers. Also, this mindset perspective often refers to instances such as Guinea where the political elite, during the independentist movements, decided to cut all ties with France (Touré 1961), leading to controversial development outcomes. This case, despite the economic hiccups that followed, has prompted many to praise Guinea's former president, Ahmed Sékou Touré, for his approach to gaining full independence from a former colonial power. The perspective also calls for African leaders to follow such examples by distancing themselves from western assistance and influence on African indigenous affairs. This independentist approach seems more applicable to the political elites, especially at the institutional level as governments are the ones that are often expected to decide about national policies and nation's foreign relations.

Pan-Africanist Perspective

This approach encourages African countries to come together to adopt coherent continental positions on national and international issues (Shivji 2008). The tenants of this view also suggest that Africa must speak with one voice on all subject matters to create a coherent African development. It requires African unity and compromises on national sovereignty to enhance a Pan-Africanist mindset that supports development and capacity building. This perspective also argues that, to develop Africa, the African Union (AU) must become the principal decision-making institution for the entire continent particularly on development. The tenants of a more radical position support that the AU becomes the main institution approving national policies in terms of development and mentality transformations. Critics, however, argue that Pan-Africanism would be viable only once African countries have individually agreed on a common agenda for the continent's long-term development such as Agenda 2063. For instance, in terms of capacity building, some suggests that a regional approach be prioritized to capitalize on regional comparative advantages as well as on regional-specific challenges and regional mindset similarities. Therefore, even among the tenants of the Pan-Africanist mindset, there are differences in terms of how to accelerate long-term capacity building and boost overall development (Shivji 2008). Among those defenders, we can distinguish the regional approach Pan-Africanists, the continental approach Pan-Africanists, the national approach Pan-Africanists, and the contingent approach Pan-Africanists who suggest a mix of different approaches to address Africa's development challenges.

3.2.2 Pessimistic Mindset Approaches

Colonialist Perspective

Most African countries have gone under colonial occupation by western powers before accessing independence. This fact has various implications on African development and people's mindset. Many authors have pointed out the necessity to decolonize the minds of Africans (Wa Thiong'o 1994; Ikiddeh 1986; Gumede 2017) to achieve economic development. Among the key arguments, some indicate that Africans using non-ingenious languages remain the main challenge to mind liberation in many countries. The colonial legacy has impacted Africans in such a manner that many still think the way former colonizers wanted them to think, in part because they are modeled in a cognitive linguistic pattern that is imbedded in former colonizer's interest. This can be seen in how, for instance, certain Africans show more interest or know more about former colonizer's culture, history, challenges, or anthems than about their own countries. The colonialist approach suggests that Africans' mindset will remain controlled by how former colonizers have shaped it (Wa Thiong'o 1993), and therefore Africa's path toward development will somehow be dictated, or at least determined, by foreign powers.

Poor Country Perspective

This approach suggests a pattern of thoughts and behaviors particularly common to poor countries' citizens. Explaining how Africa can combat poverty, authors such as Mills (2012) and Van Donge (2011) pointed out the necessity to change people's mindsets. According to this perspective, when people are poor, they tend to be more vulnerable to desperately accept external rules and conditions to improve their lives. Accordingly, due to the high level of poverty on the continent, Africans in many countries develop the tendency to give in to unsustainable or destructive development solutions in return for insignificant short-term benefits. This poor country mindset represents an obstacle to development (Fox et al. 2016; Beegle et al. 2016) because it puts Africans in a weaker position in the sense that their minds may be corrupted by beliefs that being poor means you have no choice but to accept any offer. The poor country mindset is of significant relevance to Africa since it houses the majority of the world's poorest people. It is however also argued that this type of mindset may be more likely to result from indigenous weaknesses than external influence.

Religious Perspective

It is important to understand the place of religion and spirituality in people's mind as they influence their thoughts and behavior (Ellis and Ter Haar 2004; Boyatzis et al. 2006). There is an increasing speculation over the idea that religion plays a significant role in underdeveloped nations particularly in Africa. The continent happens to be a place where religions are important factors in how people decide, think, and act or how they define success or development (Bratton and Van de Walle 1997). Whether it's Islam, Christianity, or other religions in Africa, the believers tend sometimes to accept ideas that their religion promotes advantages of being poor or not being too ambitious (Boyatzis et al. 2006). This kind of mindset does not encourage risk taking nor big ambitions but, rather, emphasizes on the need for people to stay modest and to not pursue wealth and big achievements at all cost, especially religious cost. Religious beliefs that, based on certain interpretations, encourage people to stay poor are often a center of controversy although many believers live based on those kinds of ideas. For example, teachings of the Bible, the Qur'an, and other religious holy books have often praised allegedly the idea that being poor comes with a lot of blessings, particularly spiritual ones, and that poverty is not necessarily a bad thing in its essence. Accordingly, mindset challenges in Africa are often rooted in religious beliefs that are contradictory to the rational and premises of economic development (Bratton and Van de Walle 1997), at least from the western perspective of development. Some scholars have even pointed out various perspectives of imperialism such as Nsamenang (1992) who criticized religious imperialism. These authors explained that dominant religions and languages in Africa were imported to Africans exclusively based on strategic interests. Accordingly, scholars have sometimes argued that for Africa to achieve economic development, governments and religious leaders need to encourage a more critical approach to religious teachings as a pragmatic way to cope with the mindset crisis in Africa. In line with this challenge, countries like Rwanda have recently imposed conditions upon religious leaders to meet at least certain qualification requirements such as a degree in theology before being allowed to preach in churches or mosques. This practice is already in place in a few African countries. In this regard, Morocco has now become the theological training center for Imams (Islamic leaders and scholars) of African countries.

Assistantship Perspective

Authors such as Moss et al. (2006) found that states which depend financially on the international community are less accountable to their citizens and under less pressure to maintain popular legitimacy. They are therefore less likely to have the incentives to cultivate and invest in effective public institutions, therefore having a harmful effect on development (Moss et al. 2006). From a more radical point of view, there is an increasing controversy over why Africans' first instinct of boosting development is to look for assistance from overseas, mainly from former colonizers (Berthélemy 2006) although now emerging countries such as China are also playing a key role in development assistance in Africa (Ado and Su 2016; Woods 2008). According to Moyo (2009a, 2009b), money from rich countries has trapped African nations in a cycle of corruption, slower economic growth, and poverty. Moyo argues that cutting off the flow would be far more beneficial for Africa. Following Moyo's perspective, these long-practiced attitude and institutionalized logic have shaped many Africans' mindset in the sense that African leaders and now ordinary citizens first think that their problems and challenges will be fixed by foreign assistance and that no development can be achieved without the help of industrialized countries. The notion that Africa needs rescuers is often depicted in the discourse of Africans where expressions such as “we need your assistance; we are looking for your help; we need you” become the common language of African leaders' speeches in western countries and now more often in countries like China and India. This assistantship language mostly used by African presidents and diplomats is not serving Africa but rather creating the belief in people's minds that Africa cannot develop on its own. Aid seeking is often the number one reason for African leaders' trips out of Africa. Accordingly, it is difficult to think that ordinary Africans are going to change their mindset about assistantship when their leaders are using such assistantship language daily and when the national media are also spreading/broadcasting such ideas. From the assistantship mindset perspective, Africa will develop only when a change in people's reliance on foreign aid and actions occurs (Moyo 2009b). This view puts the burden of mindset transformation not only on private citizens but more on political leaders (Rondinelli 1981), government officials, and public figures to promote an empowering message, one that brings more confidence to all Africans, emphasizing on their own capacities to accelerate the continent's development.

Laziness and Hopelessness Perspective
For many opinions, Africa is full of lazy people (Abudu 1986), and therefore development will not occur unless people change their mindset toward more hard work ethics and discipline. This is not a new controversial idea (for more details, see Pettigrew 1958) although not a lot of studies exist on this subject. The notion that many Africans are lazy or only willing to work for administrative jobs with air-conditioned offices is increasingly present across the continent. Therefore, this perspective states that development cannot occur when most citizens are willing to work only for bureaucratic positions, while the reality of the continent requires more people to work for jobs that are out of their comfort zones. For instance, agriculture is the largest sector in most sub-Saharan economies in terms of employability (Dercon and Gollin 2014). Therefore, it would be absurd when most Africans believe that there are no good jobs in the agriculture sector or work only in agriculture by default although it is central for their economic development (Johnston and Mellor 1961). Moreover, the hopelessness mindset proponents argue that because Africa is constantly suffering from famine, diseases, floods, conflicts, etc., certain Africans have become hopeless about their future (The Economist 2000), therefore inaction becoming easier than action, leaving the continent stagnant. Hopelessness remains an obstacle to progress, and if Africans do not change their mindset into a more positive one, development may stay out of reach for many countries and years ahead.

4 Strategies for Sustainable Mindset Transformation in Africa

The most important dimension for realizing the Agenda 2063 vision remains the promotion and development of mindset change and transformative capacities. A strategic dimension proposed by ACBF study—namely, recasting the African mindset to a concept of African ownership—calls for the use of the opportunity of Agenda 2063 to pursue unprecedented prosperity, take charge of Africa's destiny, and secure the ownership of the continent's own resources and of the African narrative and brand (ACBF and AUC 2016). The question is therefore how to devise sustainable mindset transformation in Africa? Two strategies are hence proposed in this regard: transformative leadership and a mindset shift research agenda that subsequently informs a mindset change capacity development program.

4.1 Transformative Leadership

A transformed Africa starts with a transformative leadership. If the continent is going to develop and transform, a reinvention of mindset, through a transformative leadership, is inevitable. Leadership mindset and style set the overall tone for organizational and institutional culture and performance, including how change efforts are run. The importance of a mindset change by African leadership needs more attention. This is well recognized in Agenda 2063 as a key driver for Africa's transformation. A mindset change by African leadership requires strengthening soft capacity, generally seen as social, relational, intangible, and invisible capacities. They include operational capacities—such as organizational culture and values and relational skills—as well as adaptive capacities, such as change readiness and change management and confidence, empowerment, and legitimacy to act (ACBF 2014a, b; Nnadozie et al. 2017).

In Africa, the case of Rwanda is often used to illustrate the importance of transformative leadership and mindset change for socioeconomic transformation. Rwanda—a country whose reputation was previously heavily tainted by the genocide—has been able to build strong and credible institutions, thanks to its leadership and mindset shift of the people (Nnadozie et al. 2017). Moreover, the case of China where transformative leadership has played a critical role in moving from the Maoist and socialist principles to market-oriented reforms is also worth sharing. For instance, in order to change the mindset of other leaders, Deng Xiaoping encouraged them to take education tours overseas and persuaded the leader of Singapore, Lee Kuan Yew, to visit China and speak on various occasions on the issue of reforms (Kanbur and Zhang 2008).

To support the transformative leadership in Africa, there is a need for a conducive environment and comprehensive transformative leadership programs to support the continental agenda. One of the greatest challenges facing Africa's leaders and leadership programs is on building the capacity of the leaders on how to deliver simultaneously on the issues of sustainable economic growth, sustainable development, poverty reduction, youth unemployment, and reduced inequality. This means that transformative leadership development initiatives and programs should be well equipped to address the challenge of setting priorities among priorities in the context of resource constraints, as well as the proper sequencing of policies and interventions in the context of fledgling institutions and low human resource capacity while retaining the wide political support necessary for democratic legitimacy under current multiparty political dispensations.

4.2 Mindset Shift Research Agenda and Capacity Development Program

A critical step in ensuring that the needed mindset shift has effectively happened is to conduct a comprehensive research and make enough data available on the issue. The key idea is to conduct studies and research on various areas needing a better understanding of the issues associated with mindset change for Africa's socioeconomic transformation. The purpose is, taking into account the African context and realities, to conduct research aimed at closing the knowledge gap while informing policymakers and development partners on the critical areas needing special attention.

A key and critical question that needs to be addressed would be what and how "mindsets" relate to desired (or undesired) dimensions of transformational leadership and socioeconomic transformation in the context of African countries. Defining and conceptualizing the mindset shift in the context of the new developmental state of African countries as specified in Agenda 2063 and the SDGs need to be investigated and clarified. The conceptual issues need also to clarify why, what, who, and how to change mindsets in the context of African countries endowed with natural resources and a large youthful population. Moreover, training and capacity building initiatives across Africa and beyond need to be documented and assessed and the best/worst practices and lessons learned in terms of how they embrace mindset transformation as a critical capacity development dimension.

Along with the research agenda, a key strategy is to develop a comprehensive, holistic, and inclusive mindset shift capacity development program covering the continental, regional, national, and local levels. The proposal is to undertake the initiative in a two-tier approach, i.e., top-bottom approach, where leaders are targeted as drivers of the African vision and engaged in a manner that can transform their mental disposition with emphasis on instilling visionary leadership. This top-bottom approach will be complemented with a bottom-up perspective, which targets communities and educates them, so that they can be conscious of their role in Africa's transformative agenda. This could tally well in the domestication exercise of Agenda 2063 (ACBF 2016b).

In developing the mindset shift capacity development program, some strategic and key actions need to be considered. They include (1) undertaking a scoping study on initiatives already taking place on mindset change on the continent and providing a platform for coordinating them while making sure that they are in congruent with the aspirations of Agenda 2063; (2) building the required capacities to operationalize initiatives in mindset change; and (3) developing a common position for Africa on mindset change and a mindset capacity development plan. Moreover, for successful development and implementation of the capacity development program, some immediate (short- to medium-term) actions are to be undertaken—the scoping study and identification of institutions and individuals working in mindset change; identification of champions for the initiative; initiation of collaboration on the initiative with key institutions; organization of a continental forum on mindset change for Africa's transformation in the context of Agenda 2063 and the SDGs; and advocacy and coordination toward African governments to take a position on this initiative at the highest level, like the AU Summit.

5 Challenges to Mindset Transformation in Africa: Some Reflections

The mindset is a mental model, and as such the mindset of an individual at a given time is the result of a historical (long) process of values, norms, and practices shared within a community. Therefore, the mindset reflects the culture, the societal culture, and/or the organizational culture and as such is very difficult to easily change or to transform because it's rooted in ways of thinking and doing things that are considered as acceptable in the community for a long time. Yet the mindset transformation is practically a sine qua non condition for progress and success. In the case of socioeconomic development of Africa that requires successful capacity building projects, it has become obvious that it would be very difficult and even impossible to promote successful projects of capacity building for sustainable development in Africa without a serious mindset transformation. Such mindset transformation raises many important questions.

The purpose of this discussion is to address some of these questions which are the following: is a mindset transformation in Africa a battle that is lost in advance? What are the challenges that should be tackled to promote a real mindset transformation in Africa? Can the African civil society play a critical role in the mindset transformation in Africa?

5.1 Is Mindset Transformation in Africa a Battle that Is Lost in Advance?

Jumping to the answer "yes" to this question means falling in the afropessimism that has been noticeable for a while on the continent. Such afropessimism doesn't leave any room for hope of a better economic future for the African continent as it doesn't encourage any effort for change. Therefore the afropessimism cannot be tolerated: it doesn't offer any better socioeconomic or political alternatives for Africa and doesn't reflect either the recent history of economic development of several promising emerging countries in the world. Moreover, the current economic transformations in progress in many African countries don't leave any room for an afropessimism. On the other hand, it would be illusory to think that the mindset transformation can be achieved quickly and easily in Africa. A mindset transformation means giving up some practices that are yet rooted in the daily life for many years. Therefore, it's necessary for African countries to undertake strong initiatives individually and collectively for a long period of time at various levels of the sociocultural and economic spheres. The recent stories of economic transformations of several promising emerging countries represent a convincing testimony that allows hope for African countries. Singapore was not a rich country 50 years ago. Likewise, in 1970s, South Korea was not an emerging country that would represent a key economic player in the world economy. The economic transformations currently in progress in China and India cannot erase that these two countries were few decades ago poor countries like most African countries of today. In fact, today China and India represent for African countries an excellent laboratory from which they should learn as these countries have some similar sociocultural and economic characteristics. For instance, corruption was widespread in China as it is today in many African countries. But the ruthless war engaged by Chinese government against this scourge has started to be fruitful and seems to promise that China business environment will become less corrupt. Likewise, China and India would not have their current economic transformations if they were having a very high fertility rate as is the case in many African countries. African countries can undoubtedly learn from India and China and should not hesitate to appropriate and adapt their experiences.

5.2 Moving Toward Successful Mindset Transformation in Africa

The existing literature suggests various models of change in the mindset. One of the most prominent models is the model of Argyris (1994) that advances that the actions and organizations are determined by two types of mindsets, namely, the *defensive mindset* and the *productive mindset*. He suggests that the individuals who have a productive mindset tend to be curious and seek valid and testable knowledge. So to promote mindset transformation, it would be necessary to promote a *productive mindset* and discourage the *defensive mindset* that is reluctant to changes. Another prominent model that is inspired from Argyris model is the model of Dweck that is built around the concept of *fixed mindset* that resists to every change and is condemned to a failure and the *growth mindset* that is open to change and ready to undertake actions for it. Dweck (2006, 2012) suggests that the people who have a *growth mindset* are self-confident and will be engaged in various initiatives that will result in changes, while the people with *fixed mindset* will tend to resist to changes. Therefore, to promote a mindset change from Dweck (2006, 2012) perspective, the individuals should be encouraged to give up their fixed mindset and replace it by a growth mindset. Also, Suar (2001) suggests that a social change takes place through three phases, which are (a) a change in the thought structure of the people, (b) a change in the life of people, and (c) a change in the various relationships of life. He added that these three phases should be brought together in a circular dynamic to generate a revolutionary transformation.

No matter which model is chosen to promote mindset transformation in Africa, there are some elements that will need to be given attention.

5.2.1 Strong Commitment

A mindset transformation requires a strong commitment by both leaders and followers. Given its complex nature as part of the culture, namely, the collective ways of thinking that have been strongly shaped in the mind of the individuals for a long time, mindset is very hard to change. A mindset change is a renouncement of the usual routines that have shaped the social interactions between the individuals of a society and that continue to regulate these social interactions. For this purpose, a deep commitment is needed at various levels of the society, namely, the individual level but also the institutional level.

A mindset transformation can take place at the individual level only if the individuals understand clearly the necessity of such transformation and have a strong willingness to undertake the actions needed to change their routines and therefore their behavior. In other words, a mindset transformation can take place if the individuals are ready to undertake the actions needed to move from their fixed mindset to a growth mindset (Dweck 2006, 2012). This is easier if the individuals in position of moral authority are engaged in this transformation. Individuals in position of moral authority are community leaders who serve as role models, namely, the clan or tribe leaders, the traditional priests, the acclaimed artists, singers or sportive stars, the notable personalities, etc. When these people believe in the necessity of the mindset transformation and commit to it, they can easily influence the individuals in their communities and increase the chance of success of such mindset transformation at the individual level. However, the mindset transformation at the individual level is not enough to establish it as a collective and sustainable movement although it represents a critical step. The mindset transformation should take place at the institutional level. This means the commitment of the institutions that structure the society, namely, the municipal government, the provincial or state government, the central government, the education system, and the nongovernmental organizations (NGOs). Having the officials of these institutions and these institutions themselves formally committed to a mindset transformation will give it a legitimacy and will therefore promote a collective movement of mindset transformation that will be sustainable in the society. In these institutions, the bridge from individual mindset transformation to a collective one will take place through formal values sharing among the individuals in them.

The individual and institutional commitments represent a critical component of the process of mindset transformation in a society. However, an important prerequisite is an appropriate education.

5.2.2 Education at a Large Scale

Education is the most powerful weapon that can be used to change the world (Mandela 2003). Education is a core component of the process of mindset transformation in Africa. It should take place at a very large scale across the continent and at all levels of the sociopolitical and economic environment. Most importantly, it should be specifically designed to target on one hand the young people who are still in the formal education system with a mental model formation in progress or still very influenceable and, on the other hand, the adults of all types of social status, educated or not, whose mental models are already well rooted. For the adults, the education to change mental models should be very practical. Various mindset change programs should be initiated by the government, together with the civil society and with the various institutions and NGOs involved in the promotion of development. Therefore, continental, regional, national, and subnational conferences involving all the stakeholders should take place in order to design these programs and most importantly their forms and their contents and how they should be administered. Given that a mindset transformation is a very complex adventure involving sometimes an in-depth change of cultural values, it is indispensable to federate the efforts of all the stakeholders to increase the chances of success. Such collaboration of all the stakeholders will contribute to build the social trust that is seriously needed to conduct and succeed in these programs. In fact, the last few decades have witnessed a significant decline of the social solidarity between the political and economic elite and the middle class undermining seriously the existing social trust between them (Nayar 2004). Yet, such social trust is a critical ingredient for a nationwide mindset transformation program.

5.2.3 Need for Patience

A mindset transformation is a very long-time process that should consider the sociocultural realities. A mindset formation takes a long time as the ways of thinking and the routines reflecting them take a lot of time to be shaped. Likewise, deconstructing or changing mindset takes time as it means unlearning the existing ways of thinking and routines and developing or generating new ways of thinking and new routines to replace them. Most of the times, the individuals express resistance when they have to change their routines, and this resistance is greater when the change has to affect their benefits, beliefs, values, or culture. Overcoming this resistance in its various forms in a process of a mindset transformation needs a large-scale education and deeply ingrained individual and institutional commitments, and this requires a lot of time. The process of educating people to change their mindset and the process of shaping strong individual and institutional commitments to change a mindset are very complex and very long-time processes. In the case of Africa in particular, the mindset transformation may take several decades as the level of illiteracy is very high and that a great part of African people lives in rural areas with very old traditions. This is one of the reasons why a strong commitment at the individual level and most importantly at the institutional level is necessary. In the modern society which is largely performance-oriented, with expectations of quick results, it's illusory to think that it would be possible to succeed with a serious mindset transformation within few years. There is a lot of evidence pointing to failure of government program trying to change some of the customs in Africa, such as expensive funerals or marriages, premature and prearranged marriages of young girls, and white-collar mentality. In all these cases, many African people have found various ways to continue with their customs and with no regard to the government laws. One of the factors explaining this failure is that the government sometimes expedites the process of the change of these customs and expects quick results.

It's very important to point out here that many developing and emerging countries do not completely share the Western conception of time characterized by a monochronism, a quickness, an accuracy, a schedule, a deadline, and very often the stress to meet the deadline. Although the western conception of time has significantly influenced the conception of time worldwide and in particular in urban areas, many of the developing and emerging countries, especially those in Africa, have not totally given up their indigenous conception of time which is a slow pace and event-oriented time. For instance, stating that the burial ceremony will take place after yam planting season doesn't reflect any quickness or time accuracy, while it clearly refers to the event of yam planting. Thus, it's important to be aware that a process of mindset transformation in developing and emerging countries should take in consideration the sociocultural realities of these countries as these realities affect the length of time needed for a successful mindset transformation.

5.2.4 Developing Self-Confidence of Individuals

Individuals operate differently when it comes to cognition and behavior (Crozier and Friedberg 1977). The brain functions in a way that what individuals do or how they think is often resulting from religious beliefs (Walter and Anderson 2010), cultural background, context, and what the society promotes in terms of virtues and expectations. Therefore, for a personal growth, a positive and optimistic mindset is necessary regarding what is achievable. Often, individuals in developing country context lose hope or believe that it is impossible to achieve development as have done the Western countries because they simply underrate themselves. For instance, a study on China-Africa joint ventures (Ado et al. 2016) reveals that many Africans did not gain significant knowledge because they didn't believe in their own abilities nor were they convinced about the idea that someday their country would become developed. This kind of thought is an example of individual mindset challenge that is holding Africans back in terms of development. Individuals sometimes lose motivation due to the lack of empowerment that encourages people to excel and believe in a brighter African future. Evidence shows that one the most challenging things to change in people is their mentality and that mindset transformations can take years or even decades (Fox et al. 2016; Dercon and Gollin 2014; Duflo 2006). This means for people to change their cognitive system for better, factors such as constant reminders, training, education, and mindset transformation policies are crucial. Therefore, to enable such mindset transformation, individuals must personally want it even if governments have put measures in place such as policies or incentives to encourage cognitive mindset transformation.

5.2.5 Looking More Internal than Seeking Foreign Assistance

Governments, both at the national and local levels, operate differently across countries and regions in Africa. This translates into each African country running its institutions in a different way. The rules and strategies vary across the continent, which, in turn, translate into various views of how development should occur in those countries. For instance, in the agricultural sector, the President of the Alliance for a Green Revolution in Africa (in IC Publications 2014) calls for policymakers, investors, and development organizations to change their mindset and view small-scale farming as real development avenues in Africa especially when agriculture is the principal economic sector on the continent with almost 62% of sub-Saharan Africans living in rural areas and engaged in farming (Dercon and Gollin 2014). The priorities and the pathways toward development and capacity building therefore tend to be hindered by views that are not necessarily empowering a faster and indigenous success. When African presidents' speeches are constantly full of words such as assistance, help, borrow, rescue, etc., the mindset challenge remains more at the institutional level where governments tend to promote the mentality of always searching for foreigners to do things on their behalf. For instance, a president of an African country recently stated that "...Africa's potential for investment and growth is high, ...but it needs strong assistance from industrialized nations to realize its full potential" (AllAfrica.com 2015). This demonstrates that a nationally institutionalized culture of assistance is being promoted and this affects citizens' mindset on the long term where their first instinct may be to always count on foreign assistance for development. This attitude is often reiterated by many African heads of state who view mobilization of increased international donor assistance as a success, and it builds a culture of searching for foreign assistance for every African challenge, and this constant assistant-seeking attitude is observed both at the governmental level and now increasingly at the population. The mindset should be more of looking internal for assistance including domestic resource mobilization which in turn promotes broad ownerships of development programs whose priorities then become locally defined (not influenced by external forces) and encourages accountability by leaders (ACBF 2015).

5.3 Can the Civil Society Play a Role in Mindset Transformation in Africa?

The civil society is defined as a complex ensemble of legally protected nongovernmental institutions that tend to be nonviolent, self-organizing, self-reflexive, and permanently in tension with the government (Keane 1988). In fact, the civil society is the set of the independent NGOs and groups of interests operating between the government and the families with the purpose to protect and enhance the values and the interests of their members (Camay and Gordon 2004). As such the civil society can play a critical role in important social changes. According to Suar (2001), the civil society can contribute to social changes by influencing the government—in serving as watchdog of institutions—for example, empowering the voiceless people and ensuring their right to access information, but also by promoting development work to improve their well-being. Bahmani (2016) suggests that civil society organizations raise awareness and promote development in the country. In other words, the civil society organizations can undoubtedly put pressures on government to convince it to initiate some programs of a mindset transformation. It can also collaborate closely with government to design these programs, determine their contents and the forms in which they should be delivered, and contribute to implement them. Given that the vocation of the civil society organizations is to protect and promote the well-being of the communities and that the communities are aware of this, it confers to the civil society a legitimacy that can significantly help it to successfully implement the programs of mindset transformations. In fact, the position of the civil society organizations helps it to build the social trust that is needed to successfully conduct the programs of mindset transformation. The communities will be more receptive and will more easily engage in the implementation of the mindset transformation programs because of their trust in the civil society organizations. The programs of mindset transformation should be at the beginning articulated on some very clear goals that are the target of the mindset transformation. Given that Africa is still a continent that is characterized by the octopus family (large size family) and weak institutions among others, these goals can be, for instance, to promote a reasonable size family and the respect of institutions. Hence, the civil society organizations' role will be to work very closely with the communities to go through all the different steps of the process of mindset change. First and foremost, this process will be an individual change. Once this becomes a collective movement, a new way of doing things will be easily rooted in the society as part of its culture.

There are many examples of important social changes due to the civil society commitment. It was the case of peaceful emergence of democracy in Benin 1990 and the case of the Arab Spring in Tunisia in 2010. It was also the case in Eastern Europe and in particular in Poland where the civil society overthrew the ruling military dictatorship in 1990. India, which most likely has one of the highest number of NGOs, has experienced various social changes in governance and children education due to the action of its civil society organizations (Singh 2012). Similarly, although the experience of the civil society is relatively recent in China, its contribution in various social changes including women issues and promotion of green environment cannot be denied no matter the pressures it sometimes faces from the government (Gough 2004).

6 Conclusion

Africa has concentrated on developing strategies, tools, and skills to foster development, yet overlooking the need to psychologically prepare its people and most importantly the leadership to translate this investment into outcomes that can bring about transformation. Consequently, the continent has bred a citizenry that is talented and knowledgeable yet cannot implement its strategies to achieve desired outcomes. With so many conferences held and declarations made on transforming the African economy, Africa is still grappling with barriers like corruption, weak governance, poor infrastructure, poor investment climates, dysfunctional markets, questionable democracy, ethics, lack of transparency and accountability, terrorism and a generally unsupportive environment for individual and corporate growth, which have made it very difficult for the continent to attain its developmental goals.

The continent continues to grapple with high dependence on primary commodities, very low and narrow industrial base, weak infrastructure, slow technological advancement, environmental degradation, high levels of illegal migration, high levels of unemployment, food insecurity, inequalities, and poverty. This is despite the fact that the continent holds the globe's largest mineral resources and not even to mention arable land most suitable for agriculture development. Africa has not been able to industrialize, sustainably grow the economy, create jobs, increase incomes, and reduce poverty due to its heavy dependence on rudimentary agrarian activities and mining.

A look at the developed countries shows that while a rich natural resource base would ideally set an economy at an advantage in economic progression, it is actually the attitude, the thinking, disposition, and mindset of these economies that have mostly driven their development success, to the extent that even without much natural resources, developed countries like Singapore have done so well.

If Africa is going to develop and transform, a total reinvention of Africa's mindset is inevitable. Africa needs to understand that the continent can only be developed and financed by Africans, through religious execution of adopted strategies with discipline and commitment, that is, true Pan-Africanism. Africans need not to just formulate strategies for development but commit to implement them in honesty and demonstrate ethical leadership styles, exercising strong governance practices and with a true sense of ownership and accountability to its people. Citizens need to also demand results and understand that economic transformation does not come from their leaders or politicians but from the ordinary people who put their skills to work, demonstrating innovative and progressive thinking that can transform nations.

Clearly, therefore, mindset's change and transformative capacity are considered as some of the most critical capacity challenges to be addressed if Africa is committed to achieving its socioeconomic transformation as expressed in Agenda 2063 and the SDGs. In this context, capacity encompasses transformative leadership, change readiness, and ability to shift mindsets, which are also known as "soft capacities." Though this is a "very soft" capability or quality, which may even be difficult to quantify as it relates to attitudes and the inner person, development and utilization of this skill are proving to be very critical to economic development and transformation. Hence, a key and critical question this chapter has addressed is around the capacity building Africa requires in support of the mindset transformation.

To achieve the objective, the justification for an urgent mindset transformation has been provided, highlighting the socioeconomic and institutional performance of African countries which all point to weak and not satisfactory results. For instance, while economic growth in many African countries has been impressive, poverty headcount ratio has not been reduced, and the number of people in poverty is stagnating. To better support the mindset transformation, the various theories explaining the concept and issues have been presented. Moving forward, this chapter proposes two strategies toward a mindset transformation: (1) the development and support for a transformative leadership and (2) the strengthening of capacities for the implementation of a research agenda whose outcomes should inform a capacity development program on mindset shift in Africa. In enhancing the institutional and human capacity required for a mindset transformation, there is a need to mobilize high-level political and financial support for the development and implementation of sustainable mindset change initiatives, necessary for catalyzing and sustaining Africa's socioeconomic transformation.

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Under What Circumstances Does Capacity Building Work?

Lavagnon Ika and Jennifer Donnelly

Abstract Many of the capacity building projects initiated in developing countries have not met the goals expected. This situation has resulted in disappointments with various socioeconomic impacts in these countries. The goal of this chapter is to explore how to make capacity building work in developing countries. For this purpose, we look into four capacity building projects in Ghana, Indonesia, Sri Lanka, and Vietnam, conduct a case study and a qualitative analysis of 20 interviews with project practitioners, and draw out their success conditions or the right circumstances under which they work. We find out that there are structural, institutional, and managerial conditions, some of which are initial (i.e., they occur in advance of the projects) and others are emergent (i.e., they occur in the wake of the projects). We further identify four meta-conditions for capacity building projects to succeed: multi-stakeholder commitment, collaboration, alignment, and adaptation. Then we show that to obtain and maintain these meta-conditions, proper attention should be given to attainability of objectives and demonstrating value, ability of stakeholders and inclusiveness, planning/design and mutual interest, and monitoring and support. Finally, we boldly submit that capacity building projects thrive when there are high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation.

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1 Introduction

This book chapter reports and expands on the findings of a recent research on capacity building[1] projects (Ika and Donnelly 2017).[2] The following project illustrates the challenge of delivering success. In 2006, PlayPump International, a development NGO, tested a delivery system to provide fresh water to sub-Saharan African villages where there are plenty of children but limited clean water sources. They conceived of a merry-go-round hooked up to a water pump that was to harness the energy of playful children. The goal of the PlayPump project was to install 4000 pumps in Africa by 2010 and to provide clean drinking water to some ten million people. The $16-million-dollar project turned out to be a nightmare, so much so that the charity went bankrupt. Yet, as Hobbes (2014) noted, ". . .in some villages, under *the right circumstances*, they [the pumps] were fabulously helpful."

All too often "commonsense" development projects succeed in one place and then fail, either partially or completely, somewhere else, emphasizing the power of context in project outcomes (e.g., Engwall 2003; Glewwe et al. 2009; Ika and Donnelly 2017; Munk 2013). "There are villages where deworming will be the most meaningful education project possible. There are others where free textbooks will. In other places, it will be new school buildings, more teachers, lower fees, better transport, tutors, uniforms. There's probably a village out there where a Playpump would beat all these approaches combined. The point is, we don't know what works, where or why" (Hobbes 2014).

This begs the following questions: Why do similar development projects in general and capacity building projects in particular work in some places and fail in others? Why do some aspects of the projects work, whereas other aspects do not in similar settings? What could the right circumstances be?

In this chapter, we argue that development economists focus on *what* to do and not *how* to do it, leaving a knowledge void around what actually makes capacity building projects work (Venner 2015). The whole project management process

[1]While some may actually distinguish between the terms "capacity building" and "capacity development" thereby making a difference between developing existing capacity and building it from scratch (e.g., De Grauwe 2009; Lusthaus et al. 1999; McEvoy et al. 2016), this chapter uses them interchangeably (e.g., Bloomfield et al. 2018; Potter and Brough 2004; Venner 2015).

[2]Whereas Ika and Donnelly's (2017) paper was written for the project management community, this chapter focuses instead on the international development community in general and the capacity building/development audience in particular. Thus, from a theoretical and conceptual standpoint, it includes a fresh discussion on topical questions such as: Does development aid work? Does capacity building work? Why does project management matter? In so doing, the chapter provides more context to a timely project management contribution to the capacity building debate in the development field. Furthermore, the chapter also extends on the literature review and, as such, covers key capacity building definitions and additional key project success factors. Finally, the chapter includes brand new empirical data and findings on respondent assessment of project success, which was not in the paper. All in all, from both conceptual and empirical standpoints, the chapter hence makes a rather stronger contribution to the capacity building debate than the paper.

becomes a kind of "black box" with no trace of how it contributed to project outcomes (Ika 2015). As very little has been written on how to manage capacity building projects [see Bloomfield et al. (2018), Datta et al. (2012), Lusthaus et al. (1999), for a few exceptions], we then make the case for a timely project management contribution to the capacity building debate in the development field. In particular, we note that capacity building represents both a development deliverable *and* a development process (Baser and Morgan 2008; Lusthaus et al. 1999). Interestingly, the capacity building debate clusters around two schools of thought, with some holding that capacity building is the end result of a development intervention while others see it as a means to an end (Moss et al. 2006).[3] Moreover, we contend that both schools rely on projects and project management approaches to reach their rather different goals (Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999).[4]

Furthermore, to the best of our knowledge, no research has focused on project success conditions or the right circumstances under which capacity building projects work [see Turner (2004), and Wateridge (1995), about project success conditions]. Thus, we look into four *local government* capacity building projects (see Boex et al. 2006; United Cities and Local Governments [UCLG] 2013), funded by the same Canadian donor agency in Ghana, Indonesia, Sri Lanka, and Vietnam; conduct a case study and a qualitative analysis of 20 interviews with project practitioners including project managers, technical experts, and project coordinators; and draw out their success conditions. Opening the black box, we report our findings on what makes (local government) capacity building projects successful, and like Hirschman (1967), we unravel both initial and emergent success conditions or what happens both "in advance of the project" and "in the wake of the project" (p. 146).

In conclusion, we then boldly proffer that capacity building projects thrive when there are high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation and discuss the implications of this hypothesis for capacity building theory and practice. We hope this research will contribute to improving project managers' understanding of the circumstances in which successful capacity building projects occur and put their ability to deliver development into context (Bloomfield et al. 2018; Datta et al. 2012; De Grauwe 2009; Engwall 2003; Gow and Morss 1988; Ika 2012; Ika and Hodgson 2014; Lusthaus et al. 1999; McEvoy et al. 2016; Potter and Brough 2004; Ramalingam 2013; Venner 2015).

[3]Some hold that capacity building is an upshot of development and, thus, advise to give aid where it is needed the most, to improve institutional development (e.g., Sachs 2005). Others, however, oppose this traditional view and, in contrary, proffer that aid works best where institutions are strong and, thus, instead consider capacity building rather as an independent variable in the aid equation (e.g., Burnside and Dollar 2000).

[4]Most development projects now include capacity building *activities*; some are actually capacity building *projects* as they specifically aim at capacity building (World Bank 2005; Venner 2015).

2 Stepping Back, Does Development Aid Work?

Over decades, the question "Does development aid work?" has been the focus of much of the development debate and has sparked controversies (Cassen 1986; Wako 2018). Proponents argue that aid works, albeit not perfectly (Mekasha and Tarp 2018; Sachs 2005). Opponents submit that aid is ineffective as there is little good to show for it (Easterly 2006) and even worse that it is actually *the* problem (Moyo 2009).

"But from a methodological standpoint, the two sides agree that one may assess whether aid contributes to economic growth and/or poverty reduction (macro-economic perspective) or gauge whether the projects achieve their own specific objectives (micro-economic perspective)" (Ika 2015, p. 1111). In the main, what Mosley (1986) has coined a micro-macro paradox[5] appears to be at work; micro-project-related studies show that specific projects do succeed but most macro-studies result in more nuanced and less positive results (Doucouliagos and Paldam 2009). Worse, "At the macro-level, only tenuous links between development aid and improved living conditions have been found. At the micro-level, only a few programs appear to outlast their donors' largesse, mocking aid agencies' goals of sustainability and ownership" (Gibson et al. 2005, p. 1). In the face of the apparent lackluster impact of development aid and the widespread perception that it does not work, many scholars and practitioners including officials from the development agencies have weighed in another rather important question: "What's wrong with development aid?" (Burnside and Dollar 2000; Collier 2007; Easterly 2006; Gibson et al. 2005; Moyo 2009).

Notwithstanding the controversies surrounding aid effectiveness, two things stand out. Firstly, while the empirical evidence from the past decade seems to suggest that aid does work and thus promotes growth in a statistically significant manner (Mekasha and Tarp 2018), there is no room for a universal praise for or disapproval of aid (Wako 2018). Secondly, while hundreds of problems and traps may explain the poor showing of aid, the view that good institutions are the result *not* the cause of development (Sachs 2005) has faded, and most development economists now argue for a prominent role of institutions and capacity building in development (Acemoglu and Robinson 2012; Bloomfield et al. 2018; Gibson et al. 2005).

3 What Is Capacity Building and Does It Work?

Capacity building, at least the underlying idea, is everywhere. For example, the United Nations 2030 Agenda for Sustainable Development targets capacity building. As Venner (2015) notes "Of more than 19,000 current development projects listed

[5]By some accounts, the paradox may not be real, but donors are advised to act as if it is and thus prevent the aggregate impact of aid being less than its projects' effects (e.g., Howes et al. 2011).

on the development business website DevEx.com in April 2014, almost half (8757) made reference to 'capacity'" (p. 85). While capacity building has become much of the focus of development since the 1990s, nobody seems to pin down exactly what it means and how it works. We are left with the impression that "we are reading the same book but not everybody is on the same page." But what does capacity really mean and what does capacity building entail?

The concept of capacity is difficult to probe, and arriving at a broadly accepted definition is challenging. Capacity means different things for different people at different times (Lusthaus et al. 1999; Venner 2015). The World Bank Institute, for example, underlines "the abilities of individuals, institutions, and societies to perform functions, solve problems, as well as set and achieve a country's development goals in an effective, participatory, and sustainable manner" (World Bank 2009, p. 1). The OECD Development Assistance Committee, DAC (OECD 2011), understands capacity as "the ability of people, organisations and society as a whole to manage their affairs successfully" (p. 2). To the extent that we can define the concept, Baser and Morgan (2008) suggest capacity as "the emergent combination of individual competencies and collective capabilities that enables a human system to create value" (p. 35).

These authors offer five core, separate, and interdependent capabilities that contribute more or less to organizational or system capacity: to commit and engage; to carry out technical, service delivery and logistical tasks; to relate and attract resources and support; to adapt and self-renew; and to balance coherence and diversity. Thus, Baser and Morgan (2008) notably distinguish between competencies which are individual attributes, capabilities which are collective ones, and capacity which is a combination of the former and the latter. Indeed, De Grauwe (2009) notes: "Improving the competencies of an individual planner or strengthening the capabilities of a planning department are elementary steps in a capacity development process, but the process will only succeed when the individuals and departments have the opportunity to use these competencies and capabilities in order to contribute in their specific way to development. In many cases, what an outsider may consider a capacity gap is an institutional or organizational constraint on the use of existing capacities" (p. 48). Thus, capacity is an ambiguous, inclusive, multidimensional, and generic concept; it is neither a specific ability/competency nor it is a secret ingredient as existing capacity may change, evolve, stagnate, deepen, erode, or stabilize (Datta et al. 2012) (to read more about the dimensions of the capacity concept, see Datta et al. 2012 and Venner 2015).

The term "capacity building" is a fashionable, slippery, ill-defined, elastic, elusive, and umbrella concept that includes key development concepts such as institution building, institutional development/strengthening, human resource development, development management/administration, organizational development, community development, integrated rural development, and sustainable development (e.g., De Grauwe 2009; Lusthaus et al. 1999; Morgan 1998). Many writers even consider it as the same as "technical assistance" or "technical cooperation" and, thus, so carelessly use the term that it becomes blurring and too broad to be useful for development purposes. The very idea of capacity building somewhat reminds us of the "good governance" concept in development: "Capacity development programmes variously aim to promote transparent government, merit-based public service, active civil society organizations, gender equity, democracy, a market economy, and international standards in a range of government and private sector activities" (Venner 2015, p. 95). Capacity building has become a jargon of the development community, a cliché, if not a euphemism for the need for training or a synonym for a lack of time, money, staff, resources, equipment and infrastructure, up-to-date systems, appropriate incentives, authority, and skills to do things or a lack of institutional capacity (e.g., Baser and Morgan 2008; Potter and Brough 2004). A multifaceted phenomenon, capacity building is not about delivering activities and outputs but fostering ownership or change through a deliberate and inherently political process focused on developing effective and dynamic relationships between different stakeholders and the system as a whole [For more detail, read Bloomfield et al. (2018), Datta et al. (2012), OECD (2011), UNDP (2009), Venner (2015), and World Bank (2009) about the nature of the capacity building process and life-cycle]. But what does it really mean?

The OECD Development Assistance Committee, DAC (OECD 2011), refers to capacity development as the process "whereby people, organisations and society unleash, strengthen, create, adapt and maintain capacity over time" (p. 2). The UNDP understands capacity development as "the process through which individuals, organisations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time" (UNDP 2009, p. 2). The only thing that is certain is that we can talk of capacity building as being "a risky, murky, messy business, with unpredictable and unquantifiable outcomes, uncertain methodologies, many unintended consequences, little credit to its champions and long time lags" (Morgan 1998, p. 6). But does capacity building work, one may ask?

The capacity building mantra has not lived up to expectations. As a matter of fact, despite the billions of dollars invested in capacity building activities, their results and notably long-term impact, by and large, continue to disappoint stakeholders. The 2005 World Bank report on capacity building in Africa, for example, finds that "the resulting organizational strengthening has been modest" (World Bank 2005, p. 27). "Capacity development activities by international agencies have not led to the expected impact and many have failed to lead to sustainable change" (De Grauwe 2009, p. 32).

Furthermore, the aforementioned micro-macro paradox also seems to be at play when it comes to capacity building. From a macro perspective, Moss et al. (2006) suggests an "aid-institution paradox" where a large and sustained volume of aid has a negative effect on recipient country institutions (see also Wako 2018). From a micro perspective, the World Bank reports that about half of their public sector governance projects achieve an institutional development impact rating of moderately satisfactory and above (World Bank 2005, 2016). At best, for capacity building performance, the cup is half full.

Part of the problem is that the very reason why capacity building projects and programs fail is also the number one reason why they have been initiated in the first place: lack of capacity or ownership. This creates a vicious circle for capacity building. "This is perhaps the most concerning aspect of the capacity development program. It identifies the people and governments of developing countries as the primary cause of their own lack of development, discounting, it would appear, the effects of history, geography and conflict, the legacies of colonial neglect, unfair trade relations and absent infrastructure, and reinforcing the hierarchical relationship between developed, capable donor countries, and incapable developing countries" (Venner 2015, p. 96).

Yet another part of the problem is that most capacity building initiatives consist of projects where there is a tension between a short-term project driven, results orientation, the ownership focus, and the sustainable and long-term goals of capacity building (Lusthaus et al. 1999; McEvoy et al. 2016). What capacity building really *is* is not necessarily what it *should* be, and it is not clear what a capacity building project really is in practice (Datta et al. 2012; Lusthaus et al. 1999; Venner 2015). If any development activity can be subsumed under the umbrella concept of capacity development, then how can they achieve impact and deliver institutional development? Most capacity building projects from DevEx.com, for example, will focus on training programs, study visits, contracted technical advisers, and donations of equipment, only to fail to take root in the recipient countries, inadequately contributing to institutional development or development at large; others, perhaps the *real* capacity building projects, would include setting up new government agencies, reforming education systems, developing leadership skills, coaching, mentoring, and improving citizen participation and access to information (Venner 2015).

4 Why Does Project Management Matter and Why Project Management *for* Capacity Building in Particular?

Easterly (2006) distinguishes between the losing "planners" and the winning "searchers." In his view, the planners design big development plans and goals (e.g., Sustainable Development Goals), only to fail with regard to implementing these strategies through projects in a cost-efficient manner. Instead, the searchers, the advocates of change, really do many great things including specific homegrown initiatives, solutions, and projects, such as getting medicine to dying kids, to meet the desperate needs of the poor and, thus, find what actually happens to work. "How can the West end poverty in the Rest? Setting a beautiful goal such as making poverty history, the Planners' approach then tries to design the ideal aid agencies, administrative plans, and financial resources that will do the job. Sixty years of countless reform schemes to aid agencies and dozens of different plans, and US $2.3 trillion later, the aid industry is still failing to reach the beautiful goal. The evidence points to an unpopular conclusion: Big Plans will always fail to reach the beautiful goal" (Easterly 2006, p. 11).

As Ika (2012) swiftly points out, "whether we are Planners or Searchers, we may rely on project management to achieve our goals" (p. 35). Yet, because development economists, by and large, are concerned with what to do and not how to do it, they just set forth the beautiful goals, take implementation for granted, and fall short when it comes to getting it done. They rather tell their project success or failure stories through the economic cost-benefit lens (e.g., Denizer et al. 2011) or through randomized control trials (e.g., Banerjee and Duflo 2011). Both approaches being grounded in microeconomics, development economists largely ignore the project management process, a luxury that project leaders could not afford in practice.

Indeed, the development literature has focused very little on how to get projects done [For development projects, exceptions include Biggs and Smith (2003), Brinkerhoff (1994), Hirschman (1967), Khan et al. (2003), Korten (1980), Rondinelli (1976, 1983), Struyk (2007), Vickland and Nieuwenhujis (2005); see Datta et al. (2012) and Venner (2015) for capacity building projects specifically]. The same can be said for project management literature, where very little has been written on development projects in general [see Diallo and Thuillier (2005), Golini et al. (2015), Ika (2012, 2015), Ika et al. (2010, 2011, 2012), Ika and Hodgson (2014), Ika and Saint-Macary (2012), Julian (2016), Khang and Moe (2008), Yalegama et al. (2016), and Yamin and Sim (2016), for a few exceptions] and capacity building projects in particular (e.g., Ika and Donnelly 2017; McEvoy et al. 2016).

Not surprisingly, development economists rather treat the project management process as a kind of black box whose inner workings are unexamined. Therefore, "they leave a void in terms of how inputs are actually translated into outputs, thus giving no explanation of what goes on in between" (Ika 2015, p. 1111). In so doing, they create a sort of "micro blind spot" that limits the potential to shed light on the micro-macro paradox. The Nobel Prize in Economics, Coase (2012) notes that this black box tendency results in an unfortunate loss of opportunity in that development economists offer little in the way of practical insight, thus leaving project practitioners with their own management acumen, personal judgment, and rules of thumb for getting projects right. What if development economists opened the project management black box?

> Opening the project management black box and seeing what is inside, which means focusing on how projects are actually carried out, might prove as challenging as rewarding for our understanding of aid projects and their performance. From a managerial perspective, then, we argue that we might learn, *inter alia*, more about why some ID [International Development] projects are abandoned; why other ID projects fail or succeed; how the management process fails ID projects; and what role strategy, leadership, supervision, coordination, planning, monitoring and evaluation play in ID project success or failure. Insights gleaned from the past and an understanding of the present may enable us to achieve more success in the future. Hence, we could deliver more projects on time, under budget, and on target with their specific objectives. Moreover, we might meet the expectations of both beneficiaries and stakeholders. Then, we might hope to reach impact and sustainability, and thus, contribute more significantly to ID (Ika 2015, pp.1111 and 1112, brackets added).

So much about project management in general and its contribution to development (to read more, see Ika 2012, 2015). How about project management *for* capacity building in particular?

As we have seen in the introduction, the capacity building debate clusters around two schools of thought. But whether we view capacity building as a result or rather a cause of development, we still rely on projects and project management to achieve our beautiful goals (Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999). Development project management can help up to a point (Ika 2015). However, to really understand capacity building contributions, one needs to understand what makes capacity building projects so specific.

While most development projects focus on the pure delivery of goods and services such as the building or repair of a new road, school, hospital, or pipeline, capacity building projects are different in that they focus on ownership and the ability of people, institutions, and stakeholders to elicit developmental change (Datta et al. 2012; Venner 2015). In that sense, capacity building projects are not "hard" or "tangible" but "soft" or "amorphous" projects; they are not infrastructure or "blueprint" projects; they are often "change" projects, and, thus, they rely on a theory of change at the individual, organizational, and system-wide levels and a political process to bring about their outcomes (Datta et al. 2012; Ika and Hodgson 2014; McEvoy et al. 2016). Lusthaus et al. (1999) comment: "Whether they are aware of it or not, those involved in the field of capacity development are engaged in trying to understand and predict change" (p. 10).

But one size does not fit all capacity building projects. Indeed, as we have mentioned, capacity building projects include training local staff to improve the delivery of a service and improve waste or water management, or they may focus on internal organizational processes like improving financial management, accessing information or more efficient data collection, and strengthening political reforms. More conventional capacity building projects rely on training and workshops, technical advice focused on specific systems and procedures, support to project management, and support to lobby and advocacy work. More advanced capacity building projects focus on more intensive methods of multi-stakeholder engagement and dialogue, knowledge brokering, networking, change and process facilitation, mediation, and leadership development and, as such, require a good understanding of context in building more effective and dynamic relationships between different stakeholders behaving in often unpredictable ways (Datta et al. 2012).

Conventional projects can more effectively benefit from standard project management approaches such as the logical framework analysis and PRINCE 2 (Projects in Controlled Environment) which are good for managing the delivery of outputs such as organizational procedures. But as Lusthaus et al. (1999) note, appropriate use of these approaches remains a challenge as they are part of the power relationship between donor and recipient. The more advanced capacity building projects, however, would be better managed with flexible project management approaches that emphasize observation, learning, and the delivery of outcomes or higher-order changes such as outcome mapping (Datta et al. 2012). (For a synthesis of the tools and techniques for capacity building, see Bloomfield et al. 2018).

From the above discussion, we note that the capacity building literature offers little in the way of practical insight and that appropriate manuals fail to provide practical detail about the implementation and delivery of capacity building projects (Bloomfield et al. 2018; Venner 2015). Thus, we contend that project management *for* capacity building is the missing link for success. This chapter focuses on capacity building projects. But how do we assess capacity building projects' success and what makes them successful?

5 How to Assess Capacity Building Project Success: The Success Criteria

As we have seen, very little work has been done on capacity building projects from a project management lens. Though specific, capacity building projects are in fact development projects by nature. Thus, in this section, we turn to the general development project literature for insights about project success, which we will then adapt to the peculiarities of capacity building projects.

With so many layers of stakeholders[6] with conflicting, if not contradictory, expectations and such an intangible ultimate goal of poverty alleviation (Diallo and Thuillier 2005; Ika 2012; Ika and Hodgson 2014; Julian 2016), there is a lot of ambiguity and a lack of a consensus surrounding development project success (Ika 2015; Ika et al. 2011, 2012). Oftentimes, in development projects, there is no such thing as "absolute success" but only "perceived success" because the perspective of stakeholders matters and they hardly hold the same point of view. Although not all agencies embrace identical success criteria, with the leadership of the OECD, many now use more or less similar measures for success across the development sector. They include (1) relevance, the extent to which the project suits the priorities of the target group, the recipient, and the donor; (2) efficiency, the extent to which the project uses the least costly resources possible to achieve the desired outcomes; (3) effectiveness, the extent to which the project meets its objectives; (4) impact, the positive and negative changes produced by the project, directly or indirectly, intentionally or not; and (5) sustainability, the extent to which the benefits of the project are likely to continue after donor funding has been withdrawn. Notably the OECD does not use the term success per se but does provide a common baseline for measuring project success.

Building on the OECD work and looking into World Bank-funded projects, Ika et al. (2011, 2012) validated the following list of seven measures for development project success: efficiency (time), efficiency (cost), effectiveness (objectives), relevance (country), relevance (beneficiaries), impact, and sustainability. Then Ika (2015) showed that one may assess ID project success along two dimensions: the short-term "project *management* success," the delivery of the project on time, within cost, and to specific objectives, and the long-term "*deliverable* success," the long-

[6]For example, there may be as many as eight different stakeholders in World Bank-funded projects: The project manager, the project supervisor at the World Bank, the recipient country national supervisor, a steering committee, subcontractors, suppliers of goods and services, beneficiaries, and the population at large (Diallo and Thuillier 2005; Ika et al. 2012).

range project benefits such as impact, sustainability, and relevance for both country and beneficiaries.

In a sector where the final deliverable is mired in intangibility and sociopolitical complexity, many development project organizations understandably focus on tangible and demonstrable successful results and, thus, on project management success. At the same time, deliverable success remains the overarching success dimension for development projects [see Baser and Morgan (2008), Datta et al. (2012), and Ika and Donnelly (2017), for capacity building projects in particular]. But, as shown by Ika (2015), project management success does not significantly influence deliverable success. Yet without deliverable success, no development is possible. Project management success may in fact lead to deliverable success, but a "well-managed" project can be deemed a failure if other deliverable conditions are not adequately met. An example of this is the case of the Chad-Cameroon pipeline, the largest private sector investment project in sub-Saharan Africa. This project was described as an extraordinary example of project management success by being completed ahead of schedule, with scarce resources, and limited local capacity. Unfortunately, the project was ultimately deemed a failure by development experts because the lack of high-level political commitment (and lack of good governance models) meant oil revenues went to purchase arms and military equipment instead of addressing the needs of the poor (Ika and Saint-Macary 2012). Thus, we conclude that project management success and deliverable success are two sides of the same coin and should not be separated (e.g., Shenhar and Dvir 2007).

In light of the above discussion and considering the aforementioned peculiarities of capacity building projects, their success includes both project management success and deliverable success and, thus, the entire range of success criteria or measures mentioned above. More specifically, in the case of local government capacity building projects, impact assesses changes in awareness, skill, and behavior, in local government policies/services/practices, and in their enabling environment. Sustainability includes, for example, new collaborations with strategic organizations or other government departments; ability to secure revenue sources for new policies/services/practices; and expansion of institutional change (Baser and Morgan 2008; Datta et al. 2012; Ika and Donnelly 2017). So far, we have discussed the measures of project success. But what makes capacity building projects successful?

6 What Makes Capacity Building Projects Successful: Success Factors or Conditions

Once again, considering the scarce literature available on capacity building projects from a project management lens, we turn to the general development project literature for insights about project success.

In the microeconomic development literature, we often come across works that investigate whether project success or failure depends on the macroeconomic and institutional characteristics of the recipient country or on project characteristics such as project supervision (e.g., Chauvet et al. 2010). These characteristics may be termed project success factors or conditions. In fact, Ika et al. (2012) and Ika (2015) define critical success factors as *conditions*, events, and circumstances contributing to project outcomes. Although there is a dearth of literature on development project management, we learn that project success factors include supervision, monitoring, coordination, design, consultations, competency of project staff, etc. (see Diallo and Thuillier 2005; Ika 2015; Ika et al. 2011, 2012; Khang and Moe 2008; Yalegama et al. 2016; Yamin and Sim 2016). For example, if a project manager is trying to achieve "impact," a key factor contributing to this criterion may come in the form of strong local ownership (Khang and Moe 2008). Similarly, if a development agency is trying to ensure project management success, a key factor is project supervision (Ika 2015). For capacity building projects in particular, success factors include staff capacity, stakeholder commitment, accountability, clear understanding of context, appropriate project management approach, monitoring, learning, multi-stakeholder engagement and dialogue, etc. (Boex et al. 2006; Datta et al. 2012; UCLG 2013). A summary of key success factors for development projects in general and capacity building projects in particular is listed in Table 1.

While the aforementioned success factors may initially appear more practical and easier to apply in project management practice, if a project manager attempts to design concrete activities into a project using these success factors as they are presented in the literature, the lists fall short. This is due to the fact that we do not know *in which circumstances* these success factors actually improve project performance (e.g., Hobbes 2014). Table 1 also illustrates the types of questions a manager needs to answer before they can make use of identified success factors. A more user-friendly list of *success conditions* needs to be devised to bring success factor knowledge into the practical realm of project management.

Oftentimes, scholars blur success factors and success conditions (Ika et al. 2012; Ika 2015). But in this paper, borrowing from Hirschman (1967) for our theoretical framework and, thus, sticking to his choice of words, we focus on success conditions. For that matter, we proffer that success conditions are the necessary states of being, circumstances, or prerequisites that must exist for project success to occur (Turner 2004). These conditions, Turner (2004) argued, should be assessed periodically in order to improve the chances for project success because circumstances are bound to change.

Success conditions are not only essential to the final outcome of the project, but they need to be maintained by the project in order to continue. Like a snapshot in time, identifying the success conditions provides project managers with a broader perspective on how they might influence project outcomes (Ika and Donnelly 2017). To the best of our knowledge, Hirschman (1967) is the only scholar that looked into development project success conditions from a managerial perspective. Celebrating the power of context and the sheer importance of social and political aspects in a project, he offered insights into development project success conditions and

Table 1 Key success factors summary

Authors	ID project success factors	Application
Diallo and Thuillier (2005)	Trust and communication	How does a project build trust? With whom?
Ika et al. (2012), Ika (2015), and Yamin and Sim (2016)	Supervision, monitoring, design, coordination, training, and institutional environment	What does a successful institutional environment look like? How does training lead to project success?
Khang and Moe (2008)	Understanding of project environment, competencies of project staff, effective stakeholder consultations, compatibility of rules and procedures, adequate resources, commitment to goals, sustained government policy, adequate local capacity, and strong local ownership	Who should be consulted? When? Which capacities are considered adequate? Under what circumstances does strong commitment and ownership occur?
Khan et al. (2003)	Flexible project planning, implementation approach, awareness and sense of urgency for change, publication of success stories, creation of powerful group of "champions" of change, networking and team building, anchoring changes in the organization's culture, project management structure, selecting the right team	How does a project build a powerful group of project champions? Who should be part of the project team?
Vickland and Nieuwenhujis (2005)	Integrated solutions vs. "best of breed," big band vs. incremental implementation, strong project management, extensive training, use of appropriate individuals from each functional area, senior manager's understanding of project, top-down implementation approach	How does extensive training lead to project success? What does a good understanding of a project entail?
Struyk (2007)	Degree of consistency of local leadership, policy characteristics, availability of resources, number of implementing actors, attitude of implementing personnel, alignment of clients, learning opportunity among implementers and between projects, past experience of implementers, local environment	What does a favorable local environment look like? How does a project achieve alignment of clients? How does a project create learning opportunities?
Yalegama et al. (2016)	Enabling community environment; measuring project management outcomes; and community project management engagement	How does a project enable a supportive environment and what does it look like? Who should be engaged and how?

(continued)

Table 1 (continued)

Authors	CB project success factors	Application
Boex et al. (2006)	Ability of people to choose where they reside; local government independence from central government regulations; social capital; fiscal management; accountability to local population; and staff capacity	Under what circumstances does accountability occur? What kind of capacity?
Datta et al. (2012)	Right skills and abilities and clear roles for implementers; client-consultant relations; clear understanding of context and how change happens; selecting the most appropriate project management approach; monitoring; learning; a supportive organizational culture; trust and openness among actors; and multi-actor engagement and dialogue	What does a good understanding of the project context entail? What does a supportive organizational culture look like? What stakeholders should be engaged and how?
UCLG (2013)	Inclusion of local government in decentralization process; transfer of sufficient competencies; transfer of adequate financial resources; commitment by political leaders and senior staff to good local governance and people inclusion; and develop the necessary and technical capacity	How does a project achieve inclusion? Under what circumstances does stakeholder commitment occur?

Authors' own table

differentiated between the success conditions that would occur "in advance of the project," i.e., those that are already present at the project inception, and those that would emerge "in the wake of the project," i.e., the ones that arise once the project implementation has started (p. 146).

This theoretical framework speaks to a project's ability to recognize and hone in on initial (early) success conditions and emergent (late) success conditions, its ability to collect relevant information, and, perhaps more importantly, its ability to act on the project setting in a timely manner. Indeed, development projects interact with their settings; the whole of the projects is greater than the sum of their parts; thus, solutions cannot be imposed; rather they emerge from circumstances. Success is derived not from carbon copy replication but from the testing, scaling, and failing of initiatives in a variety of socio-politico-geographic contexts (e.g., Hobbes 2014; Ika and Donnelly 2017; Ramalingam 2013; Snowden and Boone 2007). As Hirschman (1967) suggests, "not only are projects voyages of discovery, they tend to be voyages of the true Columbus type—setting trail for one destination (perhaps an unattainable one) but arriving in the event at quite a different one (perhaps much more important than the imagined one)" (Singer 1969, p. 23). That is the case of capacity building projects which focus specifically on ownership and change on the part of project beneficiaries and, thus, necessitate a good understanding of context (Baser and Morgan 2008; Bloomfield et al. 2018; Datta et al. 2012).

"Much remains to be done in understanding the conditions for failure and success of projects," wrote Hirschman (1967, p. 188). Yet, these words of wisdom remain unheeded. Almost 50 years later, we still do not know what conditions enable development project success. Hence, in this research, we ask: What are the critical conditions that enable capacity building project success? But why does it matter?

7 Why Does Research on the Right Circumstances for Capacity Building Projects Matter?

The literature is replete with reasons why development projects poorly perform (Gow and Morss 1988; Ika 2012; Rondinelli 1976). But our focus here is on the struggle on the part of project leaders to understand not only the setting or context in which success occurs but in particular project success conditions or the right circumstances under which capacity building projects thrive (Baser and Morgan 2008; Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999). The research is significant for both scholars and practitioners. Firstly, in the multibillion dollar development sector where academic research on project management is surprisingly limited [see Bloomfield et al. (2018), and Venner (2015), for capacity building projects] and where little has been done to understand project success, its root causes, its key factors, or its success conditions (Ika 2015; Ika et al. 2011, 2012), this research will add to the literature.

Secondly, project leaders need more information about the journey, not simply the destination. Thus, drawing out key success factors such as consultations, supervision, monitoring, communication, staff capacity, accountability, etc. without providing more about the context in which the factors succeeded [see, e.g., Diallo and Thuillier (2005), Ika (2015), Ika et al. (2012), Khang and Moe (2008), Yalegama et al. (2016), and Yamin and Sim (2016), for development projects in general and Baser and Morgan (2008), Bloomfield et al. (2018), Boex et al. (2006), Datta et al. (2012), and UCLG (2013), for capacity building projects in particular] is not enough. Because, without this contextual knowledge, these key success factors are difficult to translate into practice. Different factors, as we know, can lead to different outcomes in different contexts; and when the project does succeed in improving the context, it changes it in ways that couldn't have been expected (Ika and Donnelly 2017). Thus, the research has the potential to improve future project management practice. It could help project leaders understand why some capacity building projects (or aspects of thereof) thrive in some settings and others do not and specifically identify the right circumstances under which projects work.

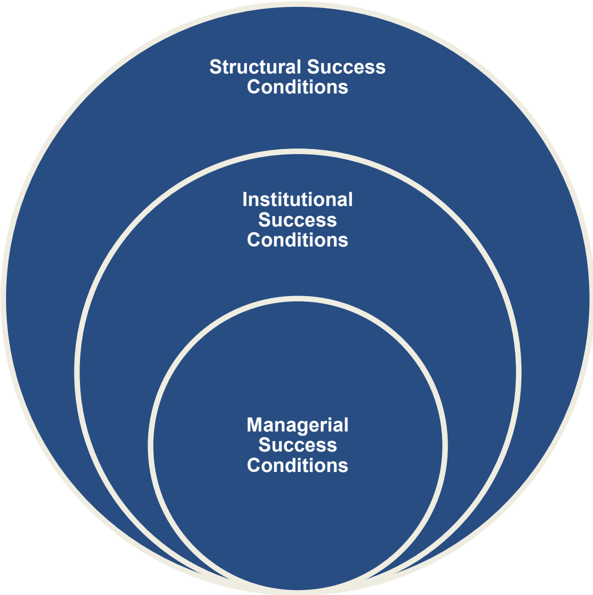

Fig. 1 Measurement framework for development project success conditions (Adapted from Ika and Donnelly 2017)

8 The Methodological Approach

In this book chapter, we sought to explore the following research question: What are the conditions that enable (local government) capacity building project success (Hirschman 1967; Ika and Donnelly 2017)? The limited research literature on development project success or failure conditions led us to apply an exploratory theory-building design (Eisenhardt and Graebner 2007). A two-step research approach was developed. Firstly, a conceptual framework (Fig. 1) was developed from the literature review and was labelled the "framework success conditions." Ika's (2012) assessment of make-or-break categories of success provided a starting point for identifying potential conditions both internal and external to the project. After Gow and Morss (1988) and Collier (2007), Ika's three categories are as follows: (a) structural, (b) institutional, and (c) managerial. These three areas, altogether, reflect the context surrounding the projects, including the social, political, technical, institutional, organizational, and managerial setting of the project (Acemoglu and Robinson 2012). Hence, project success conditions would include structural conditions (C1), institutional conditions (C2), and finally project *management* conditions (C3). Again, our research focuses on local government capacity building projects. Thus, more specifically, building on decentralization research by Boex et al. (2006) and UCLG (2013), we measure structural conditions. And using the work of UCLG (2013) again and Baser and Morgan's (2008) research on successful capacity development, we measure institutional conditions from both the beneficiary organization and the implementing agency points of view. Then, project management conditions were developed using Khang and Moe's (2008) and

Ika et al.'s (2012) work on critical success factors. Overall, the first two columns in Table 2 below account for these framework conditions and their indicators.

Secondly, an inductive approach was applied to identify new success conditions that came up from the research process. These conditions were labelled the "meta-conditions" as they appeared to incorporate the original framework conditions but also "success factors" examined in our literature review early on in the research. The research applied a multiple case study design, semi-structured interviews, and triangulation with written documentation (proposals, reports, and implementation plans) to further improve validity of the data. Finally, both the framework conditions and the meta-conditions were presented to project practitioners in a workshop to test the validity and applicability of the success conditions in everyday project management practice.

8.1 Case Selection and Studies

To draw out potential success conditions, we chose a replication logic (Yin 2013). *Most* successful cases were selected for their ability to demonstrate (overall) success, while a *less* successful case was singled out for its contrasting outcomes.[7] One Ottawa (Canada)-based implementing agency, focused on local government capacity building, was selected to facilitate the identification of the cases. The authors began by seeking 35 headquarters (HQ) for Ottawa-based project management staff perception of project success. Ultimately, four (4) case projects, including (3) most successful and (1) less successful, fit the criteria for selection.[8] Criteria included program component (project was part of a program), project success (high perception of the

[7]Ideally, it would have been best to select successful cases *versus* failed ones, to avoid "sampling on the dependant variable," in this case, project success. However, within the implementing agency selected for this study, finding complete sets of data for failed projects proved challenging. It was explained to researchers that in practice, if a project-level initiative was struggling to move forward, final outcomes could be redefined (in cooperation with the donor agency) and resources could be redirected to aspects of the program that are progressing well, as long as the broad higher program level objectives remain intact. Although "lessons learned" for individual projects were frequently described in case studies and the narratives of project reports, clear evidence for fully failed projects remained elusive. This left researchers with identification of most successful and less successful cases only. The experience of the second author who worked as a program manager at the same implementing agency attests to this reality (see Ika and Donnelly 2017).

[8]Asked to provide the researchers with *perceived* examples of successful local government capacity building projects, the HQ staff initially came up with six projects, but two were dropped because these projects did not have complete sets of existing documentation (reports, case studies, proposals, evaluations, mission plans, etc.) or interview candidates available for the research. Then, in order to further reduce the likelihood of skewed impressions in the overall research results and, thus, increase its overall validity, we later asked a variety of respondents from different hierarchical levels, functional areas, and geographical locations to rate overall project success (Eisenhardt and Graebner 2007; Ika and Donnelly 2017).

Table 2 Framework conditions: indicators and findings

Conditions	Indicators	Total (# of respondents indicating condition-enabled project success)	Overall perceived importance of identified success condition (>60% = perceived as important[a])
Structural conditions			
C1.1 Legal/ regulatory frameworks	Legal mandate of local governments (LG) Degree of independence from central government Inclusive decentralization process	10 **(50%)**	Not perceived as important
C1.2 Financial resources	Sources of revenue for LG to fulfill mandate Predictability of revenue	5 **(25%)**	Not perceived as important
C1.3 Contextual environment	**Enabling institutions** **Community stakeholders** **Geography and size** **Other**	**20 (100%)**	**Perceived as important**
Institutional conditions (beneficiary agency)			
C2.1 Accountability and public participation	**Improvements to policies/services/practices through accountability mechanisms**	**18 (90%)**	**Perceived as important**
C2.2 Beneficiary institution capacity	**C2.2.1 Capability to commit (leadership, clear and aligned mandate, local champions)**	**19 (95%)**	**Perceived as important**
	C2.2.2 Capability to acquire new skill (measured improvement in performing a service or task)	**17 (85%)**	**Perceived as important**
	C2.2.3 Capability to attract resources and support (engaging key stakeholders and institutions)	**12 (60%)**	**Perceived as important**
	C2.2.4 Management of diversity (coordination, teamwork, consensus, and trust building)	5 (25%)	Not perceived as important
	C2.2.5. Capability to adapt knowledge/skills (individual and institutional integration)	10 (50%)	Not perceived as important

(continued)

Table 2 (continued)

Conditions	Indicators	Total (# of respondents indicating condition-enabled project success)	Overall perceived importance of identified success condition (>60% = perceived as important[a])
Institutional conditions (implementing agency)			
C3. Implementing organization capacity	C3.1. Capability to commit to a project (experience, knowledge of context)	10 (50%)	Not perceived as important
	C3.2. Capability to deliver services (tools, resources, technical expertise, capacity development methodology)	**20 (100%)**	**Perceived as important**
	C3.3. Capability to attract resources and support (engaging key stakeholders and institutions)	**17 (85%)**	**Perceived as important**
	C3.4. Capability to manage diversity (conflict resolution, collective decision-making, consensus, and trust building)	**18 (90%)**	**Perceived as important**
	C3.5. Capability to adapt and self-renew (ability to manage change, inspire innovation, capture emerging solutions, develop new knowledge, and promote internal learning)	**15 (75%)**	**Perceived as important**
Project management conditions			
C4. Project management	**C4.1. Project leadership (vision, empowerment)**	**14 (70%)**	**Perceived as important**
	C4.2 Project monitoring (measuring progress)	**16 (80%)**	**Perceived as important**
	C4.3. Project design	**15 (75%)**	**Perceived as important**
	C4.4 Stakeholder coordination (support, resources, process)	**18 (90%)**	**Perceived as important**

[a]This criterion is not meant to support any statistical test of hypotheses but is offered as an indicator of the overall perceived importance of a particular success condition
Authors' own table

project being most or less successful by HQ staff[9]), type of project (capacity building), time frame (completed prior to 2012), beneficiary organizations (local governments), and budget (under $150,000). In so doing, we ensured that the cases were each part of a program and typical peer-to-peer local government capacity development for the implementing agency.

We prepared four case studies for the projects. They are summarized in Table 3 along with their background, their umbrella program, objectives, and both main and unexpected results. Multiple case studies enabled a broader area of theory building as they provided us with the option to conduct cross-case comparisons, derive patterns, and clarify findings (Eisenhardt and Graebner 2007). A cross-case analysis was thus applied to identify similarities, patterns, and themes relating to success conditions for each case studied. The data was also examined for rival explanations, comparing the conditions for other influences or alternative explanations (Yin 2013). A within-case analysis was also conducted to identify variances in responses between interview respondents. Drawn from the collected project documentation, specifically from project proposals, reports, and implementation plans, this analysis helped in the interpretation of the research findings.[10] To ensure an in-depth analysis, the respondents were later asked to rate their perceptions of project success and success criteria. All the above further increased the overall validity of the findings.

8.2 *Semi-structured Interviews and Data Coding and Analysis*

This research received feedback from a total of 20 participants (8 men and 12 women). They were selected based on the length of participation on the project

[9]Not surprisingly, respondents view project success as deliverable success, which is the overarching success dimension for capacity building projects. However, the most successful projects were the ones in Vietnam (administrative reforms), Indonesia (library services), and Ghana (hand-washing). These projects scored higher on the success criteria scales for relevance (country and beneficiaries), impact, and sustainability. Thus, they could be termed *deliverable* successes. The Sri Lanka project (Waste management) scored lower and thus was considered the less successful one. We also note that even the most successful projects did contain elements of failure; they were not all project *management* successes (they did not fully meet time and cost criteria). Moreover, the less successful project did in fact come in on time therefore it too contained contrasting elements of both success and failure. Table 5 from our short series of Likert scale interview questions confirms the contrast between most successful and less successful projects and offers a presentation of the success criteria results across all four case projects (Ika and Donnelly 2017).

[10]Indeed, while reports, case studies, and evaluations could have provided valuable insights on their own, they did not always contain the context-specific information needed to identify underlying success conditions. Thus, written documentation was used to capture more general project information like the background, objectives of the broader umbrella program, primary participants, scope, main results, and unexpected results of the case projects. Combined, the two sources provided a stronger narrative and clearer snapshot of events as they occurred at the time (Ika and Donnelly 2017).

Table 3 Summary of the four case projects

Case projects	Location and beneficiary	Objectives/results	HQ staff perception of development success	Duration	Budget	Primary participants
Case #1: Support to administrative reforms in land management and taxation Background: As part of an ongoing municipal partnership program linking Canadian municipalities with communities in developing countries, the project was an adaptation of an earlier pilot project implemented in Vietnam in collaboration with the city of Saguenay, Quebec	The city of Nam Dinh, Vietnam	Objectives: To increase the urban planning and development capacity of the city Main results: All Nam Dinh territory mapped and entered into the registry; accelerated property-title-issuing process Unexpected results: The creation of one of the first land use public information centers in Vietnam and achievement of national impact through direct contributions to national land use legislation	*Most* successful	December 2004 to March 2008	$131,216	Two Canadian project staff, two staff from the Association of Cities of Vietnam, three municipal experts, five staff from the city of Nam Dinh
Case #2: Improvement of solid waste management services Background: The project was part of the larger Canada/Sri Lanka Municipal Cooperation Program (MCP) implemented as part of a reconstruction initiative in response to the 2004 tsunami that hit coastal communities in Sri Lanka	The Municipal Council of Galle, Sri Lanka	To improve sanitation and reduce waste disposal by strengthening garbage collection methods in pilot wards Main results: Reduced solid waste by 50% in two wards; reduced number and volume of waste in illegal dump sites Unexpected results: Contribution to a reduction of fatalities from mosquito-borne dengue fever in Galle	*Less* successful	December 2005 to March 2008	$65,730	Two Canadian project staff, two Sri Lankan field staff, two municipal experts, six staff from the municipality of Galle

(continued)

Table 3 (continued)

Case projects	Location and beneficiary	Objectives/results	HQ staff perception of development success	Duration	Budget	Primary participants
Case #3: Improvement of library services Background: The project was part of larger Canada/Aceh Local Government Rehabilitation and Reconstruction Program (CALGAP) initiative aimed at supporting the reconstruction of Aceh province following the 2004 tsunami that hit the island of Sumatra, Indonesia	The district of Pidie, Indonesia	To meet the needs of the public through improved core library services and enhanced learning opportunities Main results: A 270% increase in visitors; improved interaction with community; better services to community needs Unexpected results: Success in the improved library led to acquisition of a second bookmobile; change in public working-hour bylaws; selected as the best library in the province in 2008	*Most* successful	December 2006 to June 2008	$122,365	Two Canadian project staff, two Sri Lankan field staff, two municipal experts, several staff from the district of Pidie
Case #4: Hand-washing in elementary schools Background: As part of an ongoing municipal partnership program linking Canadian municipalities with communities in developing countries, the project was the second phase of an already existing collaboration between the city of Ottawa	The district of Komenda-Edina-Eguafo-Abirem (KEEA), Ghana	To promote good health among school children through the adoption of appropriate hand-washing practices for the prevention and control of spread of infection Main results: Joint development of a training manual and tools for the program; train-the-trainer program	Most successful	March 2007 to December 2009	$109,564	Two Canadian project staff, two municipal experts, several staff from the district of KEEA

and partners in the KEEA district		implemented with 25 public health workers; health workers trained teachers from selected pilot schools Unexpected results: Hand-washing behaviors went beyond the school children as parents began to adopt better hand-washing practices as well; the district health department implemented new regulations to improve hand-washing facilities and infra-structure in schools and in community health centers				

Authors' own table

Table 4 Respondent information

Number	Interview code	Role	Project	Gender	Years on project
1	VM1	Manager	Vietnam	M	3+
2	VM2	Manager	Vietnam	F	2+
3	VM3	Manager	Vietnam	M	3+
4	VE1	Expert	Vietnam	M	3+
5	VE2	Expert	Vietnam	M	3+
6	VE3	Expert	Vietnam	M	2+
7	VC1	Beneficiary/coordinator	Vietnam	F	3+
8	SM1	Manager	Sri Lanka	F	3+
9	SE1	Expert	Sri Lanka	M	2+
10	SE2	Expert	Sri Lanka	F	2+
11	SC1	Coordinator	Sri Lanka	F	2+
12	IM1	Manager	Indonesia	F	2
13	1M2	Manager	Indonesia	F	1+
14	IE1	Expert	Indonesia	F	1+
15	IE2	Expert	Indonesia	F	1+
16	GM1	Manager	Ghana	M	1+
17	GM2	Manager	Ghana	F	2+
18	GE1	Expert	Ghana	F	2+
19	GE2	Expert	Ghana	F	2
20	GB1	Beneficiary/coordinator	Ghana	M	2+

Authors' own table

(minimum 1 year) and their role in the project. Interviews were conducted by phone or in person with eight Canadian implementation managers (supervisory role), nine Canadian technical experts (specialized technical assistance), one implementation coordinator (country-based implementation assistance), and two beneficiaries/coordinators (project champions working for the local government but also in a coordinating role). Thus, respondents reflected a diversity of perspectives (i.e., project managers, field coordinators, technical experts, project beneficiaries/coordinators) and represented a range of different hierarchical levels, functional areas, and geographical locations. A summary of interview respondent demographics and their roles on the projects can be found in Table 4.

Interviews were then transcribed and coded using qualitative computer software (NVIVO). Once transcribed, the authors began with an initial scan of the data, labelling statements and observing potential emerging trends. Then, using the "framework conditions" as a guide, concepts were grouped together into condition categories to identify the common cross-case conditions for success. The authors reached consensus on the coding through careful revision of categories and determination of how a text passage could be coded to a category, thus ensuring trustworthiness or reliability of the coding. Interview questions were designed essentially to draw out the structural, institutional, and project management conditions that respondents considered important to the success of their projects. Interview statements were coded according to the role of the respondents and the project that they worked on.[11]

To delve further into the reasons behind the framework responses (described by one of the researchers as the "what" conditions), data was then recoded using an inductive "meta- condition" analysis by distinguishing between answers that spoke to a reason (why), a process (how), and points in time (when), and answers that identified the engagement of different stakeholders (who). For instance, if an interviewee mentioned the fact that the mayor of a municipality contributed to the success of the project, this was coded as a subcategory under "stakeholders."

As the coding progressed, categories relating to the "who, when, how, and why" were surprisingly repetitive for each interview. Although unique in their detail, the broader categories were remarkably consistent and thus clustered into four new conditions for success. For example, the data revealed that a variety of stakeholder groups contributed to the success of all the projects (donors, elected officials, community groups, other municipalities, etc.). Although the individual groups were different between the projects, the unplanned and emergent involvement of stakeholder groups engaging at different points in time and contributing to the success of the project was mentioned by all 20 respondents. This resulted in the meta-condition labelled "multi-stakeholder commitment." Responses from the framework conditions and the meta-conditions were then cross-tabulated for any association. This pattern-matching approach, i.e., drawing from both case evidence and emerging logic, strengthened the rigor and depth of the emerging hypothesis, increasing the ability of authors to apply and test it at a future date (Eisenhardt and Graebner 2007).

9 Respondent Assessment of Project Success: Findings and Discussion

In an initial analysis, the authors asked respondents to rate their projects on a scale of 1–5 where 1is strongly disagree, 3 is neither agree nor disagree, and 5 is strongly agree with the statements. Table 5 is a presentation of the success criteria results

[11]For instance, if a respondent was a manager on the Vietnam project, they were coded as VM1. If VM1 mentioned that the commitment of the beneficiaries was critical to the success of the project, VM1's statement was coded to C2.2.1 Capacity of Beneficiary Institution to Commit. The total number of respondents who mentioned each framework condition was then added together, giving the researcher a cumulative percentage of positively referenced framework success conditions. In the case of C2.2.1 Capacity of Beneficiary Institution to Commit, 19 out of 20 respondents (95%) mentioned this condition contributed to the success of their program. Framework conditions receiving more than a 60% positive response rate from interviewees were deemed important contributors to success. In our view, although these percentages of individual respondents mentioning the same success condition are not meant to support any statistical test of hypotheses, they are offered as a better indicator of overall importance of this particular success condition than the absolute number of times it is expressed and coded as a relevant success condition theme.

Table 5 Rating of project success criteria

Project success criteria	Vietnam							Sri Lanka				Ghana					Indonesia			
Interview code	VM1	VM2	VM3	VE1	VE2	VE3	VC1	SM1	SE1	SE2	SC1	GM1	GM2	GE1	GE2	GC1	IM1	IM2	IE1	IE2
Relevance country (e.g., aligned with national/local policy and priorities)	5	5	5	5	5	5	–	**4**	**5**	**5**	**4**	5	5	5	5	5	4	4	5	5
Relevance beneficiaries	5	5	4	4	4	5	–	**4**	**5**	**5**	**4**	5	5	5	5	5	5	5	5	5
Effectiveness objectives	5	5	–	4	4	5	–	**4**	**5**	**4**	**3**	5	5	5	5	5	5	5	5	5
Efficiency time	4	–	2	5	5	2	–	**5**	**5**	**5**	**5**	4	5	5	5	5	5	4	5	5
Efficiency budget	4	4	–	–	–	–	–	**3**	**-**	**5**	**4**	3	–	5	5	5	5	4	4	4
Impact (e.g., changes in awareness, skill, behavior, local government policies/services/practices, and enabling environment)	5	5	5	5	5	5	–	**4**	**5**	**5**	**5**	5	5	5	4	5	4	5	5	5

Sustainability (e.g., new collaborations with strategic organizations or other government departments; ability to secure revenue sources for new policies/services/practices; expansion of institutional change)	5	5	–	5	5	5		**4**	**5**	**5**	**3**	5	–	5	5	5	4	4	5	5
Overall success (overall perception of project success)	5	5	5	5	5	5	5	**4**	**5**	**5**	**4**	5	5	5	5	5	5	5	5	5

Authors' own table
Results are not cumulative

across all four development projects. To identify the importance of particular success criteria, the authors asked respondents the following question: "how do you personally define a successful project?" The top two criteria used by respondents to define a successful project were impact and sustainability. This was followed up by relevance, effectiveness, and finally efficiency. This result is consistent with the findings discussed in the earlier literature review (Ika 2015; Ika et al. 2012).

Impact

Respondents generally described the criterion "impact" as a change in organizational capacity and a change in multi-stakeholder environments. In other words, respondents pointed to higher levels of success not only when a project increased the capacity of the local government institutions but also when it involved higher levels of government and contributed to changes in the enabling environment, changes in community behaviors, and even changes in the capacity of the Canadian municipalities involved in the project.

> There was a change inside the community and the institution. It reduced the costs of the municipal budget. There was learning at the municipal level; health workers, teachers were trained, and even parents were trained by their children. (Project Manager, Ghana)

> There was a change in the way a department conducts its operations, there was an institutional transformation and it successfully did something with a national scope by engaging the local government association. (Project Manager, Vietnam)

Sustainability

Respondents described the "sustainability" criterion as a change within the local government institution and the capacity for it to evolve or expand on its own once the project ended. As an additional aspect of sustainability, the two respondents mentioned the ability to share and replicate the project with other local governments as a criterion for project success. This added information points to the types of networks and activities that can contribute to project sustainability.

> ...A project that exceeds the objectives, that continues and expands beyond the scope. (Technical Expert, Sri Lanka)

> A project is successful when the small thing works but also when that small thing is creating a continuing change and the change is like a wave and you can't control it. (Project Manager, Vietnam)

Effectiveness

Respondents described the "effectiveness" criterion as achieving the project objective. The concreteness of the objective was emphasized in a number of instances. This was a stronger criterion for the project experts as over half of expert respondents mentioned it in their definitions of success. This can be explained by the mandates of the experts who are primarily responsible for enabling the achievement of a final objective.

> Objectives were obtained. (Technical Expert, Ghana)

> We achieved the results we set out to achieve. (Technical expert, Sri Lanka)

Relevance
Respondents described "relevance" in a number of ways. Projects were mentioned that responded to the needs of the beneficiary local governments, as well as local, regional, and country, and even Canadian priorities were mentioned. Also mentioned in definitions of success was a project that responds to multiple needs or challenges at once (e.g., health and environment). Like the "impact" criterion, there appears to be a multi-stakeholder dimension to this success criterion.

> ...Because it responded to the needs of the council, technical staff and community needs. It also responded to environmental and health needs. (Project Manager, Sri Lanka)

> A project that meets the needs of those that have defined it and of course meets the needs of the Government of Indonesia and the Government of Canada. (Project Manager, Indonesia)

Efficiency
Projects completed on time and on budget did not stand out as important criteria of success, having only been mentioned by 1 out of 20 respondents. This result is perhaps due to the open nature of the question. The managers, experts, and coordinators all held some accountability for the time it took and the money it cost to deliver a project, but when asked for an open definition of project success, the bias toward impact and sustainability emerged, confirming that in capacity building projects, deliverable success is the most important success dimension.

The lack of response around project budgets could be partially explained by the type of respondents interviewed. Experts, coordinators, and beneficiaries were not responsible for budgets and were not typically aware of project expenditures. That being said, even the managers struggled to provide a rating for the budget questions or assigned a neutral number "3" for an answer.

> Honestly, I can't even remember. The field office managed the detail of the budget management. I only saw the numbers twice a year, rolled up. (Project Manager, Sri Lanka)

10 Framework Success Conditions: Findings and Discussion

With almost all the framework success conditions perceived as important by the interviewees, the research confirmed the influence of all three categories of success conditions (context, institution, and project management) for development projects (see Ika and Donnelly 2017). Most notably, the research also elicited emergent success conditions, those that were not already present before the start of the projects but did emerge during their implementation, as observed by Hirschman (1967). They are discussed below. Furthermore, although difficult to summarize in the format presented in Table 1 above, these findings did prompt interesting narrative data on how the framework conditions contributed to the success of all four projects.

10.1 Context: Shifting Boundaries and Enabling Institutions

The interviews revealed that traditional barriers to new initiatives (like cumbersome management processes or administrations resisting change) were reduced due to important stressors occurring in the broader environment. For instance, in the case of the Indonesia and Sri Lanka projects, the chaos of the tsunami disaster created an opportunity for local governments to act more independently than usual and provided space for local government action. In Vietnam, the country was in the midst of a cultural reform process that made issues surrounding land rights and land management a priority for the government and its citizens. The Ghana hand-washing project began around the same time the World Health Organization (WHO) initiated a global hand hygiene campaign, increasing the visibility and importance of issues surrounding community health. Ultimately, changes in the contextual conditions brought additional relevance to the projects and helped contribute to their success.

> They were in a post-disaster context so everything got thrown up in the air. Even if there were clear regulations between the ministries for local governments and the ministries for environment before the tsunami, after the tsunami everything was a free-for-all. There were urgent needs and whoever was the quickest to attend was the one that was in charge. (Project Manager, Sri Lanka)

Organizations present in the enabling environment were seen as direct contributors to success as all projects benefitted from the help provided by other NGOs, donors, associations, other departments, other levels of government, or local academic institutions. Although the mandate and role of these organizations varied across projects, respondents consistently pointed to the involvement of additional organizations that volunteered resources and at times assisted in the delivery of certain project components (e.g., Yalegama et al. 2016).

> First the (local government) association saw the value of it, and then the ministry saw the value of it, and then the Swiss (development agency) saw it as a valuable component for their project. I think the combination of interest from different parties made the project a success. It was serving the needs of different actors. (Project Manager, Vietnam)

Interestingly, the involvement of these key enabling organizations was not always planned. The involvement and roles of the relevant organizations in the project emerged dynamically throughout the course of implementation, reflecting what we called, earlier, emergent success conditions in this research.

Overall, the context finding is consistent with the capacity building literature which underscored the importance of a clear understanding of context and how change happens (Baser and Morgan 2008; Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999; Venner 2015).

10.2 Beneficiary Organization: Leadership, Commitment, and Accountability

The abilities of the beneficiary champions to lead, manage, delegate, and motivate staff effectively figured strongly in the data. To this point, when respondents described the project leader's ability to adapt to new approaches, create effective teams, and broker resources across boundaries, they were often referring to the lead beneficiary of the project, not the implementing agency project managers.

> At first there was reluctance to help. The mayor and key city people might have felt a little threatened, but the city's director of health talked to them one on one and convinced them that this had nothing to do with their abilities or accomplishments. They were told that rather, this had to do with a lack of medical support and that this initiative would be a joint project in which the mayor and staff would benefit. Once they were convinced, the project took off. (Technical Expert, Ghana)

The capacity of the beneficiary organization to commit to the project also figured strongly in the data. The engagement and motivation of beneficiaries to contribute time to the project were important contribution to success.

> The staff owned it. Some projects were snubbed but this one became incorporated into their portfolio because of the level of engagement of staff. (Project Coordinator, Sri Lanka)

The willingness to be accountable to the public was seen by most respondents as an essential part of project success for the beneficiary organization (see Boex et al. 2006; Ika and Hodgson 2014). The level of enthusiasm among a wide variety of community stakeholders to not only participate in customer feedback surveys but to see their suggestions incorporated into improved service delivery was a strong success condition for the respondents interviewed (e.g., Lusthaus et al. 1999; Venner 2015; Yalegama et al. 2016). Building trust between the community and local government took time however. It was a condition that evolved gradually as government employees were able to demonstrate that they were listening and responding to community feedback. In Indonesia, a change of library hours and library materials occurred following regular customer service surveys. In Ghana, feedback from the public health awareness campaigns led to a change in local bylaws, making mandatory the availability of water for each new school built in the district. In Sri Lanka, the results of stakeholder inputs resulted in scheduling and route changes of garbage collection services. In Vietnam, public interest in the collection of new land title data led to the creation of a city service center to provide transparent access to information that was not available before. Altogether these are other good examples of emergent success conditions.

> The pressure was coming from the community and, seeing how well the project was going, more people used the facility. It was visibly improving. (Technical Expert, Indonesia)

In summary, the above finding is also supported in the capacity building literature [see Baser and Morgan (2008), about capacity to commit and Boex et al. (2006), Lusthaus et al. (1999), and Venner (2015), about ownership, participation, and accountability].

10.3 Implementing Organization: Expertise, Stakeholder Coordination, and Conflict Management

The strongest success condition for the capacity of the implementing agency revolved around the projects' ability to bring technical expertise and build the capacity of beneficiaries. The ability of the technical experts to adapt to the beneficiary environment, remain committed and supportive, work in collaboration, and provide the appropriate tools and feedback for their partners was mentioned as an important success condition by almost all respondents. Being able to mobilize the "right" expertise to fit the needs of the beneficiaries, in particular a practitioner-to-practitioner model, was also seen by respondents as important to success.

> They (experts from Canada) knew how to sit side by side and work with their partners. They would challenge them, they would disagree with them, and they would make suggestions and follow up. (Project Manager, Vietnam)

The capacity of the project agency to attract support, mediate misunderstandings, and broker consensus among a multitude of stakeholders, enabling institutions, different levels of government, and other donors highlights areas where the implementing agency was highly effective in contributing to projects. Indeed, the projects provided the opportunity for multiple stakeholders to work together in ways they had never done before. Creating opportunities for community outreach, consultation, and public interaction were described by respondents as moments when the local government beneficiaries were able to take pride in playing an active and visible role for their community. The deliberate and consistent engagement of multiple key stakeholders, including political stakeholders, working in partnerships toward a common goal, was mentioned frequently by respondents as an important contribution to the success of the projects (e.g., Yalegama et al. 2016).

> As project staff, we ensured that both departments were informed and we coordinated the people that had to come together to get things done. Working with the political leadership, which can be frustrating, was also something that the project staff were responsible for. (Project Coordinator, Sri Lanka)

The above findings are also supported in the literature [see Datta et al. (2012), about the skills and abilities of implementers and multi-actor engagement and dialogue].

10.4 Monitoring and Motivation

Respondents mentioned monitoring for its ability to demonstrate the concrete next steps to take toward addressing the local government challenge (e.g., Baser and Morgan 2008; Ika et al. 2012; Yamin and Sim 2016). This led to an increase in motivation by the beneficiaries and increased the credibility of the beneficiaries in their community and with elected officials. Monitoring was often as simple as planned regular visits to revise step-by-step objectives, but it could also be more elaborate. The Ghana project created a monitoring committee to ensure proper adaptation of hand-washing training modules; the Indonesia project applied extensive customer feedback surveys; the Sri Lanka project allowed a local university to evaluate their efforts on behalf of community stakeholders; and in Vietnam, the project beneficiaries were in the habit of presenting results during their local government council meetings on a regular basis. The ability to see and demonstrate early successes was also seen as an important motivator for beneficiaries. This description of project monitoring by respondents, not only as a demonstration of progress toward final results but as a tool to motivate beneficiaries, broker commitment, and maintain proper alignment with community stakeholder needs (e.g., Ika 2012), was an interesting subtlety that emerged during the project implementation as an emergent success condition. Indeed, Datta et al. (2012, p. 14) wrote: "In many cases, unanticipated results or insights may prove more important to capacity development process than what was 'planned.'"

> As the teachers monitored progress using the tools, the monitoring provided an incentive to perform well in order to achieve success. (Technical Expert, Ghana)

This monitoring finding is consistent with the literature. Furthermore, monitoring and evaluation serve numerous purposes in a capacity building project: accountability to donor, learning and improvement, local accountability, adaptive management, strategic thinking, and organizational credibility (Baser and Morgan 2008).

10.5 Workshop Findings: Framework Conditions

To validate the findings above, especially the framework conditions perceived as *less* important, a 1.5-h workshop brought together seven project practitioners from the implementing agency.

While the participants found the framework conditions truly reflective of their project management practice, they agreed that weak results on structural conditions like legal and regulatory frameworks (C1.1), financial resources other than the funding agency's (C1.2), and institutional conditions for the beneficiary like capability to manage diversity (C2.2.4) and capability to adapt knowledge/skills (C2.2.5) were likely due to the smaller sample size of some categories of interviewees. For example, had more project beneficiaries been interviewed, capability to manage diversity, although difficult to measure, would have been stronger. The weak result on institutional conditions for the implementing agency in the area of experience in the country and knowledge of context (C3.1) did not strike the workshop participants as surprising. They stated that full understanding of the country context was not feasible with the limited time frame of the projects (2–5 years). Workshop participants pointed to the importance of strong local stakeholders and project adaptability to make up for this "context" knowledge gap.

Table 6 Meta-conditions for success

Meta-conditions (100% respondents indicated conditions enabled project success)	Process (how conditions are achieved)	Application
Multi-stakeholder commitment	Attainability of objectives (strengthened commitment)	Attainability of objectives *Break down objectives, make them attainable; regular engagement*
	Demonstrating project value (strengthened commitment)	Demonstrating project value *Build narrative; provide tools; create sharing opportunities*
Collaboration	Ability of stakeholders (enabled effective collaboration)	Ability of stakeholders *Complementary teams; mutual accountability through joint ownership*
	Inclusiveness (enabled effective collaboration)	Inclusiveness *Create spaces for interaction; mediate tension; facilitate partnerships*
Alignment	Planning and design (contributed to alignment)	Planning and design *Plan incrementally; involve implementing stakeholders in design and planning stages*
	Mutual interest (contributed to alignment)	Mutual interest *Find the win-win scenario for multiple key stakeholders; timing*
Adaptation	Monitoring (contributed to adaptation)	Monitoring *Observe for opportunities and risks; act in a timely manner*
	Support (contributed to adaptation)	Support *Motivate; advise; facilitate; provide guidance*

Authors' own table

11 The Meta-conditions: Findings and Discussion

To complement the deductive exploratory process described above, an inductive cross-case analysis was also applied to identify any new patterns in the data. The authors focused on common conditions identified by all (100%) of the interview respondents as success conditions that came up from the data. As a guide to draw out the circumstances behind the framework (the literature-based) success conditions, categories relating to who, when, how, and why were coded. The authors distinguished between answers that spoke to a reason (why), a process (how), points in time (when), and stakeholder engagement (who). For example, interview data mentioning the contribution of the mayor of a municipality to project success was recoded as a subcategory under stakeholders. As a result, four new conditions emerged strongly. Table 6 below illustrates these meta-conditions and provides additional context on how projects could create and manage the conditions over time.

11.1 Multi-stakeholder Commitment

The commitment condition captures responses that speak to the motivation, engagement, participation, and ownership of the projects on the part of project stakeholders. This commitment condition shows the importance of not only one committed project champion but multiple committed project champions, all playing a unique role in the success of the project. In all four projects studied, the involvement of political champions, beneficiary champions, community champions, Canadian technical experts, other stakeholders (i.e., associations or academic institutions), and project management staff created a depth of resources working toward common results. Somewhat like an orchestra playing a musical score, if some of the instruments happen to falter, other instruments can continue carrying the tune. In Sri Lanka, when the political champions faced reelection, the technical champions and project staff helped carry the project temporarily until new political champions were engaged. In Vietnam, when the beneficiary champions were not able to move forward for regulatory reasons, the local government association stepped in and engaged key political stakeholders who resolved the issue and cleared the path for the project to continue. This finding is supported in the literature. For example, Datta et al. (2012) emphasized multi-actor engagement and dialogue for capacity building projects, and Yalegama et al. (2016) also highlighted the importance of engagement in the development project management process.

Respondents described the application of regular engagement mechanisms to fuel the commitment of a variety of stakeholders. Activities like study tours, open houses, knowledge-sharing workshops, and regular check-in meetings with mayors and/or community leaders (e.g., Bloomfield et al. 2018) were seen as effective ways of reminding stakeholders of project progress and project value. The ability of beneficiaries to demonstrate the value of their projects to the community, city councils, universities, higher levels of government, and donors was mentioned by respondents as an indicator of ownership and increased capacity. The project and project managers contributed to this condition by helping stakeholders build a narrative that helped beneficiaries tell their story. The project provided the communication or marketing tools, the venues, and the network to enable partners to share their successes among peers and colleagues.

The select following quotes are expressions of the multi-stakeholder commitment condition:

> A committed mayor is night and day to the success of the project. If a mayor isn't committed to the idea and doesn't take ownership of it then the chances of success are very low. (Project Manager, Sri Lanka)

> One thing that helped was that the province took an interest in the property titles aspect of the project. They understood that what we were developing would go faster than the central government's ability to bring a solution. The province really helped by giving the city approval to move forward using a different method of collecting land data. (Technical Expert, Vietnam)

11.2 Collaboration (Teamwork)

The collaboration condition captures interview responses that mention the coordination, quality, and ability of team members to work together to achieve the project objective. The collaboration condition demonstrates the importance of early participatory design mechanisms to generate feelings of ownership, trust, and partnership. Success was achieved by bringing together diverse high-functioning teams of stakeholders dedicated to implementing project goals. Respondents also mentioned the importance of consensus and joint ownership on the part of all team members to build mutual accountability around expected outcomes. Illustrating this point, the following quotes are from two respondents:

> The project should have a good team to implement the ideas. I have seen many ideas but to implement them requires a team to organize the work. (Project Coordinator, Vietnam)

> There was excellent collaboration between city staff and experts. Ideas and strategies were not imposed. There was a high sense of ownership. (Project Coordinator, Ghana)

The strong collaborative spirit built trust and, in some cases, helped provide access to information, people, and networks that other much larger donors could not obtain. This finding adds some context in support of Diallo and Thuillier's (2005) work on trust and communication being a critical project success factor. Notably, the core implementing teams in all four projects were described by respondents as stable. The experts and key implementing beneficiaries were consistent throughout the project despite considerable turnover with political stakeholders and project management staff. This suggests the importance of getting the core team "right" very early in the implementation process. By taking advantage of the ability of stakeholders and by being inclusive and participative, the project obtained and maintained the collaboration condition.

Effective communication mechanisms also figured strongly as a means of obtaining and maintaining the condition although it should be noted that two of the projects were faced with significant linguistic hurdles and lacked quality translators. The quality of the expertise, mutual accountability, and consensus around the goal overcame linguistic hurdles. Finally, the project and project managers contributed to the condition by creating safe spaces for feedback, helping mediate tensions, or simply creating new opportunities for collaboration among stakeholders that have never had a reason to collaborate before.

Overall, the collaboration meta-condition finds support in the literature. For example, Datta et al. (2012) emphasized consultant-client relations, fostering trust and openness among actors, and the ability to listen and observe effectively, which are all key for a successful collaboration.

11.3 Alignment (Compatibility, Fit)

The alignment condition captures interview responses that mention the compatibility and fit of the project theme within the environment. This includes not only the environment of the beneficiaries but also the environment of the implementing agency, the enabling institutions, and higher levels of government. The alignment condition demonstrates the importance of personal and organizational interests in the final outcome of the project. When project staff, experts, and beneficiaries are faced with competing work priorities, this mutual interest, understanding, or compatibility among a multitude of key stakeholders can help provide momentum and contextual fit for a target project objective. This is reflected in the quote below:

> We integrated the project so the basic needs of the country were met, the donor needs were met, the provincial authorities were on board, and the cities developed their own priorities. We impacted a greater distance. (Project Manager, Indonesia)

This finding is also supported in the literature. Yalegama et al. (2016) mentioned "enabling environment" as a critical success factor for development projects, and Ika et al. (2012) and Ika (2015) noted that project alignment should be obtained in the front end of the project and in particular in the project initiation phase. For capacity building projects specifically, Venner (2015) highlighted the critical role of the "enabling environment." And Lusthaus et al. (1999) stressed the importance of the relationship of the project to the environment and thus the consideration of all contextual elements and linkages between multiple stakeholders in an all-inclusive capacity building strategy.

However, project alignment can only be truly ascertained as a project evolves and stakeholders begin to interact. This alignment-by-evolution process highlights the importance of a project's ability to take an experimental approach in both project design and implementation. This process is consistent with the incremental/experimental approach suggested by Baser and Morgan (2008) and Hobbes (2014) and is captured by the following quote:

> At one point we said wait, let's test this in one district first. It was easier to control and it was a good idea. We got good results. It helped clarify a few things and they were able to expand it. (Technical Expert, Sri Lanka)

The alignment condition will shift throughout the course of the project; therefore designing mechanisms to maintain alignment is equally important. The project obtained and maintained the alignment condition through a fit with multiple stakeholder interests and multi-stakeholder planning/design. Respondents gave an interesting perspective on the role of local coordinators (we note that coordination has been shown as a critical success factor for ID projects; see Ika et al. 2012; Ika 2015). Coordinators provided real-time information that project managers could then use to ensure the project continued to stay strategically positioned. Assigning a more strategic role to the local coordinator is an interesting project management approach that surfaced in this research. Involving the coordinators in this role however requires including them in the early design process of the projects. Typically in ID projects, coordinators are not involved in the early design stage. This research highlights an additional strategic value of involving the coordinators in this early role.

11.4 Adaptation

The adaptation condition captures interview responses that mention how the project managed to obtain/maintain a compatible fit with its environment and what resources were brought in to do so. Unlike the alignment condition above, which addresses more strategic positioning, this condition addresses the flexibility of project structures allowing it to evolve and adjust over time. Adaptation is all about the project's ability to monitor not only risk but also opportunity and be able to act on information in a timely manner. Indeed, as Lusthaus et al. (1999) note: "capacity is not a stable target: people change and contexts change" (p. 16). Monitoring for opportunity and risk is best done by those closest to project implementation (e.g., Ika 2012). It requires an intimate knowledge of the local context, sector context, and project management approach [see Datta et al. (2012), about capacity building projects]. This supports the recruitment and training of more experienced local project coordinators. These coordinators are best positioned to provide critical real-time information to project directors who may be located off-site or frequently travelling. It also makes a case for decentralized authority structures to allow project staff to act on information in a timely manner.

The adaptability of the implementing agency came through primarily in comments around the ability of the project team to act independently to find solutions to problems. Teams were given the space to design innovative solutions to challenges and adjust the plan as new opportunities emerged.

> We felt the staff had confidence in us and we had the flexibility to capitalise on opportunities. We had lots of room to maneuver and we could adapt the project as we went along to match the evolution of the government and context. (Technical Expert, Vietnam)

> At one point the city lacked funding to continue the land information system. The Mayor of Nam Dinh at the time sat down and spoke with the World Bank and the Swiss Development Cooperation who were also working in the city at the time. He arranged for a meeting to discuss how they could support the completion of the land information management system. In the end the Swiss supported the land surveying and the World Bank provided the equipment, the Canadians continued to provide the expertise. (Project Coordinator, Vietnam)

The projects obtained and maintained the adaptation condition through monitoring and support mechanisms that they used to fit the changing circumstances. The ability to act on new ideas was encouraged in all four projects. Interestingly, the responses to questions around project adaptability were less about resources or management processes but more about the management styles of the project staff (Shenhar and Dvir 2007). More specifically, project adaptability appeared to be linked to the ability of project staff to motivate and empower teams, facilitate

Table 7 Links between framework conditions and meta-conditions

Meta-conditions	Process (how meta-conditions are achieved)	Link to the framework conditions (% of respondent answers)			
		Structural context	Beneficiary institution	Project institution	Project management
Multi-stake-holder commitment	Attainability of objectives (strengthened commitment)	1 (5%)	6 (30%)	12 (60%)	12 (60%)
	Demonstrating project value (strengthened commitment)	2 (10%)	**16 (80%)**	9 (45%)	4 (20%)
Collaboration	Ability of stakeholders (enabled effective collaboration)	1 (5%)	13 (65%)	**16 (80%)**	8 (40%)
	Inclusiveness (enabled effective collaboration)	1 (5%)	12 (60%)	**18 (90%)**	11 (55%)
Alignment	Design (contributed to alignment)	5 (25%)	5 (25%)	9 (45%)	**15 (75%)**
	Mutual interest (contributed to alignment)	**17 (85%)**	7 (35%)	13 (65%)	6 (30%)
Adaptation	Monitoring (contributed to adaptation)	1 (5%)	9 (45%)	**15 (75%)**	**16 (80%)**
	Support (contributed to adaptation)	7 (35%)	9 (45%)	**19 (95%)**	**17 (85%)**

[a]These percentages are not meant to support any statistical test of hypotheses but are offered as an indicator of the overall perceived importance of a particular success condition
Authors' own table

relationships, provide guidance, solve problems, be resourceful, and act quickly. It was less about physical resources and more about providing the right mix of structure, flexibility, and learning while doing (Korten 1980; Ika 2012; Ramalingam 2013).

Overall, the adaptation meta-condition is supported in the literature. For example, Datta et al. (2012) promoted a flexible project management approach where capacity building becomes a voyage of discovery (Hirschman 1967) and where monitoring becomes an opportunity to test project assumptions, detect both errors and successes, give voice to stakeholders, explicitly promote learning and reflection, adjust the initial plan as necessary, and steer the project toward success.

Table 7 demonstrates the link between the meta-conditions and the framework conditions. By cross referencing the framework responses with the responses that were coded to the meta-conditions, a picture of why, how, and who contributes to project success appears. To illustrate the strongest framework contributing conditions, a threshold of 70% was used and highlighted in Table 7.

11.5 Workshop Findings: Meta-conditions

To apply the meta-conditions to current management practice, a 1.5-h workshop brought together seven project practitioners from the implementing agency.

The reaction by workshop participants to the four meta-conditions was positive. When asked to apply the conditions to a current project, one participant stated she could see immediately in which area her current project was struggling. Workshop participants unanimously agreed that for local government development projects to be considered a success, high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation are not only *likely to be present* (as the researchers initially suggested) but they are in fact *necessary* for a project to be considered a success.

12 Implications for Theory and Practice

12.1 Implications for Theory

Overall, this chapter makes five key contributions to the capacity building and development literatures. Firstly, the chapter offers a rather timely project management contribution to capacity building theory and practice. Secondly, by conceptualizing project success as a multidimensional and strategic concept, the research shows that in capacity building projects, deliverable success is the top success dimension and, thus, criteria such as impact, sustainability, and relevance override others such as time, cost, and objectives (project management success) (Datta et al. 2012). Thus, it contributes to the capacity building and development literatures.

Thirdly, by going beyond the lists of project success factors and highlighting the importance of structural, institutional, and managerial success *conditions* (Turner 2004; Wateridge 1995), the research provides more contextual information around already identified success factors such as supervision, monitoring, design, coordination, consultations, understanding the project environment, and competency of project staff. We know that macroeconomic, institutional, and project characteristics matter for the bottom line of projects, at least from a microeconomic perspective (e.g., Chauvet et al. 2010). Now, from a managerial perspective, the research highlights the contextual environment as structural conditions; accountability and public participation, beneficiary institution capacity, and implementing organization capacity as institutional conditions; and leadership, monitoring, design, and stakeholder coordination as project management conditions.

Fourthly, the paper identifies multi-stakeholder commitment, collaboration, alignment, and adaptation as meta-conditions and, thus, proposes that high levels of these are necessary for capacity building projects to succeed; these four meta-conditions not only capture the structural, institutional, and project management conditions above, but they also clearly link the aforementioned success factors with project context; hence, the research also adds to the literature.

Fifthly and lastly, the research adds support to the Hirschman's (1967) idea that there are both initial success conditions (success conditions that would "occur in advance of the project") and emergent conditions (the success conditions that would occur "in the wake of the project") (p. 146). Multi-stakeholder commitment and alignment could both occur in advance, while collaboration and adaptation could both occur in the wake of the project. However, as Hirschman (1967) notes, we are confronted with the "essence of the project design dilemma": we do not know whether it is realistic to expect success conditions to "occur in advance or in the wake of the project." (p. 146). Thus, to account for both initial and emergent success conditions, instead of asking what are the conditions that enable project success, we should henceforth ask: What is occurring in the capacity building project setting that prompts us to believe that project success will occur?

12.2 Implications for Practice

As mentioned above, this research proposes that high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation are necessary for capacity building projects to succeed. In a manner similar to other professions like meteorology or medicine, project management can also benefit from the use of "diagnostic" conditions to gauge the state of their projects and make changes to increase the likelihood of a positive outcome. Capacity building project managers can use the presence or absence of the conditions to assess the likelihood that success will (or will not) occur and adjust their project practice accordingly. For instance, the presence of strong alignment and adaptability conditions may indicate the possibility of novel adjustments to changing environmental circumstances or, as mentioned earlier, indicate the potential of a capacity building project to expand or scale out; the presence of strong commitment and collaboration conditions may indicate opportunities for beneficiary ownership of a potential developmental change. Through the identification of meta-conditions, the research has elicited practical knowledge around project success and a more user-friendly set of success conditions that can be applied and designed into future capacity building projects.

Let's take, for example, Khang and Moe's success factor "effective stakeholder consultations." How does this factor *really* contribute to project success? The results of this paper tell us the following: consultations will better align the capacity building project to meet the needs of multiple stakeholders (alignment), consultations will help build trust and enable innovative problem-solving (collaboration), consultations can improve stakeholder buy-in and ownership of the project (commitment), and consultations will help mitigate risk (adaptation). Additionally, information about who should be consulted also provides more practical insight for the development project manager. In the case of local government projects, this chapter finds that consultations should include beneficiary staff, political champions, and various community stakeholders as each group contributes differently to the success conditions listed above. With this further understanding on how consultations contribute to project success, capacity building project managers can now conceptualize activities and target stakeholders to enable the success conditions.

Let's take another Khang and Moe example, the success factor "competency of project staff," or Datta et al.'s (2012) success factor "right skills and abilities for implementers." This paper provided additional information on which competencies led to successful projects including, the ability to manage diversity, the ability to engage stakeholders, the ability to troubleshoot concrete solutions to complex problems, the ability to apply the appropriate guidance or structure, and finally the ability to foster learning and leadership. Using this knowledge, capacity building project managers can select their staff, project experts, and potential beneficiaries in a way that will enable project success.

Furthermore, in this research, Datta et al.'s (2012) and Ika et al.'s (2012) success factor "monitoring" emerged not only as a compliance instrument but as an interesting motivational tool for project stakeholders. Monitoring also emerged as an important contributor to project flexibility by providing managers with the information needed to adapt their projects accordingly. Ika et al.'s (2012) success factor "design" contributed strongly to the alignment condition, illustrating how early planning with the right stakeholders does indeed help strategically position the project within the broader environment when done well. Diallo and Thuillier's (2005) "trust and communication" success factors were also further contextualized in this paper. Positive trust and communication develop through collaboration, teamwork, and interaction. A project manager can apply techniques and design activities to enable positive interactions that build trust, knowing that these interactions are fundamental to the successful emergence of new ideas and solutions leading to development. Finally, we note that the results of our research were enough to generate two internal workshop discussions around success conditions for the implementing agency's overall portfolio of international programs.

The meta-conditions that emerged in this paper provide future project managers working on local government capacity building projects with more contextual information on the stakeholders and processes that help spark success. Successful approaches, techniques, and processes were identified to increase beneficiary ownership, project relevance, impact, and sustainability. Practical insight into management practices (i.e., participatory design, incremental planning, enabling organizational involvement, etc.) that lead to success can now be applied in future capacity building project contexts.

The research also provided a snapshot of success conditions from a range of project stakeholders. The beneficiary institutions brought leadership, commitment, and the motivation to change. The implementing agency created the "umbrella" space enabling project success to occur by managing a multitude of stakeholders and introducing new ones, providing the right expertise, and maintaining project momentum through project management support. Enabling institutions helped mitigate risk, broaden impact, and improve chances for sustainability. Thus, knowledge on the specific technical capacities of project beneficiaries, project technical experts,

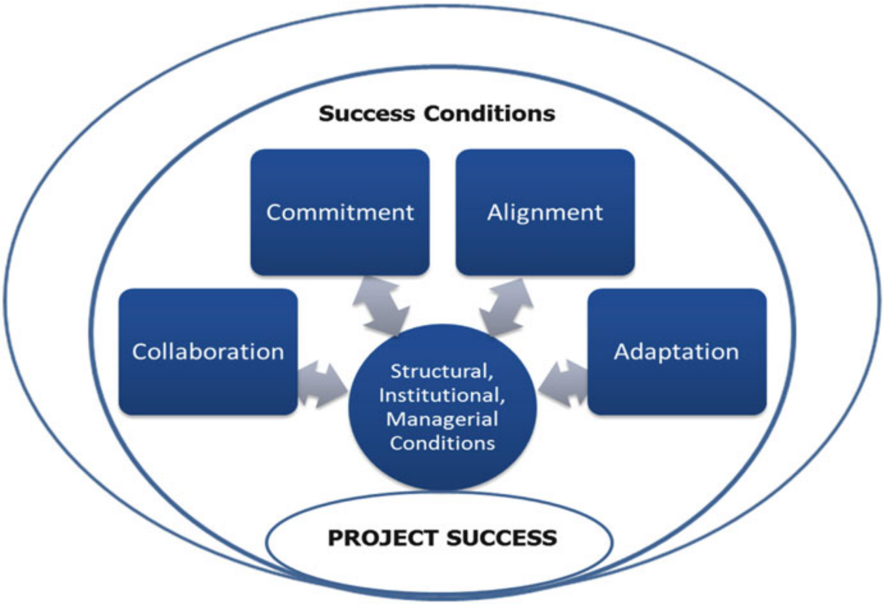

Fig. 2 Measurement framework for capacity building project success conditions (Adapted from Ika and Donnelly 2017)

and project staff also figured prominently in this research. Leadership ability and project management skills were two competency areas that emerged as strong contributors to project success. Project management training and leadership ability (i.e., fostering interaction, communication, and consensus; effectively navigating unpredictability; diagnosing situations quickly; changing, adapting, and developing new approaches on the fly; building and contributing to high-performance self-managing teams; etc.) are recommendations emerging from this research. Increasing leadership and project management training for project beneficiaries may contribute significantly to project success. By further understanding the relationship between project setting and project success, project managers can more readily identify which techniques, abilities, and stakeholders are contributing to (or hindering) the capacity building project, and they can adjust their management approach accordingly. Figure 2 displays our final framework for measuring capacity building project success conditions.

13 Limitations and Outlook

This research focused on most successful *versus* less successful projects, not successful projects *versus* failed projects as would have been ideal to avoid any success bias. A comparative study on project failures vs. project successes would strengthen the validity of the findings. Additionally, the research limited the case sample data to four projects funded by the same agency in one implementing organization. Increasing the number of case projects across a variety of organizations would lead to a more robust contribution to project management research. The research was also limited with its thematic focus. Case samples were all local government capacity building projects, and it is likely not all conditions or sub-conditions would apply in different thematic or organizational contexts. The research collected data primarily from project managers and technical experts. A more diverse sample of interview respondents, including additional project beneficiaries and donor agency supervisors, would have added variety to the perspectives of a project's success. Also, by broadening the scope of the research, new success conditions could be identified. Moreover, additional research on the interplay between project settings, initial success conditions, emergent success conditions, and their influences on project success dimensions would add to the findings. Finally, considering the inherent complexity of capacity building projects (Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999; Morgan 1998; Venner 2015), future research might examine capacity building projects from a complex adaptive lens and use sensitivity to initial conditions and emergence as theoretical base for shedding light on project success conditions (see McEvoy et al. 2016; Ramalingam 2013).

14 Conclusion

"Without capacity, there is no development" (De Grauwe 2009). Without a clear understanding of context, there is no capacity building (Bloomfield et al. 2018; Datta et al. 2012; Lusthaus et al. 1999; and Venner 2015). Without a better understanding of project success conditions, there is no capacity building. Thus, in this chapter, which reports and expands on the findings of Ika and Donnelly's (2017) paper, we set out to identify, from a project management's perspective, the right circumstances under which capacity building projects thrive. To that end, we analyzed success criteria and conditions of four local government capacity building projects in four countries: Ghana, Indonesia, Sri Lanka, and Vietnam. Opening the project management "black box" then and triangulating the data from 20 interviews (from a range of project practitioners) with written project documentation, we learned that these circumstances that could enable capacity building project success include structural, institutional, and project management conditions. More specifically, these positive circumstances are as follows: structural *conditions*, contextual environment and accountability/public participation; *institutional conditions*, beneficiary institution capacity and implementing organization capacity; and finally *project management conditions*, leadership, monitoring, design, and stakeholder coordination. We called them the "framework conditions" as we derived them from the literature.

The chapter also differentiated between initial success conditions, i.e., success conditions that occurred in advance of the project and emergent success conditions, i.e., those that occurred in the wake of the project. Then, the chapter drew out another set of success conditions that came up from the data. We named them "meta-conditions" as they appeared to incorporate not only the structural, institutional, and project management conditions but also provided a stronger link between project context and success factors such as supervision, monitoring, design, coordination, consultations, understanding the project environment, and competency of project staff. Thus, we proposed that high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation are necessary for capacity building projects to thrive. We also showed that to obtain and maintain these meta-conditions, proper attention should be given to attainability of objectives and demonstrating value; ability of stakeholders and inclusiveness; planning/design and mutual interest; and monitoring and support.

Broadening the contextual scope of project management research and measuring projects within the project context provide an interesting perspective on the nature of project contributions to the development process. While using projects (small, temporary endeavors) as delivery mechanisms to drive development seemed somewhat questionable and counterintuitive [e.g., Lusthaus et al. (1999), for capacity building projects], the research findings have left the authors with the impression that, although projects do not have the necessary control or influence to "drive" development, they are indeed quite well suited to "trigger" development. Using an analogy, if the process of development is like an uncontrollable fire, projects can be thought of as highly specialized sparks. Projects cannot necessarily control the direction or the strength of the development, but projects can certainly initiate a chain reaction. The observation that projects best serve development initiatives when viewed as highly specialized catalysts for development repositions the focus of performance measurement on the enabling mechanisms for development (and less on final results). This also supports the notion that performance measurement should indeed focus much more on the conditions that enable development (e.g., Baser and Morgan 2008). Through a deeper understanding of these conditions, project managers can increase the likelihood that their spark will result in a fire. Thus, we put the ability of projects to deliver into context and praise their power to trigger development through understanding project settings and the positive circumstances under which projects thrive in particular. Are researchers and practitioners up to the task?

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Capacity Building for Africa's Transformation: A Review of Priorities and Research Needs

Thomas Munthali, Barassou Diawara, and Athanas Zimhunga

Abstract Since the 2000s, Africa's economic growth has on average increased by more than 5% annually, outpacing most other regions of the world. While it is widely agreed that Africa made significant progress in terms of growth in the last 15 years, there are still some impediments to achieving its full development potential. To keep the development momentum and sustain the achievements, socio-economic transformation has become the main focus of African countries at the continental, regional, and national levels. The importance is to ensure that structural transformation is embedded in the continental (Agenda 2063 and Agenda 2030), regional, and national development plans/strategies. However, evidence points to one key issue that needs to be addressed if Africa is to unlock its full development potential—the capacity to plan, implement, monitor, and evaluate the development strategies. Building of such capacity will require change in mind-set at all levels with regard to doing business unusual.

This chapter sheds light on the status of Africa's capacity development landscape while paying attention to the priorities and research needs of the continent. Various assessments, reports, studies, and surveys conducted by ACBF and other capacity development institutions show that while capacity to plan is advancing, there remains huge capacity challenges with regard to financing and implementation of development programs across countries. The Africa Capacity Report (ACR 2015) highlights that capacity, in its various dimensions, is still a problem for the continent,

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with 73.3% of African countries having medium capacity (73.3) due largely to implementation capacity issues.

The paper therefore points out four priority research gap areas: how to effect a positive mind-set change, how to achieve economic diversification through resource-based industrialization, what works in domestic resource mobilization, and strategies for sustainable creation, utilization, retention, and harmonization of skills—including tapping on diaspora.

The chapter finally discusses the role of capacity building institutions such as the African Capacity Building Foundation (ACBF) and other stakeholders in coordinating the operationalization of the capacity building research agenda on the continent.

1 Introduction

Africa—despite noticeable differences across regions and countries—has enjoyed high economic growth levels since the early 2000s. Growth over the past decade and half has been on average more than five percent, outpacing most other regions of the world (ACBF 2014; AfDB et al. 2015). But in spite of this good performance, impediments to achieving the continent's full development potential persist. The performance has not been accompanied by broad-based social progress nor by a socio-economic transformation of the African economies. Indeed, to make significant progress in reducing poverty, Africa needs to sustain average growth rates of about 7% for decades, accompanied by an investment level of some 25% of GDP (Clarke 2013). Thus, although the continent has an expanding middle class, unemployment remains a key constraint for large swathes of the population, accompanied by high levels of inequality and large numbers of people living in absolute poverty (ECA 2016). Besides the issues related to youth unemployment, climate change, and gender inequality are additional critical challenges being faced by Africa.

The crucial question is therefore what needs to happen to enable African countries deliver on their transformative agenda. One key issue that needs to be addressed is how best to enhance the capacity to plan, implement, monitor, and evaluate the many development strategies. To build such capacity will require not only a general change in mind-set with regard to doing business but also the enhancement of institutional and human capacities. A recent study on the capacity requirements for Agenda 2063 recommends paying special attention to the transformative capacity (i.e., transformative leadership, change readiness, ability for mind-set shifts, technological predisposition, innovations, and invention commitments) for the successful implementation of the Vision (ACBF 2016b). Previous research shows that the capacities needed for Africa's development include the ability to manage and negotiate conflicts and ensure stability that can attract economic activity and investment; the policies and programs to transform agriculture and guarantee food security; the skills, competences, and decision-making systems, as well as processes to decide on investment priorities; the skills, competences, as well as systems for data collection and analysis; and the mechanisms and practices to engage civil society, the private sector, and the international community on development issues (Léautier

2014; Léautier and Mutahakana 2012). Moreover, in the context of African Regional Economic Communities (RECs), the capacities identified for the transformation of the continent are around policy and strategy, monitoring and evaluation, statistics, resource mobilization, and human resources development (ACBF 2016c).

Capacity development—defined as "the process by which people, organizations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time" (ACBF 2014, p. 50)—needs a special attention. It involves increasing the educational, economic, social, political, gender, or spiritual strength of an individual, group, or society (Ebert and Griffin 2015). It is however to be noted that a nation needs to also focus more on which development policies and investments work best to strengthen the abilities, networks, skills, and knowledge base (Mankiw 2012).

While it is recognized in the development community that without adequate capacity, development objectives and aspirations cannot be realized, relatively little research has been conducted on the country-level capacities in Africa. Previous studies on the capacities of African countries in delivering on the continent's transformative agenda have mostly focused on the organizational level as the entry point for capacity development programs and initiatives (Babu and Sengupta 2006). Research on capacity-related issues are largely conducted in the contexts of development projects and programs, suggesting an inadequate approach to guide holistic and country-level capacity as a crucial investment goal for development (Eicher 2004; ACBF 2011).

Given that the success of major development plans and strategies depends on adequate national capacity, a look at the cross-country-level capacity becomes an important exercise to ensure that African economies are well-equipped to deliver on their ambitious development objectives—as stipulated in Agenda 2063 and the sustainable development goals (SDGs). This chapter draws extensively on work done by capacity building institutions in Africa (ACBF 2011, 2012, 2013, 2014, 2015a, b, 2017a), looking at the country-level and the holistic view of capacity while shying away from the program- or project-related approach to capacity largely discussed in the literature.

The aim of this chapter is to look at what Africa needs with respect to capacity building to achieve its transformative agenda in light of the recent developments related to the implementation of Agenda 2063 and the SDGs. In particular, the chapter sheds light on the status of Africa's capacity development landscape, in particular focusing on the priorities and research needs of the continent. It mainly draws on the various assessments, reports, studies, and surveys conducted by the African Capacity Building Foundation (ACBF) and other capacity development institutions in Africa (ACBF 2011, 2012, 2013, 2014, 2015a, b, 2017a; Nnadozie et al. 2017). This chapter therefore fills an important research gap—focusing on programs-related capacities—by offering a broader view of capacity issues requiring the attention of African countries and their development partners. This will provide a common denominator for all countries while serving as a starting point for joint capacity development interventions and research agenda in Africa.

The remainder of the chapter is as follows. Section 2 provides a conceptual discussion of how capacity development links to transformation. Section 3 reviews the literature related to the evolution of capacity development in the context of Africa's transformation agenda. Section 4 discusses Africa's development landscape and issues around socio-economic transformation, highlighting the role of capacity development in Africa's transformational agenda. Section 5 analyzes the critical capacity needs and priorities for Africa's socio-economic transformation. Section 6 identifies specific knowledge and research gaps which might require the attention of researchers and development specialists. Section 7 discusses issues related to implementation, indigenous capacity and institutions, and learning for Africa's socio-economic transformation. The last section concludes the chapter and discusses the role of capacity building coordinating institutions in filling the capacity gap.

2 Linking Capacity Development to Transformation

2.1 State of Capacity in Africa

Capacity, in its various dimensions, is still a problem for the continent. This is demonstrated by the Africa Capacity Index (ACI)—aimed at assessing and measuring the state of capacity in African countries—published by ACBF since 2011. The ACI is a composite index computed from four subindices, or clusters, each of which is an aggregated measure calculated from both a quantitative and qualitative assessment of various components. Sub-measures are generated using cluster analysis, and the clusters cover the following four dimensions: policy environment, processes for implementation, development results at country level, and capacity development outcomes.

The "policy environment" cluster examines the conditions that must be in place to make development possible, with particular emphasis on effective and development-oriented organizations and institutional frameworks. The "processes for implementation" cluster assesses the extent to which the countries are prepared to deliver results and outcomes. This dimension is concerned with the creation of an environment that motivates and supports individuals, the capacity to manage relations with key stakeholders inclusively and constructively, and the capacity to establish appropriate frameworks for managing policies, strategies, programs, and projects. Equally important are processes for designing, implementing, and managing national development strategies to produce socially inclusive development outcomes. The "development results at country level" cluster refers to tangible outputs that encourage development. The cluster's main components are coordination of support to capacity development, creativity and innovation, success in implementing the Global Partnership for Effective Development Cooperation, gender equality, and social inclusion and partnering for capacity development. The "capacity development outcomes" cluster measures change in the human condition, with some of the indicators captured through the financial commitment to capacity development (ACBF 2017a).

Cluster indices are the arithmetic mean of their underlying variables, and the ACI is a harmonically weighted aggregation of the four cluster indices.[1] All the data that serve to compute the various indicators are obtained through annual country surveys—questionnaires are administered in African countries for the collect of data at the country level covering all four clusters.[2,3] A key challenge associated with the in-country data and the ACI is the difficulty in collecting all information and data (including the financial and human resources) on all the projects and programs on capacity development for each of the countries and development programs.

The challenges notwithstanding the ACI can help to provide a good picture of the state of capacity in each of the African countries covered. The results for 2017 (Table 1) show that the ACI ranges from 33.1 (Central African Republic) to 71.6 (Morocco), with the majority of countries having medium capacity levels (index values between 40 and 60). Moreover, the results also show that there are no countries at the extremes of capacity (very low or very high). The table also shows that there are nine countries in the high category and that no countries are in the very low category. More effort is therefore required for countries to move into the very high bracket (the ACI values of 80 and above). Of the 44 countries surveyed, most (75.0%) fall within the medium bracket, 20.5% are in the high bracket, and 4.5% are in the low bracket.

2.2 *Transformation in Africa: An Overview*

Since the 1990s, African economies have sustained a solid pace of economic growth. This encouraging economic performance in the continent's history is a welcome change but masks a number of challenges some of which being country or region specific. This recent economic growth is usually termed as "growth without employment or transformation," "growth with inequality," or "growth with poverty" in the sense that the overall high economic growth experienced by African countries did

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[1]The ACI composite index is the harmonic mean of the four cluster indices. It is computed as follows:

$$\mathrm{ACI} = \frac{1}{\frac{1}{4}\sum_{\alpha=1}^{\alpha=4}\frac{1}{\mathrm{CLI}_\alpha}}$$

where CLI stands for the cluster index α ($\alpha = 1, 2, 3, 4$) which is the arithmetic mean of the variables within that cluster.

[2]The country-level surveys are conducted using a national familiar with the country context, invited to a 2-day training session on the ACI survey instrument; following which he/she conducts the administration of the questionnaire—getting the required responses from various institutions, stakeholders, development partners, and reports.

[3]See ACBF (2017a) and previous Africa Capacity Reports (2011 to 2017) for more information on the methodology and the various data related to the Africa Capacity Index (http://elibrary.acbfpact.org/).

Table 1 The 2017 Africa capacity index

Capacity level	Country	ACI 2017 value	Capacity level	Country	ACI 2017 value
High	Morocco	71.6	Medium	Benin	52.6
	Tanzania	68.8		Gabon	52.3
	Rwanda	68.2		Zambia	52.3
	Mauritius	67.3		Djibouti	51.5
	Cabo Verde	62.6		South Africa	51.1
	Tunisia	62.6		Mozambique	50.8
	Gambia	61.7		Madagascar	50.7
	Mali	61.0		Togo	50.4
	Malawi	60.7		Guinea	50.1
Medium	Burkina Faso	58.8		Senegal	49.0
	Niger	57.4		Cameroon	47.3
	Liberia	57.1		Chad	46.4
	Ethiopia	56.5		Zimbabwe	46.3
	Namibia	56.2		Comoros	45.9
	Lesotho	56.1		Botswana	44.1
	Egypt	55.8		Côte d'Ivoire	43.6
	Kenya	55.2		Nigeria	43.4
	Ghana	54.1		Congo, Rep. of	43.1
	Uganda	54.0		Guinea-Bissau	41.8
	Burundi	53.4		Mauritania	40.8
	Sierra Leone	53.3	Low	Eswatini	35.3
	Algeria	53.2		Central African Rep.	33.1

Source: ACBF (2017a)

not have a significant impact neither on employment nor on inequality/poverty reduction (Arndt et al. 2016; Chandy 2015; Hanson and Léautier 2013). Among the other challenges are the number of countries in transition/fragile states, the infrastructure deficits, the slow regional integration process, and the low level of domestic resource mobilization. Structural transformation of African economies is therefore needed to ensure that economic growth will be sustainable and beneficial to all actors and sectors (de Vries et al. 2015). Most African countries have dualistic economies characterized by a shrinking/small formal sector and expanding informal sector. Transforming these economies requires capacity to develop vibrant private enterprises including small micro-medium-scale enterprises and transitioning from informality to formality.

Transformation presumes a falling share of agriculture in economic output and employment, a rising share of urban economic activity in industry and modern services, migration of rural workers to urban settings, and a demographic transition in birth and death rates that always leads to a spurt in population growth before a new

Table 2 Contribution of agriculture, industry, and services to GDP in sub-Saharan Africa and other developing regions

	1970	1980	1990	2000	2010	2012
Agriculture, value added (% of GDP)						
Latin America and Caribbean (all income levels)	12.91	10.07	8.76	5.38	5.34	5.32
Sub-Saharan Africa (all income levels)	19.67	18.19	20.71	17.44	14.84	14.40
East Asia and Pacific (all income levels)	17.42	12.28	9.84	5.85	4.27	NA
Industry, value added (% of GDP)						
Latin America and Caribbean (all income levels)	34.98	37.84	34.99	32.53	33.32	31.76
Sub-Saharan Africa (all income levels)	31.21	38.31	34.26	34.08	29.04	28.74
East Asia and Pacific (all income levels)	39.41	40.90	38.18	35.08	33.50	NA
Services, etc., value added (% of GDP)						
Latin America and Caribbean (all income levels)	52.25	52.18	56.33	62.09	61.34	62.92
Sub-Saharan Africa (all income levels)	49.12	44.77	45.19	48.48	56.12	56.90
East Asia and Pacific (all income levels)	43.17	46.82	51.97	59.06	62.23	NA

Source: World Development Indicators Online Database

equilibrium is reached (Timmer 2008). Evidence shows that the pace of transformation in Africa is relatively slow. The sub-Saharan African countries' agricultural share of GDP has slightly decreased since the 1960s. The value added of the agriculture sector (percentage of GDP) has declined from 21.74% in 1965 to 14.40% in 2012. The latest figures for the value added in the agriculture sector (percentage of GDP) for regions such as Latin America and the Caribbean and East Asia and the Pacific are all not more than 5% (see Table 2).

Though the share of agriculture in GDP has decreased since the 1960s—as required and experienced in case of transformation—the sector remains the main source of employment in sub-Saharan Africa (see Fig. 1). In 1960, the agriculture sector was the largest employer representing more than 70% of the total employment while the services sector occupied only 18%. In 2010, the share has changed but the ranking is still the same as in the 1960s: the agriculture sector continues to be the largest employer with approximately 50% (and even higher in most countries), followed by the services sector (37%). The industry sector has the lowest share of employment.

For Africa's transformation to be a success, there is need for agricultural development in the sense that the evidence shows that early withdrawal of public support away from agriculture has slowed down transformation, and the resulting inequalities are recognized as a persistent development challenge (Breisinger and Diao 2008). Transformation also depends on industrialization strategies, but it is shown that winner-picking industrialization negatively affects other aspects of development, whereas homegrown, export-oriented industrialization led by private entrepreneurs offers broader opportunities for sustainable growth (Breisinger and Diao 2008).

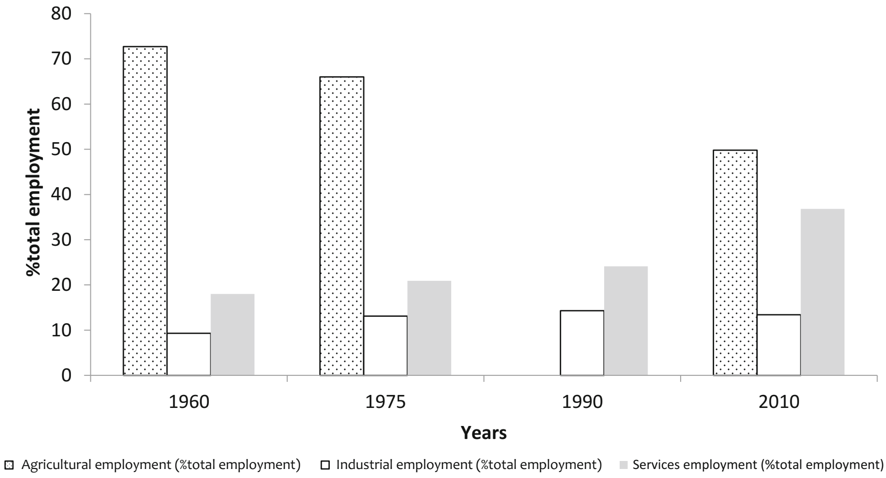

Fig. 1 Employment across the sectors (percent of total employment), sub-Saharan Africa, 1960–2010. Source: de Vries et al. (2013)

For transformative capacity to take place, special attention should be paid to technical skills and attitudinal change. Technical skills should be built based on the identified priorities of the continent. Among these are natural resource management, food security, infrastructure, financial sector development, private sector development, and domestic resource mobilization. Africa still borrows from external skills in the whole value chain of the listed priorities. Attitudinal capacities are necessary not only to "get things done" but also to get them done in a way that contributes to the structural transformation of African economies (ACBF 2016b, d).

2.3 *Capacity Development and Transformation: Brief Review of the Literature*

The literature on capacity development is vast, much of it focused on the needs and purposes of organizations—the ability of institutions to identify and solve development problems over time (UNDP 1995). Despite the challenges, there is general agreement that capacity development is the key to transformation (Fukuda-Parr et al. 2002). The latter relies on specific capacities ranging from skills and policies for effective deployment of domestic and external resources, formulation of policies, and implementation of programs to harness opportunities in a globalized knowledge economy (Léautier 2014).

One of the theories relating capacity development and transformation is that of coevolutionary dynamics. The concept refers to "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat et al. 2007, p. 1). It relates to the competence to coevolve the capacity to learn, develop, or discover new assets and transform existing assets (Teece 2009). It requires ideas from coevolutionary dynamics to determine how to appropriately match capabilities of the state to the challenges facing it.

Given the context of African countries which are endowed with natural resources, this theory would be most useful. In particular, it is relevant for resources-rich countries but with weak capacity to manage their overall development process. Countries have experienced diverse development trajectories, and the literature has shown the long-term impact of initial institutional setups and learning dynamics in societies (Abramovitz 1986). This concept is also referred as "dynamic policy capacity" which means being able to analyze, design, implement, evaluate, learn, and adapt policies and programs that transform economies (Léautier 2014).

Attempts have also been made to link capacity development and transformation through the concept of sustainability and equity. Dibie (2014) and Helpman (2004) highlighted that the major principles by which capacity development may create positive impact on people's life and well-being are in the areas of sustainability and equity. In fact, the underlying assumption is that capacity development is about who, how, and where the decisions are made, management takes place, services are delivered, and results are monitored and evaluated—the reason being that the overarching ends are human well-being supported by capability and livelihood. Capacity building for a society or nation can enhance the ability of citizens to become more economically and socially secured and be able to contribute effectively to the sustainable development process of African countries (Dibie et al. 2015).

The framework proposed by Chambers (2005) captures well the link between capacities and transformation. The latter requires commitment, vision of leadership, viable institutions, as well as material, financial, and skilled human resources. Figure 2 describes capacity development as a process of change and the systematic management of transformation. It therefore involves the transformation of peoples, institutional, and society's capacity (Fukuda-Parr et al. 2002; ACBF 2014).

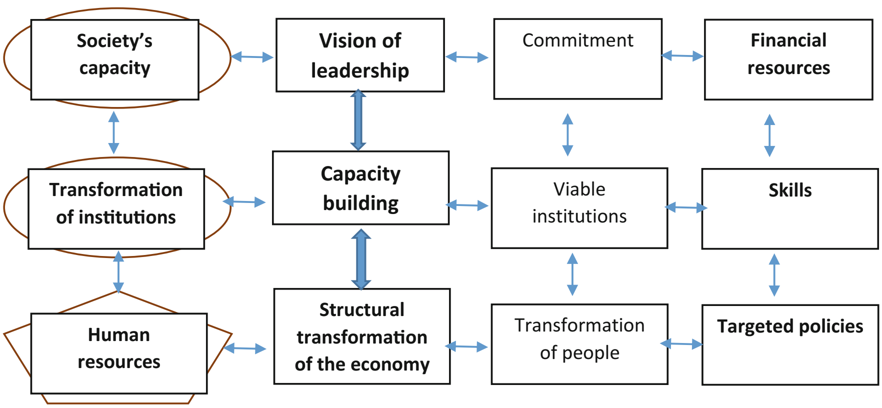

Fig. 2 Capacity development and economic transformation. Source: Chambers (2005)

There is enough empirical evidence suggesting that countries that have improved their capacity to solve societal problems have higher levels of income and better capacity to deliver on their development outcomes (Desai et al. 2002). Babu and Sengupta (2006) have illustrated the important role of capacity in economic transformation, taking into account various indicators and proxies for capacity development. The findings show without equivocation that higher domestic capacity results in better governance and better implementation of programs and policies that promote economic growth, reduce poverty and hunger, and ensure socio-economic transformation.

While there are various definitions and approaches linking capacity development with transformation, it is unanimous that capacity development is arguably one of the central development challenges of the day. All approaches highlighted its importance as an imperative for economic survival in today's knowledge-based market environment. The bottom line and line of thinking throughout this paper is that for individuals, institutions, and societies, the relationship between capacity development and transformation represents a continuous process of learning and relearning—from each other and from the world around them.

3 Evolution of Capacity Development in the Transformation Agenda

3.1 Evolution of Approaches

Capacity development has been emerging as a central approach within development for more than two decades. The various approaches of the past are building blocks, all of which are still in place. It is important to note that capacity development has not replaced aid, technical assistance, or technical cooperation. Its introduction alongside those other approaches has brought about a paradigm shift for development. However, it is to be noted that the overall paradigm is now very complex, with many different sometimes conflicting component parts and actors.

In the early stages of capacity development in the 1970s, emphasis was put on development administration and human resources development. The focus was on people, on the importance of education, and later on the emergence of people-centered development. Between 1980s and 1990s, the focus was broadened to sector-specific level and recognized the importance of key stakeholders such as governments, nongovernmental organizations, the private sector, networks, and the external environment. In the 1960s and 1970s, there was a shift from establishing to strengthening institutions, and the proposed tools were expected to improve performance. However, the capacity building approach had one key missing link: it was not evidence based. Learning Network on Capacity Development identified several challenges in the early capacity development approaches. Greater focus was put on investment not results but financing—which has been a challenge. African countries accumulated debts and over-relied on foreign aid which is unsustainable. But because African countries have realized that these sources of funds are unsustainable, most of them have now emphasized on the importance of domestic resource mobilization (ACBF 2015a).

Practical approaches to capacity development have been evolving since the 1950s (Table 3). While in the early years they focused on transposing models copied directly from developed countries, more recent years have focused on partnership, networking, results-based management, long-term sustainability, and socio-economic transformation. The chronological evolution of capacity development can be classified into four broad approaches, namely, development aid, technical assistance, technical cooperation, and capacity development. While development aid has the advantage of focusing more on investment and reporting, the approach has some disadvantages mainly in terms of mounting debt, dependence on foreign aid, and projects' closure when funding runs out. The technical assistance while bringing onboard frontier knowledge and updated expertise has been criticized for its heavy dependence on foreign experts, the expertise not being always transferred to locals, possible ignorance of local realities, and the unequal relationship between developed and developing countries. The technical cooperation has the advantage of enhancing local expertise while being more in line with local priorities and goals. However, being driven by outside forces, opportunities are missed to develop local institutions and strengthen local capacities. The currently ongoing approach of capacity development makes the most of local resources—people, skills, technologies, and institutions—and builds on these. Such approach favors sustainable change; takes an inclusive approach in addressing issues of power inequality in relations between rich and poor, mainstream, and marginalized (countries, groups, and individuals); emphasizes deep, lasting transformations through policy and institutional reforms; and values "best fit" for the context (UNDP 2009). More recently (2000s, 2010s, and beyond), emphases are put on the global agendas (SDGs as driving force) and leadership as well as the use of countries' systems and resources.

Not only have the approaches evolved but the actors also. For example, in Africa, many actors with varying interventional focus are involved in building capacity across the continent. The African Capacity Building Foundation (ACBF), for instance, strengthens human and institutional capacity and has been enhancing the capacity of state and non-state actors in Africa since 1991. Among other actors, the World Bank covers virtually all countries while the International Monetary Fund (IMF) focuses on strengthening countries' public finances and macroeconomic capacity. The African Development Bank (AfDB) supports all development sectors in its member countries. Continent-wide institutions such as the United Nations Economic Commission for Africa (ECA) and the New Partnership for Africa's Development Planning and Coordinating Agency (NEPAD Agency) also develop capacity, focusing on structural transformation and policy implementation (ACBF 2014).

Table 3 Evolution of approaches to capacity building since the 1950s

Decade	Terminology	Approaches
1950s–1960s	Institution building	Provision of public-sector institutions Design of functioning organizations Focus on individual organizations Models transplanted from North Training in Northern universities
1960s–1970s	Institutional strengthening	Strengthening and restructuring of existing local institutions Focus still on individual organizations Tools to improve performance Training in the North Redesign of administrative systems
1970s	Development management	Reaching out to neglected target groups Improved delivery systems and public programs to reach target groups
1980s	Institutional development	People-focused development Education, health, population—key sectors Sustainability Organization and management
1980s–1990s	New institutionalism	Structural adjustment, policy reform, governance paradigm Capacity building broadened to sector level (government, private, NGOs) New focus on networks More attention paid to external environment and national economic behavior Shift from project to program focus Concern with sustainability of capacity building
1990s	Capacity development	Reassessment of technical cooperation Donor discussions on capacity building Coalescing of different ideas around capacity building Emergence of importance of local ownership Participatory approaches seen as key
2000s	Capacity development/knowledge networks	MDGs key driver Increased participation in capacity building Spread of ICT-based knowledge networks Emphasis on ongoing learning and adaptation Systems approaches and emerging talk of complex systems Balancing results-based management and long-term sustainability More emphasis on needs assessment/analysis Increased donor coordination Concern with securing long-term donor investments
2010s and beyond	Capacity development/socio-economic transformation	SDGs as agenda Capacity development recognized as a success factor for global and continental agendas Visionary and transformative leadership as well as change readiness crucial for socio-economic

(continued)

Table 3 (continued)

Decade	Terminology	Approaches
		transformation Concerns with climate change and new security threats Emergence of new global players versus traditional donors Funding as a key issues—increased focus on domestic resource mobilization Importance of private sector in supporting and contributing to capacity development interventions Leaning and partnership Recognizing the importance of local knowledge and capacity

Source: Adapted from Lusthaus et al. (1999), Farrell (2007), Girgis (2007), ACBF (2014)

3.2 *Diversity of Actors*

Capacity building is a complex issue and delivering it requires a multiplicity of actors, the complementarity of efforts, and a pooling of resources. Various bodies and institutions (think tanks, universities, ministries, development agencies, civil society organizations, etc.), at the international, continental, regional, national, local, and community levels, do intervene in the area of capacity building. The results however could be enhanced. The main continental organizations bringing support (financial and/or technical) to capacity building are ACBF, the AfDB, the IMF, the NEPAD Agency (now, the African Union Development Agency, AUDA), the United Nations Development Programme (UNDP), the ECA, and the World Bank (see Table 4).

The diversity of actors in Africa reflects the developmental backlogs necessitating various capacity development interventions and support. To tackle the challenges and meet the deficits, a larger pool of actors would be required, including the international development partners. The existence of this large and diverse number of capacity development actors allows African countries to leverage a greater comparative advantage for its socio-economic transformation. The diversity of actors again calls for the necessity and importance of coordination in the field of capacity development in Africa—to direct various partners in specific strategic sectors in order to avoid overlaps. Given the capacity deficits and challenges, all players need to get involved, with African capacity building institutions such as ACBF—with required experience and expertise and recognized as specialized technical agency for the continent—taking the leadership to coordinate, guide, and realize the desired benefits.

Table 4 Major continental players in the capacity development landscape in Africa

Major continental players	Approaches and interventions
1. **ACBF**: Established on February 9, 1991, ACBF was the culmination of intense efforts and groundbreaking commitment to capacity building in Africa by Africa Governors of the World Bank, the World Bank itself, and the co-founding institutions—the AfDB and the UNDP—as well as numerous other organizations and individuals. It is the African Union's Specialized Agency for Capacity Development	• Development of projects and programs to build and strengthen human and institutional capacity for development management and poverty reduction in sub-Saharan Africa • Historically focused on six core competence areas, namely: (a) economic policy analysis and management, (b) financial management and accountability, (c) public administration and management, (d) strengthening of national statistics, (e) strengthening of policy analysis capacity of national parliaments, and (f) the professionalization of the voices of the private sector and civil society • ACBF's current strategy supports capacity building initiatives in Africa in three ways: (1) financial investments to capacity building institutions; (2) technical assistance for capacity building projects and programs to formulate, implement, and monitor policies at national and regional levels; and (3) knowledge and learning activities
2. **AfDB**: The Bank established and operates the African Development Fund (ADF). The fund contributes to promotion of economic and social development in 40 least developed African countries	• Providing concessional funding for projects and programs • Technical assistance for studies and capacity building activities
3. **The IMF**: The IMF makes an important contribution to capacity building through actions, for a wide range of African public bodies, which go far beyond loans to institutions and debt relief efforts	• Offering economic training by the IMF's Institute. Over the last 20 years (2011), more than 3000 African civil servants have participated to the IMF's Institute • Technical assistance, which aims to respond to the various needs expressed by member states (public finance, currency and exchange, statistics) • Periodic consultations with member states on issues related both to a detailed analysis of the economy, the examination of possible options, and the formulation of action to be taken • Dialogue with countries which presides over the formulation and the monitoring of programs supported by the IMF
4. **NEPAD**: It has established a capacity development program (CDP), which is understood to be African owned and driven. NEPAD has consequently developed a Capacity Development Strategic Framework (CDSF) to address the capacity needs of the continent	• Leadership and citizenship transformation • Knowledge and innovation based on evidence: Utilizing skills and resources • Developing the capacity of capacity developers: integrated planning and implementation for results
5. **UNDP**: The agency has well-developed program that supports capacity development	• Makes the most of local resources and builds on these

(continued)

Table 4 (continued)

Major continental players	Approaches and interventions
initiatives of national governments, civil society organizations, independent national and regional institutions and other stakeholders through advocacy, policy advisory, and implementation services. UNDP operates 45 country offices in the region, in addition to regional bureau office and headquarters in Addis Ababa	• Favors sustainable change • Takes an inclusive approach (countries, groups, and individuals) • Emphasizes deep, lasting transformations through policy and institutional reforms • Values "best fit" for the context over "best practice" as one size does not fit all
6. **UNECA**: Its capacity development program benefits African governments, intergovernmental organizations, and institutions in the promotion of industrialization, design and implementation of macroeconomic policy, and design and articulation of development planning, supporting mineral resources contract negotiations and promoting the proper management of natural resources for Africa's transformation	• Technical advisory services • Formulation and promotion of development assistance programs • Acting as the executing agency for relevant operational projects • Provision of specialized regional advisory services and capacity development support
7. **The World Bank**: The Bank has made its support for capacity building in Africa more relevant by extending its traditional focus beyond building organizations and individual skills to strengthening institutions and demand for improved public services and by shifting to programmatic support. At the center of the several interventions by the Bank in Africa lies the focus on governance and public-sector capacity—arguably Africa's major constraint Greater attention is given to building the capacity of the legislative and judicial branches of government, as well as sub-national governments	• Strengthening accountability at all levels of society • Introduce models of social accountability, most of which involve increasing citizens' access to information through use of citizen report cards, public expenditure tracking surveys, and NGO monitoring of projects • Building statistical capacity • Building media capacity and greater engagement with them • Build the capacity of different actors so they can more effectively hold decision-makers accountable • In public sector, building public expenditure management systems and strengthening the incentives within the civil service for performance

Source: Authors' compilation based on various sources

4 Capacity Development for Africa's Transformation: Some Key Issues

Recent analysis points to the great strides Africa is making with regard to development and strong economic growth. Nevertheless, capacity development remains high on the list of the continent's foremost challenges (ACBF 2015a). In African countries, capacity development in the context of its structural transformation has been generally difficult to achieve due to a number of constraints highlighted by various authors and institutions (Rutherford 2001; Kufoniyi et al. 2002; ACBF 2016b).

4.1 Insufficient Resources for Capacity Development Initiatives

One of the critical issues has to do with the availability of resources for capacity development initiatives. The limited resources allocated to capacity building programs and projects compete with resources used for achieving the agreed development outcomes such as the provision of basic services (health, education, and poverty reduction programs). Due to various bottlenecks—such as unfavorable work conditions and low incentives—the majority of African countries (75.0% of the economies surveyed in 2017) are experiencing medium capacity (ACBF 2017a). Some sources even considered a decrease in terms of capacity. For instance, the World Bank Africa Governors agreed that almost every African country has witnessed systematic erosion in capacity during the last 30 years and the majority had better capacity during independence than what they possess in the last decade (van de Walle 2001).

The case of ACBF, exclusively created and mandated to build capacities in Africa, can serve as an illustration of the relatively few resources allocated to capacity strengthening on the continent. ACBF has invested in over 321 capacity development projects and committed more than USD700 million to capacity development in Africa. While the investments have significantly improved capacities on the continent, it is to be noted that financing of capacity building initiatives is inadequate, unpredictable, and unsustainable. Since its creation in 1991 and throughout all its phases and strategic plans, ACBF has never received the required and estimated resources for its capacity building programs and projects. For instance, targets in Phases I and II which represented the pledges made by member countries and development partners were never met. Moreover, for the Third Strategic Medium-Term Plan (SMTP III) 2012–2016 as well, the target which represented the ideal financing for ACBF to execute all programs and projects was never reached. For the period 2012–2016, the financing gap represented approximately two-third of the commitments made by countries and development partners (Fig. 3).

4.2 Low Levels and Ineffective Utilization of Capacity

Another issue related to capacity development in Africa is associated with the relatively low levels of capacity combined with its ineffective utilization. The lower levels of capacity as shown by the ACI (see ACBF 2017a, b) that are inherent in many countries, including the various national institutions, further aggravate the problem of capacity utilization. Due to the fire-fighting nature of the capacity development projects and programs directly supported by (external) international development partners, systematic planning and utilization of Africa's existing capacity has been poor. Key to the transformational agenda of the continent is mind-set change and quality leadership which are necessary to assist countries to

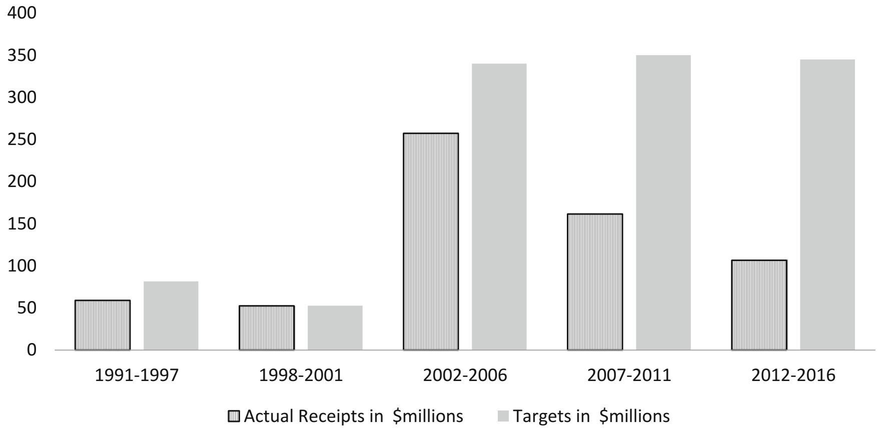

Fig. 3 Financing of the ACBF, 1991–2016. Source: Authors' own construction based on various documents from ACBF (2017b) [ACBF Strategic Medium-Term Plan I, 2002–2006; ACBF Strategic Medium-Term Plan II, 2007–2011; ACBF Strategic Medium-Term Plan III, 2012–2016; ACBF Annual Reports 2008 to 2015 available at http://bit.ly/2wIFeK0]

effectively transform their existing capacity to provide better outcomes through improved organizational and management skills (ACBF 2016b). Lower levels of capacity combined with ineffective utilization has resulted in limited impact of existing human and institutional capacities (Babu and Sengupta 2006).

The development, use, and retention of capacities are critically important for the achievement of all the objectives set at the local, national, regional, and continental levels. The generation and development of critical technical skills across the continent have been identified as one of the essential drivers for the successful implementation of the continental strategy, especially the First Ten-Year Implementation Plan of Agenda 2063 (ACBF 2016b). Attention and efforts as well as capacity development interventions must therefore be placed on the best ways and means to promote systematic and sustainable development, use, and retention of skills across African countries.

4.3 Effective Implementation of Continental Initiatives

Some other issues highlighted as capacity imperatives for implementing Agenda 2063 First Ten Years and contributing to regional and continental operational and related capacity challenges include (1) insufficient involvement of non-state actors, especially youth, women, and other stakeholders in the African Union and RECs' processes; (2) insufficient demonstration of a strong Pan-African spirit; (3) limited sharing and exchange of information, with each institution/organ working as an independent entity; (4) slow implementation and insufficient results-driven approaches; (5) insufficient decision-making effectiveness; (6) too little decentralization; (7) slow and bureaucratic work approaches and operation methods; (8) insufficient change-driven abilities and desire for innovation; and (9) too few transformative leaders and managers.

Another initiative which needs some comments, especially with respect to the capacity issues, is the Capacity Development Results Framework (known as CDRF or the Framework). It is recognized as an approach for the design, implementation, monitoring, management, and evaluation of development programs and projects (Otoo et al. 2009). A key feature of the Framework is its focus on capacity factors compromising the achievement of development goals and on how learning can be designed to ensure locally driven change. The CDRF addresses some criticisms of the capacity development work, including the lack of clear definitions, coherent conceptual frameworks, and effective monitoring and evaluation of development results. It is also to be noted that the proposed framework seems to accommodate a broad range of situations and approaches to change management. However, it is critical that all key actors in the change process be identified and offered the knowledge and tools required to achieve the desired goals (Otoo et al. 2009; African Union and NEPAD Agency 2010). The CDRF proposes an approach through four main stages, involving various steps, including the identification and needs assessment, the program design, the implementation and monitoring, and the completion and assessment. Although the proposed steps are used in practice for capacity development programs, the Framework has the advantage of collating disparate information and proposing a common and systematic approach to the identification, design, and monitoring and evaluation of learning for capacity development.

4.4 Disconnect with Local Priorities

Many projects initiated externally were implemented but disconnected from the local goals and national priorities, hence the lack of local ownership. The projects used to end when the grants run out. Africans did not have the expertise, neither were the expertise transferred to locals nor do the external models reflect the local realities. The question is whether the existing capacities are being recognized and whether the existing capacities enable individuals and organizations to perform well in what they want to achieve. Moreover, are these development interventions based on evidence, are the capacity development approaches appropriate, and is capacity considered a critical issue? If so, which capacities are prioritized, and are they indeed the real pressing capacity issues in Africa? The reflections suggest the need for Africa to tackle capacity issues at all levels in a more coordinated manner since the initial capacity development attempts had limitations which amounted to failure to bring the intended development outcomes. The African Union Commission's Strategic Plan 2014–2017 agreed upon by the African Union Assembly during its 21st Ordinary Session in May 2013 stipulated eight priority areas for the Commission, including capacity development focusing on various key sectors. Recognizing the importance of evidence-based planning[4] (Strydom et al. 2010; Cronin and Sadan 2015) in capacity development led to many international organizations, civil societies, governments, and other institutions such as the UNDP, the World Bank, the Organisation for Economic Co-operation and Development, the Swedish International Development Cooperation Agency, and the Development Assistance Committee to embrace capacity development as one key solution to Africa's development challenges.

Thus, based on the evolution of capacity development, Africa is in dire need of capacity development evidence-based planning—ensuring that the planned activities are linked to end results (Strydom, et al. 2010; Cronin and Sadan 2015). With the challenges affecting the continent, it is inevitable to have development priorities that are demand driven. Thus, the essential entry point is to address the critical capacity needs—the missing link.

5 Understanding the Missing Link: Africa's Critical Capacity Needs and Priorities

The Africa Capacity Report 2017 highlights that capacity, in its various dimensions, is still a problem for the continent. The Report shows that the bulk of African countries have medium capacity (75%) with 20.5% in the high bracket, while 4.5% are in the low bracket. This is both with regard to policy design and implementation—the deficits being mostly on the latter (ACBF 2017a).

While it is widely argued that Africa lacks the capacities to drive its development agenda, it is also important to identify the capacities needed for the continent's transformation. The continent's priorities are derived from the aspirations outlined in the African Union Agenda 2063, the United Nations' SDGs, and other local, national, and regional development priorities. A study by ACBF on the capacity imperatives for the successful implementation of Agenda 2063 identified four capacity clusters (ACBF 2016b). These are (1) operational capacity for organizations, which includes institutional capacity, human capacity, systems and work processes, and information access and knowledge; (2) change and transformative capacities, such as transformative leadership (including visioning); change readiness, ability for mind-set shifts, and technological predisposition, innovation, and invention commitments; (3) composite capacity categories, including strategic planning; critical/strategic thinking and results-based management; process facilitation and organizational skills; knowledge systems to drive change/transformation; organizational and coordination capability; program development, project planning, and implementation; financing ownership and mobilization of domestic resources;

[4]Evidence-based planning refers to the use of knowledge gained from data and information to optimize the planning process and improve results.

leveraging of assets; and (4) critical, technical, and sector-specific skills prevalent in infrastructure and social sectors.

Agenda 2063, Africa's development blueprint, requires successful implementation underpinned by the critical technical and sector-specific skills in the first 10 years. Consultations done with key capacity development stakeholders on the continent show that emphasis must be placed on developing the critical technical skills and institutions required to implement development agendas and address development challenges in order to maximize impact and create multiplier effects in Africa's development arena. Among the eight priorities contained in Agenda 2063, developing the critical technical skills is a prerequisite for the flagship programs of the First Ten Year Implementation Plan especially in science, technology, engineering, and mathematics (ACBF 2016b).

Africa also requires well-functioning institutions which are both efficient and effective. The implication for the implementation of Agenda 2063 is that existing institutions and systems at the national, regional, and continental levels should be strengthened and play a leading role in supporting Africa's development. Thus, Africa's institutions need to (1) aim at contributing to the achievement of the objectives of Agenda 2063; (2) nurture and harness strategic leadership at all levels; (3) contribute to infrastructure development and financing while improving the business environment; (4) have hard and fast rules and transparent and unambiguous legal frameworks, which bind the institutions' agendas to the continent's development frameworks; (5) have clear institutional linkages with relevant national agencies, stakeholders, and other institutions for a functioning inter-institutional interaction and synergy; (6) facilitate inclusiveness and cater for the differentiated needs and aspirations of its current and future actors and beneficiaries; and (7) improve productivity and competitiveness based on technology upgrading and enhanced human, institutional, and soft and societal capacities.

At the country level, capacity building efforts supported by the Kenya Institute for Public Policy Research and Analysis (KIPPRA) is used to illustrate some of the key capacity needs and priorities. One challenge in capacity building efforts concerns frequent job reassignment of government officials. An official who is trained to work on the macroeconomic model, for example, may be transferred to another division within government even before utilizing the skills gained. This is an institutional problem that needs to be evaluated so as to help build sustainable capacity for policy analysis in government. In terms of capacity building for the private sector, KIPPRA was instrumental in the establishment of the Kenya Private Sector Alliance (KEPSA). However, the Institute has not done much capacity building for this sector due to resource constraints and also because the private sector in Kenya is still not properly structured. It would be important to strengthen the top management of the umbrella private sector association before any structured capacity building can be conducted (Abagi 2014).

Experience from continental capacity building institutions such as ACBF shows that public-private sector interface represents a priority as being an important way of strengthening the role of the public sector in achieving sustainable development. Through ACBF support to the public-private interface, public institutions have effectively engaged non-state actors through dialogue, smart partnership, and constructive interfacing to reach a common understanding on development strategies, policies, and programs as well as implementation mechanisms with the aim of maximizing growth, reducing poverty, and fulfilling social responsibility (Olowu and Sako 2002). This has also enhanced the capacity of civil society to impact positively on the effectiveness and quality of public policies and service delivery promoting principles of accountability and transparency of the public sector. This has been the case in Zambia where ACBF has supported the Zambia Chamber of Small and Medium Business Associations (ZCMBA) in facilitating public-private engagement. This has raised the competitiveness of Zambia's private sector, increased small business owner's access to local and international markets, and facilitated the delivery of development services to small and medium enterprises.

The missing link being capacity, some research must be done to further investigate the issues raised and the challenges facing countries in the various areas. A non-exhaustive list of research areas is suggested for researchers, experts, and development analysts.

6 Knowledge and Research Gaps

The starting point for Africa is to critically analyze the capacities required for its development and transformation in each of the sectors. Capacity needs assessment, and monitoring and evaluation are necessary for the identification of critical knowledge and research gaps. To narrow the gaps and sustain the development agenda requires a long-term commitment to strengthening capability and availability of relevant, high-quality, and evidence-informed policies[5] at all levels (Urama et al. 2014). However, while Africa knows well the challenges it faces, it lacks the "how" to apply the knowledge (ACBF 2016d; Kebede et al. 2014; The Economist 2016). These gaps include (1) how to build capacity to address the challenges confronting Africa and the global economy today; (2) how to best apply the accumulation of existing knowledge to benefit Africa's development; (3) the ways and means to build, retain, and utilize the capacities on the continent; and (4) the mobilization of African resources for its transformation.

With respect to the "how," ACBF has conducted a capacity needs assessment and proposed a capacity development plan for Agenda 2063 (ACBF 2016b, 2016d). But much more granularity is needed at the country level with respect to the capacity dimensions for each of Africa's development challenges and documenting which capacity development strategies work, including how to tap into the diaspora's skills and financing capacities. Areas which need further research relate to how to build the

[5]Evidence-informed policies entitles making decisions based on knowing with an estimated degree of certainty what works, at achieving which outcomes, for which groups of people, under what conditions, over what time span, and at what costs? (UCT 2014).

required capacities for tackling climate change, youth unemployment, governance issues, and gender inequality. At a more macro-level, it is important to know how to transform low-performing and poor economies and how to reduce reliance on donor financing and associated conditionalities (ACBF 2016d).

Indeed, the diagnostic on the challenges is well documented; there is therefore no need to develop a new "canon" of what the key challenges are. They are interrelated and will occupy much of development attention, planning, and resource allocation. Even the "technical solutions" are often quite evident and well documented, while the "how" of bringing these changes about is perhaps the most challenging part. All key challenges will require specific and technical capacities. They will also require capacities related to driving the necessary change processes across continental, regional, and country levels. More attention must therefore be placed on the "how to bring the required changes" (ACBF 2017a, b; 2016d; Kebede et al. 2014; The Economist 2016).

Another area needing the attention of researchers is on "how to apply all existing knowledge to benefit Africa's development" (Kebede, et al. 2014). Such an investigation is referred in the literature as the "know-do" gap, and related to this problem is the issue of production, sharing, and translation of research evidence or knowledge into skills (The Economist 2016). A further enquiry on why some strategies work and others did not work is necessary if Africa is to transform its economies. Looking at the question could help to increase the access to and use of knowledge for better articulation of capacity development strategies and programming. In addition to address the weak capacity performance, there is need to pay attention to the ways and means for attracting, motivating, and retaining sufficient and qualified people in all sectors of the economy. The necessity of ensuring that qualified skills exist and are motivated and retained within the continent has been a clear and recurrent challenge. For instance, in 2004 and 2018, ACBF conducted a study with a view to guiding its strategies and instruments by which it can effectively contribute to the retention of well-trained and highly skilled African development management professionals, reversal of brain drain, and the utilization of skilled Africans. Central to the issues surrounding the market for skilled development management professionals in Africa are factors relating to the flight of human capital from the continent (ACBF 2004, 2018). Skills creation and more importantly their retention, utilization, harmonization, upgrading, and sustenance have been among the most important challenges faced by the continent (Sako and Ogiogio 2002; ACBF 2016b; ACBF 2018).

Some other critical research questions on unlocking Africa's economic transformation include the following: what curriculums should African universities emphasize and how to provide the requisite skills demanded for the continent's transformation agenda? How can academia effectively partner with private firms to provide the required skills? To what extent do contextual factors play some roles on the retention of skilled workers? How to encourage rural youth as well as women to actively participate in the implementation and delivery of the continental agendas? (ACBF 2016b).

A key area that requires more research is on the best ways to mobilize and utilize African resources for socio-economic transformation (ACBF 2015a). The continent has recently increased its attention to leveraging domestic resources for Africa's development agenda. Evidence has shown that the continent generates more than USD 520 billion annually from domestic taxes. Moreover, Africa earns more than USD 168 billion annually from minerals and mineral fuels with a significant potential to increase earning through better negotiated contracts. African countries hold more than USD 400 billion in international reserves in their respective central/ reserve banks. Through partnership with international actors to set up adequate frameworks and mechanisms, African countries can potentially raise additional funds, including African diaspora remittances estimated at USD 64 billion in 2013 with the potential to generate some additional USD 10 billion annually through securitization. Further potential financial resources could be generated by debt relief measures that could amount to USD 114 billion. The curtailing of illicit financial flows could make some USD 50–60 billion available for development, which has so far been lost to the continent. This shift in attention has also been reflected during the Third International Conference on Financing for Development in Addis Ababa. The challenges related to mobilizing domestic resources have a significant capacity dimension (ACBF 2015a) and merit more attention.

7 Discussions: Implementation, Indigenous Capacity and Institutions, and Learning for Africa's Transformation

Despite the differences in the African countries' contexts, culture, settings, and development levels, the lessons learned for effective and successful capacity development is that the following elements such as relevance, effectiveness, impact, sustainability, efficiency, ownership, and accountability need to be taken into account in all initiatives. Capacity for implementation which has been recognized as a key challenge (ACBF 2015b; Nnadozie et al. 2017) needs a special attention for the success and delivery of capacity development programs. To be effective, supporting capacity development therefore requires having appropriate political and social incentives and mobilizing strong political ownership and commitment (ACBF 2016a). The three key issues—implementation, local capacity and institutions, and learning—stemming from the literature review therefore need to be discussed.

The paper calls for a special attention to implementation of capacity development projects and programs. Indeed, the relatively poor capacity for implementation of development programs in general and capacity building interventions in particular calls for a prioritization of the various investments to improve service delivery mechanisms at the sub-national and local levels, enabling the provision of direct benefits for citizens' livelihoods. More importantly, there is need to ensure the availability and development of skills which include creatively working with local resources, engaging participation, mobilizing support, and successfully navigating the process of collaboration and partnership building with different stakeholders. Key to the successful implementation of interventions is a skilled and trained workforce, suggesting the development of practical and well-target skills (together with a culture of creativity) required for quality planning and effective programs and project delivery.

This paper also advocates for strong political and financial support for the development of indigenous capacities as well as the strengthening of the capacities of Pan-African capacity building institutions with the mandate and experience to intervene on the continent. So, are there cheaper, more effective, and networked approaches to capacity development support? In order to move forward and achieve a better service environment as is urgently needed, the proposal this paper is making is to pool all resources for capacity development and channel them into designated capacity development institutions. The analysis suggests three important entries for improving support to local capacity development: better analysis and understanding of local contexts as well as global dynamics, domestic resource mobilization in support of capacity development initiatives, and essential leadership orientations and mind-set change for sustainable transformation.

Equally important and as one of the key lessons that ACBF learned through experience is that capacity building requires patient capital because capacity building itself often involves a slow buildup of human and institutional enhancement that is not always demonstrable within limited time horizons. Related to this is the complexity of measuring effectiveness of interventions in capacity building (ACBF and the World Bank, forthcoming). The measurement of the impact of capacity development intervention may also be operationally difficult as one move along the input-process-output-impact continuum. Impact measurement can be relatively easier where project implementers own the project and are committed to its effective and efficient implementation and the project is located in a conducive environment. In this regard, with the pressure for measurable results, a diverging perception remains of what really represents results according to program and project holders, countries, and RECs.

Though efforts need to be done in strengthening the capacities for effective implementation, developing local capacities and institutions, and fostering learning, each of the areas may need further research adapted to the contexts of the various African countries. Capacity issues raised and the approach adopted in this chapter have the advantage of providing a picture of the challenges and what needs to be done across all African countries. However, given the diversity of the countries, there are issues specific to each country requiring well-targeted research and interventions. Country-specific analyses—which is not the scope of this paper—would help overcome such shortcoming.

8 Conclusion and Role of Capacity Development Coordinating Institutions

8.1 Conclusion

Africa has developed several development blueprints in the past decade that outline the continent's needs and priorities and if implemented could ensure that it embarks on transformation. The African Union's Agenda 2063, the United Nations' SDGs, and the RECs' development priorities all need to be factored into national development frameworks. However, Africa faces key challenge in implementing these development plans and achieving the intended results.

So what Africa needs is to develop the required human, organizational, and institutional capacities (both hard and soft). There is a general consensus that in setting priorities, emphasis should be on infrastructure development, agriculture and industry, resource mobilization, trade, and regional integration. However, the key question raised in this chapter is "how" to develop the capacities since Africa seems to generally know "what" is required.

The implication for policymakers is to start strategizing so that the missing links are dealt with. It is imperative that African governments, academia, the private sector, development partners, RECs, and capacity development institutions develop and strengthen partnerships to enhance the achievement of the transformation Agenda. Along with this, it is also important to develop strategies to train, retain, and utilize skills and other existing capacities on the African continent. Here political and financial support remains very critical for success.

This chapter has shown the capacities generally needed across all countries for Africa to realize its socio-economic transformation. What, however, needs to be addressed and researched are, among others, how to successfully implement capacity development interventions and build the required institutional capacities at the country level. Now that issues at the macro and continental level are known, investigations need to be done in the context of specific countries or regions.

8.2 Role of Capacity Building Institutions: The Case of ACBF

Capacity building institutions such as ACBF have a key role to play in continuing to support capacity building efforts for Africa's transformation, namely, through (1) the production and dissemination of timely, relevant, and fit-for-purpose knowledge especially on "how" to design and implement policies and development programs and (2) the strengthening of human and institutional capacities.

In this regard, ACBF needs to continue supporting the development of think tanks in African countries. Since its inception in 1991, ACBF has pioneered in the development of and support to think tanks across Africa that are supporting policy analysis through well-researched evidence. Today, the Foundation is supporting more than 40 think tanks which have become the first point of call for policy research products and technical advisory services by key stakeholders in the continent. This is instrumental in building capacity for policy analysis/management and therefore Africa’s transformation.

As put forward in ACBF Strategy 2017–2021, ACBF will continue to contribute to capacity building by producing and disseminating knowledge. This represents an important pillar and core area of ACBF intervention in Africa. Besides the production of various knowledge products aimed at informing policy and decision-makers on the way forward for successful and sustainable economic growth and development, ACBF will continue to produce the Africa Capacity Report. The Report provides information and evidence on the state of capacity development in Africa and gives policy recommendations on what African countries should do with regard to capacity development to ensure effective structural change and sustainable growth.

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Part II
Capacity Building in Entrepreneurship for Sustainable Development in Emerging and Developing Countries

Promoting Grassroots Entrepreneurship for Sustainable Development in the Horn of Africa

Mengsteab Tesfayohannes Beraki and Rick Lee

Abstract This paper engaged in conceptual discourse on the *HOWs* and *WHYs* of promoting entrepreneurship at a grassroots level. Dissemination of a popular entrepreneurial culture in a country is one of the main driving forces of achieving accelerated economic development. The paper mainly focuses on the Horn of Africa (HoA) countries. The discussion deals with what types of capacity a country needs to do to promote grassroots entrepreneurship as an effective tool for faster growth and reduction of poverty. The most effective nation-building process, among others, emanates from establishing entrepreneurship culture nationally particularly at the grassroots level. HoA nations can attain faster economic growth by creating a conducive environment for their predominantly younger population to actively engage in entrepreneurial and innovation activities. This can take place only if capacity building programs in entrepreneurship are initiated. We conceptually identified and clustered the resources and capacities needed to disseminate entrepreneurship at the grassroots level. Furthermore, we proposed an array of conceptual initiatives and action plans for consideration by the HoA nations to accelerate their nation-building process by fostering entrepreneurship and innovation nationwide. Our proposed initiative and action plans are conceptual and subjective to further discussion, adaptation, and improvement to reflect the objective reality of each nation.

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1 Introduction

During the last 30 years, our world has undergone through the avalanche of socioeconomic, technological, and political changes, creative disruptions, and developmental milestones (Rodrik 2014a, b; Lin 2011). Groundbreaking technological and entrepreneurial innovations are now mushrooming everywhere, including in the vast developing world. Our planet has continued to shrink due to the impact of extraordinary developmental dynamics affecting every corner of our planet. It is nowadays more than ever that the world's population is vastly interconnected, interdependent, and increasingly integrating. Knowledge is now ubiquitous everywhere. It is now easy and convenient to acquire useful knowledge at all levels and, in fact, to acquire a cheaper one than any time due to the power and broad outreach of modern information and communication technology. It is not a miracle to see typical African or Southeast Asian farmers residing in remote and interior villages interconnected with cell phones and other wireless and wired electronic devices. This is due to the global accessibility to the satellite-based information technology facilities like the Internet and other multimedia means. Developing nations have now higher possibilities to benefit from the currently available global stock of knowledge and technological outputs. What they need to do is to build the capacity of making them capable of developing their socioeconomic position and benefiting from the available and emerging knowledge stock. These are the effective and prudent ways of improving the standard of living of their population at large. They are also instrumental in reducing the abject poverty in their midst.

This paper focuses on the Horn of Africa (HoA). Let us briefly give some anecdotal facts about the region. The HoA is one of the most geopolitically and strategically important regions of the world. In this paper, all the eight Intergovernmental Authority on Development (IGAD) member states are categorized as HoA nations. These are Djibouti, Eritrea, Ethiopia, Kenya, Somalia, the Republic of South Sudan, the Republic of Sudan, and Uganda. According to the current population estimates, the HoA nations are endowed with more than 230 million people (CIA Fact Book 2014). The region is potentially abundantly resourceful naturally, socially, environmentally, and culturally. The potential natural resources in the region are immense comprising the following: agriculture, mineral reserves, hydropower, water resources, and strategic geographical location with all its noticable impacts. Unique diversified climates and tourist attractions are also vastly available awaiting further development. The region is the home of vast archaeological sites for the earliest traces of humanity and human developmental evolution (IGAD Report 2013; Habtu 1993). The countries in the region share similarly rich cultural and linguistic heritage and socioeconomic features. However, with all these potential resources, the HoA nations' economic condition is currently among the lowest as measured by the commonly accepted economic performance indicators (Sorenson 2016; Martín et al. 2015; Golrokhian et al. 2016; Sorenson 2016). For example, the average real per capita in the region is not more than US$1300 (African Development Bank 2014; World Bank 2014). Development standard wise the countries nominally differ from one another. The role of the private sector in the national capital formation in the region is less than 15%, while the external sector (import and export) accounted for a significant portion of the gross national capital format. This is a solid evidential indicator that the productivity of the national economic sectors is weak and fragile. As has been observed in many countries (Asante 2016; Blakely and Leigh 2013; Rodrik 2014a, b; Mbaku 2013), this is a formidable bottleneck and impactful impediment for the locally instigated developmental endeavors. The potential impacts can be noticeable in various dimensions at both macro and micro levels. The role of the private sector is vital to the sustainable enhancement of the national developmental endeavors. However, if the position of the private sector is significantly weakened and has a significant role in national economic structures of any developing economy, accelerated national economic development cannot be achieved as aspired for (Anthony 2015). In the Horn of Africa, this situational scenario has created a fragile and slow economic growth. For the need to secure a sustainable socioeconomic growth, the nations need to target the critical sectors as dominant players in creating abundant social-economic values. They also need to nurture these important sectors as necessary by boosting their capacity in terms of resources and capabilities. The stakeholders can do this by: reviewing and evaluating the past performances, identifying weaknesses, and taking corrective actions. These lead to the formulation and implementation of better strategic, tactical, and operational initiatives complemented by the plan of actions at the targeted socioeconomic sectors. They need to divert their attention, particularly in those sectors with the potential of playing a pivotal role in broadly outreached capacity building endeavors.

The HoA nations are endowed with the majority of younger population. On average, more than 67% of the population is aging 30 or less (CIA Fact Book 2014, 2015). All developing and developed nations are conscious of the potential resourcefulness of their entire population. Peculiarly, the potential resourcefulness of their youth population is vast and decisive in enhancing their national developmental continuum. That is the main reason that developing nations need to give a priority to the process of securing the active participation of their youth population in the implementation of their vital development agendas. This bottom-up approach of developmental efforts has helped many emerging nations to achieve success in ensuring active popular participation at a grassroots level. The focus on enhancing the capacity of both rural and urban youth is the most important contribution to the sustainable national economic development. Many emerging nations have become successful as a result of working tirelessly to empower their youth population in education, innovation, technology, entrepreneurialism, and other vital human resources and capabilities (Dahles 2008; Kuriakose and Joseph 2016; Ali 2014; Nishida et al. 2016; Awogbenle and Iwuamadi 2010; Corduras et al. 2010; Kuada 2014; Tesfayohannes 1998). As a core contributor toward economic development, entrepreneurship and entrepreneurial innovation should be popularized broadly at all the population strata. This paper focused on the youth population. As we highlighted earlier, the youth population is the vast majority. Therefore, the HoA nations should give close attention to this segment of the population. Better skilled, motivated, educated, and innovative youth population can create economic miracles. The contribution of vastly engaged youth population to the overall socioeconomic development is cardinal. Indeed, the youth population needs to be motivated, trained, promoted, and nurtured in order to contribute to the national economy in a significant way (ILO 2015). To their credit, the HoA nations have so far taken several measures to improve the human development condition of their people. They have continued to do so. As reported, their total human development condition is generally under constant improvement. Recently, the region has continued registering favorable performances and faster economic growth. Almost in all HoA nations, a noticeable overall socioeconomic growth has been registered during the last two decades (World Bank 2013; African Development Bank 2013, 2014; IMF-World Economic Outlook 2013). Their efforts are worthy of recognition and admiration. However, it is not at the required level that can fundamentally improve and change their developmental position. Still, a lot of work should be done sustainably. For example, the estimated unemployment rate for the population is around 20–25%. However, the real youth unemployment is much higher than this estimated average (ILO 2015). This indicates that the HoA nations have a long way to significantly curb their deep-rooted socioeconomic, political, and peace and security problems (Healy 2011; Headey et al. 2012). With their potential endowments at massive scale, they need to do more in a better way. The pertinent question is: how can they benefit from these available windows of opportunities and vast know-how resources engulfing our planet? They need to continue working hard to build, empower, and streamline their productive capacity. Without building the desired capacity in the essential dimensions, it is very difficult to accelerate the dynamic development of a national economy. The *HOWs* and *WHYs* of a capacity building process should be active in their action agendas. They can do this by finding the viable means and ways of benefiting from their youth population as an important asset to a society at large. The working-age youth population represents the lion's share of the productive segment of the population in all vital developmental dimensions. One of the required action plans is the promotion of grassroots entrepreneurship and entrepreneurial innovation on a broader scale in the midst of the youth population. This will help the productive young people to acquire the desired skills and acumen that will enable them to contribute to the national economic developmental process. This ambition demands the keen interest, resourcefulness, proven governance ability, and prudence of the policy makers and other vital stakeholders, the need to meticulously engage in improving and radically changing the acute and chronic socioeconomic and political problems that are vastly surfaced in the region. As Schumpeter (1934a, b) wisely said, if nations would like to pull themselves out of poverty and backwardness, they should be able to create an ideally suitable environment that can facilitate the popularization of entrepreneurship and entrepreneurial innovation at the grassroots level. This means that they need to sediment entrepreneurial culture at the whole population in general and at the younger segment of the population in particular in broader, deeper, and dynamic fashion.

The broadly outreached entrepreneurship and entrepreneurial innovation has successfully helped many developing nations to build a dynamic and a more resourceful national economy (George 2000; Phan 2004; Saravathy 2004; Zahra et al. 2000; UNDP Human Development Report 2013; Ogundele et al. 2012). This strengthens the conclusion stating that if nations would like to register faster economic growth, they need to nurture their young population. This should be done by creating a convenient environment, especially for the youth population. Active engagement fosters value-creating economic productivity and enhances the contribution to the national economy. Nation-building process is a very intricate task with all its ups and downs and uncertainties. It demands the dissemination of the culture of innovation and entrepreneurial initiatives in the broader part of the population as a principal commitment (Sy and Director 2015; Ali and Ali 2013; Dalohoun et al. 2009; Martín et al. 2015). The HoA nations have no other option except committing themselves toward this noble purpose. It is indeed one of the main motive forces of poverty reduction and enhancing socioeconomic strength toward establishing a creative national economy.

Our paper deals with a construction of feasible and implementable conceptual framework focused on promoting entrepreneurial activities at the grassroots level. We directed our focus on the HoA nations. We constructed our proposed framework based on the following two pertinent questions: What dimensions of resources and capabilities are needed? What initiatives, action plans, and schemes should be proposed by concerned stakeholders to popularize entrepreneurship and entrepreneurial innovation at a grassroots level? We believe that our constructed framework contained helpful dimensions of relevant resources and capabilities that HoA nations should effectively utilize. We also expect them as push factors for building a solid entrepreneurship and entrepreneurial innovation culture among the youth population in particular. As we highlighted earlier, capacity upgrading is the source of socioeconomic strength and widespread innovation. We strongly advocate that promoting grassroots entrepreneurship has a pivotal role to play. This is true with the dedicated efforts of reducing poverty and despair and accelerating the socioeconomic development of HoA nations.

Our paper provided insights for the discourse focused on the creation of a conducive environment and building the desired resources and capabilities at a national level. We believe that these preconditions are vital, and they should be fulfilled beforehand. This will help to promote an entrepreneurial-geared developmental continuum. The power of entrepreneurship is one of the major driving forces of youth socioeconomic empowerment. We would like to emphasize that the purpose of our paper aims to serve as a wake-up call for the need of expanding the outreach of the entrepreneurship and entrepreneurial innovation at the grassroots level. We believe that this can be an effective means of accelerating the creative and dynamic national economy with a strong and entrepreneurial inclined private sector. The vitality of broad dissemination of entrepreneurship and entrepreneurial innovation, particularly among the younger population, has been proven effective. There are sufficient success stories of many tigers and other fast-developing countries. The HoA nations can learn lessons from the success of the tiger nations in order to do it in the best way possible for imperative reasons.

2 Literature Review

Building a strong and creative national economy demands the existence of productive, skilled, creative, active, and broadly participative population at large. This is true in all developing and developed nations. Therefore, the priority agenda should be lingered around building the productive capacity of the population in general and the youth population in special. This helps a given nation to enhance its desired resources and capabilities. This will enable them to achieve their developmental goals with effectiveness and efficiency. This issue is critical for all developing nations given the immense challenges they are facing at this time. Several previous studies highlighted that the role and broader outreach of entrepreneurship and entrepreneurial innovation are essential for the effectiveness and efficiency of wealth creation processes (Drucker 2014; Acs and Audretsch 2005; Veeraraghavan 2009; Halabisky et al. 2014; Larroulet and Couyoumdjian 2009; Abimbola et al. 2011; Antonites and Nonyane-Mathebula 2012). Rational, inclusive, and cost-effective wealth creation process is a mandatory push factor for the economic growth of nations (Carree and Thurik 2010; Schumpeter 1934a, b; Landes 1998; Antonites and Nonyane-Mathebula 2012). It is now a universal perception that entrepreneurship can offer a sustainable solution to successfully deal with the turbulence of socioeconomic and technological changes (Vanevenhoven 2013; Veeraraghavan 2009; Mason 2011; Mpeera Ntayi et al. 2013). Entrepreneurship and entrepreneurial innovation is not only about the *HOWs* and *WHYs* of creating a business venture. Rather, it should be about how we should organize today's society in its broader socioeconomic context (Brenkert 2002; Prahalad and Hammond 2002). Developing nations, in particular, should center their capacity building agenda on the multifaceted dimension of human development. Indeed, it is the creative and productive people that push forward the socioeconomic progress of any country. Therefore, the mass incubation of entrepreneurs at the grassroots level means creating jobs at a massive scale. This has a direct impact on poverty reduction and wealth creation dialectic (Heinonen and Poikkijoki 2006; Ayre and Callway 2013; Sv Gantsho and Karani 2007; McMullen 2011; Awogbenle and Iwuamadi 2010; Shane 2012). Various studies have also expressed entrepreneurial innovation at the grassroots level as an engine of socioeconomic growth (Schumpeter 1934a, b; Kirzner 1978, 1997; Knight 2012; Sv Gantsho and Karani 2007; McMullen 2011; Awogbenle and Iwuamadi 2010; Eunni and Manolova 2012). As Prahalad and Hammond (2002) rightly put it, the broader popularization of entrepreneurship and entrepreneurial innovation, particularly in the younger segment of the demographic structure, is fundamental in the developing nations like those in the HoA.

Extensive dissemination and popularization of the grassroots entrepreneurship and entrepreneurial innovation have strongly helped developmentally successful countries like South Korea, Singapore, Vietnam, and Malaysia to establish an innovative and productive population (Pereira 2007). This has become the main motive force for their success in establishing a dynamic national economy during the last 30 years. They have given a priority for the clever way of disseminating entrepreneurship and innovation at the grassroots level. The result is apparently noticeable in their current economic strength. They have already built creative and highly competitive national economies. They also successfully foster the creative capacity of the younger segment of their population.

Establishing a widespread entrepreneurial culture in the populace is necessary, especially in the developing nations (Henry et al. 2005; Matlay 2006). Nowadays, academic institutions, concerned government entities, community development centers, corporations, civil society and business community agencies, and other stakeholders have significantly augmented their involvement in promoting entrepreneurship and entrepreneurial innovation as a vital driver of private sector-led economic development.

Entrepreneurship pioneers like Schumpeter (1934a, b), Kirzner (1978, 1997), and Knight (2012) have generally discussed the conceptual approach focused on how grassroots-based entrepreneurship and entrepreneurial innovation can contribute significantly to the economy (George 2000). For example, Schumpeter emphasized the cardinal role of genuine entrepreneurs as the creative destructors of the existing equilibrium. This means that entrepreneurs should play the role of disruption and exposure of weakness in the existing system by discovering or creating a better system than the existing one. Development is continuous, and the new and the better are expected to negate the existing weak. Despite any hindrance to slow it, a developmental dynamism (as an upward spiral) is inevitably continuous. The result is, of course, the scenario of a continuous flow of opportunities. On the other side, Night and Kirzner (1997) emphasized on the role of the entrepreneur as opportunity identifier under the conditionality of uncertainty and risk. This means that, in reality, there are always unfinished, unperfected, untested, and untried phenomena expressed in terms of weakness and failures. This demonstrates a continuous need for the new and the better that demands continuous improvement. All these are triggers of identification of entrepreneurial opportunities in a deeper, broader, and dynamic environment. Entrepreneurship and entrepreneurial innovation is not only about the *HOWs* and *WHYs* of creating a business venture. Rather, it should be about how we should organize today's society in its broader context (Brenkert 2002; Isenberg 2010; Kirby 2006). The power of entrepreneurship and entrepreneurial innovation, particularly at the grassroots level, can be well aligned with the preconditions of the developmental dynamics. All these driving forces are quite helpful in facilitating the outreach down at the bottom of the socioeconomic and demographic pyramid. This attests that genuine entrepreneurs at all levels can play an important role in creating higher socioeconomic values at the grassroots level (Prahalad and Hammond 2002). Previous studies attested that there are prudent socioeconomic developmental justifications for the importance of broadly promoting the entrepreneurship culture at a grassroots level, particularly in the developing economies (Sv Gantsho and Karani 2007; McMullen 2011; Awogbenle and Iwuamadi 2010; Ahmad et al. 2010). Firstly, it is instrumental in creating jobs at the massive scale and in all socioeconomic sectors of a national economy. Massive job creation has a direct push factor for poverty reduction and societal wealth creation. Secondly, genuine entrepreneurs are problem solvers and connectors in any socioeconomic arena. Thirdly, they are the sources of innovation, creativity, and bold initiatives. Fourthly, they are promoters of private sector sustainable economic development. Entrepreneurial activity is pivotal for the continuous growth of the private sector as a means of fostering competition and economic growth (Kuriakose 2013; Liedholm and Mead 2013). As mentioned above, successful countries like Singapore have continued achieving extraordinary economic success by promoting entrepreneurship in the population as a solid national culture (Hampden-Turner 2009; Scott 2015; Pereira 2007). This shows the noble contribution of entrepreneurship if it is established as a culture in the everyday life of the populace. Creating material wealth is only one expression of entrepreneurship. Entrepreneurship isn't a business alone. It is an attitude to engaging the world in several dimensions, including cultural innovation (Kuckertz et al. 2015). This means that we should not see the poor as a disgraceful human condition that should remain as dependent and a burden to the national economy. Rather, we need to consider the poor as a huge potential source of entrepreneurship and innovation. This can be materialized only if we properly help potential entrepreneurs in their self-help endeavors (Kotler et al. 2006). All stakeholders need to work more to make the balance right between what is local and what is global, what is an economic benefit and societal benefit, and what is held sacred and what is invented and discovered anew. Otherwise, gaining access to the talent and know-how of the population at large can be limited. As Prahalad and Hammond (2002) said, if we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up even more at the bottom. Uplifting the position of the poor as an active participant in the comprehensive economic scene is one of the main driving forces to eradicate poverty and improve the standard of living. Obviously, unjustified income inequality has a negative impact on growth by creating a fertile ground for socioeconomic dualism, widespread poverty, unproductiveness, corruption, inefficiency and ineffectiveness, insecurity of property rights, and many other deep-rooted malaises as we observe in many developing nations such as those in the HoA (Sy and Director 2015).

It is difficult to successfully deal with the promotion of entrepreneurship and innovation at grassroots level without engaging in multidimensional capacity building activities based on the objective reality of each country. Several studies revealed that there are important country-specific multipurpose dimensions at both macro and micro levels. These are instrumental in determining the advancement and outreach of entrepreneurial activities (Kostova 1997). Just to highlight briefly, there are three dimensions of countries' institutional profiles that determine the level and depth of entrepreneurial disseminations at a national level. These are regulatory, cognitive, and normative dimensions. As articulated by Busenitz et al. (2000), the regulatory dimension consists of laws, regulations, and government policies that provide support for building the capacity of entrepreneurs and entrepreneurial infrastructure. They are also supportive of reducing risks for individuals starting a new business and facilitate entrepreneurs' efforts to acquire resources. The cognitive dimension consists of the knowledge and skills possessed by the targeted population in a country pertaining to the establishment and operation of a new business venture and involves in entrepreneurial activities. The normative dimension measures the degree to which a country's ordinary citizens admire entrepreneurial activity in the light of its innovative conceiving ideas and converting them into viable and value-creating business opportunities. Countries' institutional profiles determine the extent of entrepreneurial activities (Busenitz et al. 2000; Manolova et al. 2008; Clarysse et al. 2011; Dugassa 2012a, b; Gatewood and Boko 2009; Langevang and Gough 2012; Naudé 2010a, b, 2011). Although the abovementioned three dimensions are useful for our study, we limited our focus on constructing a conceptual framework that contains various practical initiatives to help how countries can build resources and capabilities nationally with broader dimensions under developing environment. Our framework is constructed based on the concepts of resource-based theory (RBT) (Das and Teng 2000; Grant 1991a, b, 1996; Conner and Prahalad 1996; Kaleka 2002; Barney et al. 2001; Peteraf 1993; Barney 2001; Ferreira et al. 2010; Brush et al. 2001; Chen et al. 2009; Fukuda-Parr and Lopes 2013). RBT deals with the review and strategic analysis of currently available and potential resources and capabilities in order to manage, utilize, and benefit from them as vital requirements for achieving sustainable competitive advantage in achieving strategic goals (Kor et al. 2007; Alvarez and Busenitz 2001; Grant 1991a, b; Barney et al. 2011; Rothaermel 2015; McAdam and Galloway 2005; Norrman et al. 2014; Sheriff and Muffatto 2015). According to the resource-based theory, a nation controls both tangible and intangible resources. Based on this approach, we defined and clustered available resources in general to reflect our intention in this paper. On the other hand, capabilities describe a nation's ability to create, design, implement, execute, modify, reconfigure, and leverage resources to create core competencies (Grant 1991a, b). Briefly, capabilities are the nation's ability to systematically develop and use its resources effectively and efficiently in order to create sustainable competitive advantage (Leonidou et al. 2013; Barney 1991).

Previous studies more or less focused on acquiring and managing resources and capabilities at organizational and microscale. The theory of resources and capabilities focused on the creation, analysis, evaluation, implementation, and control of resources and capabilities with the capability of creating value. We used this conceptual approach for a study that is dealing at a macro level. The internal features of a given country can give superior results with the limits of available resources and capabilities. Therefore, sound management and effective utilization of available resources and capabilities are the means of achieving a better performance. This approach worked very well and helped many companies achieve sustainable competitive advantage for growth and profitability (Amit and Schoemaker 1993; Wilson and Wingfield 1994; Makadok 2001; Mali Milara 2014). The same logic works at a national level. If nations take care on the *HOWs* and *WHYs* of utilizing their available resources and capabilities, they can achieve a better outcome. In our proposed framework, we adopted the broader definition of resources and capabilities that are required at a national level with their adapting.

3 Research Questions

Our study followed a diagnostic critical analysis and logical approach. Therefore, our discourse, analysis, recommendations, and conclusions are exclusively based on the conceptual and theoretical diagnostic approach. We conducted our content analysis based on available secondary data. We need to underline that in this paper, we are dealing with the construction of a conceptual framework that can serve as a road map for full engagement in the broad outreach of entrepreneurship and entrepreneurial innovation at the grassroots level. Therefore, our intention is just to provide an organized conceptual framework to serve as a road map for the broader and focused engagement of the stakeholder nations using their own institutional capacities and other means and ways. In line with the above-highlighted general objective, we constructed the following research questions:

a. Why is reaching out to the grassroots population important in the developmental process of nation-building? Why does the youth population, in particular, have the potential to play an important role in developmental efforts? Why do we need to target the youth population?
b. What is the pivotal role of promoting entrepreneurship and entrepreneurial innovation at the grassroots level in the HoA nations at this time?
c. Why are those launched and implemented initiatives, schemes, and action programs so far proven not effective and productive as required in the HoA nations?
d. What dimensions of resources and capabilities are needed; and what initiatives, action plans, and schemes should be proposed based on logical approach and content analysis?
e. What are the justifications for engaging in focus research targeting those components and sectors of the proposed framework in this paper?

4 Research Method

As mentioned earlier, the paper is conceptual in all its descriptive, diagnostic, and prescriptive approaches. This means we depend on the diagnostic critical thinking for our content analysis. We utilized a systems approach for the construction of our proposed strategic framework. We constructed our framework based on the resource-based view literature. Firstly, we conducted a theoretical discourse on the importance of disseminating entrepreneurship and entrepreneurial innovation at the grassroots level. We give emphasis to the predominantly younger segment of the population that represents the lion's share of the population at large. Secondly, we reviewed the existing activities and commitments in the HoA nations. This helped us to generally diagnose the implications of the nations' current engagement. Fourthly, we identified, organized, and clustered the most desired resources and capabilities needed for the effective promotion of entrepreneurship and entrepreneurial innovation at the population strata. Fifthly, we constructed a strategic framework comprising of initiatives, action plans, and schemes. This is in order to help the concerned policy makers and other stakeholders to enhance their effectiveness and outreach ability in promoting entrepreneurship at the grassroots level. Our analysis, discourse, and issued recommendations have been solidly based on the secondary data extracted from relevant literature, including resource-based view, international organizations reports, governmental result assessments, reports, etc. Our study is limited in its scope, contextual and content analysis. Our intention is to deal with constructing a conceptual framework dedicated to the formulation of a comprehensive framework that can serve as a directive and coordinating guide for the intended purpose. The general diagnostic nature of our discourse induced us to follow a logical approach. As we mentioned above, we tried to shape our proposed framework with its components for flexibility and adjustment. We would like to note that our proposed framework with its components is not a perfect panacea. It demands the desired adjustments to reflect the objective reality and the peculiar situation of each nation in the region. We are aware that a country should build the required resources and capabilities within the limits of its current and expected capacity development (Sunkel 1972). We have done this to articulate our evidential validations of our intentions focused on the *HOWs* and *WHYs* of constructing the desired framework as an indicator for the strategic noble objectives. For justification purposes, we attempted to discuss the current situational scenarios pertaining to the application of grassroots entrepreneurship and entrepreneurial innovation.

5 The Rationale for the Study

As highlighted above, the major developmental challenges of the HoA nations are colossal given their current weak national economy. Every year, more than 8 million young people reach a working age. Given their weak economy, it has become very difficult to create sufficient jobs for all these young people to work and get involved. The HoA nations need to work harder and smarter to solve or improve these chronic problems. Their formal economy cannot be in a position to employ all the job seeking young people nationally. An important alternative is creating a conducive environment for the working-age youth population to engage in self-employing and value-creating entrepreneurial opportunities. Above all, it can give good access to young people for productive engagement. This is a great help for the nations to improve their national economies and create employment for the youth in particular. To exploit this potential, HoA nations should efficiently use and further build up their available resources and capabilities to popularize grassroots entrepreneurship and innovation. This helps to create opportunity and motivate the younger population to engage in entrepreneurial activities and through that make a significant contribution to the national economy. This effort has a direct favorable impact on the HoA nations' developmental efforts. The main question here is how can they organize and coordinate their available resources and capabilities for the best use in popularizing grassroots entrepreneurship. We observed the need to structurally organize and synchronize various actions and modalities in a systemic fashion. The relevant and anecdotal data and performance reports so far have indicated that isolated initiatives, action projects, and activities have not provided the desired results within the limits of the currently available resources and capabilities. Therefore, we noticed that dealing with this vital agenda demands better coordination, organization of all activities and resources, and capabilities for joint action. We found it necessary to formulate a conceptual framework containing integrated and clustered action plan components. We believe that our proposed framework can help them to take corrective actions and coordinate their resources and capabilities earmarked for this noble objective for best utilizations and outcomes.

6 Situational Scenario: Entrepreneurship as a Capacity Building in the HoA

At this time, HoA nations have shown keen interest and dedication to pull the bulk of their population out of the quagmire of poverty. It is clear that they need to foster their capacity to do so. So far, they introduced several specific and isolated initiatives with their limited outreach. However, their efforts and initiatives lack systemic coordination. Proper coordination is necessary for all aspects. For example, concerned governmental and nongovernmental institutions have launched various initiatives ranging from entrepreneurial incubation to venture start-up support in both rural and urban areas (African Development Bank 2015; Nafukho and Helen Muyia 2010; Ossal and Nwalado 2012; Tessema Gerba 2012). For example, the Ethiopian government has launched a national project to incubate and promote more than 3 million entrepreneurs in line with its Growth and Transformation Plan (GTP) by the year 2025. There is also another government initiative to establish broadly outreached entrepreneurship and small business development and support centers nationwide (UNDP 2012; ILO 2003; Brixiova and Aragie 2010; Oganisjana et al. 2014). In the same approach, several projects have been initiated to promote entrepreneurship at grassroots in Kenya, Uganda, Sudan, Eritrea, Djibouti, and Somalia (Robb et al. 2014; Ngosiane 2010; World Bank 2010; Kanyari and Namusonge 2013; Mburu 2015; Bategeka 2012; Mpeera Ntayi et al. 2013; Ali and Ali 2013; Kaijage and Wheeler 2013; Ahmed and Nwankwo 2013; African Development Bank 2015; Harris 1983). This shows that each country in the region has already given deserved recognition for the important role of promoting entrepreneurship in its grand developmental agendas (Uganda NDP 2010; Ethiopian Growth and Transformation Plan (GTP) 2010; UNDP Somalia Strategic Plan 2013; Kenya Vision 2030; Djibouti Vision 2015; Eritrean National Development Strategy 2013; South Sudan National Development Plan 2011; Sudan Country Development Program 2013). However, successful implementation has proven difficult. This is due to the lack of effective institutional infrastructure and the lack of the required resources and capabilities at a national level. The efficiency and effectiveness issues in the utilization of the available resources and capabilities are also another bottleneck in their implementation of the core developmental agendas like disseminating grassroots entrepreneurship. Independent initiatives cannot provide the best result unless they are well organized and nationally coordinated in a framework (DeJaeghere and Baxter 2014). They need to search for an alternative gem that holds the mandate for the dissemination of entrepreneurial culture at the grassroots level. Accomplishing tasks in a more planned and collaborative fashion by a smart use of the available resources and capabilities is always the rational action. The Singapore success is solid evidence of the effectiveness of this approach (Anthony 2015). Above all, training, orientation, skill upgrading, and creating a conducive environment are the necessary preconditions. As the South Korean President in the World Economic Forum has rightly said, building a creative and innovative economy is the best guarantee for achieving fast and sustainable development. Effective use of what you possess is the big beginning (World Economic Forum 2014). The creation of a conducive internal institutional capacity that fosters converting innovations and creativities into implementable actions with their expected best outcomes should be a major task in a national development agenda. It should also be coupled with the necessary efforts for continuous improvement. As we have mentioned earlier, the HoA nations have formidable challenges in tackling poverty and youth unemployment as major stumbling blocks of development and welfare of society. The noble mandate of the HoA nations is now to redouble their efforts in promoting active and popular participation in promoting grassroots entrepreneurship. Developmental Continuum is comprised of multidimensional tasks that incorporate at least the following: dissemination of education and vocational training, tackling unemployment, establishing infrastructure, and improving governance that facilitates the creation of a suitable environment for prosperity. Therefore, we base our discussion about the need of taking strategic actions to properly design, coordinate, implement, and operate the components of our proposed framework reflective of national strategic goals and outcomes. Our next discussion focuses on the need of establishing a holistic framework with its breakdown structures and the resources and capabilities needed for successful expected outcomes.

7 The Clusters of Resources and Capabilities in the Holistic Framework

In a continuous developmental process, a country should consistently evaluate the viability of its available resources and capabilities for the desired purpose. This is an important task that requires collaborative efforts and proper coordination of tasks. Available resources and capabilities are scarce under any circumstance. Countries are always required to sustainably build their desired resources and capabilities for accomplishing the specified strategic goals soundly. Having good knowledge focused on the *HOWs* and *WHYs* of building the desired resources and capabilities

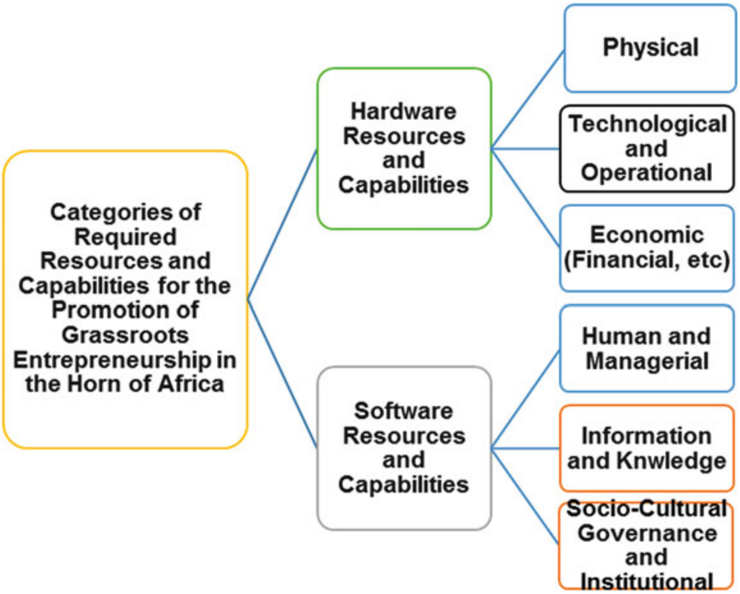

Fig. 1 Clusters of resources and capabilities required for promoting grassroots entrepreneurship. Source: Authors' own figure

is the main precondition. It should be dealt with prudently and efficiently. Without building national capacity and resourcefulness, development agendas may remain only on papers. We need to note that effective and efficient utilization of available resources and capabilities is also equally important particularly at a resource scarcity time. The capability of best utilization is also another huge challenge that demands improvement in the case of HoA nations. They need to work hard to improve their governance and institutional infrastructure to make it capable and streamlined.

As a foundation for our conceptual framework, we attempted to cluster resources and capabilities in a systemic structural set-up. We started with clustering resources and capabilities into the software and hardware components as shown in Fig. 1. Clustering them in this way is helpful for structured compilation, analysis, and designing the required components for consideration. The software resources and capabilities are more to do with intangible resources such as education and knowledge, information, acumen, sociocultural and institutional capacity, governance, etc. They can also be expressed in instructional, cognitive, and normative dimensions (Busenitz et al. 2000). The software resources and capabilities are important preconditions for effective dissemination of entrepreneurship culture in the population at large. On the other hand, the hardware resources and capabilities are more tangible with noticeable engagement in value-added economic outputs expressed in economic rationality and productivity. They are identified and discussed in terms of physical, technological and operational, and economic and financial subcategories of

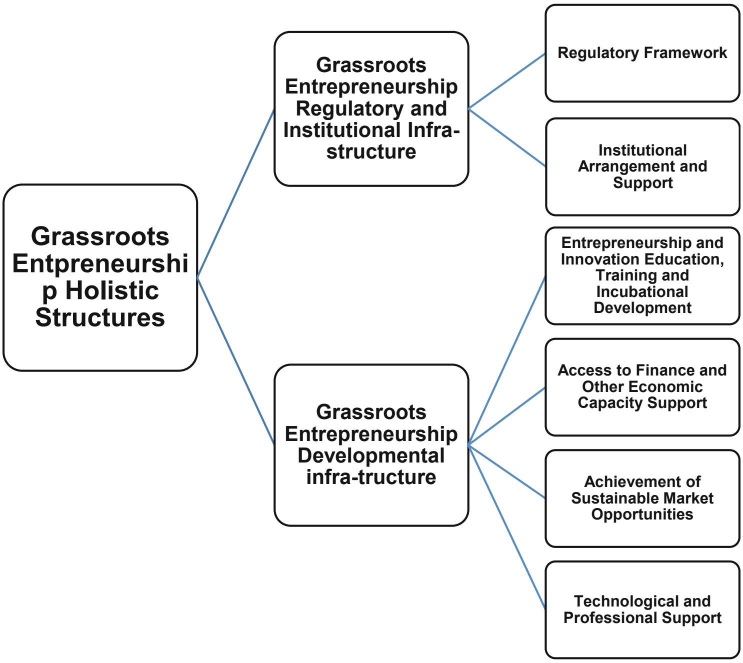

Fig. 2 Determinants of grassroots entrepreneurship promotion. Source: Authors' own figure

resources and capabilities. The software and hardware components are further broken down into various tasks in accordance with situational needs. We assume that this grouping (or categorization) can be adapted by the HoA nations. However, they need to adjust to the objective reality on the ground in order to reflect each country's environment and peculiar objective reality. This categorization can help to develop, design, and implement initiatives and action plans for all the dimensions of resources and capabilities as shown in Fig. 1.

8 Structural Elements of the Required Resources and Capabilities

In this section, we presented the conceptually constructed six main elements of our proposed framework. We designed them to serve as a road map for the efforts of the targeted nations in building the desired resources and capabilities for the purpose. Promotional initiatives and action plans need to ensure their alignment with the determinants. As shown in Fig. 2, these determinants are further fragmented into institutional and governance and economic development structures. The two clusters, in turn, contained six elements known as indicators for specific initiatives and action plans. The institutional and regulatory structures are designed to engage in the institutional capacity building for good governance and capable management as push factors for entrepreneurial development. The other elements containing important entrepreneurial capacity building are training, incubation of entrepreneurs, access to finance, creating sustainable market opportunities, professional and technological support activities, and related others. The success of promoting entrepreneurship at a grassroots level depends on a better use of the above-identified major determinants. The HoA nations need to redouble their efforts to streamline and improve these highlighted determinants. The close attention to them can help them to reap the benefits of their efforts in disseminating entrepreneurship and entrepreneurial innovation as the engine of national economic growth. Furthermore, we proposed specific indicative initiatives, action plans, regulatory acts, and institutional improvement suggestions under the umbrellas of the six components of the holistic framework. The various initiatives and action plans we proposed under each of the components are shown in Figs. 3, 4, and 5. We believe that the benefit of considering them is colossal. They have the potential for being effective tools in the HoA nations' efforts to enhance their resources and capabilities. It is important to note that nations must use their unique traditions, cultures, values, institutional infrastructures, and historical milestones and episodes to create and achieve their own development and nation-building process (Sunkel 1972). In formulating the holistic framework, we attempted to articulate our proposal in order to trigger the HoA nations to deal seriously with each case in point reflecting the objective reality on the ground. We would like to underline that all proposed iterative and action plans should be supplemented by technical details and modalities necessary for successful implementation. Those which need interpretations should be interpreted in a factual and constructive manner. The task of dealing with the detailed modalities and technicalities of implementation is beyond the scope of this paper. Implementation strategies must be country specific in order to reflect the peculiarity of each nation in the case point. However, each country needs to prepare a well-crafted technical breakdown of interpretation modalities to obtain the best probable results in its developmental endeavors. The vital point is to focus on the *HOWs* and *WHYs* of making expected results fruitful and most worthy of achieving. Therefore, the stakeholder should formulate effective policies and implementation strategies in congruence with the existing and forthcoming social and economic situations at all hierarchal levels.

8.1 Proposed Initiatives and Action Plans Targeting Institutional and Regulatory Governance

Under the institutional and regulatory infrastructure, we proposed several promotional legal acts and regulatory guidelines. They are shown in Fig. 3. They contained general and specific and purposeful acts and regulatory guidelines directly or indirectly promoting entrepreneurship and entrepreneurial innovation at the

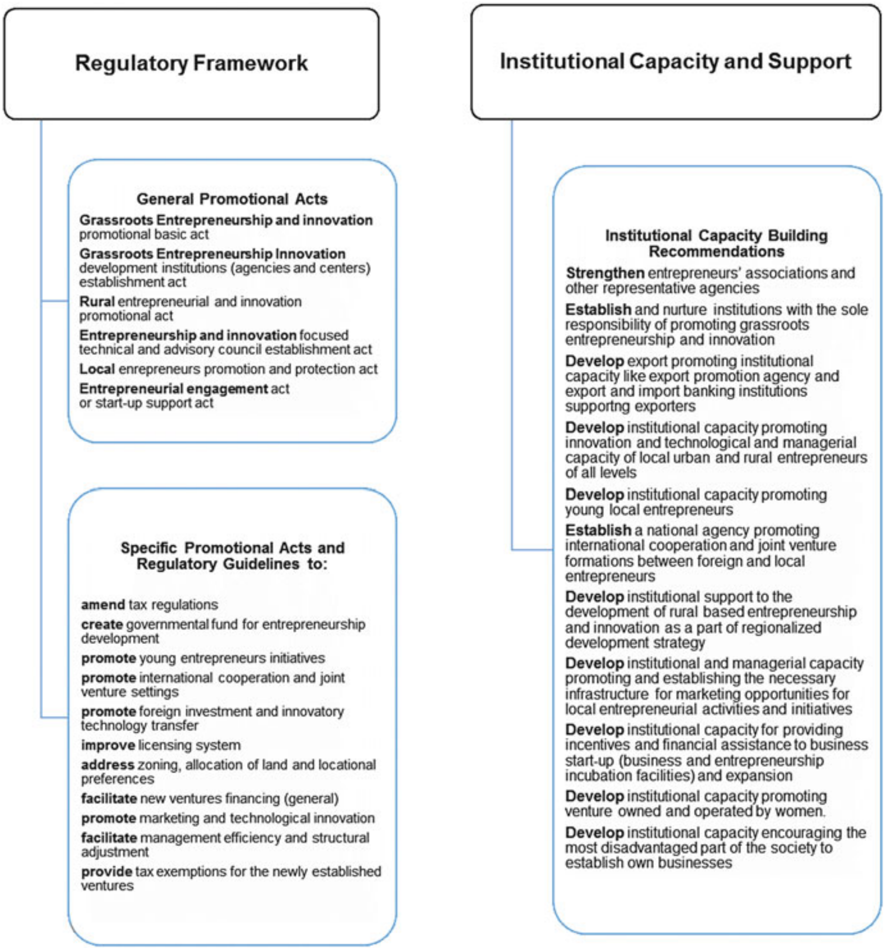

Fig. 3 Proposed initiatives and action plans improving regulatory and governance infrastructures. Source: Authors' own figure

grassroots level. Without building a responsive, proactive, and reactive institutional and regulatory infrastructure, it is very difficult to accomplish core developmental tasks effectively. A well-designed, interconnected, reactive institutional infrastructure and administrative apparatus are essential for national developmental endeavors. Priority should be given for the improvement and promotion of these components. Our proposals under institutional capacity support are subject to flexibility. They need many adjustments, additions, and improvements in line with the developmental dynamics. Our initiatives, focused on the institutional capacity building, are primarily dedicated to the dissemination of entrepreneurship as part of a national culture in every demographic structure of the society. As we already

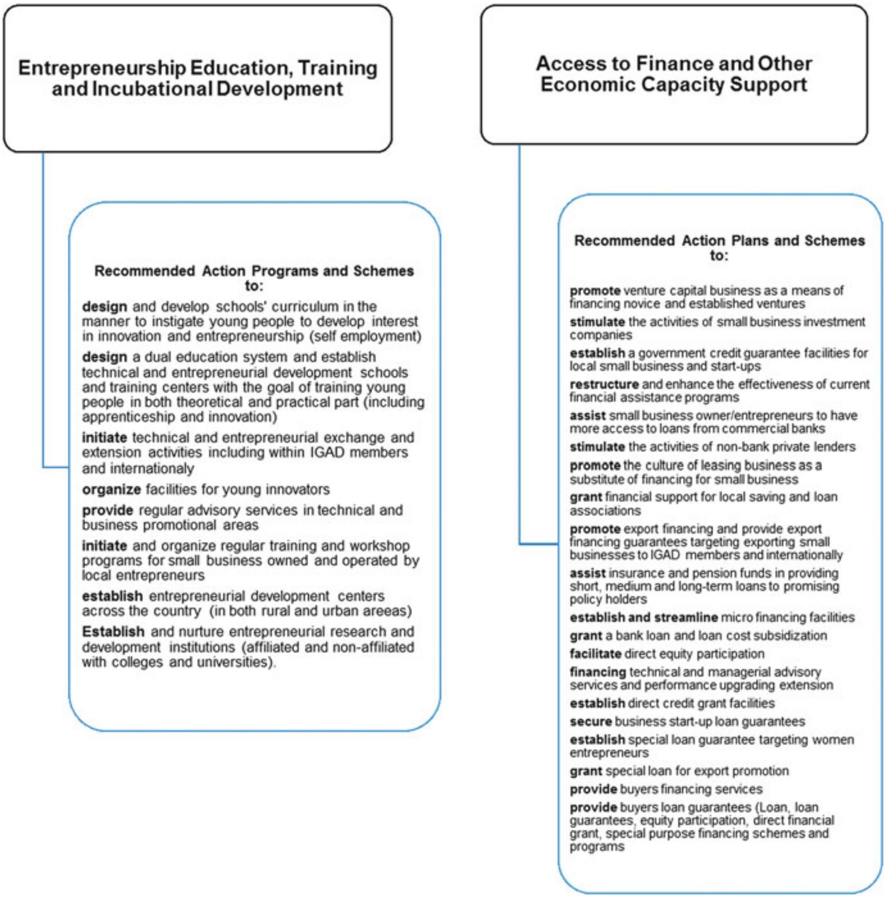

Fig. 4 Proposed initiatives and action plans improving the developmental infrastructure (part 1). Source: Authors' own figure

indicated, our proposals are conceptual and just for consideration by the HoA nations. They are subjective to further discourse and refinement. Aspiring nations give priority to the construction of proper institutional infrastructure, macroeconomic governance, and the well-functioning regulatory environment. We hope that our proposed framework with its components will be helpful for the HoA nations, particularly in their efforts on building their resources and capabilities. We also believe that our framework will enable the HoA nations to improve those formidable developmental challenges such as the reduction of unemployment of the youth population. Very high youth unemployment is currently the main challenge in the nation building process of the HoA at least during the past 30 years (World Bank 2013). We hope that our recommendation and conceptual framework will trigger governments and other concerned institutions and agencies to boost their efforts to

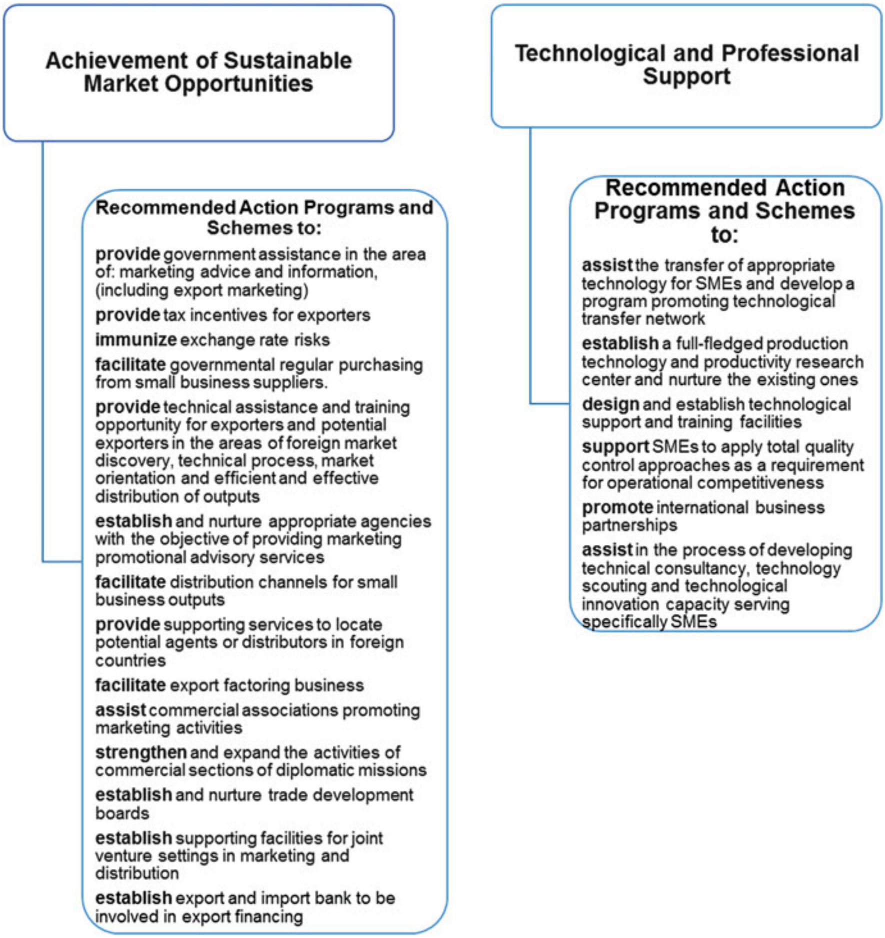

Fig. 5 Proposed initiatives and action plans improving the developmental infrastructure (part 2). Source: Authors' own figure

widely promote grassroots entrepreneurship and entrepreneurial innovation as important driving forces for crafting out the fundamental developmental problems such as high unemployment of the youth population.

8.2 Proposed Initiatives and Action Plans Targeting Developmental Infrastructure

Figure 4 contained the components focusing on the socioeconomic core initiatives, mainly education and human capacity building and infrastructure-based economic promotional support. These are important components of our framework addressing the core inputs for our developmental dynamics. The human capacity is at the center of all developmental efforts. Numerous studies have attested that the building of the human talent and capacity building in all dimensions are indispensable inputs for achieving sustainable growth of the national economies (Clarysse et al. 2011; Mitra et al. 2011; Fukuda-Parr and Lopes 2013; Rola-Rubzen and Burgess 2016; Gries and Naudé 2011). Countries like South Korea, United Arab Emirates, Taiwan, Singapore, Switzerland, Hong Kong, etc. have successfully created dynamic and creative national economies on broad human talent and solid foundations (Jahan et al. 2015; World Bank 2014). The secret of their success is their closer focus on building their human capacity. The HoA nations should continue giving the highest priority for their human capacity building. They can do this by improving the outreach and quality of education and skill building for the vast youth population in particular. The human capacity building is an important precondition for popularizing entrepreneurship and entrepreneurial innovation down at the grassroots level. Nations need to appropriately train and nurture their young people. Proper training and skill upgrading help them to develop the ability to conceive ideas and converting them into socioeconomic value-creating opportunities. It is in this way that the youth population can be in a position to enhance their contribution to the national economy and produce useful values to the society. Education and skill upgrading endeavors are the means of producing a new generation of creative-minded critical thinkers and idea-converting innovators and initiators. Knowledge has a life cycle like technology and products. What we know today can be obsolete following the creation of a new and better one in line with the laws of the developmental continuum. Those currently possessed skills cannot guarantee us lifelong job opportunities and livelihood. We need to make continuous learning and skill upgrading as part of our life. As Thomas Friedman (2016) has rightly said, this is due to the global developmental dynamics marked by the emerging groundbreaking new knowledge, skills, and technologies. Individuals are expected to convert themselves into life learners in order to catch up with the fast developmental dynamics and changes. Therefore, nations should give priority for continuous human capacity building in order to create creative an entrepreneurial savvy society. This is the most important strategic agenda HoA nations need to pursue sustainable development. Gone are those days of conventional and static ways of doing things. Young people must continue learning new skills uninterrupted. They must do this to qualify themselves among the pillars of the future knowledge-based society. The HoA nations should show contentious efforts to relentlessly improve their human resources and capabilities, particularly for promoting entrepreneurship and innovation at the grassroots level. For example, the higher education system should be modernized, improve its quality and resourcefulness to provide young graduates the deeper and broader conceptual and demonstrative knowledge, and creative and innovative capabilities. The young generation's learning *modus operandi* should focus on acquiring the following pivotal skills for survival and success at this dynamic epoch: critical thinking and problem-solving, collaboration across networks and leading by influence, agility and adaptability, initiative and entrepreneurialism, effective oral and written communication, accessing and analyzing information, and curiosity and imagination (Wagner 2010). Entrepreneurship and entrepreneurial innovation education should be popularized in schools, universities, and other popular community-based training and capacity building institutions. As we discussed earlier, the HoA nations should give priority to the capacity building of the young talent for a better entrepreneurial engagement. Unfortunately, their currently adopted conventional educational system is generally not effective for their developmental nation-building aspirations (World Bank 2014).

Figure 4 has also contained the elements of our proposed initiatives focused on improving access to finance and other supporting facilities. Financial and other economic support are a mandatory requirement for fostering entrepreneurial development. For example, the HoA nations can facilitate access to finance for starting-up ventures by creating a conducive and a lean regulatory environment which enables start-up entrepreneurs to have access to commercial debt financing, equity financing, government-sponsored financing, and other noncommercial financing institutional capacities. The powerful role of microfinance (or microcredit) is also a useful tool for creating access to finance for millions of poor people who would like to engage in micro and survivalist entrepreneurial activities. With the proper promotion, development, and popularization of the microcredit/microfinance system, thousands of urban and rural poor households can gainfully engage in productive self-help entrepreneurial activities. Microcredit/microfinance has the potential to support millions of needy people in order to help themselves by engaging in gainful activities. The development and outreach of microfinance should not be hampered by dictating factors pertaining to governance, political realities, institutional capacity, technological achievements, case-specific societal attitude, and numerous others (Hammond and Prahalad 2004; Ahlin and Jiang 2008).

Developing nations, in particular, cannot develop and disseminate grassroots entrepreneurship without appropriate use of technological facilities, professional services, and creating sustainable market opportunism. We blossom grassroots entrepreneurship if the technological and marketing facilities are appropriately available as infrastructural support. As shown in Fig. 5, we attempted to issue our recommendations pertaining to the achievement of sustainable market opportunities and technological and professional support within the limitation of available capacity. Business ventures of all sizes cannot survive without securing sufficient demand for their products and services. Entrepreneurship cannot flourish without market opportunities in various dimensions. The HoA nations should make more efforts to make available and affordable the acutely needed appropriate technologies, especially for the younger segment of the population. We proposed some ideas for a plan of action in this context. However, this area is vast and complex, demanding more attention. If nations cannot provide broad-based technological support, the goal of popularizing grassroots entrepreneurship among the bulk of population might not be materialized as desired. It is difficult to register high economic growth through grassroots entrepreneurship and entrepreneurial innovation without effective use of appropriate technology.

We hope all these components of our framework will be helpful for the HoA nations. We believe that our systemic diagnostic critical and logical approach will be helpful in promoting grassroots entrepreneurship and entrepreneurial innovation in a wider spectrum. Our framework is also helpful to streamline the *WHAT-TO-DO* and *WHY-TO-DO* conditional scenarios and work breakdowns. Policy and initiative implementation modalities are important tasks. Those concerned should perform them with the desired skill and prudence. It is also good if the stakeholders apply systemic and methodological *approaches* such as Conceive, Design, Implement, and Operate (CDIO) in considering the components of our proposed framework.

9 Conclusion, Expected Implications, and Directions for Future Research

In this conceptual paper, we attempted to highlight the importance of popularizing the culture of entrepreneurship and innovation at the grassroots level. In the HoA nations, the majority of their population is young. More than 64% of their total population is just less than 30 years of age. Every year millions of young people who reached a working age join the army of job seekers. These nations have formidable challenges due to their weak national economy. The unemployment rate of the youth population is staggering. The consequence is aggravating social problems and rising poverty. The contribution of this important and active segment of the population to the national economy is not as it should be. This is because of the lack of active participation in productive economic activities. This situation has a negative impact on national economic development. It has become a formidable challenge for them to provide work and livelihood unless they're massively facilitating engagement of the bulk of the population in value-creating entrepreneurial activities. The nations currently have a clear stand on this and try their best by engaging in numerous initiatives at both macro and micro levels. One of their initiatives is the broad popularization of entrepreneurship and entrepreneurial innovation at the grassroots level, particularly among their youth population. There is overwhelming evidence that promotion of entrepreneurship and entrepreneurial innovation at the grassroots level is one of the major driving forces of sustainable socioeconimic growth. The HoA nations already recognized the importance and effectiveness of broader dissemination of entrepreneurship at the grassroots. They already launched and implemented various programs. As several reports indicated, these fragmented initiatives lack proper coordination, organization, and implementation. Above all the nations have difficulties in proper mobilization and effective use of their available resources and capabilities earmarked for this purpose. To pull themselves out from this situation, they need to organize, identify, coordinate, and manage the desired resources and capabilities in a systemic and logical fashion. To begin with, they need a framework with its breakdown structures comprising of various components expressed in initiatives organized for effective engagement at the national level in disseminating the culture of entrepreneurship and innovation at the grassroots level. They should engage in concerted efforts to effectively use and strengthen their resource and capabilities to reap the contribution of disseminating the entrepreneurial culture particularly in the midst of their youth population. There cannot be any other noble thing to do more than creating a conducive environment for the majority population to engage productive economic productivity with its direct impact on the further growth of the national economy. They are then required to create a conducive environment for their grassroots population to engage in entrepreneurial and innovative activities. The expected result is for individual and collective good with a bigger contribution to the national economy.

We need to note about the unjustified negative perception about entrepreneurship. There are some people (including politicians) in our society harboring negative perceptions about entrepreneurship and entrepreneurs uniformly. Putting all entrepreneurs in one basket and undermining their cardinal role and contribution to the society and the economy is not appropriate. Entrepreneurship is a mindset and an innovative way of conceiving ideas and converting them into value-creating opportunities for the individual and society benefits. Their role as an engine of economic development has been widely expressed. Entrepreneurship is just a pattern of thinking and alertness for doing differently for a bigger value creation. This by itself is a multidimensional contribution to the society at large. Genuine entrepreneurs should differ from the greedy rent-seeking quasi-entrepreneurs who have continued damaging national economies. They are bent to benefit unjustifiably by exploiting the widespread gaps and shortages and market imperfections. The HoA nations don't have a scarcity of rent seekers or pseudo-entrepreneurs in their midst. They need to make more efforts to prevent them from messing up in the economy. We need to have a clear understanding of the stark difference between rent seekers and genuine entrepreneurs in our economic interactions. Entrepreneurship is not simply about how one creates a business. It is far more about how we will organize today's society toward making a better and more judicious world socially and economically. Genuine entrepreneurs are always the most active contributors to poverty reduction and promoting grassroots development. Abject poverty compromises the human dignity. It should be eradicated at any cost from our planet. The GDP of our planet is currently more than US$85 trillion. The resources and capabilities readily available globally can easily trickle down up to the bottom strata of the world demographic structure. Indeed, genuine entrepreneurs at all levels are the real motive force or engine of economic growth. We need to nurture them in the right way to foster their contribution in several socioeconomic developmental dimensions. Without their active participation and sacrifices, we cannot send poverty to the museum of history. All these create immense entrepreneurial opportunities that people should discover and exploit in a proper way and for mutual benefit.

In this paper, we attempted to engage in constructing a conceptual-based framework in five figures by highlighting the importance of building the desired resources and capabilities to promote and broadly disseminate grassroots entrepreneurship and entrepreneurial innovation in the developmental nation-building process in the HoA nations. We conceptually clustered the resources and capabilities into physical, technological and operational, economic, human and managerial, information and knowledge, sociocultural, governance, and political. There is a universal consensus on the importance of popularizing entrepreneurial activities at the grassroots level. However, the implementation process is the most difficult challenge. As discussed earlier, HoA nations should first organize, coordinate, efficiently utilize, and enhance their resources and capabilities. They can then successfully engage in establishing viable foundations for creating a conducive atmosphere in their urban and rural domains. The issues of resources and capabilities are always at the core of the developmental continuum of any country. In fact, this is more mandatory for developing nations. For the HoA nations, developmental challenges are overwhelming. The population is exploding and available resources are scarce. When these are coupled with the limited available stock of national resources, efficient and effective utilization of what is at hand is mandatory. Without building adequate capacity in all dimensions, core developmental strategic objectives cannot be achieved with full positive implications. Resources and capabilities are indeed the driving forces of the development and dissemination of grassroots entrepreneurship. This helps in achieving a national sustainable competitive advantage. The source of the developmental malaise largely emanated from the underutilization of the bulk of the population in the case of the HoA nations. In our view, it is beneficial to cluster required infrastructures into regulatory and institutional on one side and direct developmental on the other. We hope our holistic framework with its components will help as a trigger toward the effort of the HoA nations in creating a better future for their population in general and that of their youth in particular.

Finally, we would like to emphasize that if HoA nations show earnest efforts to create an enabling environment, entrepreneurship and entrepreneurial innovation can thrive at the grassroots level. This is a proven scenario. This was proven in other successful countries which were in the same condition some decades ago. The HoA nations need to pay special attention toward balancing and interconnecting the hardware and software components. This will help them to streamline coordinated tasks and activities of the institutional and regulatory governance and the economic functions as base structures. These components are complementary for better expected outcomes. After all, the population is the source of knowledge, skill, talent, ideas, material wealth, innovation, etc. Therefore, an all-out effort to gain access to the resourcefulness of the population is cardinal. History has proven repeatedly that the power of grassroots-based entrepreneurship and innovation can create socioeconomic miracles and radical transformations toward sustainable growth and socioeconomic success. This is particularly true in the efforts to reduce poverty, create mass employment, and achieve a sustainably creative economy. The HoA nations need to support specifically their youth population representing a lion's share of their demographic pyramid. The young should play a noble role in creating a more sustained and productive society of tomorrow. Indeed, it is not income inequality per se that affects trust and cooperation in a society. Rather, the genesis of inequality matters. Our paper can also help policy makers and government departments and other concerned stakeholders to revisit their implemented policy initiatives for further improvement.

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Female Entrepreneurship and Capacity Building in Developing Countries: Case of Madagascar

Dina Laza Berger and Isabelle Ramdiale Soubaya

Abstract Historically, Malagasy women have always been eager to engage in income-generating activities to support their families. The majority of them start their business in the informal sector, and some of them go to legal path even if working with nonformal employees and partners. Because of limited government support programs to encourage these female entrepreneurs, various local and foreign nongovernmental organizations have decided to provide support in capacity building to promote such a female entrepreneurship. This study analyzes capacity building in women entrepreneurship through the journey of four women running small businesses ranging from consulting to grocery stores. Three axes of capacity building have been identified: financing strategies, business, and social networking and training.

1 Introduction

The dynamism of entrepreneurship is an undeniable driver of economy growth. Assured by the positive impact on competitiveness, policy-makers have put in place, in recent years, capacity building policies. These programs were developed by both governmental and NG organizations in order to reach their economic growth objectives but also to enhance capacity development of entrepreneurship. In its last report, the director of the Global Entrepreneurship Monitor (GEM 2017) stated that the data contained in the report outline the assistance and necessary capacity building that should be provided to women entrepreneurship in order to foster the creation of social and economic values in the world.

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In France, the ministerial report entitled "Supporting entrepreneurship, a priority for growth" by the committee led by Philippe Mathot indicates that by 2020, entrepreneurship should produce about 1.2% points of growth based on the sole consideration of self-entrepreneurs. According to World Bank statistics, the contribution of small- and medium-sized enterprises to total employment is 45% and represents 33% of the GDP in emerging economies. The report published in 2017 by the Women In Africa Club (WIA) and the Roland Berger consulting firm underpins that women represent around $6000 billion in GDP that is to say 2.5 times the French GDP (which equals $2500 billion in 2015).

Consequently, researchers have discovered this field of study, and numerous publications have taken up this topic. In this area, an important aspect is female entrepreneurship. In this article, we will focus on this particular aspect and the role of capacity building put in place by support structures to relieve impediments linked to women's development activities.

Many scholars including Dina-Berger (2010), Lebègue (2015a, b), and Santoni (2016a, b) and international organizations such as the International Labor Organization (ILO) are unanimous on the fact that women entrepreneurship is an important vector of development for a given region. In 2006, the contribution of women entrepreneurs was estimated at 50% of the GDP of both developed and less developed countries (Ayogu and Agu 2015). Although lower than men's, this contribution remains high enough to stress its importance. Female entrepreneurship as a result is seen as a driver for economy growth. In Africa, it is estimated that the contribution of women to the rural and urban economy is undeniable and accounts for 70% of the GDP (Biloa Fouda 2014). In the Roland Berger and WIA report, it is mentioned that advancing women's equality would result in a $12 billion increase in the global GDP by 2025, representing 11% growth worldwide and 12% in sub-Saharan Africa.

Claiming that women entrepreneurship is essential for growth and development in developing countries, donors, private and public sectors, and academicians has initiated programs and policies to promote and develop female entrepreneurship. These initiatives of capacity building have different goals that will be presented later in the article (Vossenberg 2013).

In this study, we will focus on Malagasy women entrepreneurs through an analysis of capacity building needs expressed by support structures in the enterprise creation field. We will concentrate our analysis on central and southwest Madagascar. The questions we asked should provide information on how coaching of women entrepreneurs is accomplished and what kind of capacity building is necessary in this country.

To better understand our work, we present, in the first part, the framework that we have chosen. To do so, first, we review the literature linking capacity building and women entrepreneurship, highlighting the governmental and nongovernmental initiatives in this field before summarizing our reading of academic works. We finish this theoretical analysis by presenting Malagasy women entrepreneurship and the obstacles these women entrepreneurs face. The state of the literature on entrepreneurial support and the relevance of it regarding capacity building will then be presented.

In the second part, we show the actions undertaken by the support organizations to enable the development of the entrepreneurial capacities of Malagasy women. In the final part, we give an overview of the methodology used to conduct this research. We conclude this paper with a discussion of the role of support structures and capacity building those structures favor. An analysis of the limits and future prospects of this exploratory research will end our article.

2 Female Entrepreneurship in Madagascar

Analyzing both the literature on women entrepreneurship in Madagascar and female entrepreneurial support related to business creation projects proved to be essential for a better understanding of this issue and also provides better knowledge of the practices of business support structures.

For a long time, when a Malagasy woman decided to create a business, she embarked on the entrepreneurial adventure without any support other than one of her friends and family. The advent of entrepreneurship and the much awaited implementation of capacity building initiatives brought the establishment and expansion of structures to support women in their entrepreneurial process both in this country and in other developing countries.

Women entrepreneurs in Madagascar have some peculiarities but also have things in common with their counterparts in other countries. When we attempt to categorize them, we will highlight the particular nature of these women (1). In addition, we will also discuss a number of impediments these women encountered when they decided to create a business (2).

2.1 Profile of Malagasy Women Entrepreneurship

In Madagascar, there is no typical profile of women entrepreneurs. Nevertheless, it is possible to categorize them.

The dual categorization done by Ramboarison-Lalao (2015) can be used here. On the one hand, there are women engaged in high-value-added activities who are often found in the formal sector and, on the other hand, those women who made rather creative efforts and displayed resourcefulness in order to sustain their activity.

The second category includes women who deserve admiration because of their success despite the disadvantages they are facing: unsuccessful schooling or even illiteracy and a disadvantaged family situation often with several children and/or without a partner. They succeed, therefore, thanks to their perseverance and their surroundings which they often employ (Dina-Berger 2010). Hiring a family member is in fact common in very small structures. This is motivated by the fact that this provides substantial assistance to family members who are unemployed and that the termination of the contract or a decline in activity is easy and without possible conflict. It is not impossible that in this category of women, some end up having a traditional store. They will start with completely informal trade, and thanks to their work, this will lead to a development of this activity in three substages; the irregular, vulnerable, and non-localized organization will progressively become a self-employment organization, leading to a more efficient and diversified organization at the third stage (Dina-Berger 2010).

Another characteristic of Malagasy women entrepreneurs is the fact that they often engage in wage-earning activity at the same time. Paturel and Richomme (2007) do not consider them as entrepreneurs because they do not make their company their sole activity. However, they deserve attention because maintaining their wage-earning job is motivated by the fact that they want to take fewer risks. The existence of business support structures that are efficient and accessible to all would surely lead these women to choose between salaried status and entrepreneurship. Vossenberg (2013) pointed out that launching an entrepreneurial activity in developing countries is mostly motivated by necessity—rather than opportunity—because of the lack of jobs or, more often than not, any other income-generating activities. In Madagascar, some women will start in the informal sector and evolve toward the formal according to a process defined in Dina-Berger (2010).

As elsewhere, launching a business project involves facing some impediments. Malagasy women typically encounter the following impediments.

2.2 *The Impediments to Malagasy Women Entrepreneurship*

In Madagascar, the first pitfall to Malagasy entrepreneurship development lies in the economic situation of the country. Poverty prevents women entrepreneurs from making plans: this increased short-term vision is harmful besides the contractual insecurity for informal businesses (Dina-Berger and Paturel 2013). The 2009 crisis has moreover worsened the already difficult situation of the country. The lack of security has compounded it and has given rise to fears that are not favorable for businesses.

A major impediment to women entrepreneurship in the early 2000s is access to finance, facilitated nowadays by numerous business support structures. The willingness to be one's own boss is also now evident and no longer constitutes a last resort, as Malagasy women entrepreneurs give more importance to their business' success (Dina-Berger 2010).

This mentality has notably evolved thanks to the actions of the various associations fighting for gender equality in the educational, social, and political fields:

- The Soroptimist International Elitist Club working for girls from destitute families.
- VMLF (Vondrona Miralenta ho an'ny Fampandrosoana), a pro-gender movement for development association, which is active in the "30–50%" movement and promotes parity in decision-making positions in the public and private

sectors. This association fights for the participation of women in the public sphere; having a female representation of 50% would be ideal, but reaching 30% would be a first step.

- FAFED (Federation of Women and Development Associations).
- FAWE (Forum for African Women Educationalists).

The problem in having access to finance brings women entrepreneurs to rely mainly on self-financing because of wariness towards banking institutions. Money hoarding is preferred for savings instead of going to the bank. However, with a poor family background (91% of Malagasy people receive less than $2 per person per day), and despite the goodwill of relatives, the funds raised from one's family will always be insufficient.

From this overview of our analytical framework, it appears that there are several obstacles, some of which can be overcome if some program of capacity building is put in place. In developing countries entrepreneurship helps tens of thousands of families survive and contributes to economic growth. Any entrepreneurial initiative should therefore be encouraged. This is why many institutional and noninstitutional structures in Madagascar and elsewhere are developing this support to build capacity and why a field of research is focusing for it.

3 Female Entrepreneurship and Capacity Building

3.1 Capacity Building as Key Determinant for Women Entrepreneurship

The concept of capacity building is not perceived in a unanimous way by the different scholars; therefore, we decide to propose in this paper some views that pertain to our research focusing on women entrepreneurship.

Savneet (2013) explains that the "capability" of a person depends on a variety of factors, including personal characteristics and social arrangements. Empowerment is the capacity to fulfill this capability and not just the choice to do so. In this context, removing the impediments, efforts devoted to the capacity building of women entrepreneurs would allow them to reach their empowerment. Alyward (2007) points out that a woman with a higher level of education and more knowledge of market and business practices is more likely to be able to identify an opportunity and engage in entrepreneurship. Halkias et al. (2011) consider that women entrepreneurs face gender specific barriers, while Carrington (2006) argues that the impediment to women's access to credit is related to their business sector—not to being a woman.

Sociocultural factors such as attitude to time or community pressure (Etounga-Manguelle 1991) or the predominance of the community to the detriment of the individual (Ponson 1990) may also undermine the success of the project of some women. Furthermore, women who work in the informal sector (and we will see that this is often the case in developing countries) have additional barriers such as contractual insecurity (Dzaka 2003).

In studying Nigerian female entrepreneurship, Okoye (2013) argued that even if the singular most acclaimed necessity for women empowerment is access to finance, other sociocultural issues might be more endemic and intractable than finance. This author points out that the rate of failure of microfinance programs is the proof that it is an inappropriate policy tool.

Santoni and Barth (2014), based on a study of the French and English literature, come to the conclusion that the obstacles women entrepreneurs have to face are access to finance and networks. Kyalo and Kiganane (2014) suggested that capacity building in entrepreneurship should be complemented by access to social programs to relieve the burden of a woman entrepreneur and appreciate her role in the economic development of the country just like their male counterparts. They think this would encourage more women to venture into areas of the economy that have been dominated by men. They emphasize on the traditional gender role of women, which should be recognized by all programs because it contributes to the double burden of responsibilities for them. They add that in social networks, there is a need to provide proper networking among women entrepreneurs with affiliations at the national level for the dissemination of information, financing and facilitating technology transfer, and monitoring. Actually, these actions of promoting female entrepreneurship are part of all the initiatives and programs established by private and public sectors seen previously.

A.K. Mishra (2015) provides a broad review of the empirical literature on the link between capacity building and women entrepreneurship. Based on 48 academic publications, she postulates that capacity building brings out the inherent capacity of women. It enables them to achieve their goals through learning and acquisitions of skills and resources. Her literature review points out that capacity building happens mainly at an organizational level and involves not only NGOs but also all elements of society. Another important result of her comprehensive analysis is related to the components of capacity building. Among these, building self-confidence; providing guidance to women entrepreneurs to run their enterprise successfully; promoting opportunities and capacities to participate in the economy and to dare to open up to the world and conquer foreign markets and access to service credit, training, and information; and influencing the process of knowledge creation are mentioned. And she concludes that women's capacity building through training and network initiatives could be a huge driver for women entrepreneurship.

Anuja and Sangeetha (2016) note that women entrepreneurs are currently affected by lack of advisers to guide them and canvas for them in society. For them, economic independence can bring development in thought as well as actions. Counseling for the women as well as for their counterparts will help to change the vision of women as a burden.

Capacity building is a failure in Africa despite the good intentions of all the organizations involved in it. Thus, Strang and Chrysostome (2017) decided to define the priority areas for relevant academic research that would allow for a successful implementation of capacity building in Africa. According to them, it is essential to involve emigrant scholars and experts of African countries in capacity building projects. Their article sheds light on the evolution of the implementation of capacity building, the academic research related to it, the difficulties of its implementation, and the few successes. They suggested that entrepreneurs and managers contribute to capacity building by initiating entrepreneurial projects with the help of state agencies that support them. They established a visual research agenda map based on the data gathered during a conference for the practitioner-scholars. The authors developed thematic capacity building topics for practitioner-scholars with international development experience in Africa. One way to develop women's capacities is to go through support structures. This type of women entrepreneurship management is developed in the following part.

3.2 Drivers of Capacity Building in Female Entrepreneurship

If business creation was considered as innate, studies have shown that the entrepreneur can be supported in order to promote his or her success in this fairly perilous adventure. We are currently in a period where the support of the entrepreneur is required. Entrepreneurial assistance is an activity that tends to develop with the rise of an entrepreneurial society (Audretsch 2007). Mathot (2010) therefore estimates that two-thirds of entrepreneurs receiving support are still active 3 years after establishing their business. In some sectors, such as the craft industry, this rate is over 70%.

After presenting some general facts about capacity building and support structures, we will discuss how this kind of capacity building aims to tackle different issues presented as the main impediments to entrepreneurship.

3.2.1 Support Structures

The assistance is a co-constructed process in which the person with a business creation project plays a pivotal role (Chabaud et al. 2010).

In order to enhance the capacities of women entrepreneurs, entrepreneurial support is highly valued. For Bakkali et al. (2010), a business support structure is an organization that offers entrepreneurial and managerial support, services, and possibly hosting.

Messeghem et al. (2014) give a definition that seems to be the most comprehensive in the White Paper on the structures supporting business creation in France (2014). "Entrepreneurial assistance is a long-term process organised by a third party, allowing people with business creation projects or entrepreneur(s) to benefit from active learning (training, advice . . .), access to resources (financial, information . . .), networking, services (administration, hosting . . .) and decision-making support (coaching, mentoring . . .)."

Albert et al. (2003) also use the term incubator in a generic sense which refers both to incubators in the strict sense and to nurseries.

Pluchart (2013) considers that the concept of entrepreneurial support encompasses a set of relations and/or mediations, progressive over time and across countries, aimed at providing the tangible and intangible resources necessary for business creators and those taking over an existing business.

Plane and Torres (1998) state that these resources are divided into strategic guidance and functional and operational services (technical assistance, commercial assistance, legal assistance, accounting assistance, financial assistance, social assistance, etc.).

For Allen and Rahman (1985), assistance helps to create a favorable environment for entrepreneurship by providing a secure environment for people with a business creation project, offering them a number of services (premises, advice, etc.), and allowing them to be in contact with other entrepreneurs.

Sammut (2003) states that support allows the business creator-starter to make his/her action worthwhile. It is therefore about making the person eventually self-sufficient (that is, capable of building a project), giving a personal identity to his or her organization, and acting on the environment (endowed with functionalities) that is aware of "doing something in something" (Martinet 1990). However, what is needed for the learner business creator is to develop emotion, to make him/her want to enter into an active and self-regenerative learning process. The most important thing is that the interactivity and reflexivity of the entrepreneur are at the center of the learning process (Sammut 2003). More precisely, the role of the coach is thus to encourage the reflective abilities of the supported person (Giddens 1987). This is what allows entrepreneurs to solve the problems they encounter on their way. Coaching in this case would thus develop capacity of the future entrepreneur in helping him/her to be more reflexive and self-confident.

This entrepreneurial support is distinguishable from other forms of support by the variety of missions to which they are related. For some, it must, above all, enable the future entrepreneur to identify and acquire resources (Albert et al. 2003). For Sammut (2003), supporting enables to share knowledge with the supported person. Others see assistance as a means of legitimizing entrepreneurs (Cullière 2005). Companies would even join support structures not to acquire new knowledge but to improve their reputation (Studdard 2006). Finally, Barès et al. (2004) identify another way to build capacity through the role entrepreneurial support can play in the development of opportunities.

Kamdem and Ikellé (2011) observed that two dominant situations coexisted in the entrepreneurial support of very small enterprises and small enterprises in Cameroon. On the one hand, promoters attach considerable importance to local structures and networks (parents, friends and close acquaintances, members of the tontine groups, members of the solidarity and mutual aid groups, etc.). On the other hand, they highlighted the predominance of informal support structures over formal support structures.

To sum up, these articles show the value of building capacity through support structures. In France, the ministerial report entitled "Supporting entrepreneurship, a priority for growth" by the committee led by Philippe Mathot in 2010 concluded that there is a need for "Assistance to get closer to coaching and to become a real entrepreneurial reflex."

3.2.2 Access to Funds

Finance matters as it is an essential resource in business creation. Access to finance is part of the services provided under entrepreneurial support (Messeghem et al. 2014).

In developing countries, microfinance plays an important role in securing entrepreneurial funds. As quoted previously, Okoye (2013) states that microfinance mechanisms should be replaced by another tool as it has been reported that these programs failed to support female entrepreneurship, at least in Nigeria where his analysis was implemented.

3.2.3 Various Practical Trainings in Management and Entrepreneurship

As far as training is concerned, researchers are unanimous; rightly regarded as intangible investment, training provides basic knowledge to the entrepreneur. Increasing the business creator's "knowledge assets" is essential, although Sammut (2003) considers that the main issue has more to do with the development and enhancement of the capacities of the person with a business creation project to evolve his/her representation system and to be open to new complexities.

Besides the skills and competences acquired through multiple training and experiences, the individual must, in order to be successful, have a feeling of positive self-efficacy. This feeling refers to the belief of an individual in his or her ability to accomplish the specific tasks he/she undertakes (Bandura 1977). The perception of self-efficacy does not concern the number of skills an individual possesses but the belief in what he/she can do with the skills he/she possesses in a variety of circumstances (St Jean and Mathieu 2011). These authors thus prove the positive effect of coaching in the development of entrepreneurial self-efficacy among novices. Focusing on mentoring, they showed that support has a positive effect on the actions of the entrepreneur. So, one can assert that mechanisms to build female capacity must address this need for coaching and mentoring for women.

Moreover, men and women do not have the same level of entrepreneurial self-efficacy; indeed, it is reported that women have a lower level of entrepreneurial self-efficacy. This conclusion is the result among other things of the work of Giacomin et al. (2010) on three continents around the world, following Gupta et al. (2009). It justifies even more the importance of entrepreneurial support to women with business creation projects. The increase of women self-efficacy must also be a goal to achieve when dealing with capacity building.

3.2.4 Networking

To ensure effective coaching/support, network development and networking of entrepreneurs must also be considered.

Pluchart (2013) asserts that membership in a network is a source of competitive advantage as it helps to reduce transaction costs among network members and increases their ability to mobilize resources.

Through a state of the art from English and French literature, Santoni and Barth (2014) show the value of research on networking practices in the field of women entrepreneurship. They analyze the construction of an entrepreneurial network based on a research intervention carried out within a French business school. Their case study is based on the establishment of an entrepreneurial center and has helped them realize that women entrepreneurs systematically call upon their family members more than their male counterparts. In addition, the latter find it easier to seek help from other parties who can guide them. In fact, this reduced access of women to professional networks represents a strong impediment to women's career advancement [Weiler and Bernasek (2001) quoted by Santoni and Barth (2014)]. This access to the network must therefore be encouraged in the entrepreneurial adventure through assistance. Some UN organizations are setting up a specific network at the international level, deployed at national and regional levels to promote capacity building initiatives in women entrepreneurship.

Moreover, building efficient networks makes it possible to identify opportunities and, above all, to improve innovation (Julien 2008). Not being isolated and being in contact with other women, entrepreneurs give the woman entrepreneur more business opportunities throughout the life of her company. Networks are the basis of social capital, facilitating creation and growth. The emphasis here is on the importance of an entrepreneurial support that aims to connect novice entrepreneurs with other parties well placed to guide them.

The English literature refers to the significant contribution of social networks to entrepreneurs [Birley (1985), Aldrich and Zimmer (1986), Slotte-Kock and Coviello (2010) cited by Santoni and Barth (2014)]. Based on research on the setting up of a network by preincubated entrepreneurs in a business school center, the latter confirm that an entrepreneur needs information, financial capital, skills, and work to create their own business. They have some of these elements but often complement them by calling their contacts—in other words, their social networks, which provide them with support, other skills, and access to distribution channels, for example.

Santoni and Barth (2014) also observed that some expectations to get in touch with the network are common to men and women with business creation projects, such as the experience of network members who meet at the monthly events organized by the center or the contribution of contacts. However, other expectations, exclusively feminine, emerged from their study. Women want to be inspired and identified by other entrepreneurs. Putting a woman entrepreneur in contact with others who have her entrepreneurial profile must therefore be the objective. Lebègue (2015a, b) confirms the lesser involvement of women entrepreneurs in networking activities. She also recommends a generic support model, but including modules exclusively reserved for women to take into account the concept of gender in business support. This kind of capacity building is therefore one interesting way to develop women's self-efficacy.

Although business support is a relatively new subject, several types of assistance have emerged. Authors such as Couteret and Audet (2008) advocate individual support in the form of coaching or mentoring. Moreover, according to Lévy-Tadjine (2008), the uniqueness of the assistance must be linked to the uniqueness of entrepreneurship.

3.2.5 Diaspora Involvement

The diaspora supports Malagasy entrepreneurs, whether they are men or women.

Juniors for Madagascar is a French association created by the Malagasy diaspora to support entrepreneurial ventures in connection with Madagascar. It enables Malagasy youngsters born in France to go and settle in Madagascar. This nonprofit association has economic targets. It wants to help entrepreneurs to develop entrepreneurial projects. *Juniors for Madagascar* organizes contests each year to find young talents who want to develop business projects in any field. On November 25 and 26, 2016, the second edition was hosted by 42, a prestigious computer programming school, and was part of the "Startup Weekend Paris." One of the winning teams named "Madabusiness Solidarités" created "Créemplois." Two women, one lives in France and the other in Madagascar, run this company. Créemplois's mission is to empower people to help them achieve their goals. This wish to develop women's capacities can either be building a professional network for the Malagasy and diasporas, receiving experts' advice for any line of business, creating jobs, developing one's skills, raising awareness of sustainable development, and so on.

The association *Saina* is another example of an organization willing to work for the development of the Red Island. It was created by women of Malagasy descent who live in France. They use their legal, financial, and social expertise to support skilled entrepreneurs (men and women) who want to become significant assets for different business areas.

However, most organizations are humanitarian ones whose ambition is to help development through education or through the promotion of healthcare (Association LCDMF, association Avenir Bevato, etc.). Europe-based women's humanitarian organizations are mostly concerned with helping women fight poverty. They support women in their search for income-generating activities that will enable them to meet the basic needs of their families. Each member sponsors a woman and her children. These associations are the most widespread and consider that by helping the mother, the lives of the children will be immediately affected. For example, this is the case of Entraide Lyon Fianarantsoa, an association whose purpose is to help single-parent household children in Madagascar to survive and to have an education thanks to donations.

The women receiving these subsidies are supported on a social basis. Social workers will evaluate their performance, and they will make sure that children receive food thanks to the mother's activity, for example. These associations will not lead, guide, or accompany women in their entrepreneurial initiative as microfinance institutions do, for example. Please note that in the latter, guidance only takes place at the start of the activity.

All these results stating the need of institutions to build capacity for women entrepreneurship are even more important in developed countries. Let us verify how women entrepreneurs launch their entrepreneurial activity thanks to or despite support structure.

4 Methodology

After the presentation of the research area, we will discuss the main results regarding the support structures present in the regions of central and southwest Madagascar as well as their actions in favor of women entrepreneurs.

4.1 Research Sites

Since 2004, Madagascar has been subdivided into 22 regions. Two regions are involved in this study, the region of the capital, Antananarivo, and the largest geographical southwest region, the region of Tuléar.

Women entrepreneurship initiatives are not uncommon on the Big Island. The informal sector that is highly represented as a significant number of enterprise creations is carried out outside the legal circuit. 14,670 enterprise creations were recorded in the first 9 months of 2015, compared with 14,195 in 2014. In the first quarter of 2016, an increase of 18% in formal creations was observed.

The difficult socioeconomic context of this country is evident in its Human Development Index (HDI), a ranking made by the United Nations Development Program (UNDP); in 2015, Madagascar was ranked 154th of 188 countries. Nevertheless, it had a GDP of 9739 billion dollars in 2015 and a GDP per capita of 420 dollars for 24.24 million inhabitants according to the World Bank in 2015. Slowed down by the 2009 crisis, the entrepreneurial momentum resumed at a similar rate after the crisis. The entrepreneurial dynamism is indeed obvious as the number of created companies grows at a rate between 10 and 20%.

It would have been interesting to implement a study about the needs of women entrepreneurs in terms of capacity building, but a very low number of women agreed to be followed; so we turned to the support structures that we present below.

Table 1 Profile of the sample

	Age	Family situation	Status	Support structure	Education
Julia	37 years old	Married 2 children	Entrepreneur	Microfinance institution	BEPC/ brevet
Njara Justivette	38 years old	Single, no children	Entrepreneur	Microfinance institution	Bachelor
Lalaina	38 years old	Married 3 children	Executive with employees	Accompanist EFOI	Master 2
Fanja	43 years old	Married 3 children	Executive with employees	Accompanist EFOI	Master 2
Bonia	43 years old	Married 3 children	Executive with employees	None	Master 2

Authors' own table

4.2 Data Collection and Analysis

The aim of this exploratory study is to describe, understand, and explain the practices implemented by the support structures to strengthen the performance of women in their entrepreneurial activity. According to Wacheux (1996), a qualitative approach allows to "understand the why and the how of the events in concrete situations." Understanding this phenomenon and the exploratory character of our research led us to adopt such an approach.

The research methodology used in this study is based on semi-directive interviews using qualitative logic centered on individual. Only five women shared their experiences. Two of them mentor other female entrepreneurs, two are mentored, and one was selected thanks to the relevance of her remarks. Our panel of female entrepreneurs is quite a good representation of the total population in Madagascar (Table 1).

Because of the lack of female entrepreneurs, we decided to approach coaching organizations, which agreed to take part in this study. Therefore, secondary data was collected to expand our database. There were intense discussions with those structures during 4 months, from June to September 2016 in the form of telephone interviews and mailing campaigns. Then, only e-mails were sent until November 2016. Seven entrepreneurial support organizations responded to our questionnaire, namely, the EFOI (Regional Entrepreneurship for the Indian Ocean), the EFOI National, the EFOI of the Southwest, the SIPEM, the Vola Mahasoa, the Kentia, and the Antananarivo Chamber of Commerce. The results of these interviews will be presented below.

In this study, we wanted to shed light on capacity building needed by Malagasy women entrepreneurs. Having difficulties to collect information directly from women entrepreneurs, we turned our attention to support structures, which accompany women in their projects. The way women entrepreneurs are supported and the kind of necessary capacity building were our main preoccupations.

5 Findings

Inspired by the academic works explored in the previous part, we focused our research on three areas: funding, training for women, and networking.

5.1 *Funding for Women Entrepreneurs*

As far as the studied structures are concerned, we learnt that support from the microfinance institutions consists in studying the project and granting credit if the idea is interesting. Two out of seven structures then carry out a mandatory field trip; two others will consider it in some cases, and for the other three, visiting women entrepreneurs at their place of work is very rare. Furthermore, none of the structures offers long-term support. It should also be noted that many entrepreneurs consider that they were accompanied as soon as they had an outside contact when they started their business.

One of the pitfalls observed for access to loans is the existence of exorbitant guarantees for small entrepreneurs. An organization, the *Solidis Garantie*, was created to guarantee the project promoters. Women entrepreneur associations also provide women who carry out interesting projects with such services. One of the women interviewed was able to raise funds three times in 1 year. Her enduring problem though is to keep her businesses sustainable and profitable.

Three structures also report that they support women who create in the informal sector because they are more interested in the economic viability of the project than in the administrative process. Indeed, the funding agencies generally ignore the informality of the structure. This proves that microfinance is adapted to the economic situation of this country even if it does not meet all needs. Obviously, progress has been made and access to credits is no longer impossible.

Besides, innovative initiatives do exist. Among them, meso-finance is beginning to be established in Madagascar. This system offers alternative, flexible, and fast financing tools for companies whose development is too advanced for microfinance institutions. Accessing financing is thus no longer a major obstacle.

To sum up, it appears that capacity building for women entrepreneurship is needed in accessing funds, specifically setting up a starting investment funds as well as an accelerator investment funds to sustain activity of firms whose development is effective. And a long-term support would also be desirable as it has been shown that it is the way to avoid the failure of a firm.

5.2 *Training, An Essential Element in Building Capacity*

In addition to access to funding, our analysis shows that the support structure must promote the acquisition of practical and theoretical knowledge for female entrepreneurs. Funds—in the form of loans for business—are exclusively granted with advice and after the validation of the project by an organization. There is also a follow-up period. Six out of seven structures only support entrepreneurs in this way.

Two out of seven structures provide training but in a non-systematic way. There are group meeting (1 day or seminar) for two others, for example, twice a year. Nevertheless, for the three other structures, the individualized assistance at the beginning of business creation often seems sufficient.

One structure helps the project promoters write a business plan (a paid service). For two organizations, membership in the association allows them to benefit from support. The five other structures will simply orient the entrepreneurs toward other organizations. In other words, knowledge of the specificities of SMEs and the creation of a business, the knowledge of tools for setting up entrepreneurial projects such as the business model and the business plan, represent the most basic skills that the mentoring individual should have according to Bakkali et al. (2010). This is also one of the core competencies that a business support organization should have.

The training part of the support structures seems therefore far from being sufficient to efficiently empower Malagasy entrepreneurs. Thus, few women were introduced to the basics of law and management in Madagascar.

According to our study, three structures support the entrepreneur in the drafting of the various documents and affiliation with the National Institute of Statistics. Other services, such as the domiciliation of the activity, are rarely offered by the structures. The Kentia Holding is the only structure that hosts new creative activities (out of the seven interviewees). This is a paid service for this lucrative organization. The overwhelming majority does not house the activities created. This is detrimental for small entities that could benefit from the expertise of the other structures accommodated by the support organization. We know that one lonely entrepreneur may lack tools and support. He or she needs advice and practical help for the success of their business (Albert et al. 2003).

Obviously, emphasis should therefore be on training. As the women's self-efficacy is relatively low compared to their male counterparts, training program could be a means to enhance their empowerment and their degree of self-confidence. However, training must concern both support structures and women entrepreneurs.

Along with training, networking is a powerful factor in the development of one's new business.

5.3 The Power of Networking

Judging by our analysis, it appears that five structures organize meetings between aspiring entrepreneurs and experienced ones during events or parties. However, some of the entrepreneurs are not invited to these events because they are restricted to people with membership. Hence, access to these events is limited to the segment of the population that can afford to subscribe to these associations. In addition, only two out of seven structures offer sponsorships. Individual support is sorely lacking in this country.

In terms of creating connections, a few associations distinguish themselves in Madagascar.

At the regional level, *Entreprendre au Féminin Océan Indien* (EFOI) is an international cooperation association active in five countries, which aims to promote women entrepreneurship in the Indian Ocean. This association organizes events to promote communication and interconnections between women entrepreneurs. This includes creating any necessary technological tools for the development of the network and its influence. The "Made in Femmes" fair was organized in 2016 in La Réunion (French Island in the Indian Ocean) by the EFOI, and the female knowledge (*Savoir-Faire féminin* in French) exhibition was set up in Madagascar by the local branch of the association the same year. These events helped consolidate women's skills through discussions and feedback. This network publishes and then sends newsletters, brochures, and documentation to the members and organizes all of the special events as well. EFOI Madagascar is composed of 450 women entrepreneurs of all nationalities.

EFOI Madagascar is a professional association, which was created in 2007 in Tamatave y the initiative of the Indian Ocean Commission. It is one of the EFOI Indian Ocean network members as well as an affiliate of the FCEM (Femmes Chefs d'Entreprises Mondiales meaning Global Women Entrepreneurs Worldwide).

Another business network, not devoted to women only, is Business Network International (BNI) based on mutual recommendation. It is for business leaders, professionals, small- and medium-sized enterprises, and SMEs who wish to develop their business. Present in Madagascar, its goal is to become an influential network.

In the Malagasy territory, institutional networks and chambers of commerce play a significant role in making connections. They provide support without distinction of gender. Support for companies has its own dedicated department. It focuses on designing, planning, implementing, and monitoring projects both in the Great Tana (the capital city region) and in other antennas across the island. This support from the Antananarivo (capital and largest city) Chamber of Commerce is the most structured supporting chamber of commerce of the territory. Its activities range from meetings, business missions, external support missions, conferences, meetings, local and international events, and easy access to information. This service also provides training. Its premises house the trainings of the associations of entrepreneurs. Thus, the connections are made through collective formations and periodic or one-time meetings organized.

Additional Facts

Some organizations (SIPEM, Vola Mahasoa, EFTI COI Toliara, Chamber of Commerce Antananarivo, and Women Entrepreneurs of the EFTICOI Antananarivo network) have given us the following figures:

- Thirty women have started a business since 2007.
- Three women have started a business since the beginning of 2016 out of six men.
- The half of their clients was women.

- One hundred eighty women started a business between July 2015 and July 2016.
- Three female creations per month were reported and a dozen per year.

Despite the fact that they do not benefit from any kind of aid or tax scheme, all the organizations continue to encourage women entrepreneurship in Madagascar because it is either their vocation (EFTICOI, GFEM), a support to boost their business (Kentia SARL), or a profitable, trustworthy, and "credible" resource of clients (Vola Mahasoa SA, SIPEM).

Networking is made by the support structures in various ways. One recommendation which derives from this part is that a structured framework of support could be put in place as well as funding to assist the support structures in their mission.

6 Discussion, Limits, and Future Research

This section will present the discussion following this research and the limits of this work and will outline the future prospects of this study.

6.1 Effectiveness, Efficiency, and Efficacy of the Network

According to Paturel (2000), the performance of support networks can be evaluated using three criteria: the "effectiveness" of the network measured by the sustainability and the financial performances of the supported companies, the "efficiency" of the network measured by the ease and speed of access to resources provided to business creators, and the "efficacy" of the network measured by the level of satisfaction of the actors involved.

In our study, the results are mixed. More precisely, the mentoring individuals are rather satisfied regarding what is being achieved. They feel that their efforts are not in vain.

However, what is being done is insufficient for a successful long-term entrepreneurial project. Entrepreneurial initiatives are increasing and they provide real support to women. Given the overwhelming majority of women entering the entrepreneurial venture, there is not enough support for everybody. Indeed, women often declare that they would need more money and skills to start a business. In this context, it is interesting to notice that one entrepreneur reported she had been able to initiate three funded projects in the same year; so fundraising was no longer the major obstacle in this case. The problem encountered by this entrepreneur was to make her business last, so that she could create wealth. In short, she managed to obtain funds to initiate entrepreneurial projects but does not have enough skills and support to sustain them. This did not prevent microfinance structures from trusting her and granting more loans.

In other words, whereas the network's efficacy is quite well-established, effectiveness and efficiency are far from being fully achieved. And to sum up, considerable efforts must be made to build women's capacity. These efforts should be concentrated on training, supporting, (mentoring), and access to funds. Moreover, women entrepreneurs need long-lasting support to ensure a sustainable activity.

Despite the development of these initiatives, the number of beneficiaries of these support services remains very low. To give an example, in France, in 1993, the financing platforms of the France Initiative Network, which were by far the most active, had financed only 3.400 new businesses after 7 years of existence (Darbus 2008). This proves that it takes a long time for support structures to attract people. These organizations exist; they must now make themselves known and offer appropriate advice and relevant support.

6.2 Successful Mentorship Through Training and Long-Term Support

Mentorship generates a predisposition to action which progressively enables entrepreneurs to develop their capacity of understanding, their organization, and their strategic planning (Avenier 1997). Nevertheless, the reflexive dimension, which is decisive, is not sufficiently developed in Madagascar. The classical form of one-time support prevails. This does not encourage entrepreneurs to ask the right questions or to "push forward their own representations in an iterative way." Personalized help is superficial in the sense that it does not allow an individualized approach primarily focused on the manager and not solely on the company as a structure in itself (Couteret and Audet 2008). The classical supportive system only solves short-term problems of management without a real integration of representations. It essentially uses the consulting approach, that is to say the "turnkey" contribution of concrete and rapid solutions.

The capacity building necessary in this field is thus the training of the trainers. It is only if support structures are trained to give this kind of feedback that they would be able to improve their activity. It is regrettable that the mentoring person's mission—which ultimately consists in enabling entrepreneurs to acquire enough skills to achieve more—is not fully accomplished in spite of the genuine will of the structures. Public authorities therefore have a role to play in providing those mentoring individuals with the means to achieve this goal.

Moreover, the support structures provide a support service, which does not allow a symbiotic relationship between the individuals who are mentoring and the women who are mentored. Gestation as well as start-up requires the implementation of processes, rather than procedures of support, based on very strong ties between the two protagonists. For that matter, according to Bakkali and his co-authors' approach (Bakkali et al. 2010), this strong relationship is what allows better support and an optimized transmission of both formal and tacit knowledge.

Of course, making this support compulsory would probably be inappropriate. Chabaud et al. (2010) suggest that we should grant a form of support specifically designed for the mentored person rather than standardized monitoring. A standardization of practices can be the first step because there could be a greater involvement of both parties in the process and it would contribute to unleashing the reflexivity of the entrepreneur. It could also be interesting to encourage the settlement of internationally famous networks in Madagascar to promote skills transfer.

In the case of Madagascar, finding volunteer experienced entrepreneurs to mentor aspiring entrepreneurs does not seem to be a problem (especially if retired entrepreneurs could volunteer). However, teaching how to succeed at one's job is not easy; it cannot be improvised. Bakkali et al. (2010) examined the issue and formalized a framework of competencies for entrepreneurs willing to become mentors to aspiring start-up business owners. This document could help them in their supportive mission.

On the other hand, the International Labor Organization confirms the idea of the misconception of support. Their position is the following: despite the existence of initiatives to support entrepreneurship, both public and private, actions and strategies do not fit into any global political vision. They add that a legal and programmatic framework for the specific development of women entrepreneurship is lacking. This can be seen in the lack of incentives for organizations to act in favor of women entrepreneurship.

Concerning Madagascar, it is common to see women who succeeded in initiating a promising project, quitting their jobs, and accepting a public service position for it is more secure than entrepreneurship. The existence of support structures offering capacity building in the form of training, access to financial resources, and expanded networks would make it possible to help them continue their promising entrepreneurial projects. The Women Entrepreneurs Network in Madagascar and those in neighboring islands are beginning to consider mentoring a little more closely. Meetings on such projects began in August 2016.

As far as networking is concerned, we shall emphasize that women entrepreneurs are empowered by organized events of networking. However, access is restricted to very few of them. In fact, we can say that networking and training are limited to a very restricted audience of women entrepreneurs. Memberships to these women associations are indeed outrageously expensive: 50,000 ariary that is to say $16.4 per month, which is a huge sum for small project holders and unaffordable for most women.

Our contribution in this research project has been to point out the different types of capacity building that are needed for female entrepreneurship. In particular, we have studied the practices that are needed to support female entrepreneurship. It should be noted that women themselves are seeking such research because they feel the need for a capacity building. They are aware that strengthening their capacities would enable them to achieve better results. The way support structures of other islands in the Indian Ocean (Soroptimist meeting, EFOI Réunion) intervene seems to confirm this interest for a thorough and long-term analysis of women entrepreneurship.

6.3 Limits

The limits of this exploratory study are the following: we faced a low rate of respondents which is why in our study, we focused more on support structures. The number of women supported is also insufficient and deserves to be improved. And although the work was done in a few months, we could have extended the follow-up period of the structures as well as of the numbers of women entrepreneurs. Moreover, remote surveys via mail or telephone may have affected the quality of communication and therefore the quality of the information collected from the respondents.

These limitations lead us for future research projects in which we shall broaden our field of investigation or in which we shall conduct a study on the longer-term entrepreneurial support of a larger number of entrepreneurs. Access to the databases of the women entrepreneurs registered with the Reunion Island Chamber of Commerce and Industry and the Chamber of Trade and Crafts will be a great opportunity to enhance our capacity building knowledge in this part of the world.

7 Conclusion

For Fanja Razakaboana, President of the *Entreprendre au Féminin Océan Indien* (EFOI) network in Madagascar, women entrepreneurs can challenge foreign entrepreneurs. According to her, "It would only take more support and more money for them to be more productive." The capacity building put in place by support structures must focus their actions on sharing better adapted knowledge and skills instead of solely focusing on the financing of projects. They also have to consider the socialization of women entrepreneurs on a broader spectrum. Indeed, there are increasing support initiatives by various organizations in Madagascar, but most of them do not encourage exchanges between women. The importance of these supports is really high and increasing. It gives women a chance to succeed and encourages people to embark on this entrepreneurial adventure. However, these organizations (associations) only bring funds and some advice. Their support is not always adequate. The support structures should set up support schemes that take in consideration the needs of entrepreneurs. Even though there is a lot of room for improvement, these organizations do provide real support, particularly for women entrepreneurs in the informal sector. Although the funds obtained are not always used for the purpose intended, credit agencies are rather enthusiastic and sometimes claim that female entrepreneurs are more credible and effective than their male counterparts.

Furthermore, the promotion of entrepreneurship goes hand in hand with the combating poverty. This goal is achievable in the sense that these income-generating activities sometimes allow women to have a decent standard of living.

The objective of this contribution was to unveil the entrepreneurial support of women entrepreneurs in Madagascar. This exploratory work is necessary to shed more light on this research area of female entrepreneurship. For example, we realized that, even if it's difficult, the access to finance is available in developing countries where special arrangements exist for it. Access to credit is indeed the most successful part of Madagascar's support. Also, connecting women entrepreneurs to each other is an important success factor as well as giving them access to information and training given this is out of reach for too many women.

Moreover, it's urgent to rethink the programs of capacity building by focusing on the reflexivity and the interactivity of entrepreneurs and to make sure that it is more appropriate and focused on knowledge management systems.

More and more women start businesses in Madagascar. Therefore, building their entrepreneurial capacities is essential for their success and for the development of the country.

Annex 1

Support structures include microfinance institutions, financial institutions, public structures, networks of women entrepreneurs, and humanitarian associations whose head offices are abroad, mainly in Europe.

Several regions, such as Analamanga and Vakinanakaratra, are better served by microfinance services in terms of geographical coverage. However, other regions, such as Melaky and Betsiboka, remain poorly covered. Indeed, the coverage constraints are linked to the low density of the population, the isolation, as well as the poor state of infrastructure of the region.

Here, in the following, is a non-exhaustive list of the key actors in the financing sector: *Vola Mahasoa* SA, SIPEM, TIAVO, ACEP, EMPA, FIVOY, and CECAM (ACEP 2014). The choice of these actors was due to different reasons such as their role in the southwest region or the possibility of contacting them.

The main supporting institutions for entrepreneurs, regardless of their gender, are the numerous microfinance institutions (MFIs) on the island.

The first microfinance institutions (MFIs) were set up in Madagascar in the 1990s. Their institutionalization was progressive because they were initially implemented by nongovernmental organizations (NGOs) and then integrated into projects supported by international aid. These projects are only located in limited areas, and currently their scope extends to urban areas and unserved rural ones.

From the 2000s onward, the demand for microfinance services has been rising, and subsidiaries of investment companies have been settled in this area. Today, the majority of MFIs are present in cities where the sector has become highly competitive, while some landlocked rural areas do not have sufficient basic financial services.

Microfinance, largely present on the territory, offers variety of services. It provides access to capital to a part of the population without access to the banking sector. The development of microfinance has been remarkable. It is now present in most regions of the country, albeit with uneven coverage, often in urban zones and agglomerations displaying greater density.

MFIs in Madagascar have organized themselves to better meet the needs of their clients. Thus a coordination authority of microfinance sector was created in 2003. Moreover, a Professional Association of Microfinance Institutions (APIMF), created in 2010, was implemented to facilitate collaboration between entrepreneurs, enhance the legal and economic environment of microfinance activities, represent its members at national level, make professional, and strengthen stakeholders' capacities.

MFIs are divided into two types: some are mutual institutions, and others are not.

Mutual MFIs are savings and credit cooperatives whose members are both members and beneficiaries. Their services are nevertheless exclusive to members.

Non-mutual MFIs are legal entities incorporated in the form of a limited liability company, an association, or an NGO. Frequently, their capital belongs to private investors.

Mutual microfinance institutions are larger in number than other credit institutions because of their advantages such as lower application fees and a high interest rate for savings and are more present in rural areas. However, faster processing of cases characterized non-mutual institutions, as the decision to grant loans is made by a credit committee in mutual institutions.

MFIs are also classified into three levels according to their authorized operations, the operating and control structure, and the size of the risks associated with microfinance activities. Management rules and prudential standards will depend on the level of the MFI.

It can be seen that there is a wide choice of MFIs and thus financial services. This makes it possible to cover most of the needs that emanate from the population.

According to data from the National Coordination of Microfinance, the number of members of non-mutual MFIs increased from 89,973 in 2012 to 94,820 in June 2013.

For mutual establishments, however, the number of members increased from 743,070 to 736,286 for the same period.

One of the key microfinance actors on the Malagasy territory is Vola Mahasoa, a microfinance institution created in 1993 and transformed into a public limited company in 2007 to provide, to an underprivileged population, sustainable financial services, closer to their needs. It aims also to finance their productive, commercial, and small-scale production activities. It can finance informal microenterprises but is exclusively interested in the project.

The first branch was created in the southwest in Tuléar, and it operates now in the four regions of Madagascar. The motives to call this institution are the search for sustainability, profitability, extension of coverage area, and increase in scope.

Entrepreneurs receive summary financial education (savings and credit management) but no more thorough management. Women account for 65% of their clients. In general, the MFI contributes to the reduction of poverty and to the reduction of social inequality through solidarity and long-term microfinance, mainly by providing financial services adapted to the needs of the public.

For its part, the SIPEM (Investment Company for the Promotion of Enterprises in Madagascar) contributes in general to development financing, working capital requirements, and the extension of enterprises such as microenterprises and small- and medium-sized enterprises (SMEs) (formal or informal). Thus, thanks to its 18 agencies in different regions of Madagascar, it contributes to the economic development of Madagascar by providing financial services, suit to the needs of SMEs, and providing a diversified range of financial products and services that meet the expectations of individuals and employees in the public and private sectors. The condition to be eligible for funding is to have at least 6 activity months. However, the funding of new projects is not encouraged due to the fear of the lack of project initiator experience. Nevertheless, women receive more than 50% of the funds granted by the SIPEM Bank.

TIAVO, a mutual MFI operating in Madagascar since 1999 and financed by the Grameen Crédit Agricole Foundation, is the result of a partnership between Crédit Agricole SA and Grameen Trust. It offers savings and credit services primarily using the individual loan methodology.

Alongside the national organisms set up by international institutions, there are international microcredit agencies such as the Private Enterprise Credit Agency [l'Agence de Crédit pour l'Entreprise Privée (ACEP)]. ACEP in Madagascar, headquartered in France, is a microfinance institution, particularly active in Cameroon, Burkina Faso, Madagascar, and Niger, whose installation has benefited from the support of the Agence Française de Développement (AFD). ACEP is a microfinance institution which main activity is the financing of very small businesses and small- and medium-sized enterprises (SMEs) in urban areas. ACEP finances a short-term and broadly unstructured entrepreneurship. These entrepreneurs often have multiple activities in parallel and face many operational obstacles. ACEP customers have maintained their profitability despite the sharp decline in activity due to the serious political and economic crisis that Madagascar faced in 2009, thanks to ACEP loans.

The Association for the Promotion of Enterprise in Madagascar (APEM) is a nonprofit organization created in 1987 by companies belonging to the GEM of Madagascar. Its objective is to promote entrepreneurship and to develop a network of micro and small enterprises in Madagascar, to participate to the reduction of poverty, in particular by actions in the field of microfinance.

FIVOY is located in the districts of Fianarantsoa and Ambalavo. It is a women's organization which brings together five local associations composed of 140 women, reaching out to 1.200 people. The activities of the association are not limited to the management of a microcredit fund. It also manages collective granaries, three collective rooms for meetings and training, a collective store of artisanal products, and two school canteens.

The Caisse d'Epargne et de Crédit Agricole Mutuel (CECAM) is also one of the key players in microfinance. It contributes to the economic growth by granting credits to its 6000 peasant members, men and women. More than 2.500 vulnerable women obtained credit with a vocational training in order to efficiently fight poverty in the southwest region. Encouraging vulnerable women to better produce, to increase their incomes, and to improve their living conditions is one of the main goals of mutual credit. The banks offer microcredits to adapt to the demand of the population, and SIPEM has changed legal status since its former status did not allow it to respond to all requests.

In the region of Atsimo-Andrefana (South-West), there are 6 microfinance organizations (FIVOY, CECAM, Vola Mahasoa, Microcred Bank, TIAVO network, and IFRA) and 27 points of sale.

Another large institution (Mampita) chose to move to Majunga to avoid competition with Vola Mahasoa, which is well-established in this region.

When dealing with entrepreneurial financing in developing countries, mobile banking is a recurrent subject because of its significant presence in these countries. Mobile banking, which refers to mobile financial services offered by banks, is booming. It allows access to financial services to people who are usually excluded from the banking system. Since 2010, major mobile operators have obtained the authorization to act as intermediaries and carry out banking operations. This service is an essential support for entrepreneurs. Mobile banking (or online payment) is both a competitor and a support to microfinance institutions. Pay-by-phone services have also made it possible to overcome difficulties linked to the transfer of money which until then hindered entrepreneurship.

Overall, mobile banking is a positive asset for entrepreneurs. In June 2014, 25% of the working population was able to access money transfer services via mobile telephony.

As demand is high, the private sector is also taking over this supporting sector. Kentia Domiciliation, a limited liability company, receives coaching from the Francophone Institute of Entrepreneurship's virtual incubator. This holding company provides businesses of all types and sizes with a large variety of services.

At the national level, the national platform "Madagascar Women Entrepreneurs Group" affiliated to the Entrepreneurship Network in the Indian Ocean (EFOI), led by Fanja Razakaboana, brings together all twelve regional associations: FED (Diego), FEN (Nosy-Be), EFOI Tamatave, EFOI Fort Dauphin, FEB (Betsiboka), EFB (Boeny), EFHM (High Matsiatra), and FEA (Antananarivo).

When it comes to providing financial support to entrepreneurs, one cannot overlook the role of financial backers such as the "Agence Française de Développement" (AFD)—a French funder—which has been combatting poverty and promoting economic development in countries of the Southern hemisphere and in overseas departments and territories for over 70 years. Successes, however, do not quite live up to expectations. AFD is active on four continents and has a network of 71 agencies and representative offices. It finances and supports projects in more than 90 countries to improve people's living conditions, support economic growth, protect the environment, and help countries facing great challenges or postcrisis situations overcome them. This includes education, maternal and child healthcare, support for farmers and small businesses, water supply, fight against global warming, and so on.

With a nearly 7 billion euro funding approval in 2012, AFD is one of the world's leading development institutions. The development actions it supports are carried out by states, local authorities, public and private organizations, and NGOs (AFD 2015).

Proparco—a subsidiary of the Agence Française de Développement (AFD) dedicated to the private sector—has been involved in sustainable development for nearly 40 years and supports job creation, business competitiveness, and the emergence of entrepreneurship. It is active in 80 countries in Africa, Asia, Latin America, as well as in the Middle East. Proparco's action focuses on key sectors of development: infrastructure with a focus on renewable energies, agribusiness, financial systems, health, education, etc.

This subject calls on any economic player aware of the importance of business creation, development, and sustainability. In this way, the list of speakers mentioned so far is non-exhaustive.

Moreover, the actors working in this sector are not exclusively located on national territory.

One of them has an increasingly important role to play in supporting entrepreneurship in Madagascar. Ignoring it in this research would have been a glaring omission. This is none other than the Malagasy diaspora.

Annex 2

Summary of the Survey's Answers

Seven entrepreneurial support organizations responded to our questionnaire, namely, the EFOI (Regional Entrepreneurship for the Indian Ocean), the EFOI National, the EFOI of the Southwest, the SIPEM, the Vola Mahasoa, the Kentia, and the Antananarivo Chamber of Commerce. The results of these interviews will be presented below.

Make a distinction between men and women	Yes	No	Structure only for women
	28.6 %	57.1 %	28.1 %

Do you offer loans for creation?	Exclusively after advice	No, support only by advice
	14.3 %	85.7 %

Do you organize contacts between a new entrepreneur and an entrepreneur already installed?	By parties or meetings	SPONSORSHIP
	71.4 %	28.6 %

Do you help women who create informally?	No	Yes because we are only interested in the economic viability of the project
	57.1 %	42.9 %

When women have succeeded in starting their business, do you follow them?	It is our main activity to accompany those who already have their activity	We pass them on to the Kentia Holding Sarl service which handles the post-creation	Sometimes on request	When they have succeeded, they no longer intervene
	71.4 %	14.3 %	14.3 %	0 %

Do you propose trainings ?	It is not systematic	yes, there are group formations (by day or seminars)	No the individualized help at the beginning of creation is enough
	28.6 %	28.6 %	42.9 %

Do you have the possibility to host their created activity	No	Yes, there is a cost	Yes, we can host the organization of the members of the association	Yes, for the members but it is an additional cost for them
	85.7 %	14.3 %	0	0

Are you going to see them at their workplace?	Yes, it's essential	Yes the accompanying period envisages it but not always	No, it's rare
	28.6 %	28.6 %	42.9 %

Do you help them drafting their business plan ?	No, we guide them to other actors	Yes, but it is a supplementary paying service	Yes, it is a free service (to the members of the association)
	57.1 %	14.3%	28.6 %

Do you accompany the entrepreneur for the writing of different affiliation documents like affiliation to the National Institute of Statistics?	Yes	No
	42.9 %	57.1 %

Number of business creation:

- Thirty women have started a business since 2007.
- Three women have started a business since the beginning of 2016 out of six persons.
- One hundred eighty women started a business between July 2015 and July 2016.
- Three creations per month.
- A dozen per year.

The other structures did not have statistics.

- What does it cost/bring you to support women (state grants, it is lucrative, satisfaction to help, etc.)?
  - Nothing, it is the vocation of our association.
  - Satisfaction of helping and promoting women.
  - Realizations of our accompanying actions.
  - Our mission.
  - Help satisfaction.
  - Lucrative and satisfaction to help.
  - Vocation, intergenerational transmission, and exchange of experience.
- What are the incentives you use to do this (are there laws that encourage organizations to help women)?
  - No, we do not get any help.
  - We do not have any because we welcome all types of entrepreneurs (men or women).
  - Women entrepreneurs are our targets (the operators in the private sector that we support).
  - No law.
  - Women are more credible than men.
  - The will to fight for women's empowerment and independence by the success of their professional project.

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Capacity Building in Exports SMEs in Emerging and Developing Countries: From Challenges to Expertise Development in the Mango Industry in Burkina Faso

Ferdinand Ouedraogo and Elie Chrysostome

Abstract The mango industry in West Africa is an important component of the economy. However, despite the enormous potential of mango production in West Africa, mango production in Africa remains the lowest in the world. In 2010, the potential of fresh mango production in West Africa was estimated at 1.374 million with an average growth rate of 8.6% between 2010 and 2012. The export potential to the European Union was estimated at 225,000 tons, while the local market can barely absorb 50% of such production (FAO 2010). The result of this situation is that a big quantity of mangos estimated at 30% of the production is abandoned in the farms. Moreover, there is a big quantity of interceptions and rejections of the mango exports from West Africa, resulting in a declining growth of mango exports from West Africa. Among the challenges that the mango industry and, most importantly, the mango exports have been facing, there is an obvious lack of capacity at the different steps of the value chain of mango industry. The purpose of this paper is to analyze how the lack of capacity in the value chain of mango industry in Burkina Faso has prevented this country to take advantage of the full potential of that industry to leverage more financial resources that it needs for its development. The paper also proposes some strategies of capacity building that can help to improve the performance of exports of Burkina Faso mangos. It stresses especially the imperative necessity of capacity building in training farmers and most importantly exporters in order to meet the quality standards expected on the export markets of the European Union.

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1 Introduction

The mango business generates income for many families in developing countries. For the last 30 years, the global production of mango has doubled, reaching approximately 42.1 million tons in 2012 (FAO 2012). Although Asian countries are the main mango producers, mango production in Africa has increased significantly over the past decade, representing 8.1% of the world production in 2012.

The total volume of world exports of mangos in 2010 was estimated at 1,144,296 tons versus 715,341 tons in 2001 (ITC 2011).[1] The United States and the European Union represent the two major markets for mango export in the world. These mango markets are considered highly competitive and dynamic, yet they remain very demanding in terms of sanitary and phytosanitary regulations. Africa remains the continent with the lowest level of mango production in the world. In West Africa, Burkina Faso, Mali, Senegal, and Côte d'Ivoire are the four major mango exporting countries. The interceptions of mango cargos at the border of European countries are increasing, causing a slowdown in export growth to Europe. Since 2011, Burkina Faso has experienced a significant decline in its mango exports to Europe. From 2012 to date, Burkina Faso has fallen behind Côte d'Ivoire, Senegal, and Mali.

The main purpose of this study is to identify and analyze the problems related to mango exports from Burkina and most importantly the actions that are needed for capacity building in mango industry. It aims to analyze how government and private actors/stakeholders should work together to promote mango exports in order to meet the expectations of destination markets Therefore, the paper is organized as follows: the first section of the study presents an analysis of the production and export potential of mangos in Burkina Faso. The second section examines the consequences of capacity gap in Mango Export. More specifically, it reviews the data reflecting the growing importance of intercepts and rejections of mango exports, as well as the economic losses that these intercepts and rejections generate. The third section focuses on how to reduce the capacity gap in order to promote effective exports of mangos from Burkina Faso and proposes various capacity-building actions that can be undertaken.

2 Mango Exports and Capacity Gap

This section examines the current potential of mango production and export in Burkina Faso and identifies the weaknesses and lack of capacity needed to ensure the effective exports to foreign countries.

[1] ITC, International Trade Center.

2.1 The Potential of Mango Production and Export in Burkina Faso

The export of mangos represents a significant part of exports in Burkina Faso. The statistics of mango industry reflect that Burkina's production of mangos is around 180,000 tons of fresh mangos per year with domestic absorption capacity of 40–50%, the rest considered for export. The export markets for Burkina mangos are the European market (France, Germany, Holland, Belgium), the Maghreb and Arabic Gulf, and the sub-regional markets such as Niger, Benin and Ghana. The mango industry generated each year 30.4 Billion CFA of revenues to producers and more than 6 Billion CFA to the exporters and other intermediaries (Ministere de l'Agriculture 2010). In 2011, there were 61 factories in the mango industry in Burkina Faso - compared to 26 in Mali -, with a total production capacity of 746 tons of dried mango (IFAD 2011).[2] The company Dafani SA is the only major company for mango transformation in Burkina Faso.

There is a worldwide demand for mangos: the US and European markets are considered the largest markets for mangos and they are mainly supplied by the Latin American countries. Mangos produced in African countries are exported to Europe. Asian mangos are mainly exported to Asia and the Middle East. In 2010, 330,000 tons of mangos were imported by the United States and 225,000 tons by Europe (UNCTAD 2012). In Europe, the Netherlands is the largest mango importer and distributor, followed by Germany, the United Kingdom, and France. In 2013, the imports of mangos by the EU increased by 5.1%, from 387,000 to 407,000 tons, and the imports of mangos increased in almost all European countries. According to FAO (2012), the level of production and the area planted for mango production have almost doubled in the past two decades. Some main mango-producing countries in West Africa like Nigeria, for instance, are not exporters of the mango (see Table 1). The leading countries in mango export are Côte d'Ivoire (representing about 50% of mango exports from West Africa), Mali, Burkina Faso, and Senegal. West African mangos are exported mainly to Europe, where they account for approximately 10% of the market (ITC 2011).

Various characteristics of quality such as size and color of mangos are among the key factors that determine the mango markets in Europe and the United States. According to Ndimanya and Strebelle (2013), European consumers like mangos that are not very fibrous. They appreciate well-colored mangos of average size and weighing between 200 and 800 g. For these two authors, the Tommy Atkins, produced mainly in Brazil, despite its fibers, has a well-colored red skin, which makes it the most desired variety by the Western Europe market. West African countries produce mainly low-fibrous mangos having yellow-orange skin, such as the following varieties: Kent, Keitt, Haden, and the Amélie mango. These varieties produced in Côte d'Ivoire, Burkina Faso, and Mali are exported to Europe. In

[2] IFAD, International Fund for Agricultural Development.

Table 1 Exports of West African mangos to the European market (in tons)

Origin	2000	2005	2006	2007	2008	2009	2010
Total mangos exported to Europe (tons)	119,364	187,932	212,713	211,944	231,628	198,878	224,974
Origin: Afrique de l'Ouest							
Côte d'Ivoire	10,306	9856	14,428	14,706	11,250	11,680	11,129
Mali	1141	2560	3477	4317	4902	3480	3672
Burkina Faso	182	1164	2152	3191	2406	1988	3304
Sénégal	618	3011	7088	4702	6034	6240	2656
Total mangos from West Africa exported to Europe (tons)	12,247	16,591	27,145	26,916	24,592	23,388	20,761
% of total	10%	9%	13%	13%	11%	12%	9%

Source: ITC Trade Map

Burkina Faso there are approximately 15 companies exporting mangos including Agro Burkina Sarl, Barro and Company, Faso Mangoro, Burkina Faso, Gebana, Fruiteq, Gie Nafa, SN Ranch of Koba, and SGTF. From these companies, Burkina Faso, Gebana (dried mangos only), Fruiteq, CDS, Gie Nafa, SN Koba Ranch, and SGTF are the most important, accounting for 80–90% of fresh mango exports in Burkina Faso. Table 2 shows the capacities of the main mango exporters in Burkina Faso.

Burkina Faso is one of the main mango-producing countries in West Africa. However, since 2011, Burkina Faso has experienced a significant decline in its exports of mangos to Europe. From 2012 to date (2017), Burkina Faso ranks behind Côte d'Ivoire, Senegal, and Mali.

Table 3 shows an evolution of exports of mangos from the main mango-producing countries in West Africa.

2.2 *Capacity Gap in Mango Export*

Burkina Faso faces several difficulties on the mango export markets: the country lacks the capacity to ensure the availability of the preferred mango varieties on these markets throughout the seasons (Amélie, Kent, Keitt, Brooks varieties). The country also fails to take sanitary and phytosanitary (SPS) measures which were supposed to ensure the food safety and to control the risks related to additives, contaminants, toxins, or other pathogenic organisms that may be in food products before their exports. In addition to deficiencies in SPS measures, Burkina Faso experiences a lack of infrastructures necessary for the transportation of fresh products considered

Table 2 Capacities of the main mango exporters in Burkina Faso

Export companies	Staff	Quantities of mangos exported	Type of mangos exported	Mode of transport used	Equipment used	Country of destination of exports
Burkinature	14	Fresh mango: 2012, 400 T 2011, 500 T Dried mango: 2012, 130 T 2011, 90 T	Fresh mango, dried mango, mango mash	Airplane, boat, train	Desktop computers + laptops + Internet connection	France (central store) to other European countries
SN Ranch du Koba	70	Fresh mango: 2012, 180 T 2011, 120 T	Fresh mango, dried mango	Airplane, boat, train	Desktop computers + laptops + Internet connection	France, Germany, England, Maghreb, Middle East
Fruiteq	205	Fresh mango: 2012, 945 T 2011, 840 T Dried mango: 2012, 10 T 2011, 10 T	Fresh mango, dried mango	Airplane, boat, train	Desktop computers + laptops + Internet connection	Holland, Morocco, Ghana
SGTF	95	Fresh mango: 2012, 132 T 2011, 330 T	Fresh mango	Train	Desktop computers + laptops + Internet connection	Belgium, Holland
Gebana Afrique	35	Dried mango: 2013, 200 T 2012,100 T 2011, 150 T	Fresh mango	Train, boat	Desktop computers + laptops + Internet connection	Holland (central store)
SDV Groupe Bolloré	438	–	Fresh mango	Train, boat truck	Desktop computers + laptops + Internet connection	Germany (fresh mango)

(continued)

Table 2 (continued)

Export companies	Staff	Quantities of mangos exported	Type of mangos exported	Mode of transport used	Equipment used	Country of destination of exports
Sanle-Export		Dried mango: 2013, 30 T Fresh mango: 2013, 220 T	Fresh mango, dried mango	Boat, truck, plane	Desktop computers + laptops + Internet connection	Germany, Côte d'Ivoire, Maghreb
STFL	116	–	Fresh mango, dried mango	–	Desktop computers + laptops + Internet connection	–
Cercle des Sécheurs	05	Dried mango: 2013, 30 to 50 T	Dried mango, mango jam, mango syrup	Boat, truck	Desktop computers + laptops + Internet connection	Europe, the United States

Source: EDES-COLEACP Report (2013)

Table 3 Evolution of exports of mangos from 2000 to 2014 in West Africa

Pays	2000	2002	2004	2006	2008	2010	2012	2014
Burkina Faso	566	2750	838	2172	2406	3304	1755	3064
Côte d'Ivoire	1203S	10,471	12,091	15,374	11,250	11,129	15,289	20,475
Mali	1600	2152	2170	8554	4902	3672	2983	3833
Sénégal	617	1403	2810	6194	6034	2758	6200	10,247
Total	14,768	12,712	19,177	25,732	23,409	18,737	29,918	37,619

Source: ITC Trade Map

for exports. For example, at the Burkina airport, mangos are exposed to high temperature that can seriously affect their quality.

In Burkina Faso there are no specific measures in place to protect mangos against fruit flies (harmful insects for mangos) or strategies to improve and rationalize the use of pesticides and fertilizers. In Burkina Faso, the only development program, which financed specifically the mango sector in capacity building, was the Pastoral Agro-Sylvo Program (PAFASP). This development program supported by the World Bank for nearly a decade was designed to promote processing and marketing of mangos. Another program that didn't specifically target mangos is the EDES-COLEACP program, which was supported by the European Union for nearly 5 years with the purpose to reinforce the SPS measures. Despite the support provided by these important programs, the interceptions and rejections of Burkina Faso mangos at European country borders have not decreased. Instead, there is an increase in interceptions and rejections. Furthermore, the main factory that was producing and exporting mango puree and exporting factory (Dafani) closed until 2015. The degree of organization of the mango industry remains weak, and the actors within this sector need information and training to improve their competitiveness in the markets. COLEACP (Europe-Africa-Caribbean-Pacific Liaison Committee) (2013)[3] demonstrated how imperfect, asymmetric, and incomplete information leads to malfunctions within the mango sector and compromises income generation to the businesses in the industry.

Table 4 provides part of the information needed for better export outcomes.

The lack of appropriate export skills of Burkina Faso mango exporters doesn't allow them to keep up with the different steps of the process of exports but also with the fluctuations of price, quality, demand, supply, and other expectations of the markets. The result of this situation is that they are vulnerable to their counterparts (importers) and that they cannot easily trust because of opportunistic behavior. Very often, the mango exporters of Burkina Faso think that the information shared with them by European importers through the different export documents (pro forma invoice, contracts, order letter, etc.) is not true and is an information fabricated by these importers to serve their opportunistic interests. The same situation prevails for the rejection of mango exports on European markets as Burkina Faso importers

[3]COLEACP or *Comité de Liaison Europe Afrique Caraïbe et du Pacific* translates to Europe-Africa-Caribbean-Pacific Liaison Committee.

Table 4 Information needed for better export performance

Information needed	Private operators concerned	Information needed	Private operators concerned
Identity and number of private operators in the sector	Producers, intermediaries, and exporters	Quality of mangos intended for export (to perform categorizing according to requirements of each country of destination)	Exporters of fresh mango and dried mango Transformers
Mango stocks available in different regions of the country	Exporters and intermediaries	International standards and regulations (to allow Burkina Faso producers, intermediaries, and exporters to offer the quality of mango expected)	Local producers of fresh mango, intermediaries, and exporters of fresh mango and dried mango
Numbers of interceptions and destruction	Exporters of fresh mango and dried mango Packaging stations	Diseases, mango pests, and treatment products (to enable local producers of fresh mango to carry out all the treatments necessary to optimize production)	Local producers of fresh mango Transformers
The varieties and areas of mango grown in different regions of the country, (to help exporters, intermediaries, and packing stations for a better planning of orders, transportations, and packaging)	Exporters of fresh mango and dried mango Packing stations Transformers	Stocks of mangos available in different regions of the country (to allow intermediaries, exporters, and packing stations to better plan their orders, transportations, and packaging)	Exporters of fresh mango and dried mango

Source: EDES-COLEACP Report (2013)

cannot anticipate accurately the amount of rejections of their mango exports. Of course, this contributes to maintain suspicious relationships between Burkina Faso exporters and their counterparts who are European importers. There are many other challenges related to capacity gap in the mango industry that affect negatively the mango exports in Burkina Faso. For instance, it's difficult for mango exporters in Burkina Faso to do a convincing planning of the volume and varieties of mango exports given the mango producers do not have any specific skills for planning of their production. This makes it difficult for the European mango importers to do a good planning of their mango imports from Burkina Faso. Also, it happens very often that Burkina Faso producers and exporters do not really take any significant advantage of the price increase when this takes place on the European markets. They are not well organized and skilled for a good mechanism of intelligence of the European mango markets. Moreover, Burkina Faso mango exporters are at very high

Table 5 Origin of mango exports and peak season

Peak season	Country of origin
Fall/ Winter	Latin America: Brésil Peru
Spring	West Africa: Burkina Faso, Mali
Summer/ Fall	Middle East, Central America, Asia and West Africa, Israël, Egypt, Pakistan, Costa Rica, Mexico, Dominican Republic, Senegal

Source: Ndimanya and Strebelle (2013)

risk of mismanagement of the contracts that they signed with their European counterparts (importers) because they do not have the required expertise in managing properly the different dimensions of these contracts, in particular the legal and quality certification dimensions. The quality certification represents one of the most critical challenges that Burkina Faso mango exporters face. On the one hand, Burkina Faso mango exporters but also Burkina Faso mango industry don't have the expertise and the infrastructures needed to conduct properly the different inspection steps that will result in meeting the expectations of quality certification of European markets. On the other hand, the inspection services offered by Burkina Faso government are seriously below the quality standards expected on European markets. These different challenges of Burkina Faso exporters drive sometimes to some situations that benefit mango exporters of other countries who take advantage of this situation. The countries of South America, in particular Brazil and Peru, are the world's largest exporters of mangos. Brazil alone accounts for 36% of world exports of mangos. In their study on exports of mangos, Ndimanya and Strebelle (2013) presented the phenological timing of mango supply in Europe. Their study argues that from a temporal point of view, there is no competition between mango exporters from South American countries and West Africa nor from the Middle East and Central America. Their supply schedule shows that South American countries, considered to be the world's largest exporters of mangos, cannot significantly supply European markets beyond their business season. This represents a great opportunity for other countries to avoid competing with South American countries during their peak season. Unfortunately, the lack of capacity of West African countries to collect, transport, store, and package mangos in cold rooms before shipping them directly to Europe doesn't allow them to take advantage of this opportunity. The consequence of this unfortunate situation is that South American and the Middle East countries import this mango from Africa and process their packaging and export them to European markets with their labels at a more expensive price (APEX 2016) (Table 5).

The capacity gap in the mango industry has been a serious handicap for mango exports in Burkina Faso. The lack of adequate infrastructures and technologies for mango transformation is one of the most important problems. Burkina Faso has only one large mango transformation unit, Dafani SA, an industrial company based in Orodara which has not been able to reach a good production capacity given the limited quantity of mangos available in the country after the exports. Moreover, the lack of financial support and the absence of an effective involvement of the Burkina Faso government or the Burkina Faso mango industry representatives at the different levels of the value chain and the export process have not helped to avoid or reduce the rejections of exported mangos at European Union borders.

In Burkina Faso, the SPS control of exports of mangos is provided by the state through its control stations distributed throughout the national territory. These control stations are ill-equipped to perform high standard controls. In 2013, COEACP carried out an inventory of equipment, export flows, and personnel managing these checkpoints as follows:

As Table 6 reflects, the checkpoints of mango exports are not well equipped and don't have a sufficient number and well-trained staff to effectively perform the needed controls. As results of this situation, the reports of export flows show that large quantities of mangos including the mangos that are unfit for export pass the checkpoints for export.

At the Ouagadougou International Airport, for instance, the mango inspection is still done visually in its great part and very often with magnifying glasses with the purpose of checking if the mango prepared for export was exposed to any pest outbreak. Of course, such rudimentary inspection cannot guarantee a convincing conformity with the standards expected on the export markets.

Mango producers don't have a good understanding of the rules and dynamic of the mango industry. Unfortunately, the professional associations such as cooperatives of mango producers or retailers are rare in Burkina Faso. However, at the level of transformation, some efforts are made to organize the businesses operating in mango transformation into cooperatives and economic interest groups. Mango exporters in Africa have scant knowledge of packaging techniques for mango export. The access to packaging equipment is inadequate or very expensive to find; the cold storage for fresh mangos is unavailable.

About the exports, there is a critical lack of knowledge of the national and international market of mangos and inadequate negotiation skills to deal with European importers who control the market power and the information related to the international mango market that they use at their advantages. In addition to the inadequacies outlined above, it should be noted that there is no real strategy in West Africa for the eradication of fruit flies. With the support of the European Union and international organizations (WAEMU, ECOWAS), several programs have been initiated in West Africa to eradicate the fruit fly and increase the productivity and export of mangos. Unfortunately, the results obtained from the implementation of these programs turned out to be far from the expectations of the promoters.

3 Consequences of Capacity Gap in Mango Exports

Despite the enormous potential of mango production, the volume of mango exports from Burkina Faso has seriously decreased compared to volumes of mango exports of Côte d'Ivoire, Senegal, and Mali. Some of the key factors explaining such

Table 6 Burkina Faso SPS control equipment and Staff

Government control stations	Mango export flows	Staff (number of workers)	Control equipment	Observations
Ouagadougou Airport	Fresh mango: 2013, 157.9 T; 2012, 364.80 T; 2011, 300.012 T	04	Magnifier glass Naked eye Computer and printer	Major export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment
Bittou	–	03	Magnifying glass Thermometer Clamp	Insufficient staff Inadequate control equipment Very rudimentary control equipment
Dakola	Fresh mango: 2013, 50 T	04	Magnifying glass Moisture meter Bolt case Iodized salt Control kit	Small export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment
Bobo Center	Fresh mango: 2013, 793 T; 2012, 853 T Dried mango: 2013, 12 T; 2012, 167.02 T	03	Magnifying glass Naked eye Outdated computer (Ram = 2 GB) Printer	Major export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment
Bobo gare	Fresh mango: 2013, 393.9 T; 2012, 1336.4 T 2011, 1064 T Dried mango: 2012, 32.8 T; 2011, 3.1 T;	03	Naked eye Magnifying glass Computer (02) International Standard Codex Burkina Faso standard codex Phytosanitary Inspection Manual	Major export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment

(continued)

Table 6 (continued)

Government control stations	Mango export flows	Staff (number of workers)	Control equipment	Observations
Bobo port sec	Fresh mango: 2012, 2.5 T	03	Magnifying glass Naked eye Phytosanitary Inspection Manual Quality Control Manual	Major export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment
Niangoloko	Fresh mango: 2013, 883 T	03	Phytosanitary Inspection Manual Naked eye Magnifying glass (broken)	Major export flows Insufficient staff Inadequate control equipment Very rudimentary control equipment

Source: EDES-COLEACP (2013)

decrease are the high number of interceptions and rejections of Burkina Faso mango exports but also the economic losses resulting from such important rejections.

3.1 Interceptions and Rejections of Exports of African Mangos

The main exports market for Burkina Faso mangos is the European market, but the standards of quality applied by European institutions and importers to the agricultural products imported on this market are very high. For instance, the exports of mangos to the European market are regulated by very specific standards (CODEX STAN 184-1993, AMD, 1-2005) which determine the quality expectations of mango, namely, its categorization, calibration, packaging, labeling, and level of pesticide residues. There is also the regulation (EC) No 852/2004 of European Union about the general hygiene rules that apply to all food products including agricultural foods, livestock, hunting, and fishing. There are several other demanding regulations that apply to mango exports on the European market, such as the regulation (EC) No 1148/2001 about the conformity of fresh fruits and vegetables and the rules of BPA (*bonnes pratiques agricoles*) requiring good agricultural practices. All these regulations that intend to protect the European consumers have negative consequences on the exports of agricultural products from developing countries. In particular, in the case of Burkina Faso, these regulations result in a high level of interceptions and rejections of Burkina Faso mango exports as Burkina Faso mango exporters are very often unable to meet these quality expectations of European market.

Table 7 Approximate overview of mango exports and interceptions/rejections in West Africa (Burkina Faso, Mali, Cote d'Ivoire, and Senegal)

Year	Exports (in tons)	No. of interceptions/rejections
2004	19,177	36
2005	32,128	16
2006	25,732	41
2007	24,194	37
2008	23,409	22
2009	19,569	31
2010	18,737	134
2011	26,484	106
2012	29,918	67
2013	36,569	62
2014	37,619	124

Source: ITC, COLEACP (2004), Europhyt (2005–2015)

Table 8 Approximate overview of mango exports and interceptions/rejections in Burkina Faso

Year	Exports (in Tons)	No of interceptions/rejections
2004	838	5
2005	1181	1
2006	2172	3
2007	3191	5
2008	2406	9
2009	1988	8
2010	3304	47
2011	1664	4
2012	1755	12
2013	2700	10
2014	3064	4

Source: ITCT, COLEACP (2004), Europhyt (2005–2015)

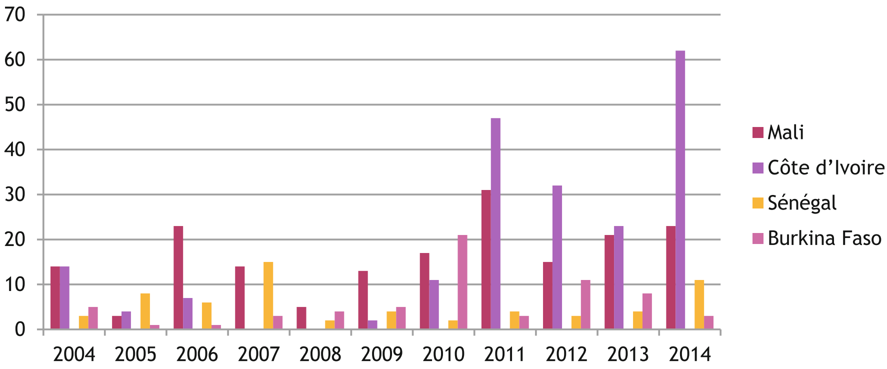
According to Hammoudi et al. (2010), the aim of the control and conformity tests carried out on export products at the borders of European countries is to discourage the exporters who don't make enough effort to export high-quality products. It should be mentioned here that beyond sending a clear message to exporters who don't pay enough attention to the quality of their exports products, the rejections also send a clear message about the inadequacy of the whole system of quality inspection in the countries of the exporters, namely, the quality inspection infrastructures and services (public and private) of export activities: inspection systems and laboratories and logistical infrastructures (packaging, conservation, road infrastructures, etc.).

Although there are various causes explaining the rejections of West African mango exports, the presence of harmful elements and the lack of conformity documents or documents with inaccurate facts seem to be some of the frequent causes of rejections of the mango exports. According to Ousseini (2015), there were 112 interceptions of infected mango exports from Africa in 2014. Also, Modou Mbodj (2015) reported 72 interceptions of mango exports from Africa Caribbean

Table 9 Mango exports by Burkina Faso main exporters

Export companies	Quantities of mangos exported	Interceptions and periods
Burkinature	Fresh mango: 2012, 400 T 2011, 500 T Dried mango: 2012, 130 T 2011, 90 T	04 interceptions in 2012
SN Ranch du Koba	Fresh mango: 2012, 180T 2011, 120T	03 interceptions in 2012 01 interception in 2009
Fruiteq	Fresh mango: 2012, 945 T 2011, 840 T Dried mango: 2012, 10 T 2011, 10 T	01 interception in 2008
Gebana Afrique	Dried mango: 2013, 200 T 2012, 100 T 2011, 150 T	03 interceptions in 2011 03 interceptions in 2010
Sanle-Export	Dried mango: 2013, 30 T Fresh mango: 2013, 220 T	1 interception in 2011 1 interception in 2010

Source: EDES-COLEACP Report (2013)

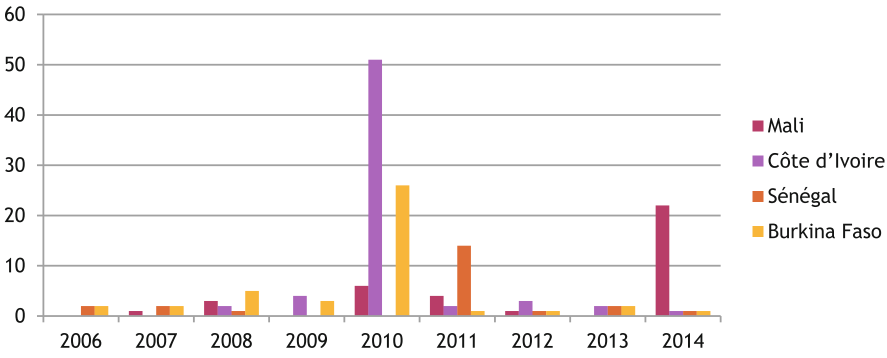


Source: Data collected from Europhyt database 2001–2014

Fig. 1 Interceptions due to harmful elements

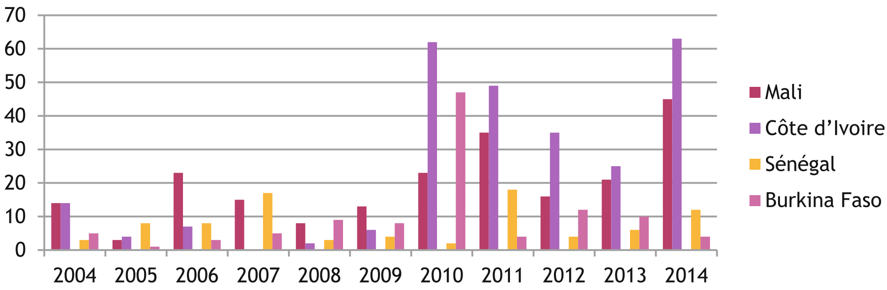
Pacific (ACP) countries due to their failure to meet the quality standards expected for consumption in European countries. From this number, 52 interceptions were from Africa (Tables 7, 8, and 9).

Figures 1, 2, and 3 provide an overview of the interceptions of mango exports in West Africa but also in Burkina Faso.



Source: Data collected from COLEACP and Europhyt database 2004–2014

Fig. 2 Interceptions due to absence of conformity documents



Source: Data collected from COLEACP and Europhyt database 2004–2014

Fig. 3 Interceptions due to harmful elements and absence of conformity documents

3.2 Economic Losses Due to Mango Interceptions

The difficult access to reliable and updated statistics about the mango exports in developing countries in general and in West Africa in particular has not made easy to report in this study very accurate and updated numbers of the quantities and the amount of economic losses related to intercepted and rejected mango cargos of West Africa and Burkina Faso. So, the statistics provided in this section are approximate statistics.

In West Africa between 2004 and 2015, the economic losses due to mango interceptions at the border of the European countries were estimated at 17.22 billion CFA francs (8.5 Million US dollars) (ECOWAS 2012). Burkina Faso, Mali, Senegal, and Côte d'Ivoire are the West African countries from which the quantities of mango cargos intercepted at the borders of European countries are the most significant. Moreover, it should be reported here that the numbers of interceptions and rejections of mango exports from these countries are increasing, causing a decline in their exports admitted on European markets. These rejections also cause the decline

Table 10 Approximate overview of economic losses in mango exports in Burkina Faso

Year	Exports (in tons)	Interceptions/rejections	Economic losses (in CFA)
2004	838	5	98,400,000
2005	1181	1	19,680,000
2006	2172	3	59,040,000
2007	3191	5	98,400,000
2008	2406	9	177,120,000
2009	1988	8	157,440,000
2010	3304	47	924,960,000
2011	1664	4	78,720,000
2012	1755	12	236,160,000
2013	2700	10	196,800,000
2014	3064	4	78,720,000
TOTAL	24,263	108	2,125,440,000

Source: Approximation based on statistics collected from ITC, COLEACP (2004), Europhyt (2005–2015), and ECOWAS (2012)

in the volume of mango exports as they discourage the mango exporters who already experienced disappointing experiences and important economic losses.

Some scholars suggest that the increase in the number of interceptions and rejections of mango exports on European markets is due to an increase in the quantities of mango exports on these markets. For instance, Hammoudi et al. (2010) conducted a study in 80 countries and found that in the countries that are small exporters, the increase in the volume of exports represents a key determinant of the increase of the interceptions and rejections of exports.

Table 10 below provides an overview of the interceptions and rejections of mango exports in West Africa and in Burkina Faso.

From 2014 to 2015, the economic losses related to interceptions and rejections of mango exports in Burkina Faso were more than 2 billion CFA which is the equivalent of the total amount of Burkina Faso's mango exports in 2008. The other economic losses that are not easy to quantify are related to the bad reputation of Burkina Faso and African mango exporters resulting from the higher number of interceptions and rejections but also the decline of the mango export activities resulting from the discouragement of African mango exporters.

The higher number of rejections and the economic losses related represent a convincing evidence of the dysfunction of mango exports from Africa. African mango exporters and the other players of the mango industries are not prepared to deal with the various and complex regulations related to exports on the European market. Most of time, African mango exporters are not even aware of the regulations that apply to their exports. According to Rios and Jaffee (2008), it's not all the cargos of products intercepted or rejected at the European borders that should be destroyed. The Regulation (EC) No 882/2004 stipulates that there is a wide range of rules that European authorities may apply to the product that are intercepted at the border of the European market. These rules include the destruction of the products, the treatment of the products to make them conform to the regulatory expectations, the return of the product to the country of origin or the identification of a third country that can accept them under special conditions clearly specified, and the use of the product for a different purpose than the original one. Unfortunately, most of African exporters are aware of these options offered by the regulations and miss the opportunity to take advantage them. There is another mechanism that can help African mango exporters to avoid or reduce their economic losses which is the Europhyt Alert System. It can help the African mango exporters and their governments for a good traceability of their products through the different stages of quality control by European authorities. However, this mechanism can be very expensive and unaffordable for most of African mango exporters.

4 Building Capacities for Effective Mango Exports in Burkina Faso

Capacity building is about improving or developing the ability to learn and adapt to changes (Macadam et al. 2004). The World Bank has a great variety of experiences in implementing capacity-building projects in developing countries including African countries. It has funded many projects in technical assistance, training, equipment, and infrastructure related to capacity building. In Burkina Faso, from 1963 to 2013, the World Bank spent more than 2 trillion CFA in capacity building. Many projects in Burkina Faso benefited these funds including some projects related to the production and exports fruits. PAFASP *(Projet d'Appui aux Filières Agro-Sylvo Pastorales)* and PAPSA (*Projet d'Appui à la Productivité du Secteur Agricole*) are some of these projects. However, the evaluation of the effectiveness of these capacity-building projects showed in 2005 and 2013 that the results are significantly below the expectations.

In this study focusing on mango exports in Burkina Faso, capacity building refers to developing and strengthening the skills needed for successful exports of mangos to European markets which are the ultimate destinations of Burkina Faso mangos. The persistent decrease in the growth of the Burkina Faso mango exports along with this alarming increase of the rejections of mango cargos represents a convincing evidence of the imperative needs of capacity building in the mango industry in Burkina Faso.

4.1 Capacity Building by Developing Market Intelligence

The various facts analyzed in the different above sections of this study send a very clear message that building an effective mechanism of intelligence of the mango export markets can be one of the effective solutions to close or reduce the current capacity gap in the mango industry and most importantly on the mango exports in Burkina Faso. Such mechanism of intelligence will contribute to generate various types of information that will help all the different actors of the value chain to make effective decisions. On the one hand, this mechanism of intelligence will help the mango producers of Burkina Faso and the different intermediaries to make appropriate decisions in order to meet the expectations of the export markets in terms of product quality and price, but also in terms of the specific destinations of the products and the timing. On the other hand, it will help the exporters of mangos to reduce the information asymmetry that seriously affects them and causes important losses of their exports.

That mechanism of intelligence will make available the information that the Burkina Faso exporters need to know about the European and international market of mangos but, most importantly, the evolution of the international market of mango and the adjustments needed for successful exports. Having access to accurate information about the international market of mango will help the Burkina Faso mango exporters to be in much better position to negotiate with their European importers. It will also facilitate the market research that can help the exporters to adjust their strategies to the new developments on the export markets.

The establishment of an information mechanism on exports (collecting, processing, and disseminating of information) is essential to the transparency and exporters' decision-making on business opportunities. It's obvious that having in place such a mechanism of intelligence will guide the government in designing its policies to support and boost the mango industry and exports on foreign markets.

An effective mechanism of intelligence in the mango industry and especially on the mango export markets requires a high standard system of information management. With the unprecedented advances in information technologies that our times has been witnessing, it's not difficult to provide the mango inspection agency with such system, as long as the government commitment is convincing with a willingness to provide an appropriate budget for it.

4.2 Capacity Building Through Initiatives from Government, Private Institutions, and NGOs

In most developing and emerging countries, the government has always been the main player in designing and most importantly in implementing capacity-building programs. If the history of the development effort for the last few decades has clearly showed that the international institutions for development have funded most of the capacity-building programs, the government has been in charge of the implementation of these programs. Even if there is no doubt that having government to implement capacity-building programs have resulted in mitigated outcomes, the government still has an important role to play in capacity-building program because of the influence that it can exert. In the case of Burkina Faso mango exports that this study has focused on, the government can initiate many actions that can make a big difference in the performance of mango exports in Burkina Faso. Some of these actions are the following: (a) *Provide a good training to the inspection staff for mango exports*. The quality of the inspection performed depends of the quality of the skills of the inspectors. To make sure that the training is adequate, it should be administered by the professionals who are involved in the activities related to mango exports. It should include, for instance, some internships in the European importer companies as these internships will expose the inspection staff to the quality standards expected and to the usual practices of mango export markets. (b) *Develop a collaboration with the European certification agencies* in order to get these agencies involved in the training of the inspection staff. This collaboration can also allow the Burkina Faso inspection staff to do internships in the facilities of these certification agencies. This initiative will help the inspection staff to be very aware of the standards expected on the European mango markets and make sure that the Burkina Faso mango exports meet these standards. (c) *Provide good inspection equipment to the Burkina Faso inspection agency.* It's not possible to perform an effective inspection of mango exports if the equipment used to do it is not adequate. With the more and more demanding quality expectations of food products on the European market, it's not realistic to expect a good performance in exports with rudimentary equipment. To provide adequate equipment to its inspection staff, the government of Burkina Faso can supplement its own financial resources with some financial supports from international institutions of development. (d) *Create a super agency of inspection control*. The role of this agency will be to oversee the quality of the inspection performed by the inspection staff. (e) *Impose a pre-export national certification*. The government of Burkina Faso can impose a pre-export national certification. Such initiative performed by the inspection staff that were trained by the European certification agencies will contribute to guarantee that the quality of Burkina Faso mango exports will meet the standards of European markets and will not be rejected. The actions of Burkina Faso government through the initiatives mentioned above can be more effective and sustainable if the governments work together with the private sector, the professional associations of mango industry, and the NGOs involved in such activities.

5 Conclusion

Burkina Faso is one of the main mango-producing countries in West Africa. However, since 2011, Burkina Faso has experienced a significant decline in its exports of mangos to Europe. In particular, since 2012 Burkina Faso has persistently ranked behind Côte d'Ivoire, Senegal, and Mali. Moreover, Burkina Faso is one of West African countries where the interceptions and rejection of mango cargos at the border of European countries are significant and causing important economic losses for the country. Such low performance of Burkina Faso in its exports to European markets is undoubtedly the result of an alarming capacity gap in the mango industry and most importantly in the system of inspection and exports of Burkina Faso mangos. Burkina Faso needs to undertake courageous initiatives including the training of exporters and mango inspection staff, developing collaboration with European certification agencies of food products, acquiring adequate inspection equipements of food products, but also creating its own certification standards aligned on the certifications of European markets. These initiatives will help Burkina Faso to significantly improve its export performance but also to reduce the current information asymmetry that affects the Burkina Faso mango exporters. The government can also work closely with the professional associations of the mango industry in order to find private partners that can help for the local transformation of the mango that is not exported. In fact, an important quantity of mangos estimated at 25% to 40% of the national production is abandoned on the fields every year. Undertaking some initiative for the local transformation of these mangos will definitely result in positive economic outcomes for Burkina Faso but most importantly can significantly contribute to alleviate poverty by creating many jobs.

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Part III
Capacity Building and Diaspora Remittances in Developing and Emerging Countries

Transnational Diaspora Remittances and Capacity Building in Developing and Transition Countries: A Contextual Analysis in Caribbean Islands and Central Asia

Indianna Minto-Coy, Maria Elo, and Elie Chrysostome

Abstract For many developing countries such as those in Africa and the Caribbean, remittances constitute a significant portion of national GDPs. As developing countries continue to struggle to identify new and innovative ways of growing their economies and capacity building, attention is increasingly being turned to the potential role of their diasporas in these processes. Of note here is the added attention being given to remittancing. This is with good reason, given that for countries such as Jamaica and Haiti, remitted funds represent more than development assistance and in some cases represent the highest source of foreign exchange earnings. Most importantly, diaspora members can contribute to a great extent to capacity building in their home countries through their remittances.

This chapter analyses how Caribbean and Central Asia diaspora members can contribute to capacity building in their home countries. The chapter argues for a more nuanced and expanded view of remittancing. That is, one which sees remittancing as more than the sending of money directly to families. Other forms of remittancing included here are the skills and knowledge acquired in the country of

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residence, which can be brought back to the country of origin, to help grow its capacity to respond to ongoing developmental challenges. The chapter suggests various ways in which remitted funds can be used for capacity building. The chapter contributes to diversifying views on remittancing and its uses, as well as its role as a capacity building tool.

1 Introduction

The development of nation states, particularly economic and business development, is tightly linked to the existence of adequate capacity to enable these processes to take shape. Where states lack the ability to establish and achieve their own development plan, capacity building becomes an imperative. Traditional sources of capacity building have included international development and multilateral institutions, such as the United Nations, World Bank and IMF, as well as USAID and Global Affairs Canada, the latter representing development arms of nation states such as the USA and Canada. These have historically been harbingers of vital aid, advice, technical knowledge and the expertise necessary for capacity building towards development for countries globally.

Traditional sources of capacity building have delivered mixed results for many countries (see e.g. Maconick 2002), leading to the search for new sources of capacity building. In particular, the role of remittances as incoming resources and the diaspora as an actor sending remittances have been central in several studies (Vaaler 2011, 2013; Martinez et al. 2015; Minto-Coy 2010). In particular, the role of this group as an emerging source of capacity building for growth and development has been receiving increasing attention in the development and business literature (see e.g. Elo and Minto-Coy 2019; Minto-Coy and Elo 2017; Elo and Riddle 2016a; Minto 2009; Minto-Coy 2011, 2016a; Newland 2010). In the current era, the question of migrant participation in development is highly topical. There are now more migrants and refugees than at any time since the Second World War (International Labour Organization 2017) with International migrants constituting roughly 3% of the global population. Remittancing remains one of the long-standing and most obvious ways in which persons born in one country and residing in another, as well as their offspring up to the third generation—the diaspora, have contributed to their countries of birth or origin (Minto-Coy 2016b). Indeed, for many developing countries such as those in Africa and the Caribbean, remittancing constitutes a significant portion of national GDPs, representing as much as 22.7%, 15.8% and 18.2% in Haiti, Jamaica and Lesotho, respectively (Ratha et al. 2016). Interestingly, post-Soviet transition economies have also experienced similar patterns, with Tajikistan and Kyrgyzstan, for instance, having 52% and 31% of their GDPs coming from migrant remittances in 2014 (Trilling 2014). Hence, remittances are increasingly a relevant phenomenon in developing, transition and emerging contexts.

Countries and their economies are embedded in multiple contexts going beyond the simple nation state borders. These contexts provide geographical, institutional, social and economic dimensions that constitute the macro environment for capacity building. Therefore, the embeddedness and the relational situation of a country is rather idiographic. Small island states, remote areas and landlocked countries face additional difficulties and may differ historically, and in terms of migration too. Countries with migrant flows and diasporas have an "instrument" that connects them to the global arena—i.e. their transnational population. As developing and emerging countries continue to struggle to identify new and innovative ways of growing their economies and building development capacity, attention is increasingly being turned to the potential role of their diasporas in these processes. Of note here is the added attention being given to remittancing. This is with good reason, given that for countries such as Jamaica and Haiti, remitted funds represent more than development assistance and, in some cases, exist as one of the highest sources of foreign exchange earnings (Minto 2009).

In diaspora research, the idea of giving back and helping homeland has been widely discussed (e.g. Riddle 2008; Minto 2009; Minto-Coy 2011, 2018, 2019; Riddle and Brinkerhoff 2011; Brinkerhoff 2009, 2016). Some have also framed the discourse in the notion of the "diaspora option" (Meyer 2003; Minto-Coy 2016b). Remittances are generally sent to families and communities that the diasporas left. This refers to the country of origin (COO) but also to the region or town. The concept of remittances is mainly approached as a positive phenomenon, as the purpose is to give back, help and support; thus it can be considered a relevant part of purposeful capacity building. Even while its contribution has been high, there is still some negative view attached to remittancing, with some arguing that this has contributed to lowering participation in the formal economy and the creation of a dependency syndrome among recipients (Minto 2009; Asian Development Bank 2012; Jalilian and Reyes 2012). This suggests that remittances need advanced conceptualization in terms of the actual content of the "giving back" and that these resource flows also need to be contextualised, i.e. understood in a particular spatio-temporal setting.

As such, this chapter argues for a more nuanced and expanded view of remittancing as a part of the conceptual debate. That is, one which sees remittancing as more than the sending of money directly to families. Other forms of remittancing included here are the skills and knowledge acquired in the country of residence (COR), which can be brought back to the COO, to help grow its capacity to respond to ongoing developmental challenges (i.e. social remittancing). Thus, by taking a specific exemplary locus, the contextualization of the phenomenon and its contents is discussed. In fact, even where the focus is on remittances in its traditional sense, the chapter also suggests ways in which remitted funds can be used for capacity building.

More specifically, this study has a twofold purpose: the first one is to review the conceptual development of capacity building focusing on forms of remittances in the extant research literature. The second one is to address the specific context of emerging and developing countries contributing to the contextualization of the phenomenon. Therefore, the study is based on reviewing the current understanding, exploring the body of knowledge and reflecting the key elements conceptually and contextually. This approach has been chosen to advance the clarity of the discussions and terminology that have been criticised for their blurred nature and fuzziness.

The chapter is organised as follows: It first reviews the literature focusing on remittancing, capacity building and development employing a transnational diaspora lens. Then, an analysis of remittances and capacity development in the specific context of developing and emerging economies is addressed. Given the purpose of this part is to contextualise remittancing and capacity building, the chapter has used specifically the case of Central Asia and Uzbekistan on one hand and the case of Caribbean Islands on the other. The final part of the chapter, namely, the discussion and conclusions, suggest that remittancing, as espoused here, forms an innovative tool for capacity building which extends beyond individuals and communities to the national economy. The chapter contributes to diversifying views on remittancing and its uses, including its role as a capacity-building tool. These are themes of importance, given the growing estimates of migrants and diasporans (over 232 million) globally and the continued search for ways in which COOs can engage with its diaspora and leverage remittances for sustainability. The chapter adds to the body of research on migration and diaspora engagement while offering a practical policy guide for developing and emerging countries and regions.

2 Capacity Building and Remittances: Theoretical Views and Extant Research

2.1 Capacity Building

Capacity building is a complex concept considered from several approaches, disciplines and lenses. Léautier (2014) suggested a twofold view of capacity building, namely, the performance-based definition on the one hand and the holistic view on the other hand. The performance-based definition was proposed by Honadle (1981) and considers capacity building as the ability of organisations to perform their functions effectively. Léautier (2014) suggests that this definition of capacity building refers to the ability of people, organisations and society to manage their affairs successfully. This view of Leautier means that to develop needed capacities, people and organisations have to adapt to the realities of their environment as this performance-oriented perspective does not limit capacity building to the survival of the organisation but goes beyond it. The holistic definition refers to capacity building as learning by doing (Léautier 2014). UNDP suggests a broader definition that encompasses the definitions of Honadle (1981) and Léautier (2014). According to UNDP, capacity building includes (a) conducting training need assessment; (b) engaging stakeholders on capacity building; (c) assessing capacity need and assets; (d) formulate a capacity development response; (e) implementing capacity development response; and (f) evaluating capacity development outcomes. Indeed, there is a debate particularly in development economics and public administration regarding the contents, limitations and framings of capacity building. Such discussions take place particularly on the systemic level regarding innovations, competitiveness and aid dependency (cf. Hall 2005; Godfrey et al. 2002). Capacity building has sometimes focused on the creation of institutions and mechanisms aimed at increasing the ability of the public sector and governing institutions in developing settings to create an environment more amenable to growth and development (i.e. institution building as a form of capacity development). These include structures to limit corruption and improve financial management and procurement, among other approaches and in sectors such as health, education and disaster management (see Minto-Coy and Berman 2016). When diasporas and their remittances are in focus as part of economic development (cf. Portes et al. 2007), it is justified to employ Eade's (1997) view that capacity building can be people-centred (i.e. human capacity building). According to Eade (1997) capacity building is an approach to people-centred development that cannot be seen or undertaken in isolation. That is, given it is deeply embedded in the social, economic and political environment, contains inherent or invisible capabilities and individual potential that refer to the possible waste of opportunity or resource. He also notes that capacity building has individual level importance as it is an inclusive form of development taking into account the different ways the impact will be felt by individuals and respective social groups. It is also designed to promote change taking place in the wider processes of social and economic transformation, which provides a sense of direction, but with flexibility.

2.2 Migration, Transnational Diasporas and Capacity Building

In areas, such as Europe and Central Asia, there are currently more migrants and refugees than at any time since the Second World War (International Labour Organization 2017). Migration and the resulting formation of diasporas are relevant phenomena for both developing and emerging countries as these contexts tend to have numerous push effects that initiate such dynamics, while developed countries have typically been the destination countries for migrants. Migration and diaspora are related concepts, as migration flows build diasporas, even ethnic enclaves, in the destination countries. Migrants and immigrants are often seen as a synonym, forgetting that migrants may continue their migratory paths. Parts of diaspora in receiving countries settle down, some evolve further into transnational diasporans and some become circulating (e.g. Lie 1995). Diasporans are migrants who settle in some places, move on and regroup; they may also be dispersed; and they are in a continuous state of formation and reformation (Cohen 2008, p. 142). Transnational diaspora refers to the diasporans that interconnect their COOs and CORs, for example, in their economic, social and political activities (e.g. Lie 1995; Riddle et al. 2010; Portes et al. 2002; Minto-Coy 2019). Among other experts, Riddle, Hvirnak and Nielsen (2010) discuss their entrepreneurship and describe transnational diaspora entrepreneurs as migrants and their descendants who establish entrepreneurial activities that span the national business environments of their COOs and CORs.

The role of diasporas and in particular the contributions—also referred to as dividends—of transnational diasporas in economic development and capacity building has gained increasing research attention (e.g. Gillespie et al. 1999, 2001; Nielsen and Riddle 2009; Riddle 2008; Portes et al. 2007; Minto-Coy 2011, 2019; Barnett et al. 2012; Kotabe et al. 2013; Elo and Riddle 2016a, b). The motivation and determinants of diasporic actors in capacity building are different from other investors and contributors. Moreover, the context of developing-emerging economy also matters in attracting such behaviour (e.g. Nkongolo-Bakenda and Chrysostome 2013; Elo 2016). The agency and behavioural patterns of migrants and diasporans are highlighted in research, as they often constitute change agents for the respective context and have specific motivations, ideas and agendas in shaping development in their COO (e.g. Riddle and Brinkerhoff 2011; Brinkerhoff 2009, 2016; Minto-Coy and Séraphin 2017). This makes the diaspora involvement in the capacity building process potentially very different from the local input that lacks the transnational perspective. On the other hand, diaspora status also makes these actors different from traditional developmental agents and investors (Rampersad 2007; Riddle 2008).

2.3 Remittancing and Capacity Building

2.3.1 Financial Remittances

Remittances are mainly conceptualized as economic-financial remittances, as money sent by diaspora to the COO (e.g. Vaaler 2011, 2013; Martinez et al. 2015). The financial notion of remittances has attracted notable interest in different domains. Ratha (2005) points out that financial remittances from workers abroad create an important and stable source of finance. Financial remittances may reduce poverty, particularly in developing country contexts (Adams and Page 2005). Minto-Coy suggests that remittancing remains one of the most long-standing and visible forms of contribution that diasporas make to their COO (2016a). As the World Bank highlights, for instance, remittancing has seen marked increase growing to $429 billion in 2016 (2017). The ubiquitous nature of mobile phones in low- and middle-income countries and the emergence of related innovations such as the mobile money platform, M-Pesa, have also paved the way for increased remittance flows and their role as sources of development financing (UNCTAD 2014; Minto-Coy and McNaughton 2016). Notwithstanding, UNCTAD experts have noted the cost of remittances as a considerable problem. At the end of 2013, for instance, the global average cost for sending remittances was 8.6%, and in developing contexts such as sub-Saharan Africa, it was as high as 12.6%. Attempts have since been made to make remittance flow more affordable and inclusive by employing mobile money and online transfer mechanisms (UNCTAD 2014).

Additionally, the capacity building impact of financial remittancing becomes even clearer (beyond helping to shore up balance of payments and providing needed foreign exchange) when its use is considered. Studies have shown that remittances are used in a variety of ways (see, e.g. Dade 2006). Among these are covering short- and long-term concerns and investments in education and construction (e.g. building hospitals and schools) and for entrepreneurial start-ups, as well as for covering household bills and food and creating jobs in the wider economy. Even spending on consumption goods creates opportunities and further multipliers that can ricochet through entire economies

2.3.2 Nonfinancial Remittances

The existing literature focuses very often on the financial remittances when it uses the term remittances. Yet, the remittances can be nonfinancial. Some authors refer to nonfinancial remittances as noneconomic remittances (Kshetri et al. 2015) or social remittances (Levitt 1998). Social remittances are ideas, behaviours, identities and social capital that flow from receiving country to sending country societies, also seen as a form of cultural diffusion (Levitt 1998). Levitt and Lamda-Nieves (2011) discuss social remittances and distinguish between individual and collective social remittances. In particular, the use of ICTs and social media is a fertile ground for such ideas to be shared among the diaspora and in turn, for them to communicate with the COO. As such, ICT-mediated diasporic engagement becomes an essential feature since the Internet offers a platform for shaping, storing and communicating ideas, behaviours and identities (Minto-Coy 2011). For those exiled or unable to travel home, it also becomes medium for having a say at home, thereby, bridging the physical divide. As ideas and practices are communicated by individuals in their social networks of friends, family and neighbourhood, in parallel, they also communicate as organisational actors that have implications for organisational management and capacity building (Levitt and Lamda-Nieves 2011). They suggest that this mechanism in social remittances can scale up from that grass-root level impact to another level that may influence regional and even national change and may diffuse also to other domains of practice having implication beyond the original context.

Thus, social remittances are highly contextual but potentially viral in their implications. This makes clear that the role of social and such institutional remittances is dynamic and socially constructed, being different from economic-financial remittances in the level of the mechanism. Notwithstanding, they can have an economic impact, such as where the social and cultural norms and business practices learnt and borrowed from the COR are brought back to the COO (see Minto-Coy and Séraphin 2017).

Per se, social remittances are a broad category of types and impacts. Brinkerhoff (2009) found several micro- and community-level dynamics in her book on digital diasporas that relate to social remittances (cf. Brinkerhoff 2009; Riddle and Brinkerhoff 2011). She examines the stream of research on diasporas and their effects on home country development highlighting the in-between advantage that migrants possess in shaping the development of the home country context (Brinkerhoff 2016). Diasporas influence the institutional development of the COO by being central conduits and interlocutors between contexts (see the bidirectional effect in Kubal 2015) and potentially generate positive implications for institutional development (cf. Brinkerhoff 2016), which are central for well-functioning business and societal environments (cf. Peng 2003). Institutional building also extends to the development of political institutions and capacity for governance (Minto-Coy 2016b).

Another more macro-level form of social remittance is the discussion on legal consciousness as returning migrants bring with them their views and adapted practices and reflect those on their COO (Kubal 2015). Experiences of legality are linked to the institutional systems, both formal and informal, but specifically to the nation state regime (e.g. Kubal 2015; Brinkerhoff 2016). Kubal (2015) addresses social remittances by empirically examining the values, attitudes and practices of legality, both positive and negative in the context of Ukraine that represents also a post-Soviet transition economy. She underlines the need to address the subtle differences in the "Ukrainian" legal consciousness that exists beyond the "national mainstream". Further she addresses another capacity building problem on the mille-micro level; the return migrants' fatalism about the law's potential for upholding justice coexists with a sense of agency about capacity to achieve change outside the formal state law (Kubal 2015). Her study shows how migrants and their families innovate and interpret these "social remittances", negotiating in their contexts, supporting the idea of bidirectional capacity building. In other instances, social remittancing may be seen in the sending of critical technology such as the latest hospital equipment and supplies to the COO. This represents an important aspect of diaspora philanthropy at the individual and organisational level that helps to plug shortfalls in local capacity and access.

The analysis of remittances just proposed above and based on the view of Levitt (1998) and Levitt and Lambda-Nieves (2011) seems to limit nonfinancial remittances to social remittances. Kshetri et al. (2015) suggest a view of nonfinancial remittances that goes far beyond social remittances. They propose a taxonomy of three types of nonfinancial remittances in which social remittances represent one type. The other two types of nonfinancial remittances that they propose are technical and political remittances. They suggest that technical remittances are the migration-related flows of knowledge, skills and technology to the home country, while the political remittances represent the positive political changes facilitated by the diaspora of the home country. In light of the above analysis, it is obvious that capacity building is not only financial through monetary remittances but also involves social, technical and political remittances. Through these remittances diasporans benefit their COO with the exchange of knowledge, ways of doing things and other learning results, particularly in developing countries (Barnett et al. 2012). This is referred to as dividends of diaspora taking the lens of the sending country that is conceptualized as the "investor". Furthermore, in migration studies the migrants are conceptualized as human capital and international human resources (Barnett et al 2012). Beyond the dividend view, the international human capital is also examined by Tung (2008) who highlights the relations between brain circulation, also addressed as "triangular human talent flow", Chinese and Indian ethnic diasporas and a country's international competitiveness. This diaspora capital, especially when it is transnational and connects the two settings—the sending and the receiving—can result in positive developments on both sides increasing capacities in the fields that the migrants are active.

As it relates to capacity building, it is also important to consider the balance between the types of remittances and their effects, as well as, the sustainability of the outcomes, since not all remittances contribute to capacity building or development (e.g. Cohen 2005).

3 Capacity Building and Remittances in Transition and Developing Countries: A Contextual Perspective

Contextual understanding and assessment of capacity building is important but highly complicated and multilayered. Due to the differences in diaspora flows and levels of development among countries, context becomes a relevant aspect to consider. Developed and developing countries have dissimilar potential host contexts, and it is mainly migrants from developing and emerging regions that are relevant as providers of remittances. Developing refers often to economic development that is measured by GDP growth, poverty reduction and inequality reduction (Prokhorova 2017). It is for this reason that the focus on the migration/diasporas and development nexus and the notion of the "diaspora option" tend to centre on developing/sending nations (Minto-Coy 2018). Notwithstanding, countries have idiographic histories, economies, locations, geopolitical constellations and migratory pasts; there are differences in developments such as labour markets, international migration and remittancing behaviour (e.g. Afonso and Devitt 2016). The contextualization of the phenomenon is thus relevant and important for assessing the results appropriately (Smallbone and Welter 2006; Zahra et al. 2014).

3.1 Capacity Building and Remittances in Caribbean Islands

3.1.1 Migrations and Remittancing in the Small Island Developing States of the Caribbean

The Caribbean[1] has long been the scene for migration with a history that has been marked by colonialism, slavery and plantation economics (Davies 2008; Monteith and Richards 2002). Historically, the region provided the landscape on which great power rivalries were played out between former European colonial powers

[1]Here the former British Colonies, now members of Caricom and associated members, including Haiti and the Dominican Republic.

including, the UK, Spain, France and Holland. As such, the region was marked by constant flow of (forced and voluntary) migrants into the region. As the value of Caribbean sugar and hence the region's importance waned during the 1800s, migration also began to change in nature with more people moving to locations such as the UK and the USA. Migration to the USA was informed by the economic expansion, hence economic opportunities and proximity (Palmer 1990), while the UK was due mainly to a colonial attachment, a desire to support the "motherland" in the two World Wars as well as the prospects for economic empowerment. This trajectory for migration continued mainly to the UK up to the region's independence in the 1960s and 1970s. While the UK remains an attractive destination country, this has since been surpassed by the USA. As such, most of the diasporas have migrated to the global north with Canada also becoming a significant location after the 1980s. Here the tendency has been to migrate to cities such as London and New York, though South-South migration to locations such as Ghana has also featured. The Caribbean diaspora have long made their mark on the music, culture and language of their adopted countries, as well as helping to shape political discourse (e.g. Marcus Garvey, Malcolm X) in these locations (see e.g. Donnell 2002; Schomburgh Center for Research in Black Culture, n.d.).

The region itself is largely made up of Small Island Developing States (SIDS). As such, they are faced with a number of innate capacity and developmental challenges that have stymied progress. Some of these are man-made, while others relate to geography. For instance, SIDS are characterised by geographic dispersion, limited natural resources, prone to natural disasters and the dangers of climate change, narrow range of economic activities (here tourism), small land space and dependence on external trade (Wright 2013; Williams and Morgan 2012). Openness, a small manufacturing base, as well as economies of scale, also means reliance on imports of basic food, while balance of payments deficits also tends to be high for a number of these societies, limiting government's fiscal space (Browne 2016). These specific features combine to create a number of vulnerabilities that have threatened economic, developmental, human and institutional capacity. As such, the search for routes to capacity building for growth and development and the role of diaspora remittances have become more of an imperative over the years.

At the same time, Caribbean SIDs also face relatively high migration rates with some estimates suggesting that for countries such as Dominica and Jamaica, the diaspora is roughly the same size as the home population (see Minto-Coy 2009). For instance, the World Bank estimates that in 2013, Dominica had 106.6% of its population residing outside, while around 50% of the population of Guyana is said to have migrated to the USA and Canada over the period 1970–2002 (Governance Unit 2008). In 2013, 14 of the top 30 countries with the highest proportion of their population residing away from home originated from the Caribbean. An estimated six million diasporans reside outside of the region; a number which is likely to change were undocumented migrants to be included, not to mention those in the second generations and beyond who identify themselves as Caribbean. Islands such as Grenada and St. Kitts have also seen annual labour migration rates of around 12% of their total population (Nurse 2004, p. 3). Collectively, the region only accounts for

2.9% of global labour migrants (ILO 2016), but while this number may be low comparatively, it is significant when the actual population size is considered.

The role of the diaspora in capacity building in the Caribbean has been tremendous but also largely ignored until more recent years. For this reason, it has been suggested that a silent partnership has existed between the region's governments and its diaspora, particularly given the diaspora's role in helping to fill some of the capacity challenges that governments have faced in governing the region (see Minto-Coy 2011, 2016a). The contribution (financial and nonfinancial remittancing) has helped to redress local capacity shortfalls and address the reality that as much as 80% of the region's most skilled and educated have been lost to migration in the independence period. Perhaps the dominance of an economic motivation for departure has caused this group to sustain their engagement with the region beyond departure, particularly given that migration for many was not the result of political crisis or war. The relative wealth of the diaspora compared to those in the region has also fostered a sense of obligation to contribute to the economic, technical and social well-being of families and communities left behind.

3.1.2 Financial Remittancing as Capacity Building Resource in the Caribbean

Many of the first generation of migrants especially to the UK migrated with the intention of working, saving and returning to the region with enough funds to build their lives at home. As such, their "diaspora" status was never meant to be permanent with the orientation towards home as opposed to the COR. For this reason, too, many never fully integrated into the adopted society, in some cases not even taking out British passports. Money was sent to the region informally as savings, to sustain families left behind and build homes. While a majority of the diaspora never returned, such practices hailed the beginning of modern-day remittancing.

As migration and the ease in sending remittances increase and as many of the region's economies have realised slow growth rates, the value of remittances and its impact have increased in many Caribbean states. Rightfully so, much attention has been placed on remittances as a major contributor to national economies (see Table 1).

Remittancing is only rivalled by tourism as the major source of income for many islands (Table 2). In fact, its value becomes more vivid when placed alongside other important macro indicators. Financial remittances far outstrip receipts from FDI and Overseas Development Assistance. When compared to the major income sources, financial remittances is shown to be a predictable income, underlining its value as a source of development funding (Table 2). In fact, the region has seen declining levels of FDI since 2009, while its ability to access concessional development financing has also decreased vis-à-vis other locations (Bourne 2015; Holden and Howell 2009). Given the reality of the region—as being shaped and sustained by migration—remittances have come to be seen as compensation for such a reality.

Table 1 Remittance flow to the CARICOM Region (including Haiti and the Dominican Republic): 2000–2013

Migrant remittance inflows (US$ million)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Remittances as % of GDP in 2013
Antigua and Barbuda	21	27	18	20	21	18	19	21	22	21	20	20	21	21	1.7
Barbados	115	131	125	131	131	94	87	139	101	114	82	82	82	85	–
Belize	26	31	28	34	35	45	64	73	76	79	78	75	76	81	–
Dominica	16	17	17	18	23	22	22	22	23	22	23	23	23	23	4.8
Dominican Republic	1839	1982	2194	2325	2501	2719	3054	3397	3606	3415	3430	3651	3615	3655	6.1
Grenada	46	47	48	49	72	27	28	29	29	28	28	29	29	30	3.7
Guyana	27	22	51	99	153	201	218	283	274	262	368	412	469	493	16.5
Haiti	578	624	676	811	932	986	1063	1222	1370	1376	1474	1551	1612	1696	20.6
Jamaica	892	1058	1260	1398	1623	1762	1924	2122	2157	1889	2026	2106	2145	2277	14.5
St. Kitts and Nevis	27	28	29	30	31	30	33	36	40	39	47	45	45	45	6.0
St. Lucia	26	27	27	27	29	27	28	29	29	28	29	29	30	30	2.5
St. Vincent and the Grenadines	22	23	23	24	26	22	26	29	27	29	29	29	30	31	4.2
Suriname	–	0	15	24	9	4	2	3	2	5	4	4	8	8	0.2
Trinidad and Tobago	38	41	79	87	87	92	91	109	95	109	91	126	126	132	0.5
CARICOM (including Dominican Republic)	3675	4057	4590	5076	5672	6050	6659	7513	7849	7415	7730	8182	8312	8609	6.8

Note: No data available for The Bahamas and Montserrat

Table 2 Remittances as a percentage of select indicators for Jamaica, 2009–2014

Selected Indic.	2009	2010	2011	2012	2013	2014
GDP	14.9	14.4	14	13.9	14.5	15.5
Tourist expenditure	93	95.3	100.8	98.7	99.6	95.6
Exports	129	143.2	124.3	118.2	130.7	144.3
FDI inflows	331	837	924.9	494.2	348.8	362.5
Imports	34.8	36.2	31	31.9	33.3	36.5

Source: Adapted from BOJ (2015, p. 13)

Accepting this aspect of the debate helps to give some balance to discussions on brain drain.

Financial remittances have served a number of functions. First and foremost, remittances represent a crucial source of income for households and communities (Dade and Unheim 2007). A focus on the specific use of financial remittances supports the underling arguments regarding its capacity-building effect. Dade (2006), for instance, shows that recipients in Jamaica direct remittances towards household expenses, paying for education, savings and entertainment. Remittances have also been used to fund infrastructure development such as the construction of hospitals, schools and housing. The impact is also complex (complicating efforts to measure impact) given the linkages between remittance spending and the multiplier effect in other economic activities. Spending on groceries and other household necessities helps to spur small business creation and entrepreneurship, impact which goes beyond the immediate receiving family.

Remittances assist in reducing some of the vulnerabilities faced by the region. For instance, one specific feature of Caribbean SIDs is the difficulty in accessing finance for business start-ups and development financing (Bourne 2015). The diaspora has, however, been useful here, not only investing in businesses at home but also returning to start their own businesses via diaspora and in so doing helping to increase the size and capacity of the small business sector. Investment here comes from helping to fill technological gaps such as the purchase of computers for small business (WB 2010). Remittances potentially constitute start-up funds for businesses with savings also offering the ability for recipients to invest.

3.1.3 Social Remittancing and Capacity Building in the Caribbean: From Diaspora Philanthropy to Diaspora-Driven Socio-economic Transformations

Capacity building is informed by the specific features of the context under consideration. Notwithstanding, capacity building in the modern context requires attention, not only to building infrastructure and capabilities internally but also draws focus to the performance of the nation and institutions at home, as well as their performance internationally. For small developing states where access to and survival in global markets can be difficult and where small businesses account for up to 70–85% of all enterprises, then capacity building in such contexts is very much about addressing challenges in these and related areas of economic and social activity. Financial remittancing has tended to be the predominant area of focus for observers of remittancing. This is followed closely by social remittancing and specifically the diaspora's philanthropic endeavours in reducing gaps in the areas of health, education and disaster management. As such, social remittancing features in a number of ways throughout the region and not just in traditional areas such as expertise and knowledge.

Remittancing in all its forms is a significant source of capacity building, bolstering the region's ability to cope with natural vulnerabilities. The region has traditionally been prone to natural disasters such as hurricanes, which have had an adverse impact on the capacity for development planning and GDP growth. As in other SIDS (Amuredo-Dorantes and Vargas-Silva 2016), diaspora resources have been featured in areas of disaster relief, reconstruction and emergency management (Minto-Coy 2016b). Where response from the international community is slow, the diaspora has been the first responders to national disasters in these societies. Importantly, there is an understanding that the impact of a natural disaster in a large country will have a more scaled-up effect in a small island given differences in size. Take, for example, Hurricanes Irma and Maria which hit the Caribbean and the USA in September 2017. While these had an impact in a few US States, 90% of the buildings in Saint Martin were decimated, while Barbuda was deemed uninhabitable.[2] Diaspora remittances, not only in the form of cash but medical supplies, clothing, etc. exported to the region during times of disasters, have been important in relief, reconstruction and recovery efforts (Minto-Coy and Séraphin 2017). A prime example of the role of remittancing in capacity building was seen in the aftermath of the Haitian earthquake in 2010. Financial remittances were increased, representing a vital aspect of the reconstruction and coping funds for that country (World Bank 2010). The diaspora was critical in bringing international awareness to the actual impact of the 2010 earthquake on the island, mobilised funds, supplies and personnel for reconstruction. They also acted as monitors and evaluators of reconstruction efforts, bringing attention to instances of abuse or mismanagement of resources.

Beyond the crisis response, remittances also reduce gaps in other critical areas, such as making up for the absence of a developed civil society, while reducing the claims on resource-constrained governments. This role is through diaspora philanthropy and activism in its multiple locations and its role in providing social and welfare services in the COO. Residence in a developed setting allows access to important technology, networks and experience that informs the lens through which the diaspora engage with home. The location of many Caribbean nationals in healthcare and education in the USA, for example, has been instrumental in

[2]See Julia Bellus, October 3, 2017. "It's not just Puerto Rico: 6 other Caribbean island nations are in crisis after the hurricanes". https://www.vox.com/science-and-health/2017/9/26/16367410/hurricane-maria-2017-puerto-rico-caribbean-barbuda-dominica-virgin-islands-cuba-st-martin. Accessed: October 19, 2017.

Table 3 Top emigration countries of tertiary educated, 2010–2011 (emigration rate, per cent of total)

Country	Per cent of total	Global ranking
Guyana	93.0	1
Haiti	75.1	2
Trinidad and Tobago	68.2	3
Barbados	66.2	4
Jamaica	48.1	5
Belize	33.4	12
Bahamas	20.5	23
Cuba	20.0	25

Source: World Bank (2016)

fundraising for the benefit of these sectors in the Caribbean, including access to modern hospital equipment and educational aides, as well as missions of medical professionals who travel to the region offer free healthcare periodically. Importantly, these missions not only include diasporans but friends, family and colleagues of diasporans from the COR. Whereas it may be easy for such contributions to be missed in a large context, the population and geographical size of the Caribbean means they loom even larger than usual.

Knowledge and skills transfer to plug local gaps is also an important area of capacity building. In a move to increase the profile, competence and ability of the national university, the University of Guyana, that Government has for instance reached for one of its most noted scholars from the diaspora, Professor Ivelaw Griffith, who was officially installed as Vice-Chancellor in 2017. Ivelaw Griffith along with others from the diaspora have returned to the country and have since sought to build advisory boards and fundraising efforts using their networks and ties in the global Guyanese diaspora community. Through their activities, the government has been able to access skills, competences, reputation, and good will beyond its capacity to pay for. Already, the University has taken on the charge, establishing a Diaspora Engagement Centre in 2018 and organising the first Diaspora Engagement Conference in 2017. The event was instrumental in bringing home over a hundred diasporans, including those from the second and third generations, many of whom had never visited or had not returned since departure. In other cases, capacity has been built via the diaspora who have invested in bolstering local infrastructure via the construction, outfitting and renovation of clinics, schools and other critical facilities. For instance, the diaspora participated in 192 health missions accounting for over US $8 million dollars in 2016 in Jamaica. In January–July 2017, they contributed to another 133 accounts for US$6.7 million dollars, delivering services such as eye exams and other health services to underserved communities across Jamaica (Diaspora Department 2017).

One of the major features of the migration story in the Caribbean is the high rate of migration among the most educated meriting special consideration here. The Caribbean has therefore suffered more from brain drain than most (Table 3). While there remains need for far more action here, there is some evidence that the region has been able to access the capacity of some of this external resource via knowledge and skills transfer. Included here are the various efforts to encourage the return of "brains" to the region via returnee and returnee talent programmes in countries such as Dominica and Jamaica (Minto-Coy 2011; Thomas-Hope 2002). These have seen the return of critical skills to the region including judges and others filling senior posts in government ministries and departments, as well as the private sector. An instance of this is the skilled returnee programme was a direct response to the recognised skills shortages in Jamaica and was implemented through the help of the International Organisation for Migration under two phases in the 1990s (see Thomas-Hope 2002).

According to Rampersad, the diaspora is "deeply sympathetic to nation building..." hence their inclination to "invest their resources (given) is more zealous and passionate than potential non-West Indian investors..." (2007, p. 10). While emphasis tends to be on the social philanthropic efforts of the diaspora and as civil society actors, the reality, too, is that the activities of transnational diasporan entrepreneurs also feature in a focus on capacity building and at the level of enterprise creation. Through their network of contacts, entrepreneurial experience and skills, transnational diaspora entrepreneurs have helped firms in the COO to access international markets. Here the diaspora act as an important resource and connector reducing challenges faced by businesses across the region and providing a cheap way for conducting market research. Such is the case for some of the region's most dynamic businesses where the diaspora has been informants of product and location choices for businesses choosing to internationalise, while helping to overcome liabilities of foreignness, newness and size (Minto-Coy 2019). These include shipping companies such as La Parkan and manufacturing and financial services firms such as Grace Kennedy and Company Limited and Jamaica National Bank. Through the diaspora, these regional businesses have become major employers, earners of foreign exchange, growing and internationalising into major diaspora locations. One of the main export markets for the Caribbean is, for instance, the trade in nostalgic and cultural goods from the region to the diaspora, including cheese. The diaspora also helps to broker regional firm's entrants into other foreign markets, e.g. Grace Kennedy's entry into Ghana (Minto-Coy 2011).

Beyond providing a direct market for exports of financial services and Caribbean manufactured goods, diaspora business interests in global locations also partner with regional businesses. Golden Krust Bakery and Grill, the largest Caribbean eatery (and diaspora-owned) in the USA, is a prime example here. They partnered with a Caribbean soft drink maker, Bigga, allowing the latter to offer products in its restaurants, thereby, allowing entry to the very competitive US soft drink market. Small businesses are also helped to export and grow via the decision to utilise natural ingredients from the region in the food products offered in the eatery as a means of maintaining authenticity. As such, regional businesses are offered an opportunity to participate in global value chains, raising their quality, productivity and earnings.[3]

Relocation to the COO also sees diasporan entrepreneurs bringing new business practices and efficiencies that transform institutional practice and views around entrepreneurship and investments, even while respecting traditional norms and values (Minto-Coy and Séraphin 2017). Return has also seen local economies benefitting from the wealth of experiences of returnee diasporans. Numerous examples exist across the region of capacity building *in* and *through* entrepreneurship via social remittancing among the diaspora (See e.g. Nurse 2004). For instance, the movement to revive the hotel and tourism industry in Haiti has been credited to some degree to the work of a returnee Haitian migrant who returned with his own investment and expertise from his years in the USA. Having decided to start his own hotel establishment in 2012, he became the first of large hotel establishments which were built in Haiti since the 2010 earthquake. These hotels introduced greater quality and larger international establishments. The entry of this returnee, helped to revitalise the local hotel and tourism industry, introducing a number of innovations and improvements in management and industry practices that have stood out in a historically exclusive and unequal society. Innovations included the introduction of a foundation, which created a value chain linking the hotel to local small businesses, and the introduction of improved human resource policies, which stood out from traditional management and human resource practices in that country. Sixty percent of the products used in the hotel are also sourced locally (Minto-Coy and Séraphin 2017). On the other hand, Nurse (2004) also observed that around 70% of actual visitors to the region were from the diaspora. Thus, their contribution is not only in investing in the sector and introducing innovations but also via direct contribution to the number of visitor arrivals to the region.

The diaspora's role in capacity building has also extended to areas such as entrepreneurial education and business creation. The Jamaica Diaspora Youth Connect Project, for instance, allows members of the diaspora, particularly those in the third and second generations to travel to impoverished neighbourhoods in Jamaica. A key part of the engagement in these communities is the mentorship and training offered to young entrepreneurs in these communities. Such training is viewed as a route to empowerment, away from crime and unemployment among young persons (See http://jamaicadiasporaconnect.com/content/diaspora-youth-connect-project-dyc-promotes-business-development-young-entrepreneurs).

For countries that have not been able to attract significant enough levels of FDI, the diaspora is now increasingly being looked to as a source of development financing. As such, they now provide start-up capital for local businesses and are also invested in areas such as the construction industry. However, a challenge to the diaspora's engagement in islands such as Guyana and Trinidad and Tobago where

[3]The diaspora's role in overcoming challenges addressed in traditional businesses and marketing literature including liabilities of foreignness and brand crossover have already been noted (e.g. Minto-Coy 2016b).

underlying ethnic tensions that has existed between the two major ethnic groups. This tension has also played out in the diaspora, limiting the extent to which some groups are willing to contribute their expertise, advice or funds to develop capabilities at home. Similarly, other political divides also play out in other areas of the region and consequently across the diaspora.

Many among the diaspora desire to return home upon retirement. Notwithstanding their age, returning retirees still have much to contribute. Contribution could come in the form of volunteerism and social services and in specific skills such as teaching and nursing. Incidentally, these are areas where gaps currently exist in the region, with these gaps themselves having emerged due to the migration of these professionals from the region. Support would however be needed at the policy level in providing a formal framework in which such contributions can be made in support of plugging recognised gaps in key services. Such interventions would go some way towards creating the context for brain circulation which also provides options for returnee retirees who may wish to contribute via their former professions. Nevertheless, statistics for the 1990s reveals that around a third to a little over 50% of returnees to the region were from the professional groups. Over 50% of the total number of returnees returned to enter the labour force (Thomas-Hope 2002). Returnee engagement has been facilitated by returnee-led organisations, which help to source and identify philanthropic projects and supplies from diaspora locations for projects and communities at home. Through such means they are able to fill gaps that are usually met by a lively voluntary sector in other countries. A key component of the returnee category are students. These constitute a significant aspect of capacity building in the Caribbean as many often travel to acquire skills that are in short supply in the Caribbean or where the quality of education is not as advanced as in developed countries. Included here are STEM subject areas, with engineering being one of the most popular choices for students travelling overseas to the USA (Interview, November 30).

Returnees allow access to technical and intellectual capacity and experience, reducing the need to hire expensive international consultants and specialists who may not understand the specific context in which their advice is to be implemented. For instance, in a bid to increase the global profile of local companies and to increase the attractiveness of Jamaican entities for FDIs, that country developed a Corporate Governance Index which was first implemented in 2017. The development of this global index was driven by one of its UK-based diasporas. Thanks to years of experience in the financial services industry in the UK and USA, this diasporan was also able to return to the country to establish his own business and offer financial services which were not offered anywhere else on the island (Interview 2017). As a further example, one of the most prominent figures in the Jamaican economy is a returnee transnational diasporan entrepreneur, investor and philanthropist, Michael Lee-Chin. On becoming one of the wealthiest men in Canada, he invested in securing one of the region's largest but struggling banks helping to drive productivity increase in this institution. Following success here he has taken on an even more national role and stake in the economic transformation of Jamaica's economy by agreeing to chair the government's Economic Growth Council which aims to propose initiatives to secure growth (see http://www.portlandholdings.com/Info.aspx?disp=egc. Accessed October 19, 2017).

Information and Communications Technologies (ICTs) is another area in which capacity building can be evidenced. The diaspora's role here is multifaceted, spanning financial and nonfinancial remittancing with the term "telecoms-mediated diasporic engagement" (Minto-Coy 2011) being coined to represent this form of capacity building. It includes the introduction of some of the latest technologies into local communities. In so doing, the diaspora has helped to reduce digital divides in many islands with the first introduction to ICTs in some communities having been facilitated by the diaspora (e.g. radio and mobile phone). The diaspora has contributed to the success of telecom firms in the region via income received for telephone calls terminating in the region and global diaspora locations (Minto-Coy 2009). Until the reform of the international settlement regime at the end of the 1990s, these settlement rates represented contributed vital foreign exchange to the region, allowing companies to charge domestic users lower fees. The desire to encourage and sustain income sources and engagement with the diaspora has also fuelled the development and adoption of innovations around remittancing. For instance, diasporans are now able to purchase airtime for their relatives in the COO from locally based carriers. Attention to diversifying the ways that remittances are sent and used has also seen partnerships between local entities allowing for direct payment of mortgages, supermarket bills and other service fees directly, rather than to recipients. In so doing the capacity-building function of remittancing and diaspora engagement also features from its innovation-inducing impact on COO-based entrepreneurs and enterprises determined to find ways of encouraging remittances in all its forms. The impact is notable not only on communities but at the macro level. The rise in Haiti's GDP in the first decade of the twenty-first century has, for instance, been linked to the entry of mobile phone operator Digicel, who recognised the potential value of that market given Haiti's rising diaspora population which was demanding easier communication with those at home (see Minto-Coy 2011). Increased access to telecoms and related services meant that the diaspora could now connect easier with families at home, a move also facilitated by the opening up of a mobile remittance platform by Digicel. Technology has meant that return is not only physical or permanent but also virtual (including via e-commerce), while the diaspora is afforded more ways of building local capacity beyond physical return.

Furthermore, given the reality from the outset that migration was a response to capacity gaps, economic, technical and technological at home, there was always an awareness and intense desire to send back whatever could be sent home as a means of addressing such gaps. The result has been the development of a unique form of capacity building in the Caribbean. This is epitomised in the concept of a "barrel culture", that is, the shipment of barrels of essential household and personal items to the region; this is a way of increasing the ability of families and communities to cope with the high prices of such commodities at home. Indeed, an important aspect of capacity building relates to the ability of emerging and developing countries to survive and to access resources for survival at the local and community levels.

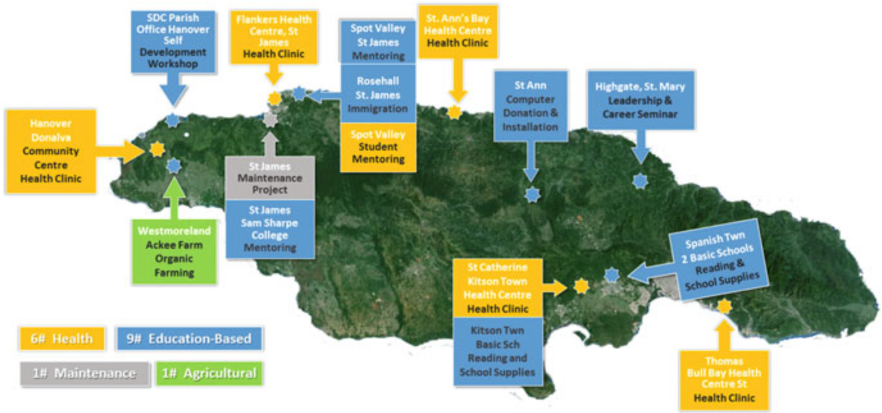

Fig. 1 Sample of diaspora capacity-building projects in the Caribbean island of Jamaica, 2015. Source: Calder (2015)

This is specifically relevant in the Caribbean given low productivity, the high cost of manufacturing (perhaps with the exception of oil-rich Trinidad and Tobago) and the absence of local capacity or will to grow enough to feed the local population (see, e.g. Brathwaite 1987). The increasing role of service industries and liberalisation has also meant a turn away from professions such as farming, further reducing the region's ability to feed itself (Dorodnykh 2017). The result is reliance on imports (e.g. food, computers, TVs, etc.) and cheaper prices for imported vs. local goods. The diaspora has been able to sidestep local middlemen, by simply shipping barrels of essential household items purchased in the COR directly to their families and communities in the Caribbean. Through such means, families are able to cope with the relatively high cost of living, depressed wages and inflation, given that a high proportion of income in these developing countries is spent on food (Henry 2012).

Ultimately, the role and involvement of the diaspora in various capacity-building initiatives across the region has been diverse. Figure 1 offers a snapshot of some of the tangible ways in which remittances and the diaspora have been involved in building capacity in the Caribbean. The figure is a sample of projects carried out during the 2015 Diaspora Week of Giving in Jamaica.

3.1.4 Social Remittancing and Capacity Building in the Caribbean: Diaspora-Driven Transformations in Politics and Governance

The capacity-building role of diaspora resources has also featured in the evolution of regional politics. The return of a cadre of young professionals from London in the 1940s and 1950s included individuals who were later to be influential in shaping the discourse and leadership for independence. Acquaintance with the ideas and the language for independence was being honed during their time in institutions, such as the London School of Economics (LSE). These included independence leaders such as Trinidad and Tobago's Eric Williams, Guyana's Forbes Burnham, Barbados' Errol Barrow and Jamaica's Michael Manley, all who rose to lead their countries at crucial phases of independence (Minto 2009). More recently, engagement via online platforms and radio talk shows has allowed non-returnees a voice and role in monitoring governments as well as their involvement in local governance (also via funding for local NGO groups). In so doing, the diaspora contributes to strengthening the capacity of local civil society in good governance.

Certainly, for small states faced with balance of power issues in international relations, the Caribbean diaspora helps to advance the interest and impact of the COO. Through bolstering local capacity as lobbyists for the islands, as well as brand ambassadors (Minto-Coy 2013), the diaspora offers access and influence beyond their small size. The Haitian diaspora has, for instance, grown in relevance and influence, entering politics in locations such as Florida. Through their political mobilisation, they have also been able to lobby for the cause of their country in US politics. Diaspora diplomacy here has offered the Caribbean access to additional voices through its transnational population, helping to mitigate challenges related to size and remoteness and accessing key decision-makers. More effective mobilisation within the COO has also resulted in more successful lobbying in the COR on behalf of the COO. The successful lobbying against the imposition of a travel tax (UK Air Passenger Duty) to the Caribbean by the UK between 2009 and 2014 is one such instance of effective diaspora diplomacy (see, e.g. Jamaica Observer 2014; Ransome n.d.). In partnering with other players such as UK-based travel groups, the diaspora was instrumental in strengthening the region's voice against the tax. For sure, the Caribbean diaspora has not been as effective as others, including the Irish and Jewish diasporas. Perhaps though this speaks to the relevance of contextual understanding of different diaspora groups as it relates to their size, economic and political strength in the COR. The main point here is that for SIDS and other developing contexts, their diaspora constitute a strong international/national voice that can add weight to the interests of actors in the COO in local and global affairs.

In conclusion, the Caribbean diaspora has played an important and diverse role in capacity building via remittancing. This is seen in the transfer of knowledge, money and expertise in areas such as community development, health and education, entrepreneurship, trade and investments, as networkers and facilitators. The impact can be seen at the micro and macro levels. It is noteworthy that the contribution of remittances and the diaspora have been welcomed by many with organisations being formed in the diaspora for this very purpose. This awareness is represented in the mission statements of one of the oldest diaspora organisations, the Dominica Academy for Arts and Science:

> To engender a high quality of life at home and abroad by creating a unified global Dominican community committed to leveraging our intellectual, financial, and relationship capital to execute effective national development initiatives.[4]

[4]https://www.da-academy.org/about-daas.html

One of the emerging themes is the extent to which remittances has actually helped economies in the region. One of the challenges in addressing this question more fulsomely is the absence of sufficient data to make more accurate approximations of impact and value. Such a question cannot be answered without a more considered view of all aspects of remittances. A discussion on remittances as a capacity building tool requires more of an emphasis on the technical aspects of remittances as capacity building. This implies a movement away from a focus on remittances and development to include diaspora entrepreneurship and transnational diaspora engagement towards growth and development. Addressing this will mean creating more facilitative policies and institutions to allow these resources to have a more direct developmental impact at the macro level. At the policy level, there is need for more education and incentives at the household level to inform families how financial remittances can be used to sustainably grow families' income and communities out of poverty. Attention at the policy level will help to increase the absorptive capacity for all aspects of remittancing. The suggestion is towards more purposeful efforts on the part of Caribbean businesses and governments towards increasing the impact of remittances as a capacity-building tool. Of relevance, too, is the need to focus on understanding changes in the motivations, movement, feelings of attachment and overall dynamics of the diaspora from the first, second and third generations and their offsprings.

Considering the varying contexts for capacity building and remittancing and having considered the Commonwealth Caribbean and Haiti and the Dominican Republic's experience with diaspora remittancing and capacity building, the next section focuses on an emerging context. Thus, allowing for greater understanding of the varying contexts and ways in which the imperative for capacity building as a developmental and growth imperative can be linked with diaspora remittancing.

3.2 Capacity Building and Remittances in Post-Soviet Era Central Asia

3.2.1 Transition and Post-Soviet Political Context for Capacity Building

Central Asia is a classic transition economy and emerging market context that has evolved since the collapse of the Soviet Union into newly independent nation states and economic entities. In 1991, the Soviet Union was dismantled, and the subsequent wave of independence created a set of transitioning countries with heterogeneous economies. The different states of Central Asia, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, have evolved with different ideologies and different transition policies.[5] Regional embeddedness is significant affecting the capacity building dynamics. Additionally, there is notable regional

[5]Afganistan is not addressed in this study.

migration balancing the differences in economic development in the area, and since 2006 migration is further enabled by the non-visa regime in the Commonwealth of Independent Countries (CIS) region (Uz.undp.org, 2015).

Uzbekistan serves well as an example of the economic transition of Central Asia and functions here as a reflection point for the discussion on Central Asia. It gained independence in 1991, like the other ex-Soviet states. It is a landlocked country with the largest population in Central Asia (app.30 million), thus its geographic position comes with trade and logistics constraints. Uzbekistan is a significant diaspora sending country (estimations range from five to six million migrants) for which remittances have been vital for economic stability. Uzbekistan also experiences inflows as Central and Western Asia account for 4.7% of the global labour migrants (International Labour Office 2016). Its main trading partners are Russia, China, Kazakhstan, the Republic of Korea, Turkey, Afghanistan, and Ukraine. Due to the massive changes caused by the new state organisation in the area, there are various institutional challenges relating to market economy, rules and regulations, establishing infrastructure and state systems from scratch (cf. Peng 2003). Uzbekistan has received political criticism for its governance approaches; on the other hand, effective measures to counter the difficulties (similar to other Central Asian countries) observed in the unstable neighbouring regions were taken to combat the real threat of extremism and drug trade.

Many, Uzbeks, Uzbek migrant population and Uzbek policies, are contributing to stability and development as well as capacity building, but this has attracted less attention, is less documented and is often implicit and indirect. One important arena for development and capacity building is the entrepreneurial landscape and the diasporic involvement in trade and economic development (cf. Riddle 2008; Nkonkolo-Bakenda and Chrysostome 2013). In Uzbekistan, there are several practical challenges to tackle towards enabling economic growth and stability that is inclusive and also supportive for small businesses. Given that in the previous era there was no private entrepreneurship, it is not surprising that scholars have identified challenges relating to entrepreneurship and private business formation (cf. Bikbaeva and Gaibnazarova 2009; Khalmurzaev 2000; Peng 2003). As reasons for these bottlenecks, Khalmurzaev (2000) has identified business and social infrastructure that present impediments for SMEs and their growth. Banking and finance problems have been identified as one source of difficulties and financial inclusion in general (Shelburne and Palacín 2008). As a result, Uzbek SMEs exhibited lower performance and competitiveness than developed market SMEs; they provide jobs to fewer employees; and the significance of state property has been disproportionate (Khalmurzaev 2000). This development is partly linked to the strategy of the state in preferring large FDIs to SME investors.

However, the situation is changing, many industries and services experience growth and recent findings illustrate entrepreneurial traits and developments in the region also by migrant investors and entrepreneurs, both with and without diasporic origin in Central Asia (Elo 2016). On the other hand, the overall economy has faced similar declines in development as many neighbouring and post-Soviet economies (except Kazakhstan and Ukraine), partly due to the sanctions on Russia, as the outcome has been limited inflows of FDI, M&As and greenfield investments as well as limited economic interaction in the region (cf. World Investment Report 2016). Foreign direct investments with heritage linkages or diaspora direct investment (DDI) are not reported (cf. Debass and Ardovino 2009) (Table 4).

Further, the capacity building processes and their differences within Central Asia can be partly explained by the magnitude and type of their migration flows, diasporas and diaspora building. Also, the location of these diasporas and their ability to support homeland and family there, as well as the type of culture, its collectiveness, care-taking systems, and religion all influence capacity building linkages (e.g. Hujo and Piper 2007; Boccogni and Decimo 2013). The area has particular cultural features influencing management and capacity building and usage, namely, clanism and polyethnic populations [see more in Minbaeva and Muratbekova-Touron (2013) and Ghelman (2009)]. Thus, remittances may have varying influences in capacity development in different Central Asian countries, as their economies are so heterogeneous and the remittances are underestimated and under-reported (Shelburne and Palacín 2008). As with the Caribbean, remittances in Uzbekistan have gone to productive uses., that is, for economic activities that expand the household's existing capacity, e.g. business creation, land and/or agricultural activity. Remittances have also gone to unproductive uses, such as for consumption and spending money on goods and services that have an immediate effect on household well-being but not future revenues (Prokhorova 2017).

The policies relating to diaspora resources are rather country-specific in the area. In the case of Uzbekistan, recent studies indicate positive developments in the economic and entrepreneurial environment and institutions that can be partly linked to the interconnection of Uzbek diaspora business, representing a form of nonfinancial remittances (World Bank Group 2013; Elo 2016, Yakubov 2016). As the Uzbek Chamber of Commerce points out, Uzbekistan is among the top ten countries that showed improvements in the quality of the regulatory environment for business. The engagement of the ethnic diasporas, for example, the World Congress of Bukharian Jews and Israeli associations, is contributing to improving prosperity and capacity building. As a result, some experts suggest that the standard of living of the population in Uzbekistan will grow and double by 2030 (Yakubov 2016).

Different Central Asian states have chosen different transition strategies to cope with state and institution building, which have influenced the speed and type of capacity building. It is also expected that the One Belt One Road programme that aims to connect a number of economies as a contemporary silk road concept (e.g. Swaine 2015) will enhance capacity building in total and foster the transition towards higher economic connectedness (cf. economic transformation enabling inherent capabilities to enfold) from the current landlocked and logistically complicated situation (cf. http://www.mckinsey.com/global-themes/china/chinas-one-belt-one-road-will-it-reshape-global-trade, retrieved 26.9.2017). The recent findings from the labour market in Central Asia illustrate results of capacity building,

Table 4 Relevant indicators from Uzbekistan

Economy	1990	2000	2010	2016
GDP (current US$) (billions)	13.36	13.76	39.33	67.22
GDP growth (annual %)	1.6	3.8	8.5	7.8
Inflation, GDP deflator (annual %)	4.0	47.3	16.5	7.6
Agriculture, value added (% of GDP)	33	34	20	18
Industry, value added (% of GDP)	33	23	33	33
Services, etc., value added (% of GDP)	34	43	47	50
Exports of goods and services (% of GDP)	29	25	32	19
Imports of goods and services (% of GDP)	48	22	29	21
Gross capital formation (% of GDP)	31	22	25	25
Revenue, excluding grants (% of GDP)	–	–	30.0	25.3
Net lending (+)/net borrowing (−) (% of GDP)	–	–	9.2	3.4
States and markets				
Time required to start a business (days)	–	28	14	6
Domestic credit provided by financial sector (% of GDP)	–	–	–	–
Tax revenue (% of GDP)	–	–	16.2	17.5
Mobile cellular subscriptions (per 100 people)	0.0	0.2	75.5	77.3
Individuals using the Internet (% of population)	0.0	0.5	15.9	46.8
High-technology exports (% of manufactured exports)	–	–	–	–
Statistical Capacity score (overall average)	–	–	61	49
Global links				
Merchandise trade (% of GDP)	–	40	52	32
Net barter terms of trade index (2000 = 100)	–	100	165	158
External debt stocks, total (DOD, current US$) (millions)	0	4948	7802	16,283
Total debt service (% of exports of goods, services and primary income)	–	–	–	–
Net migration (thousands)	−323	−242	−66	–
Personal remittances, received (current US$) (millions)	–	–	2858	2479
Foreign direct investment, net inflows (BoP, current US$) (millions)	9	75	1636	67
Net official development assistance received (current US$) (millions)	1.5	186.4	234.5	447.8

Source: World Development Indicators database

e.g. societal and economic transformation. For example, from witnessing a change from the Soviet style of command economy, the services sector dominance is growing and accounts for over 50% of total employment (e.g. ILO 2017). Also in 2006–2015, wage employment increased significantly in Central Asia, reaching 60%. However, according to International Labour Organization (2017), the informal employment remains high as a share of the nonagricultural employment in several Central Asian states. Informal status in labour markets and entrepreneurial activity may also be linked to collective cultural traditions and values, which on the other side may be suitable for capacity building due to the nonindividual focus (cf. Elo 2017a).

3.2.2 International Migration and Remittances as Broader Resources

In total, international and regional migration wave peaks are connected to the area dynamics. The capacity building in Central Asian independent states has been strongly linked to neighbouring countries, especially Russia and Kazakhstan, but notably also China, as these countries have historical and new socio-economic relations in the area and play a role in their economic development. This regional dimension is particularly relevant for international migration and formation of contemporary labour diasporas and for local individual level perspectives. Russia and Kazakhstan serve as the key destination countries for Central Asian migrant workers who send home remittances and interconnect the economies. From a historical perspective, it is to be noted that the Soviet Union era also developed capacities differently than in respective non-Soviet states as both male and female were in the position to receive high education, and science, education, work skills and arts were promoted.

Politico-economic changes and the sudden turmoil in the institutional setting posed numerous challenges for post-independence capacity building. It is important to notice that polyethnic Uzbekistan has several ethnic diasporas. These new and old diaspora connections have been instrumental in facilitating, for example, the material resources invested in education, repair of educational buildings, improvement of material and technical base, introduction of new learning technologies and internationalisation of education (cf. Yakubov 2016). There are various diaspora associations and platforms whose purpose is to foster diaspora engagement (e.g. Jewish and Bukharian Jewish organisations and the Global Diaspora of Uzbekistan Platform at Diasporaengager.com), but there is little documentation on projects. One example of the investment engagement is the well-known vodka manufacturer since 1867 that was re-established by the diaspora and became an international new venture producing the Royal Elite—brand in Uzbekistan for local and international markets (royalelitevodka.com).

In the recent history of Uzbekistan, there are numerous cases of migration flows towards neighbouring countries and other ethnically lucrative host contexts. However, the statistics on these flows differ (e.g. Tatibekov and Hanks 2017). One estimate suggests that two million Uzbek citizens live outside the country in 2010, illustrating a high emigration rate of 6–7% of the population, while the world average is only 3.2% (Ajwad et al. 2014, see Parpiev 2015). Parpiev (2015) lists the main target countries, Russia, Kazakhstan, Ukraine, European Union and South Korea; however, here it is very important to notice that Uzbekistan has several significant minorities that have strong ties to these areas, too. In addition, these migrations do not represent labour migration only. In fact, there have been several waves of outgoing Russian, Ukrainian and diverse Jewish populations already before, but especially after independence to 2013. However, in this migration, complete clans and cohorts have migrated without any intention of return, including children and elderly (e.g. Elo and Vemuri 2016). This took place partly because of the fear of ethnic tensions and cleansings due to the civil war in Tajikistan and the lack of interethnic trust that emerged in Central Asia during the early 1990s. Thus, these migration waves are heterogeneous and triggered by distinctive dynamics, and therefore they provide different motivations, outcomes and time frames regarding capacity building.

There is no agreement on the size of the Uzbek diaspora nor its true impact or nature, if the home country is reflected. The most debated stream of migration is the Central Asian labour diaspora. This is an ongoing phenomenon, while the great migration waves have diminished over time. According to a World Bank study, 2.2 million Uzbeks reside in Russia; from them 81% are of working age population (Ajwad et al. 2014). Other experts have estimated the number of Uzbek emigrants in Russia to be five million when irregular and temporary-seasonal migration is included. This discrepancy found in most studies highlights the difficulty to assess the results of Uzbek labour migration as potential influences of large flows remain unexamined and undocumented. Moreover, the choice of labour migration has also become easier and more popular since 2006, and the intra-regional migration has increased ever since. Already prior to that, the number of Uzbeks with legal work permits had grown rapidly but was later affected by the global financial and economic crisis, and since then many sources are addressing the difficulties in working abroad, e.g. in Russia. The labour migrants are often seasonal or circulate, but policy changes, for instance, in Kazakhstan attempt to attract people with ethnic origins to permanently return and settle down, turning them from labour migrants to returnees (Orynbassarov and Elo 2018), which influence remittance behaviour. Despite these aspects, labour diaspora contributed also in positive developments regionally, for example, in Russia and other host countries where successful diaspora entrepreneurs promoting business, employment and investment are documented (e.g. Elo and Jokela 2014; Elo 2017b), not only in home countries. In addition to the regional dimension, the UN Sustainable Development Goals and their implementation are assumed to foster the transfer of social and institutional remittances as they are expected to support the entrepreneurial activity.

As economists point out, economic development, entrepreneurship and job creation do not happen in a vacuum, and reforms are being made (Imamova 2018). These Central Asian dynamics have been linked to migration that has been rather focused on the Russian economy's locomotive effect and the resulting remittances, but the crisis and oil prices have also had an effect here, as the outflow of (financial) remittances from the Russian Federation dropped by 40% between 2014 and 2015 (International Labour Organization 2017). In the recent years, active international trade delegation visits have taken place on bilateral level, and this is expected to support capacity building in and across the area. Particularly, the Tajik and Uzbek

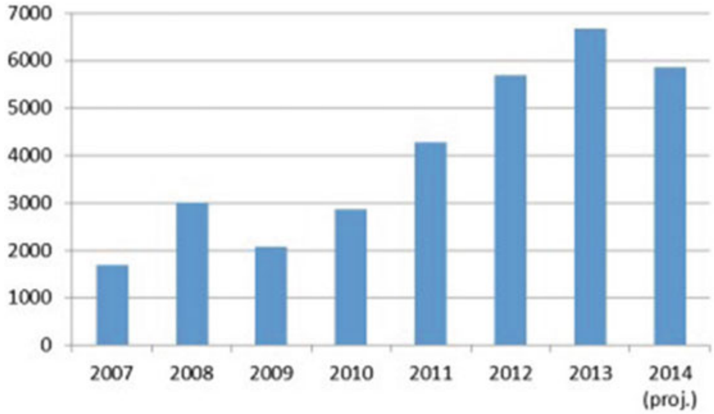

Fig. 2 Uzbek remittances from Russia in millions of US dollars. Source: UNDP Uzbekistan

migrant remittances have been significant and require future alternatives if migration patterns change, see the Uzbek remittances from Russia in Fig. 2.

The remittances, mainly from labour migrants, contribute significantly to the economy of Uzbekistan, but they have been sensitive to oil prices, economic fluctuation and respective policies. There is significant seasonality in the distribution of these remittances, partly due to the nature of work opportunities (Shelburne and Palacín 2008). This uncertainty and lack of planning possibilities can affect remittance receiving behaviour. Financially, Uzbek remittances support mainly the immediate needs of families back home but function to a lesser extent also as investments for sustainable capacity building, i.e. for productive use of remittances (Prokhorova 2017) keeping the balance more on the brain drain side than on the positive circulating side for Uzbekistan (cf. Kuzentsov 2008). In 2014, two Central Asian countries are top receivers of remittances in the world; Tajikistan received the highest remittances per capita, over 40% of its GDP, but also Kyrgyzstan (29%) and Uzbekistan received notable inflows (Marat 2009; Prokhorova 2017). Kazakhstan has had a different transition policy and resource base and has thus been able to attract more investments and develop in a more economically autonomous and sustainable manner. As a result, Kazakhstan is a net remittance-sending country in contrast to its neighbours (see Table 1). In addition, Kazakhstan's policy on returnees and incoming migrants has brought entrepreneurial results that represent forms of capacity building reducing unemployment and poverty (cf. Tatibekov and Hanks 2017; Orynbassarov and Elo 2018) (Table 5).

One of the problems is the division of remittances into non-productive, more consumption and basic need purposes instead of investments, and the second is systemic sensitivity and uncertainty in employing them. The capacity building through financial remittances has enabled grass-root development, for example, fostering education, healthcare and emerging family businesses. The social and financial remittances increase transitory well-being, but more is needed for reducing

Table 5 Migration and personal remittances in Central Asia (Source: World Bank Country Data)

Country	Net migration	International migrant stock	Emigration rate of tertiary educated to OECD countries	Refugees by country of origin	Refugees by country of asylum	Personal remittances received	Personal remittances paid
	Thousands	Thousands	% of tertiary educated population age 25+	Thousands	Thousands	$millions	$millions
	2012	2015	2000	2016	2016	2016	2016
Kazakhstan	160	3547	1.2	2.3	0.6	275	2395
Kyrgyz Republic (Kyzgyzstan)	−138	204	0.9	2.5	0.3	1995	378
Tajikistan	−100	275	0.6	0.9	2.7	1867	87
Turkmenistan	−50	196	0.4	0.3	0.0	9	n/a
Uzbekistan	−66	1171	0.8	3.8	0.0	2479	n/a

chronic poverty and developing returns. Diasporans and returnees are participating, although often implicitly, in social dialogue regarding employment and entrepreneurship (e.g. Elo 2016; Tatibekov and Hanks 2017).

Beyond livelihood generation, Central Asian migrants and diasporans are funding new ventures of family members, exchanging ideas and knowledge and fostering international trade and local market development (e.g. Elo 2016, 2017b). However, there is no research available on nonfinancial remittances or statistics related to such diasporic capacity building. Implicitly, many effects take place and can be identified, for example, on developing particular sectors, such as tourism, health and trade (Elo et al. 2015) and women's financial power (Prokhorova 2017). In the case of Uzbekistan, the role of temporary, circular labour migrants has been central in sustaining families, their livelihood and overall economic development, but this is sensitive to economic changes. Furthermore, very little research is available on how remittances are utilised (Marat 2009). Despite notable levels of remittances that have helped build capacities for the transition of the economy, there are long-term estimations of slow future economic growth in the Central Asian area that contrast other goals and estimations (cf. International Labour Organization 2017). These contrasting estimations and figures equally influence—as uncertainty bottlenecks—the actors who invest in capacity-building activities.

Parpiev (2015) points out that the overall skill levels rise when migrants return and highlight the need to accommodate these skills and talent by providing proper jobs and business opportunities. They also bring various capitals (human, financial, social capital and new ideas) on return and foster local development with their international experiences, pushing micro-financing, micro-entrepreneurship and financial literacy forward (Prokhorova 2017). In 2015, the typical migrant had become younger, less educated and more motivated to succeed and settle down abroad, their impact as participants in programme building is underlined (Prokhorova 2017). Moreover, Parpiev (2015) highlights the feminization of Uzbek migration and the increasing trend of family migration; this may influence gender equality and poverty reduction issues if the contrary development will not prevail. The new Uzbek government has taken steps for more female inclusion in governance, and many foreign and diaspora observers are expecting increasing female capacity-building efforts as a result (e.g. New York Times has repeatedly reported on the Uzbek development) (also see, Imamova 2018).

Many dynamics are linked to opportunities and structures but also to people dynamics (Imamova 2018). Diaspora populations, just like rural populations, influence their families and the scope of perceived prospects and potential. The global Uzbek diasporas will have a long-term impact on Uzbek capacity building on different levels. Regarding migration, the flows are explained by network theory and gravity theory making the threshold and costs lower and, also, by formations of diasporas abroad that enable smoother entry. Migration trends based on gravity may indicate the development of higher brain drain and less interest in financial remittancing in Uzbekistan once there are no family members left. On the contrary, in Kazakhstan, there are gravity effects that pull inward migration and directly affect local development (Tatibekov & Hanks 2017). There are also diverse views and findings on the impacts of remittances from brain drain to improving credit ratings and investment climate (Shelburne and Palacín 2008). Therefore, other more sticky means for capacity building than financial remittances, such as transnational diaspora entrepreneurship and DDI, will become more interesting and relevant (cf. Elo 2016, 2017b).

4 Discussion and Conclusion

The chapter has argued that the types of remittances and their role in capacity building in the country of origin context require better understanding. In so doing, it has addressed cases of capacity building through diaspora social and financial remittancing, advancing needed theorising by conceptually and contextually discussing remittances. These views touch the often mentioned altruism in literature, as being financial and social *acts*, not just emotions; thereby, contributing to a more specific understanding of such committed development. The chapter provides important evidence for the role of financial and social remittances as a source of capacity building for institutional, social, political and economic development. This is backed by research which suggests the resilience of remittances vis-à-vis other sources of development financing in times of crises (Minto-Coy 2010). The increasing importance for such resources in developing and emerging economies is also shown as these societies seek to identify ways of coping and equipping themselves for progress.

Such a focus is also important from the level of policy, praxis and research. For instance, since the first UN General Assembly High-Level Dialogue on International Migration and Development (HLD) in 2006, more research and policy attention has been allocated to migration, diaspora and the resulting impacts of economic development via different forms of remittances and human capital. Currently, the UN Agenda for Sustainable Development includes migration features as part of the Sustainable Development Goals (SDGs). This agenda is highly relevant and underlines the theory and policy needs, as it emphasises the role of migrant remittances and more generally international migration, including labour migration, which is also recognised as an important component of the finance for development agenda (International Labour Office 2016). The World Investment Report (2016), for instance, illustrates that when other forms of incoming capacity building via FDI and foreign resources are declining or limited, the remaining instruments are either endogenous, such as local innovation and entrepreneurship, or most probably linked to foreign incoming resources and instruments such as remittances, knowledge, new ideas and transnational entrepreneurship provided by the diaspora.

Theoretical implications on capacity building via remittances suggest that not all remittances are similar. Financial and social remittances differ in their impact, but also the types and impacts of remittances are expected to differ according to their source diasporas (cf. Cohen 2005). Financial remittances tend to be overemphasised due to their measurability, perhaps even the easiness of collecting quantitative data, but the capacity building impact of transnational diaspora entrepreneurship and related social remittances is potentially higher (cf. Wescott and Brinkerhoff 2006; Riddle and Brinkerhoff 2011). Thus, it becomes evident that the receiving homeland needs to consider carefully its policies on returnees, transnational, mixed families and dual citizenship and create lucrative policies for an environment that enables economic and entrepreneurial development (cf. Brinkerhoff 2012; Nkongolo-Bakenda and Chrysostome 2013; Elo 2016; Minto-Coy and Elo 2017).

Given the growing emphasis on sustainability and leveraging remittances for development, further attention to diaspora entrepreneurship and investments from a theoretical and policy perspective is needed. Diaspora entrepreneurship is different as diasporans understand and develop the economic and social "gaps" that the transition creates; thus they generate entrepreneurial capacity building. This is similar to Kuznetsovian effects (Kuznetsov 2008). Diaspora entrepreneurship impacts business and is directly measured on family and social contexts (cf. dimensions of capacity building), i.e. on people level capacity building. Evolving entrepreneurial "heroes" may act as change agents and role models negotiating development by providing social remittances. Such capacity building—due to the business dimension—has long-term results and local commitment that may include sponsoring and mentoring, local training and employment. Diaspora entrepreneurship also supports tradition/culture-sensitiveness and embeddedness.

Transnational diaspora entrepreneurs innovate, create and develop novel employment of resources (i.e. capacity building), for example, innovation/new business models, new products and services (health, construction, cosmetics, etc.), revival/care of traditions and employing cultural and religious characteristics for business. Additionally, they shape and influence values and social norms with their activities and examples and have therefore a more central role in capacity building and development. Financial remittances only—without the portfolio of the other incoming remittances and positive impacts—may not be adequate to foster sustainable and competitive economic development. Although much of remittances go for positive purposes and uses, financial remittances may also generate "distortions" and tensions on the local level, social context shaping consumer behaviour in a way that is not socially or culturally legitimate or sustainable (cf. Boccagni and Decimo 2013; Castaldo and Reilly 2015). When international migration and resulting remittancing provide long-term, sustainable and locally legitimate advantages, it benefits families, society, economy and even the institutional development of the country with these in-between advantages (Brinkerhoff 2016).

Finally, it should be clear that the authors are not here suggesting that the case of remittances as capacity building discussed here is complete or without its challenges. Governance challenges exist as it relates to diminished capacity for effective human resource management in areas such as teaching and nursing, while concerns have emerged around broken families resulting from the migration of one or more parents (Crawford-Brown 1994; Bakker et al. 2006). Authors such as Le (2009) also question the relationship between remittances and growth in developing societies, while Feany, Iansiraroj and McGillivray (2014) dispute this relationship, specifically for SIDS in Latin America and the Caribbean. Notwithstanding, this chapter is focused not only on growth inducing impacts of remittances but also on the capacity building and enhancing impact of social and financial remittances. For sure, in the case of a reality clearly defined by migration and the inability of democratic governments to prevent the migration of their citizens, attention is needed in advancing and crafting avenues for encouraging and scaling up this form of engagement between COOs and CORs. The role of remittances in the Caribbean shows the diaspora filling gaps in development and entrepreneurship practice that used to be filled by traditional aid and development actors. In Central Asia, similar gap filling has taken place to support the transition and transformation of society and economy. Such a contribution is indeed noteworthy and welcomed in a context of declining FDIs as well as increasing global turbulence that has seen attention turn away from the mainly middle-income Caribbean small islands to more strategically located and poorer nations. Securing FDIs in this case may be more about targeting the diaspora. In Central Asia, the contribution has been vital in counterbalancing the limited nature of the incoming investments and the other consequences of the collapse of the USSR. The two contexts underline the idiographic and contextual nature that needs to be addressed in analysing such developments and their dynamics.

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Remittances and Capacity Building Issues in Nepal

Basu Sharma

Abstract Globally, 250 million people lived outside their countries of birth in 2015, representing 3.4% of the world population. Most of these migrants were from developing countries, and they sent home $432 billion dollars in 2015 alone. Nepal's share of this migrant population was 3 million—about 10% of the total population of the country. Remittances sent home by them amounted to $6.6 billion dollars, which amounted to 29% of the gross domestic product of the country in 2015. And 56% of the households in Nepal received remittance. Remittances are thus a very significant part of the national economy and family incomes in Nepal. This chapter evaluates the role of the remittances in Nepal's capacity building—enabling peoples' choices in terms of economic, political, and social aspects.

Recent research has indicated that remittance has contributed toward increasing consumption and savings and lifting up people from extreme poverty group in Nepal. Its contribution toward creation of human capital through investment in education and health has been significant as well. However, remittance has also led to moral hazard and the Dutch disease phenomena through hollowing out of adult, productive household members and creating inefficiency in farm production due to shortage of labor and income substitution effect. Furthermore, it has contributed to increasing imports for luxury and semi-luxury goods, resulting in trade deficit. It has eroded competitive advantage of the country by weakening the export sector of the economy. At the societal level, remittances have contributed to family breakdowns, erosion of family values, exploitation and inhuman treatment of migrant workers by employers, and problems of reintegration migrants upon return. Policymakers need to come up with strategies that can augment capacity building activities while minimizing or eliminating capacity sapping effects of remittance. Doing so requires removal of obstacles faced by migrants before leaving the country, signing of labor agreements with governments of destination countries to ensure application of international labor standards to migrant workers, and formulation and implementation of economic policies and plans to create meaningful employment

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opportunities at home for potential returnees. While remittance can become a good stopgap measure for capacity building, over-dependence on it could turn out to be a negative thing in the long run. It is thus time to have a comprehensive review, weighing both positives and negatives, of the role of remittance for capacity building in Nepal as a step toward development of new policies on this important matter.

1 Introduction

Nepal is one of the least-developed countries. The United Nations defines a country as least developed if its per capita income is less than $1035.00, and there were 50 countries in this list as of 2016 (Economic and Social Council of the UN 2016). Capacity building, defined as enabling people by providing resources and knowledge through economic, social, and political endowment (in absence of a better definition), is an important matter for Nepal to move out of the group of the least-developed countries. But it has, like many other least-developed and developing countries around the world, limited resources available for capacity building.

External financial resources such as foreign direct investment (FDI), foreign aid, and foreign loan have played an important role in promoting capacity building in many developing countries. But these resources are available to them in varying degrees, depending on levels of development and existing policies on investment, trade, and taxes. Especially in the case of Nepal, the role of FDI has remained marginal (Sharma 2015). Foreign loans for big development projects are not easily available to the government due to an absence of credible political capital resulting from decades of civil war and instability. Foreign aid has remained a significant resource even though it is not as abundantly available as necessary. And resource constraints have resulted in a low level of human capital development, worsening poverty situation, and high rates of unemployment. However, Nepal has availed itself of another type of external resource—remittance. This is fast becoming a compliment to or substitute for other types of foreign capital resources.

Nepal is the third largest recipient of remittance in the world in terms of its share in the gross domestic product (GDP), accounting for 29% of the GDP in 2015. Approximately 10% of the total population, or 22% of the workforce, works as migrants around the world. These migrants send significant amount of money home to their families. In fact, recent research has indicated that remittance has contributed toward increasing consumption and lifting up people out of extreme poverty group. Its contribution toward creation of human capital through investment in education and health has been significant. Hence its importance in capacity building has ever been increasing along with increases in its inflow. My objective in this chapter is to demonstrate how remittance has become a significant factor for influencing the process of changing and developing capacities at individual and societal levels in Nepal. My approach departs from earlier mainstream research on capacity building in that it focuses on migrants rather than professionals as recipients of training and technical assistance and on remittance rather than foreign aid as the main instrument of resource transfer for Nepal.

The chapter is divided into seven sections. In Sect. 2, I present a brief review of literature and propose a conceptual framework for capacity building with remittance resources. In Sect. 3, some stylized facts on remittance and migration situation in Nepal are discussed. Then I examine the phenomena of remittance being an opportunity resource for capacity building in Nepal in Sect. 4. But remittance is also a mixed baggage. Provided good policies are in place, it can become an opportunity resource for capacity building, but lacking such policies, remittance can push a country toward socioeconomic problems. I call these problems capacity sapping outcomes and examine them together with a discussion of policies required to minimize such outcomes in Sects. 5 and 6, respectively. Concluding thoughts are the content of the last section of the chapter.

2 Remittance-Capacity Building Nexus: A Conceptual Framework

During the 1960s and 1970s, international assistance focused on institution building as a solution to the problem of underdevelopment of the so-called Third World. The focus shifted to capacity building at the urging of the World Bank in the late 1980s (Edoho 1998). However, the assistance mainly came in the form of technical cooperation, and it entailed training of bureaucrats and administrators in aid recipient developing countries for improving administrative and technical skills. The training focused technical assistance thrust of capacity building programs carried with it a dependence-enhancing attribute as this approach was donor-driven and negligent of local context. Scholars and practitioners began to challenge this narrow view and began to expand on the concept.

In its broadest interpretation, capacity building encompasses human resource development as an essential part of development. For example, Jones (2007) has defined capacity building "…as a dedication to the strengthening of economies, governments, institutions and individuals through education, training, mentoring, and the infusion of resources." For Edoho (1998, 236), "Capacity building is not an end; it is a means. The end purpose of capacity building is the development of human beings." According to James (1998), capacity building should encourage a bottom-up or grassroots effort for sustainable development; it begins with individuals or the family unit. The two key foundations of capacity building are education/training and health. Historically, resources required to build this foundation came from foreign aid. However, individual scholars as well as international organizations have begun to recognize that remittances can work as substitute or complementary resource to increase investments in both education and health (de Haas 2007; UNDP 2009).

Given an increasingly important role of remittance in economic development and human resource development in developing countries, today's dynamics of the world economy and resource transfer mechanisms call for new ways of looking at capacity development enterprise. As Van den Ham (2015, iii) has eloquently stated:

> With 'beyond aid' we refer to sources that lie outside the traditional aid sector and that increasingly fuel capacity development with knowledge and financing. They may not refer explicitly to capacity development in the work they do, nor are they necessarily familiar with the body of knowledge on capacity development that has emerged over the years. But they are becoming increasingly significant players that influence the way people, organisations and societies change and develop their capacities.

It is this augmented concept of capacity building that is relevant for a proper understanding of the role of remittance in the Nepalese society. However, a conceptual framework is needed to sharpen our focus and facilitate the examination of remittance for capacity building. Therefore, I propose a framework delineating the complex nexus between remittance and capacity building next.

One of the assumptions underlying capacity building is a commitment to the strengthening of economies, governments, institutions, and individuals through education, training, mentoring, and infusion of resources. Ideally, availability of abundant internal resources would enable a country for meeting this commitment. But a resource-poor least-developed country like Nepal does not have this luxury. Hence external resources such as remittances play a significant role in advancing capacity building endeavors.

Remittance is related to migration. And migration has its own dynamics, prospects, and problems. On a positive side of the equation, the great migration is a win-win for all three key parties involved. The sending country wins in terms of receipt of remittances; the receiving country wins in terms of solving the problem of labor market imbalance; and the migrants win as they can make productive use of their skills and get financially rewarded for their work at a better rate than at home. Also, those left at home might benefit from higher wages, potentially, due to a new labor market dynamics (supply shortage) created by migration as well as remittance sent by the migrants. Hence the positive effects of migration are reflected in improved health of people left behind and schooling of children as well as on reduced poverty and social inequality. On the negative side of the equation are such matters as abuse of migrant workers in destination countries, community desertion and family problems at home, reintegration problems of the returnees, and dependency problems as well as moral hazards at both macro- and microeconomic levels. These are capacity sapping outcomes, of course. Which effect—capacity building or capacity sapping—dominates depends on what perspective one takes with respect to the phenomenon of migration.

There are three dominant theoretical perspectives used by economists and social scientists in the analysis of migration and remittance. They are neoclassical, Keynesian, and dependency perspectives. According to the neoclassical perspective, wage differential between countries is the main reason for international migration, and it promotes global efficiency through rational allocation of resources (World Bank 2014). From the Keynesian economic perspective, remittance helps to finance consumption, savings, and investment. It also helps to improve the balance of payments. In addition, the consumption part triggers the Keynesian multiplier, leading to an increase in GDP and aggregate employment (Gonzalez and Sovilla 2014; Meyer and Shera 2017). However, the Keynesians also contend that remittances can promote growth only in the face of good governance and good policies. According to the dependency perspective, remittances come at the cost of "brain drain" and "brawn drain" (Adams 1969; Penninx 1982; Binford 2003). This is a historical-structural approach. Hence migration is an aspect of continuation of exploitation of the South by the North, leading to withdrawal of human capital, breakdown of traditional communities, and erosion of agricultural productivity in the South. The end result of this process is a rise of remittance-dependency phenomenon.

Regardless of which perspective one takes, capacity building is a complex concept. It encompasses a variety of dimensions along economic, social, political, and institutional aspects. And remittance can be mobilized to build capacity within the country on the one hand, and capacity building strategies for resource mobilization can be followed to augment migrant remittance inflows on the other. The latter will include providing incentives to migrants to upgrade skills, protection of migrant rights, opportunity for investment options, advocacy activities, and knowledge generation programs, among others. There could be an interface between remittance as resource for capacity building and capacity building as a means for augmenting remittance flows. A simple conceptual framework depicting this interface is presented in Fig. 1.

As presented above, remittances are opportunity resources and help to improve capacity building activities, especially in the area of economic growth, income distribution, and balance-of-payments. Remittances also contribute toward government revenue growth. Mobilization of these resources lend to human development and entrepreneurship growth. They, in turn, lead to augmentation of human capital of potential migrants, thereby increasing their employability and income potential in

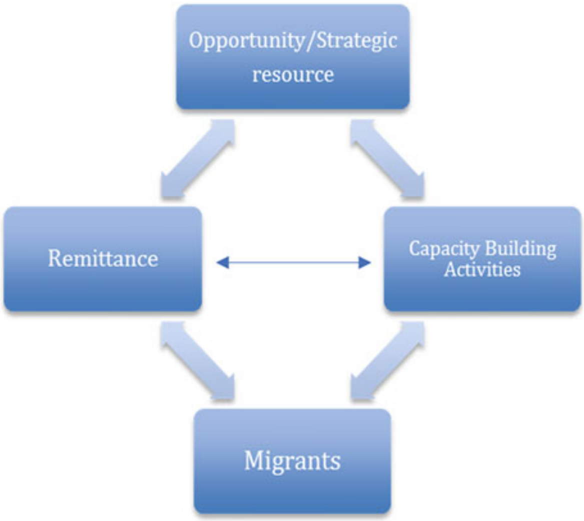

Fig. 1 The interface of remittance and capacity building activities. Source: Author's own figure

destination countries. And the migrants' higher incomes translate into higher remittance flow, which can then be mobilized for expanding capacity building activities further. Remittance can also provide resources to individuals and families for uplifting their financial and social situations on the one hand and to government for investing in social capital formation on the other. However, the success and sustainability depend on ability of each unit (individual, family, and government) to efficiently mobilize and use this resource.

The interactive perspective provides a framework for discussion of the role remittance plays in capacity building. Capacity building has many dimensions involving very, many activities, and variations in emphasis on specific activities across nations are quite natural. In Sect. 4, I focus on a set of capacity building activities in relation to the role of remittance in Nepal. But to frame the discussion in a proper context, it is necessary to have knowledge of some stylized facts on migration and remittance in Nepal. That is what follows next.

3 Some Stylized Facts on Migrants and Remittance

Out of the global migrant population of 250 million in 2015, Nepal accounted for 1.2% of the total. That is about 3 million for a country with a population of 28.5 million. Remittances sent home by the global migrant population in 2015 amounted to $432 billion dollars. Nepal's share was $6.6 billion dollars. Even though it accounted for only 1.53% of the global total remittance, this amounted to 29% of the gross domestic product of Nepal. Since there are informal migrants as well as formal migrants and remittances are transferred through formal as well as informal channels, these figures have downward bias (World Bank 2011). Nonetheless, they point out the magnitude of remittance in the national economy. In societies like Nepal where extended family system prevails, family welfare is the rationale or goal for pursuing certain economic activities. Remittance earnings have certainly helped many poor families to achieve this goal. Fifty-six percent of Nepalese households have received remittance, making it a very significant part of family income (KNOMAD 2016).

Remittance is not a new phenomenon in Nepal. Its history goes back to over 200 years. Beginning with the annual recruitment of Gorkha soldiers from Nepal for the British armed force, some communities began to become remittance dependent early on (Seddon et al. 2002). This dependency continued and further expanded with cross-border flows of Nepalese in an increasing number over time to India for employment and other opportunities (Nikander 2015). This century old tradition underwent a major transformation in the 1990s. The civil war launched by the Maoist Party of Nepal, and the threat of being recruited for its army drove away youths in hundreds of thousands from their villages. The Gulf countries, South Korea and Malaysia, became the prime destinations for them. Rai and Awale (2016) have reported that about 1500 Nepalese workers on average fly out from Kathmandu international airport to Gulf countries (Saudi Arabia, Qatar, UAE, Oman, and Kuwait) and Malaysia every day. In fact, Nepalese migrant workers are allowed to work in over hundred countries around the world (Sijapati and Limbu 2012).

Migration can take place formally as well as informally. Formal migration requires possession of a labor permit issued by the Government of Nepal. Data on out-migrants are collected by the Department of Foreign Employment by using records of labor permits. In the fiscal year 2008/2009, the number of permits issued was 219,965. This jumped to 521,878 in the fiscal year 2013/2014. The Government of Nepal issued 2.2 million labor permits during the period from 2008/2009 to 2013/2014. The destination for these migrants was Malaysia (40.9%), Saudi Arabia (22.9%), Qatar (20.3%), UAE (11.2%), and Kuwait (2.1%). The Government of Nepal allows Nepalese to migrate to 108 countries at present. However, the rest of the countries accounted for only 2.6% of the total migrants (Department of Foreign Employment 2014).

Remittance as a percentage of the gross domestic product of Nepal has more than doubled between the years 2001 and 2015—from 12.45 to 28.9%. Data are presented in Table 1 to substantiate this point.

In addition, remittance has become the key source of foreign currency earnings in Nepal. In fact, foreign exchange earnings from remittance have far exceeded foreign currencies available through tourist income, merchandise exports, and foreign aid

Table 1 Remittance inflows in Nepal (2001–2015)

Year	Billion US $	As a percentage of total GDP
2001	0.147	12.45
2002	0.678	11.2
2003	0.771	12.2
2004	0.823	11.3
2005	1.212	14.9
2006	1.453	16.1
2007	1.734	16.8
2008	2.727	21.7
2009	2.985	23.2
2010	3.469	21.6
2011	4.217	22.3
2012	4.793	25.6
2013	5.210	28.1
2014	5.627	29.0
2015	6.613	28.9

Source: For GDP in Nepalese Rupee, Ministry of Finance, Government of Nepal (2011). For GDP in US $, https://www.imf.org/external/pubs/ft/scr/2015/cr15317.pdf
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Retrieved on August 17, 2016

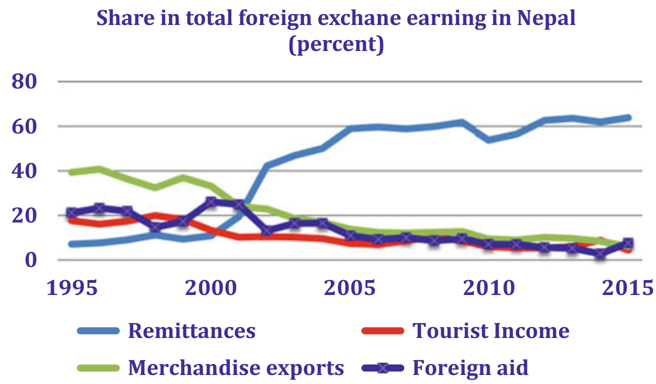

Fig. 2 Share of remittances in foreign exchange earnings. Source: Nepal Rastra Bank (2016). *Quarterly Economic Bulletin*

combined. Shares of remittance in foreign currency earnings in Nepal are plotted in Fig. 2.

In 1995, remittance accounted for only 7% of the total foreign currency earnings, while merchandise exports accounted for 39%. This trend reversed beginning in 2001 and has continued that way with the gap becoming wider and wider every year. In 2015, merchandise exports accounted for only 8%, while remittance accounted for 64% of the total foreign currency earnings. This is a spectacular path reversal.

The discussion above indicates that remittance plays an important role in the economy and society in Nepal. Regardless of different slants given by each of the three perspectives to migration as discussed in Sect. 2 above, there is agreement on one thing—remittance sent by migrants helps family members in particular and the government and the economy in general. In fact, it has now become one of the key strategic resources for capacity building.

4 Remittance as Opportunity Resource for Capacity Building

Capacity building or development is related to economic development, entrepreneurial growth, and human resource development, among others. These outcomes are a function of financial resources and technical expertise. Official development aid amounted to about 7% of the GDP per annum in recent years in Nepal. Foreign investors have shunned Nepal due to politico-economic reasons (Sharma 2014). Foreign direct investment as a percentage of GDP has never been close to 1%. As a least-developed country, Nepal is not able to generate a lot of resources for development internally. Therefore, there are significant gaps between resources required and resources available for capacity development. Remittance has picked up the slack and has become, by necessity, an opportunity resource for capacity building.

The first step in the economics of remittance is migration. A potential migrant needs to secure a job (generally through a recruitment agency), obtain passport from the government agency, and arrange for air tickets and for loans to finance all these pre-departure activities. Each of these steps costs money. Thus, migrants have become a source of earning for recruitment agencies, medical institutes, training institutes, hotels, restaurants, travel agents, airlines, and banks and other financial institutions. Hefty fees are charged by recruitment agencies for their services, by medical institutes for health check-up, by training institutes for providing training and orientation, by hotels and restaurants for food and accommodation, by travel agencies for air tickets, and by financial institution for loans and other financial transactions. The government collects taxes on income so generated by all these entities.

After a few months of working in the destination country, migrants start to send money home. Once a household begins to receive the remittance, the household economy begins to change for better. The family outlays on education, health, and other consumption goods increase. Among other things, demand for luxury goods begins to increase. This, in turn, leads to an increase in imports. The government has been able to collect a lot of tax from imported luxury goods purchased through remittance money resulting in budget surplus. As Acharya (2014) has calculated, "For every rupee of remittance, the government raises 12 paisa through consumption tax (not counting its direct tax contribution)." The tax revenue enables the government to spend more on such critical matters as human resource development and general healthcare activities.

Nepal has been experiencing a balance of payments surplus over the years despite a deteriorating trade balance. The demand for imported goods has been on the rise as household consumption pattern has changed due to an increase in household incomes attributable to remittance inflows. However, exports are not earning enough to pay for the imports. In fact, the idea of developing a competitive export sector to finance imports has not taken off. The trade deficit has been increasing at an alarming rate—from 10% of the GDP in 2001 to 27% in 2013 (Acharya 2014). He has also noted that export earnings can finance imports for only 45 days in a year. The deficit is met by remittance inflows. The continuing surplus in the current account has strengthened overall balance of payment position. Since more remittance is coming in from countries other than India, it has eased foreign exchange constraints.

Economic growth requires high savings, developed human resource, efficient technology, and trade. And many economists assume that GDP growth is a must for breaking out of the poverty trap (Sachs 2005). Nallari and Griffith (2011) have argued that remittances not only increase savings and investment but also contribute toward human capital development. Srivastava and Chaudhary (2007) analyzed the effect of remittances on the gross domestic product (GDP), gross national income (GNI), and per capita income (PCI) for a 30-year period from 1975/1976 to 2004/2005 in Nepal. They found a positive effect of remittances on all the three dependent variables.

Studies based on household surveys have indicated that most of the remittances are used in purchases of land, housing, and other real assets. The breakdown of utilization of remittances by households, based on the Nepal Rastra Bank (2008) household survey, was as follows: purchase of land and house, 49%; repayment of debt, 25%; savings in bank, 11%; education, health, and others, 9%; social work, 3%; and other investment, 2%. In fact, returnee migrants or their family members purchase land or spend money purchasing houses either in the capital city Kathmandu or towns and cities outside the capital city using the proceeds of remittances. A population with better housing, better healthcare, and better education is more capable of human development and thus capable of contributing to capacity building than the one without those benefits.

The positive contribution of entrepreneurship to economic development has been well recognized. However, there is not much research on the linkages between migrants, remittances, and entrepreneurship. Nonetheless, there is some evidence to indicate that remittances have contributed to growth of entrepreneurial activities undertaken by either family members or the returning migrants. For example, the World Bank (2006) has recognized that remittance can provide for start-up capital for small business and encourage entrepreneurship at the household level. And entrepreneurial activities generate multiplier effect leading to an increase in aggregate demand.

The empirical evidence on the impact of remittance on entrepreneurial activities in Nepal is thin. Of the very few studies on this relationship, Chalise (2014) is one, which is based on primary data collected in two different villages of Baglung District of Nepal. The author collected data from 77 households, 44 of which received remittances. However, there was just one business start-up that used remittances as the source of financing the business for this sample. The author has concluded that people are not that motivated to establish a new business using the remittance. The practice of entrepreneurship is partly related to passion and partly to socio-politico-economic environment. Resources are necessary but not a sufficient condition for growth of entrepreneurship. Since sociopolitical environment in Nepal is not conducive to an entrepreneurial culture, remittance has not helped very much on this matter. However, it is important to note that remittance has contributed toward empowerment of women. It has given them power to make family financial decision. This has improved their self-esteem; respect for them in the family and community has gone up. Some women have even started microenterprises with the help of remittance.

An important aspect of capacity building in developing countries is reduction in poverty and income inequality. The literature on remittance shows that it helps recipient countries to reduce poverty levels and income inequality (Adams and Page 2005). As suggested by Imai et al. (2014) in their study of the effects of remittance on growth and poverty reduction in 24 Asian and Pacific countries, it has become an important complement to a broad-based development effort.

The effect of remittance on poverty reduction has been quite remarkable in Nepal. Lokshin et al. (2010) measured the impact of remittance on poverty in Nepal, using two rounds (1996 and 2004) of nationally representative household survey data.

They found 20% decline in poverty between 1995 and 2004. According to the World Bank (2011), poverty rate in Nepal in 1996 was 41.8%. It came down to 30.9% in 2004 and to 25.2% in 2011. Similarly, the Gini coefficient has fallen from 43.83 in 2003 to 32.82 in 2010 (Sapkota 2013). This remarkable achievement came about without significant growth of the GDP. Hence it can be assumed that remittance has had a significant role to play in changing this situation for better.

It is also important to note that about 70% of the rural households and 30% of the urban households receive remittance. Obviously, remittance has helped to reduce rural-urban incomes inequality in Nepal to some extent. All in all, as Srivastava and Chaudhary (2007) have concluded, the remittance has improved the welfare of the receiving households in Nepal in terms of their basic needs such as food, healthcare, and education.

Cooray (2012) has found in his analysis of the impact of remittances in six South Asian countries, including Nepal, that remittance has significantly contributed to education by increasing the school enrolment ratio in the recipient countries. Findings from analysis of household surveys data have indicated that remittance lends to a higher propensity to invest in education and training (Vogel and Korinek 2012). Hence the nexus between remittance and human development is very strong. In fact, a recent study (Gaudel 2016) found all three components of the human development index—mean years of schooling, life expectancy at birth, and gross national income per capita—to be positively affected by remittance inflows for the period of 1980–2014 in Nepal.

Remittance has a "smoothening out" of household consumption effect in times of natural disasters, crop failure and health crisis, or job loss. Migrants tend to send more money home to help out families suffering from such unforeseen events. In fact, this happened following the disaster brought forth by the earthquake in Nepal in 2015.

A less discussed but critical contribution of migration to country of origin is social remittance. Social remittances "…are the ideas, behaviors, identities, and social capital that flow from receiving to sending country communities" (Levitt 1998: 927). Returning migrants will have more human capital endowment as they would have learned new skills and acquired new capabilities on the job abroad. This social remittance can become instrumental in introducing a new culture of entrepreneurship and work ethics. In addition, remittance also contributes to build social assets through remittance-receiving families' contributions toward construction of schools, hospitals, community centers, and feeder roads. This has happened across a large number of communities in Nepal.

Remittance has contributed to capacity building and capacity development activities in a number of ways. And this resource can be mobilized not only to use remittance efficiently for domestic capacity building but also to augment remittance flow. That is to say, capacity building can reinforce increased remittance flow. For that to happen though, socioeconomic problems arising from remittance dependency that often impede capacity building efforts need to be addressed.

5 Remittance and Capacity Sapping Outcomes

While effects of remittance on aspects of micro- and macro-economy have been largely positive for contributing toward capacity development, socioeconomic problems arising from a high level of remittance dependency are becoming critical in Nepal (Sharma 2017). These problems need to be examined and appropriate policies formulated and implemented to reduce their capacity sapping effects. I will discuss the key problems related to a high level of remittance inflows in this section. Desired policy response for optimizing the contribution of remittance to capacity building will be examined in the following section.

One of the consequences of a heavy reliance on remittance is the development of a culture of dependency. Household members of remittance-receiving families either stop working altogether or reduce working time while waiting for remittance to come in. It also stands to reason that household members may increase their reservation wage as remittance substitutes for their wage income. They may thus make themselves unemployed by setting reservation wages higher than the market clearing wage rate. Thus, remittance creates a negative work incentive effect, a form of moral hazard (Kapur 2003).

The effect of remittance on the agricultural sector has been negative because migration has created labor shortage and cultivating land has become difficult. One can see patches of land remaining barren in remittance-receiving villages and communities. Secondly, remittance-receiving families do not invest in productivity enhancing machineries and other inputs as the pricing mechanism does not create proper incentive. Consequently, there has been no productivity gain in the agricultural sector.

Migrants are exploited in the home country and in destination countries in a variety of ways. Exploitation in the home country begins even before their departure by recruitment agencies and their sub-agents. Recruitment agencies are registered companies. They hire agents to find job seekers from around the country and to bring them to the formal recruitment channel. They go to various communities and villages to recruit potential migrants and provide them information related to potential earnings in destination country, migration process, and the cost of migration. However, they exaggerate facts or lie about job prospects and income potential in destination countries. There is asymmetric information problem as the potential migrants, who are desperate to seek gainful employment in foreign countries in the hope of uplifting their economic situation, have very little capability and resources to verify the information provided by the agents. The agents also charge atrociously high fees to the potential migrants, promising them to acquire passports and employment contracts, prepare travel documents, and purchase airline tickets for them. The potential migrants then have to borrow money to meet these migration-related expenses. Since most of them are poor with no assets and credit history, banks will not loan them money. They are compelled to go to the money sharks, who use the usury system, charging up to 40% annual interest on the loan.

Table 2 Number of deaths by causes in 2015

Causes of death	Number of migrants dead
Sudden unexpected death syndrome	268
Natural death	245
Road accidents	119
Suicide	112
Workplace death	114
Cardiac arrest	89
Other	55
Total	1002

Source: Rai and Awale (2016)

In the destination country, the employers and the governments exploit them having employment and working conditions different for migrant workers from the ones for their own citizens (Amnesty International 2011). Migrant working conditions are reported to be so bad that they become health hazard in many cases and causes of eventual death in some. Of nearly 2 million migrant workers from Nepal working in the Gulf countries and Malaysia in 2015, 1002 died. Table 2 classifies these cases by causes of death.

Of the 1002 deaths, over a quarter were classified as the result of sudden unexpected death syndrome (SUDS)—workers go to sleep and never wake up. Health experts have given the opinion that SUDS could be the result of dehydration, poor diet, overwork and stress, or a combination of them. There is hardly any study analyzing and explaining the cases of SUDS. A migrant worker dies of SUDS; after some legal formalities, the body is sent home. The story ends there for the government and the employer. However, the tragedy begins from here for the families and children left behind. Back home, parents and spouses of these dead workers are saddled with loans borrowed to finance expenses incurred during the migration process—fees to employment agents/agencies, fees paid to the government, and air ticket and food and accommodation expenses in Kathmandu before the departure to destination countries. When the migrant worker is dead, the loan sharks will not leave the family members and spouses alone. Some of the spouses are condemned to servitude to pay the debt for a long, long time.

Nepal is largely a patriarchal society. Until recently, women were not allowed to migrate to Gulf countries. Even today, women under the age of 30 are not allowed to go to these countries to work in domestic employment (Sijapati and Limbu 2012). Out of 3 million migrants, there are less than 200,000 women migrants in the official statistics for this reason. Since Nepal has an open border with India, having no requirement of passports for Nepalese to cross it, women migrants are illegally channeled through Indian corridor to Gulf countries.

Society, families, law, and cultures are stacked up against women who want to participate as migrant workers. First, the Nepalese society is a patriarchal one, and women going abroad to work as migrant labor to earn money are often looked down by the society. Hence the first hurdle for women migrants is to get over this social stigma. Secondly, the traditional division of labor discriminates against women as men are considered the breadwinners. Hence women are discouraged from seeking employment in foreign countries. Women face barriers in getting initial financial resources required to pay for the recruitment and other migration-associated costs. The certificates of property ownership are generally in male members' names in Nepal. Banks ask for a collateral for loans, and females can't provide one without the male members' cooperation and consent. It is often difficult to persuade male members to do so due to the social stigma mentioned above. In addition, getting a passport is not easy, especially for women residing in villages in remote parts of the country.

Human capital is the most valuable resource in today's digitalizing economy. However, the level of human capital development is largely related to existing educational system and skill development opportunities. Nepal is deficient in both as quality of public education in general is low and opportunities for development of marketable skills are rare and unaffordable. Quality private educational institutions are concentrated in city centers of the country, accessible mainly to children of rich and wealthy. The irony is that these children after completing their education and training in Nepal look for foreign employment and leave the country.

Remittance is an opportunity resource available to low-income rural families. It has enabled many of them to send their children to quality private schools. Families have also been able to send unemployed members for skill development trainings with a view to making them capable to migrate. Many have been successful in doing so. Remittance has provided additional resources to pay for exorbitantly high fees charged by the agents. Many would not have been able to go abroad in the absence of remittance income coming in the family.

However, one of the key problems for capacity building in a least-developed country like Nepal is retention of human capital. In the post-monarchy era, there has been tremendous expansion of educational institutions in Nepal. The percentage of labor force with secondary or higher education has been increasing. However, Nepal has been losing these educated, young, productive workers every day. Due to both push and pull factors, the number of professionals such as nurses, engineers, doctors, and teachers migrating to Middle East, South Korea, Australia, Canada, and the USA has been rising. This has contributed to hollowing out of professionals.

All in all, the model presented in Sect. 2 indicates interface of remittance and capacity building where remittance inflows lead to capacity building in terms of economic growth, healthcare affordability, and education on the one hand, and capacity building can in turn lead to more remittance inflows, creating a virtuous cycle. However, capacity sapping outcomes of remittance discussed in the last section prevent realization of this outcome. I believe this problem can be addressed by having appropriate government policies in place to reduce or do away with the capacity sapping outcomes. What follows next is a discussion of the problems and an invitation to the government for such a policy intervention.

6 Need for Policies: A Discussion

It is now clear that remittance is a mixed baggage. If good economic and social policies are in place, it can become a strategic resource for capacity building. Absent such policies, there is a danger that remittance can push the country into dependency and further socioeconomic problems. This section will delve into a discussion of desired policies to addressing issues related capacity sapping outcomes of remittance.

Agriculture is still the largest sector, accounting for one-third of the GDP in Nepal. As discussed earlier, migration and remittance have created problems of productivity and mobility. But mobilization of remittance resource for changing patterns of landholdings and method of cultivation can build better capacity in this sector. Households can consolidate landholdings by purchasing new patches of land using remittance and thereby realize the benefit of the economy of scale. They can also introduce new technology to increase efficiency and productivity. But, as Tuladhar et al. (2014) have pointed out, one of the challenges for policymakers is to figure out ways for inducing these households to invest in capital goods and inputs for improving productivity in the agricultural sector.

Increases in the scale of operation and introduction of capital goods can change dynamics of farm labor demand by making employment in the sector more attractive. They can also change supply dynamics by making some labor redundant. Labor released from the farm that way can then pursue other pursuits including seeking foreign employment, thereby enhancing capability for generating more remittance inflow. However, the government needs to come up with programs and policies that create incentive for farmers to go for mechanization.

Remittance inflows have helped to create a balance of payments surplus and ease foreign exchange constraints. However, this is not a sustainable situation. To build a sustainable trade policy, remittance incomes should be used for developing human and institutional capacity together with infrastructure development. Human capacity in this context refers to training for professionals such as trade lawyers, economists, and skilled trade negotiators that the government can rely on for advice in matters of negotiation with the World Trade Organization and other trading partners such as India, whereas institutional capacity refers to proper establishment of customs, national standard authorities, and professional associations. Roads and telecommunications will be equally important for developing trade policy. Remittance revenue can be more meaningfully used for development of such infrastructures.

Remittances can also lead to a “vicious policy cycle” (World Bank 2011). What it means is that a high level of inflows of remittances exert low pressure on governments to improve policy weaknesses, which in turn leads to a low level of private investment. This could lead to low-productivity and a low-equilibrium trap for the economy. As Sharma (2009) has stated, “In particular, it has been argued that the dual effect of remittances in generating foreign exchange receipts while harming the competitiveness of exports may deter countries from undertaking structural reforms to promote export-led growth." In fact, statistics on trade balance provide support for this line of argument.

Consumption and imports have increased over time due to remittance. But remittance does not seem to have any effect on investment and savings (Thaguna and Acharya 2013). The current rate of economic growth is thus considered a "pseudo-growth" as it is not self-sustaining in the absence of internally generated savings and investments. Also, investment opportunities other than land purchase and house building are limited in Nepal. This has led to channeling of remittances to the residential real estate sector together with an increase in demand for imported luxury goods. Both have contributed toward creating inflationary pressures. The relative burden of such inflationary pressures often falls on the poorer segment of the population. The government can leverage remittance by introducing migrant entrepreneurship programs, with reduced barriers to start-ups and free legal services or training. The government can also introduce saving instruments to migrants in such forms as "remittance bond," thereby channeling part of the remittance inflow to investment and saving.

Several issues related to financing of migration and exploitation of migrants have been discussed in the previous section. One of the issues related to financing of migration is that of borrowing. If the formal channels for borrowing are made available to the poor migrants, the loan sharks then would not be needed. The government should also change existing laws that put female migrants at disadvantage for borrowing money. In addition, if the government can provide mandatory insurance of the loans, spouses, children, and parents of the migrant can be protected in case of such unfortunate situation as the death of an indebted migrant.

Most of the women migrants from Nepal to Gulf countries work as domestics. There are no laws in these countries to protect them. In fact, the laws and costumes both discriminate against them. For example, take the case of destination Gulf countries. Domestic workers in Gulf countries are recruited through a system called "kafala" system. Under this system, legal sponsorship of domestic workers is tied to the employment and the residency of a domestic worker to a specific employer. The sponsor is responsible for visa and legal status of the worker. Consequently, the employer is able to keep the worker's passport. The domestic worker is thus helpless to do anything against the employer as she can't seek employment with another employer. The domestic worker becomes like a slave or indentured servant (Hilleary 2012). Arrangements for proper pre-departure training could create awareness among migrants about their rights at work in destination countries. Similarly, destination countries should make employers aware of their legal obligations toward migrant workers through development of training and other educational programs.

The irony is that even the government of Nepal has laws in place that discriminate against female migrants. The Foreign Employment Law does not allow female migrant workers under the age of 30 to undertake employment as domestic in Gulf countries. The assumption here is that female migrant workers under 30 will be more vulnerable to exploitation by employers. First of all, this assumption is faulty. What makes the government of Nepal think that women migrant workers above the age of 30 are not as vulnerable as those under 30? There is absolutely no scientific evidence to support this assumption. In fact, many female migrant workers have used the open border to India and used illegal channels to migrate to Gulf countries to undertake employment as domestics. According to Sedhai (2014), in Riyad, Saudi Arabia, alone, there are over 40,000 Nepali women, who came through illegal channel, working as domestics. Abuse and sexual harassment of many women migrants working as domestic helpers, especially in countries like Lebanon, Kuwait, and Saudi Arabia, are rampant. But such specific concerns of women migrants are seldom a part of policy dialogues (Paoletti et al. 2014). The government should rectify this unacceptable situation as soon as possible.

Modern economies cannot be fully functional if there is an imbalance in demand for and supply of skilled workers. Nepal has been suffering from this hollowing out effect as more and more skilled workers and professionals migrate. There is also a self-selection bias at work here. Those migrating happen to be the more entrepreneurial, ambitious, and risk takers as compared to many left behind. If opportunities are available at home, they are willing and ready to come back to exploit these opportunities. The trend can eventually be reversed through good policies conducive to growth in the economy and creation of opportunities and employment at home. This has been the case with Taiwan and South Korea. Nepal can aspire for the same.

Capacity building for development is a challenging task as it relates to economic growth, human capital development, good governance, political stability, social cohesiveness, and psychological well-being. Since remittance provides additional resource, it has had a significant role to play in capacity building. Given the costs on individual migrants, their families, and communities as discussed in this chapter, it is time policymakers begin to look at the role of remittance for capacity building in a larger frame of the theory of development. If we adopt the view of development as conceptualized and popularized by Sen (1999), capacity building must entail expansion of people's capabilities, welfare, and quality of life. Has remittance helped to achieve these goals? The answer would be mixed.

The number of people in poverty group has significantly decreased, and income distribution remarkably improved over the years due to remittance. Remittance has lifted millions out of poverty, especially in the rural areas of Nepal. It has also contributed to enhance the quality of life for millions. Remittance has thus become instrumental in contributing toward achieving one of the sustainable development goals (SDGs) set by the United Nations (2015). However, remittance has also led to moral hazard and the Dutch disease phenomena through hollowing out of adult, productive household members and creating inefficiency in farm production due to shortage of labor and income substitution effect. Furthermore, it has contributed to increasing imports for luxury and semi-luxury goods, resulting in trade deficit. It has eroded competitive advantage of the country by weakening the export sector of the economy. At the societal level, remittance has, in some cases, contributed to family breakdowns and erosion of family values, exploitation and inhuman treatment of migrant workers by employers, and problems of reintegration upon return.

While migration has provided opportunities for augmenting earnings and helping families back home, they have come at a great personal cost paid by the migrants. The migrants work in an environment of exploitation, coercion, torture, and threat of deportation. Put differently, they have to work in a system of semi-slavery. In terms of expansion of capabilities, development should free people from unfreedom, but not lead from freedom to unfreedom. But migrant workers under the semi-slavery system of employment are forced to make a perverse transition from freedom to unfreedom. And neither the home government nor the host governments have paid any attention to this aspect of the employment relations. Even international institutions such as the International Labor Organization have failed millions of migrant workers insofar as protection of their fundamental labor rights is concerned.

Migrants face several problems in the migration process even before leaving Nepal, especially while dealing with employment agencies, their sub-agents, and moneylenders. The government of Nepal can easily come up with policies and regulation to do away with the prevailing evil practices by moneylenders of usury and by employment agencies of giving fake employment contracts, fake passports, and fake medical examination reports by enforcing laws to bring the offenders to task. These malpractices have played havoc in the lives of the families left behind as well as the migrants. Sadly, these are largely the results of a culture of kickback and bribery thriving in Nepal under institutional weaknesses bolstered by instability of the political system.

The government of Nepal has recently come up with a policy framework for making the migration process fair and efficient at home. This is a timely and admirable action taken by the government of Nepal. But more needs to be done in destination countries. The role and responsibilities of labor attaches and embassies in specific reference to workers' rights and health and safety concerns need to be redefined. The government has not signed labor agreements with most of the governments of destination countries yet, leaving migrant workers vulnerable to exploitation and coercion by their employers. Signing the agreements should be the first line of priority of the Nepalese government.

In addition, returning migrants could become a vital source for capacity building in Nepal. They come back with new skills, both soft and hard, which can be utilized in nation building if policies for proper reintegration of returning migrants are in place. But the government of Nepal has no policy on reintegration of the returnees. This gap in policy needs to be filled as soon as possible.

7 Concluding Remarks

To conclude, policymakers need to come up with policies that can augment capacity building activities while minimizing or eliminating capacity sapping effects of remittance. Doing so requires removal of obstacles faced by migrants before leaving the country, signing of labor agreements with governments of destination countries to ensure application of international labor standards to migrant workers, and formulation and implementation of economic policies and plans to create meaningful employment and entrepreneurship opportunities at home for potential migrants and returnees. While remittance can become a good stopgap measure for capacity building, over-dependence on it could turn out to be a disaster in the long run. It is time to have a comprehensive review, weighing both positives and negatives, of the role of remittance for capacity building along political, economic, and social dimensions.

Remittance is an opportunity resource. A poor country can direct its policies to develop capacity for increasing this resource in a meaningful way. Nepal can do so by addressing the problems associated with the remittance economy and by creating virtuous cycle of remittance inflow leading to capacity building and capacity building leading to more remittance inflow. Looking at remittance as opportunity resource for capacity building is a sure way to create a win-win situation in the short run at the least.

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Part IV
Capacity Building and Revamping the Business Environment in Developing and Emerging Countries: From Fiscal Initiatives to Anti-Corruption Strategies

Resource-Based Fiscal Capacity Building in Developing Countries

Colin Read

Abstract The lack of adequate capacity in fiscal infrastructure has held back many developing nations, even those that are otherwise rich in natural resource endowments. In fact, the *Dutch Disease* paradigm argues that rich resource endowments may prevent economic development diversification. Worse, the lack of effective fiscal and governance institutions may deprive nations of revenue necessary to generate public infrastructures such as roads, schools, fresh water, and electricity. In describing the challenges facing developing countries and the ways in which developed countries grow by addressing these challenges, the mutual relationship between regulatory infrastructure and economic development is highlighted.

1 Introduction

Developing nations may differ little geographically from their developed nation counterparts that may adjoin their borders or share their continent but nonetheless differ in important measures of economic diversity and wealth. Certainly, geography or natural resource endowments cannot explain some of the most profound differences that have held back such developing nations from their rightful place among the developed world. While we can point to many symptoms that suggest the differences that explain such gaps, there is one precursor that likely explains many of these symptoms. Nations otherwise rich in natural resource endowments may not always benefit from the broadest set of fiscal tools and infrastructure to create the public resources strong economic development demands. This paper describes some of the fiscal tools that allow nations to invest in the necessary public physical infrastructure such as roads, schools, clean water, and electricity that economic development requires.

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It is somewhat ironic that the lack of certain public infrastructure institutions has prevented many nations to raise their gross domestic products and standard of living. After all, much of the increase in global energy demand is collectively coming from developing nations. But, without certain market and nonmarket institutions, these countries are prevented from realizing their full and rightful incorporation into the global economy. This paper outlines the elements of fiscal capacity that allow a nation to fulfill its economic destiny. We treat these various capacity dimensions in turn.

2 Capacity Building Through New Legal Institutions

In one sense, developing nations are not far behind their developed country counterparts. The market institutions that are often missing in developing countries do not even have a long history in the fully developed world. The primary infrastructure gap holding back economic development is often in the simple establishment of property rights. Trade cannot occur unless ownership and title are well established.

Economists now understand that the laws our political institutions create define what we consider are our rights. These rights we then define as our property, and humankind uses its property to create economic well-being and markets. The more well established these rights may be, the more valuable and protected our property becomes. Acemoglu and Johnson (2005) have helped create the growing consensus on the importance of these rights in generating economic prosperity.

These authors affirm that a modern economy needs two sets of institutions to protect the property-based foundation of free markets. First, institutions that protect these rights against theft or other forms of expropriation are essential to ensure that economic units do not invest excessively in protecting their property rather than creating it. Governments perform this function because of the intrinsic public good and increasing return to scale aspect of the protection of property rights. Acemoglu and Johnson show that individuals can be most productive when such physical and their civil rights are protected. They can then provide the second necessary ingredient of a productive economy. This private sector constitutes the contracting agencies that will then voluntarily exchange among themselves once the property rights they are trading are well established. The private sector creates the value but only if the public sector protects their property rights.

These twin prerequisites are not coequal though. Even the best functioning set of contracting institutions (markets or contracts) are ineffective if the governmental sector has not incorporated a broad set of tools to protect property. In the absence of these public tools, the private sector easily creates informal contracting institutions within their organizations, so long as it is afforded some property rights protections to do so. However, this private mechanism often makes unavailable to the public the resulting efficiencies. As a consequence, in the absence of a public sector that preserves property rights, investment and trade is stunted, even if there exist sophisticated traders, because an inordinate effort is necessarily devoted to protect rather than create private property. In other words, public institutions that protect property are a necessary condition for the avoidance of poverty.

Acemoglu and Johnson (2005) show that this paradigm explains the success of colonial nations created by the European powers during the seventeenth through the nineteenth centuries. In particular, nations such as Spain, which did little to establish local rules of law or property, created colonies that fed the motherland but did little to establish economic vitality in such hinterlands as Mexico or Peru. On the other hand, England's colonization model emphasized common law property practices, and this promoted significant investment and trade, instead of exploitation. The model based on well-established property law promoted prosperity and development, but the alternative model that viewed colonies as more transient and disposable did not. Even today, these former colonial nations differ in their preservation of the rule of law and hence in their economic prosperity.

The English colonial powers also brought common law of other varieties beyond property, from contract law to commercial law, which helped encourage investment and settle disputes in an efficient manner. Other colonial powers, such as France and Spain, tended to use the more cumbersome and less organic civil law and hence resolved disputes with less certainty and greater costs. Acemoglu and Johnson (2005) argue that civil law is perhaps twice as costly to employ to protect property or resolve contract disputes and hence is much less efficient at encouraging investment and prosperity.

With his *The Problem of Social Cost* (1960), Ronald Coase took the notion of property rights protection still further. He demonstrated how the establishment of property rights to such economic artifacts as the airwaves, clean air (or pollution), or the right to produce or be protected from a nuisance can also encourage exchange and markets where many would assume such markets cannot thrive. The mechanism ensures that resources are then devoted to their best use so long as the administrative costs of preserving rights, facilitating trade, and protecting the exchanged property is relatively efficient compared to the value created and preserved.

Certainly, such property rights must begin with a complete and transparent registry of land, including subsurface rights. The legal institutions of such an innovation are well understood, but the cultural and historical details often stymie the best of efforts. Historical land use patterns, which may date back many generations, often follow an oral tradition or the edict "possession is nine-tenths of the law." Nations and non-governmental organizations can often assist developing nations in the establishment of the legal framework, and modern and accessible computer technologies such as Geographic Information Systems can be most helpful. However, the cultural dimension of the ownership of property rights must be tailored based on local traditions and governance.

Commentators have long hypothesized such a relationship between the rule of law and cultural norms and the economic vitality they generate. For instance, Kaufman et al. (2010) demonstrate that there is a strong positive correlation between economic growth and an index of the rule of law. This is also a theme that dates back to the work of Nobel Prize laureate Douglass North, as espoused in his seminal work. North (1990) states,

> The rules descend from policies to property rights to individual contracts. Contracts will reflect the incentive–disincentive structure imbedded in the property rights structure (and enforcement characteristics); thus the opportunity set of the players and the forms of organizations they devise in specific contracts will be derived from the property rights structure.[1]

Kaufmann and Kraay (2002) further formalize this relationship. They construct an indicator of the completeness of government institutions and show a very strong correlation between governance and economic development, as measured by the logarithm of per capita gross domestic product. With an R^2 of 0.69, they find that effective public capacity that can protect property rights explains 69% of the resulting economic well-being. This relationship is strikingly robust.

Such an effective governance structure may not necessarily be of the strong Federalist form we most often see in the most developed nations. There are substitutes for national level governance. Just as nature abhors a vacuum, in the absence of effective higher level governance, citizens will govern themselves. Villages may be governed by a council of elders recognized for their wisdom. Or, religious leaders can create social cohesion. Such informal governance structures can be sophisticated and effective. But, they lack the cohesiveness and the ability to establish precedent or a broad-based rule of law. Consequently, the dispute resolution conventions and principles they establish are not universal, nor perhaps even respected in the next village. In the absence of such broad-based legal institutions, the trade of goods and services between villages or nations is hampered.

Such a rule of law that transcends localities and generates a sense of national unity requires a system of courts, legislative bodies, and police to enforce the laws they create. These are fixed-cost institutions. A nation must make some investment in such public infrastructure to establish and maintain such institutions. However, without them, sustained growth cannot occur.

3 An Over-Reliance on Resource Capacity

Frustrating the social and economic impetus for such creation of an environment for broad wealth formation is the *Dutch Disease*. The term was first used in a 1977 article in the *Economist* magazine that described the economic effects of a large offshore natural gas field adjoining the Netherlands. Economists Corden and Neary (1982) subsequently described the effects of a dramatic expansion in a tradeable sector on another tradeable sector and a domestic non-tradeable sector. In their model, the concentration of economic resources in a booming sector tends to

[1]North, Douglass, Institutions, Institutional Change, and Economic Performance, Cambridge University Press, New York, (1990), p. 53.

erode the vitality of other sectors. Such a *deindustrialization* tends to create a less resilient and diverse economy, with potential growth reduced because of the lack of economic diversity.

In turn, a nation which exhibits greater economic diversity and wealth also requires an increasingly sophisticated regulatory regime. This relationship is known as *Wagner's Law*, named after the early twentieth-century German economist Adolph Wagner for his observation that state spending seems to increase more than proportionately as economies grow. One testable conclusion may be that the lack of fiscal spending thus constrains the economic growth of poorer nations not yet accustomed to a larger government structure. Only an expanded tax base permits sufficient growth of governmental infrastructure and hence the more sophisticated regulatory regime that supports growth. A reasonably sized tax base becomes an essential element for economic growth.

4 Fiscal Capacity Building

This tax capacity as a precursor to growth is becoming increasingly apparent. For instance, Besley and Persson (2014a), in their research paper "Why Do Developing Countries Tax So Little?," note that low-income countries collect taxes at one quarter to one half the typical 40% tax rate that is regularly found in developed countries. They attributed weak institutions, corruption, and lack of sufficiently sophisticated political systems as the primary reason. In turn, nations with an insufficient tax base exhibit a weaker sense of national identity and insufficient unity to create the resolve for a sufficiently potent central government. The authors conclude that this two-way street must be strengthened to improve economic growth.

This relationship has been further explored in the work by Gaspar, Jaramillo, and Wingender (2016b), who note that nations develop at a much higher rate once taxes and the size of government exceed 12–3/4% of GDP. They argue that a sufficiently large tax to GDP ratio must be established to create the "tipping point" for subsequent development. At that point, sharp increases in economic growth occur. Indeed, moving past this tipping point has been shown to produce dramatic results. A movement from a tax to GDP ratio of 12.5–13% will result in 7.5% additional GDP growth. Their result is robust for both contemporaneous developing nations and from historical data from nations that have since developed.

Of course, we also know that a tax rate that is too high can discourage growth, as evidenced by the well-known Laffer curve, named after Arthur Laffer, an economic advisor to US President Ronald Reagan (Fig. 1).

The impeccable logic of this relationship is irrefutable. At a 0% tax rate, there can be no government revenue. At a 100% tax rate, there is no surplus accruable to the private sector and hence no private production or entrepreneurship. Since it is the private sector that generates the production to be taxed, there must be some tax rate between 0% and 100% that maximizes government revenue, as a function of the tax

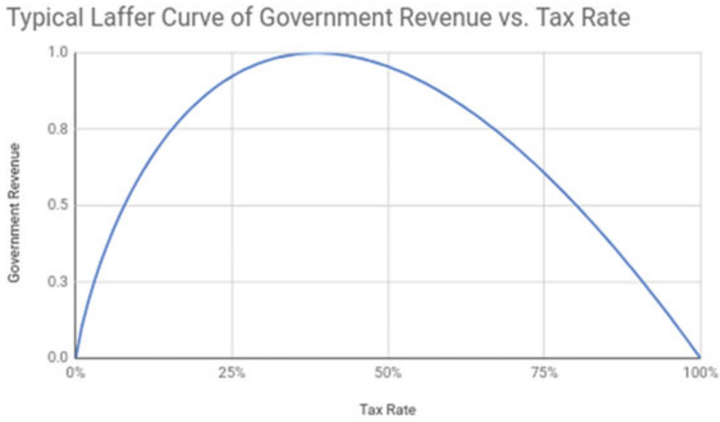

Fig. 1 Laffer curve of revenue vs. taxes rate. Source: Laffer (1986)

rate. This investment in public and fiscal infrastructure then allows government to provide the necessary foundation for private production.

The Laffer curve is typically not used as a rationale for the optimal level of government to promote private production. Rather, it is most used to promote an alternative agenda that excessive income-based taxation discourages production and hence encourages leisure. As such, it distorts market choices in a way that also reduces the overall production. Nonetheless, it suggests that there exists an optimal tax rate.

5 The Capacity to Generate Income Taxes

Laffer's conclusion identified income taxes. Most developing nations find their initial base comes primarily from resources taxes however. Indeed, Norregaard (2013) describes the significant untapped potential for property taxation in developing countries. These potential tax sources do not negate Laffer's conclusion, which was based on its still-important taxation efficiency perspective. For instance, should most property rights be assigned to just a few wealthy individuals, it is possible that most all property rights may eventually be owned by this concentrated group. Such a poor distribution of wealth will discourage the creation of an emerging middle class and working class that will generate healthy consumption-based demand. Also, since the wealthy often spend only a tiny fraction of their wealth and income locally, and will likely invest the remainder globally, local markets are robbed of the capital and spending they need to ensure a large Keynesian multiplier.

In this sense, a sufficiently progressive income tax is an important aspect of the public infrastructure needed to create economic progress.

6 Capacity Building Through Price Distortion Correction

Once the property rights associated with land and resource ownership are clearly established, there may still remain some incompleteness in free markets that can continue to frustrate economic development. For instance, the use of land and resources often has negative externalities that impinge on the enjoyment of others. Some of the most notorious of these externalities even defy borders and contribute to such problems as global warming or acid rain. Such market imperfections lead to market inefficiency at best and market failure at worst.

There are many avenues for pricing distortions that reduce free market efficiency. Even an income tax can create efficiency-reducing distortions. Economists argue that income taxes introduce a distortion that discourages the generation of income and encourages the creation of underground economies. A broad-based ad valorem tax on all transactions, for which a consumption tax is a variation, avoids the discouragement of labor-based income generation. However, even though such a tax that does not distort the price of one good vis-à-vis any other, it still creates a distortion. But, unlike the distortion arising from a tax on labor income, a consumption tax tends to discourage consumption and encourage savings. In doing so, some argue that savings mobilizes investment and hence creates the economic capacity today that results in greater consumption tomorrow.

Such a consumption tax is also unpopular because it is inherently regressive. Since low-income individuals have an average propensity to consume (as a share of income) that approaches one, the consumption tax rate for them equates to an equivalent tax on earned income. On the other hand, since the wealthiest spend little of their income on consumption, a tax levied on their consumption represents a smaller fraction of their income than for a lower income household which devotes almost all income to consumption. Thus, value-added, sales, or other consumption-related taxes are highly regressive and hence politically difficult for nations with wide income distributions.

There are times when selective taxes on some goods can distort their relative prices in a way that corrects another distortion not properly mitigated by the market. Such a selective modification of the market system can remedy the unpriced externalities some goods induce. Almost a century ago, the British economist Arthur Pigou (1920) demonstrated how the price system can properly incorporate third-party effects that we call externalities.

For instance, *vice taxes*, on such activities as smoking and alcohol consumption, can be designed to include in the product's costs the hidden damage to society from the long-term health consequences of their consumption. This is particularly relevant in nations which subsidize or socialize the health-care system. These Pigouvian taxes act to *internalize externalities* but can also generate significant revenue. Since vices are often addictive, and hence their demand is relatively price-insensitive, the tax does not hamper consumption but can yield large amounts of revenue. A higher price can also deter individuals from engaging in the addictive consumption in the first place.

7 Methods for Market Capacity Building: The Case of Carbon Taxes

Another classic example of such negative externalities is a tax on carbon emissions. If an economy fails to incorporate the cost of this byproduct of hydrocarbon extraction and combustion, the resource is insufficiently priced. Pigou designed what we now know as a *Pigouvian tax* that equals the damage cost of the externality so that the resource cost fully reflects the sum of market value and environmental costs.

In the alternate, we could regulate such activity. However, if the challenge is a lack of public infrastructure, such regulation may be more onerous, capricious, and expensive than the simple creation of the proper carbon taxes, at either the point of production or consumption, that can internalize the externality through market mechanisms.

There are important precedents that must be established to impose such Pigouvian taxes. Well-established property rights must exist before such taxes can be imposed. Again, insufficient or nonexistent property rights can result in reduced sustainability and a reduction in economic potential. A pamphlet published in 1833 by a British economist William Forster Lloyd described the dilemma created when too many shepherds are permitted to graze their sheep on a public pasture. Unfortunately, land that belongs to everyone belongs to no one, and overgrazing and property destruction often results. In his seminal paper entitled "The Tragedy of the Commons," Garrett Hardin (1968) developed this concept further. In doing so, he stimulated increased awareness within the environmental movement of what can arise when property rights are not properly assigned.

The most influential contribution in our understanding of the importance of property rights came from Ronald Coase's Nobel Prize winning contribution *The Problem of Social Cost* (1960). Private markets can properly price factors such as the creation of greenhouse gases or the depletion of resources for future generations only if such rights are assigned. His profound contribution is that it does not matter to whom these rights are initially assigned, only that they are clearly assigned, and free and complete markets allow them to be subsequently traded. To realize his prophecy, nations must then have well-assigned resource and land titles but also well-functioning markets to subsequently trade these rights.

The intuition of Coase's insight makes it obvious why property rights are important. Markets by their very nature offer an efficient mechanism for trades that benefit both sides of the transaction. So long as any right ends up in the hands of the entity that values it the most, it matters little who has the initial right, from an efficiency perspective.

A developing nation can also raise revenue through carbon credits on forest and pasture resources they don't develop. In 1990, then US President George Bush revised the Clean Air Act to allow for cap-and-trade pollution rights. As applied to greenhouse gases, this can create a valuable income stream from nations and entities willing to maintain carbon sinks that will allow carbon dioxide producers to continue to burn hydrocarbons at the expense of purchasing these carbon rights from other entities. While some challenge the environmental ethics of such a market regime, it has nonetheless proven to be an effective conservation measure that helps to manage carbon emissions. These markets have demonstrated that they can be robust and efficient, and can, under certain circumstances, also generate significant revenue to fund government operations.

There is a continuing international dialog over the creation of broad and broadly traded greenhouse gas markets. The recent Paris round of global climate change talks produced a spirit of cooperation toward the goal of the creation of globally traded carbon markets. Realization of this goal, and the revenues it can create for nations who strive for carbon neutrality, remains elusive; however, as the world's second largest greenhouse gas producer, the United States, has yet to fully embrace proposed monitoring and trading regimes. Regardless, between which about $30 billion US in emission credits are exchanged each year. The World Bank Publication State and Trends of Carbon Pricing (2014) reports that China and Europe have the greatest bulk of carbon trading, and 40 nations and 20 other governmental bodies are now imposing carbon taxes or exchanges.

Commentators expect this trend to accelerate as developing nations become more developed and increase their rate of fossil fuel usage and as there is increased global awareness on the ramification of global warming. However, such potential revenue streams also suffer from the vagaries of the business cycle, which adds uncertainty to the revenue stream. In addition, as less developed nations mature, they must navigate the difficult political climate as they move from carbon sinks to net carbon producers. The guidelines that govern that transition are highly political and favor more developed nations surely in the minds of the least developed nations.

8 A Georgian Tax to Build Capacity from the Marketing of Fixed Resources

In the penultimate decade of the nineteenth century, a self-trained economist named Henry George wrote a book that became the most popular piece of nonfiction in the English-speaking world. The premise for his "Progress and Poverty" explained that the benefits of development and progress inevitably are capitalized in the value of the scarce resources of land and natural resources. His prescription was simple—the imposition of a 100% land tax to usurp these values, but without any diminishment in the efforts of us all to improve capital upon the land or use the resources to their greatest effect.

George's personal evolution in economic thinking did not begin with issues of land ownership and its taxation. George took issue first at monopolists. He was not a trained economist, and, indeed, our understanding of the neoclassical model was undeveloped in the last quarter of the nineteenth century. Instead, George was a journalist who also had concerns about the profits that flow to scarce resources owned by wealthy monopolists, especially land, the scarcest of resources. But, he was also concerned about how monopolies further exploit these resources.

While George wrote primarily about the exploitation of land profits, the excesses he rallied against are shared by all exhaustible resources. These resources have value primarily because of their scarcity. This scarcity yields very high values arising from their marginal production, often at very low marginal costs. Hence, profits to resource extraction are also high. Of course, some of those gross profits go to high sunk costs. But, even most of those sunk costs go to the land owners, and, once these sunk costs are covered, much of the rest is pure profit over many years. These substantial rents create the incentives to extract resources even in nations without well-developed markets or perhaps even especially so. The potential profits even outweigh the associated uncertainties of extraction in nations without proven property rights protection and the risk of eventual exhaustibility. Sophisticated developers can then leverage their asymmetric knowledge against lack of regulatory sophistication to carve out arrangements that may further their profits but frustrate the economic growth in the nations within which they develop.

A number of nations have at least partially instituted these Georgian royalty schemes. In *The Taxation of Petroleum and Minerals: Principles, Problems, and Practice*, Paul Collier (2010) highlights the differences in resource extraction in high income versus impoverished nations. He notes that resource extraction in nations such as Australia, Canada, and Norway often results in large *permanent funds* that transform resource capital into long run financial capital, which, once reinvested, creates even more fiscal capital. This has been the focus of the bulk of the theoretical analysis, but it has not addressed the more common modes of resource extraction in nations without the rule of law, sufficient regulatory infrastructure, and stable governments of sufficient sophistication.

While economists treat resource extraction from an efficiency perspective, Henry George viewed the problem of resource extraction as an equitable one. Often, the riches of society go to those who own the land. He saw the land barons of the developing Western United States become incredibly wealthy, while those who actually worked the land remain in poverty.

Since his analysis, economists have demonstrated that such a land and resource tax would be just sufficient to improve the land through our collective efforts to install the public infrastructure that adds value to our cities and nations. The land tax is the ideal instrument, then, to fund the necessary improvements that create the foundation for national production.

Since the Georgist movement which he spawned, resource-rich nations have at times explored his concept through their imposition of scarcity taxes on resource extraction. The so-called *Hartwick's rule*, described first by John Hartwick (1977), states that a tax that recognizes the scarcity of a resource can be used to build up a capital stock that will benefit future generations, perhaps even when the scarce nonrenewable resource has long since disappeared. These "permanent funds" have been used successfully in Alberta, Alaska, Norway, and elsewhere to ensure a lasting legacy from resource extraction. They have also been used as a tool for economic development so that nations blessed with natural resources can also transition toward more sustainable long-term economic development opportunities. Such nations do not have to suffer from the “winner’s curse” that sometimes results when resource-rich nations fail to invest in the long term in development that will sustain them when their resource endowments inevitably wane.

9 A Summary of Fiscal Capacity Tools

Once a nation can establish the governance and legal structure necessary to establish markets, promote production, and facilitate trade, it must create a sufficient fiscal revenue to cover the governance costs, property rights enforcement, and market institution maintenance that act as the foundation of modern free-market nations. To pay for these institutions, sophisticated nations have a variety of potential fiscal tools at their disposal, each with their relative strengths and weaknesses. These include, in rough order of potential significance:

- Royalties related to the extraction rate
- Georgian taxes on resource and land rents
- Profit taxes that can discriminate between different sectors and cost structures
- Public/private partnerships and production sharing
- Auctions of mineral or environmental rights in sufficiently well-defined and competitive resource extraction regimes
- The traditional corporate and value-added taxes imposed on corporations and the import duties imposed by nations to enhance fiscal revenue and discourage importation
- Environmental taxes such a carbon pricing, under full-auction markets or under cap-and-trade regimes

The most developed resource extraction nations such as Australia and Canada typically use most or all of these tools. As we progress down the list, greater governmental and regulatory sophistication is needed though, in addition to increasing demands on well-established legal frameworks and property rights. The challenge of developing nations is to attain sufficient sophistication to implement the broadest possible scope of these fiscal tools.

Nations with sufficient industrial diversity tend to rely on an increasingly broad toolbox of instruments. However, nations that derive much of their revenue from just one or a handful of resources tend to rely much more heavily on and employ fewer tools. A recent report by the staff at the International Monetary Fund demonstrated that nations deriving the largest share of their gross domestic product from resource extraction also become the most dependent on just one or two fiscal tools, derived primarily from their resource base.[2] Such a narrowly defined tax base perpetuates the *Dutch Disease* and makes nations' fiscal health highly dependent on highly variable commodity pricing.

10 Further Opportunities to Improve Fiscal Capacity

Increasingly sophisticated economies begin to adopt a broader and more extensive fiscal capacity toolbox. Some of these innovations are organic, but many developing nations have benefited from the experiences of the developed nations. Burgess and Stern (1993) broadly surveyed these various tax tools. Their analysis of the fiscal evolution of eight countries ranging from small to large, in Central and South America, Asia, and Africa, allowed them to draw a number of conclusions. They noted that a broad-based income tax is most commonly and successfully applied in the most developed economies that have the reporting, market participation, and formal monitoring necessary to ensure compliance and discourage free-riding. If such tools do not exist, a value-added, sales, or consumption tax is easier to administer because it must rely on compliance only from businesses and hence has fewer points of monitor, reporting, and contact.

While import duties also require fewer points of interaction and reporting, and hence are easier to surveil, international trade reform regimes such as those developed by the World Trade Organization make difficult such trade-based taxes. Excessive import duties also introduce widespread evasion and smuggling. This again points toward the efficacy of a value-added tax as an alternative to import duties.

Easier yet to administer is the royalty tax discussed previously. While it has the potential to raise a very large proportion of fiscal revenue in certain resource-rich nations with relatively undiversified economies, it makes nations prone to the *Dutch Disease* of an overdependence on natural resource royalties. It is administratively simpler than the other methods, though, which makes it much more attractive for nations that have yet to develop an extensive public administration infrastructure.

Burgess and Stern (1993) also point out that administrative capacity is not a sufficient condition for an effective fiscal capacity regime. There must also be the political will. If the ability to convince a diverse set of stakeholders to accept any tax regime is beyond the reach of some developing nations, a more narrowly based tax, such as a resource royalty, may be easier to implement, or, if necessary, coerce. One important hurdle must also be overcome. If the public tolerates corruption and income redirection, any proffered tax regime may be difficult to impose broadly. Until there are the institutions of the rule of law, evenly applied, and the ability to

[2]Table 5—International Monetary Fund, "Fiscal Regimes for Extractive Industries: Design and Implementation," Prepared by the Fiscal Affairs Department as approved by Carlo Cottarelli, August 15, 2012.

track economic activity, developing nations are left in the interim to develop tax regimes that are simple to administer and difficult to avoid. It would be far too naïve to simply assume that some developing nations can harness the political will and administrative skill necessary to tackle more effective and broadly based tax regimes without first investing in democracy building. But, without the fiscal capacity, it is difficult to create the administrative structure necessary. This is the classic chicken and the egg problem.

11 Conclusion

Developing nations are often rich in natural or human resources but remain depleted in the necessary financial capital that can allow them to extend further up the development curve. An inability to mobilize sufficient domestic capital or investment often means that they remain trapped at a level of per capita economic output that is far below their potential. Rather, Gaspar et al. (2016a, b) eloquently demonstrate that the most successful states recognize the mutual reliance on political tools, capacity, and economic development.

State capacity has the dimensions of legal capacity, which secures and protects the various property rights, administrative capacity which equitably and efficiently governs public decision-making, and fiscal or tax capacity which funds government. These in turn provide the necessary condition for private investment and economic development.

This triumvirate of state capacity depends crucially on the political institutions that give the public sector its status. These come from well-defined constitutions, a democratic or participatory process that is considered responsive and has a modicum of shared governance and a nation that elects a set of incorruptible leaders who garner the respect of the citizenry.

Capacity-building turns out to be much more difficult than is the provision of all the other perquisites for economic success. While it is relatively simple to perform technical knowledge transfers, and workforce development can actually proceed at a remarkably fast pace, and while it is not difficult to mobilize investment almost anywhere on the planet, and while the transfer of political and administrative knowledge is even reasonably feasible, the challenge is in the implementation. Education and compliance with regard to how free markets best function, and government best interacts with these markets, takes a surprising amount of energy and time.

Trapped by a chicken-or-the-egg scenario in which development cannot occur because there is no investment, and investment is not forthcoming because there is no development, these nations need a catalyst that can help them progress. Once this catalyst and the prerequisite public infrastructure is in place, economic theory shows that carefully designed taxes can be used to sustain progress. The precursor to this progress, though, is a recognition of the challenges of fiscal capacity building and the development of a vision toward their resolution.

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Corruption and Capacity Building in Developing Countries: The African/Asian Paradox

Mohammad Refakar and Jean-Pierre Gueyie

Abstract There has been a rapid growth in Asia for the last few decades compared to other regions of the world. This has even pointed Asia as an example for other developing regions. However, it has not been very simple to understand why Asia has registered such economic growth, while as in Africa, it has faced a high level of corruption. The literature is full of empirical studies showing the detrimental effects of corruption on both investment and growth at the macro-level. Corruption is considered as a serious problem that can slow down economic development, deter foreign direct investments, reduce tax income and efficiency in business transactions, but also reduce the amount of funds available for government to provide important public services. In fact, the high level of corruption in Asian countries has not been able to impede their economic growth, while in some African countries, such high level of corruption has significantly affected the economic growth. While this paper tries to explain such a paradox, it provides an in-depth analysis of how corruption is a result of lack of capacity or weak capacity at various institutional levels in African countries. Most importantly the paper provides an array of capacity building initiatives that can help to significantly reduce the current level of corruption and attract foreign investments in emerging and developing countries.

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1 Introduction

Over the past decade, the issue of corruption and the search for mechanisms to remedy its destructive effects have been an important topic for policy makers, governments, the UN, and the World Bank. The increasing attention to corruption is motivated by the realization that it can hamper a country's economic growth, development, and inward investment. However, these negative and corrosive effects are harsher in some regions than in others. Most Asian and African countries suffer from the issue of corruption. While Asia has seen rapid growth in the past few decades, Africa demonstrates lower economic growth. Asia has had a 6.5% average growth rate in the last two decades, whereas the average growth rate in sub-Saharan Africa for the same period is 4.5%.[1]

In Asia, continuous rapid growth rates in the last four decades have made the region a potential example for other developing countries (Krugman 1994). The region is now the leader of global growth. Predictions state that this rapid growth will continue for the next few years and probably decades. Because of this outstanding economic performance, foreign investment flows to Asia and contributes to a more resilient and booming economy. At the same time, Asia suffers from pervasive, historically rooted, endemic corruption, which the literature states that it diminishes foreign direct investment, development, and economic growth (Mauro 1995). The coexistence of corruption and high growth has led scholars to argue that Asia is a special case and the detrimental effects of corruption are nullified.

On the other hand, Africa experiences prevalent and systemic corruption (Médard 2017). African countries have higher corruption rates than Asia, and the negative effects of corruption are more visible. In fact, Africa experiences a lot of conflicts, structural adjustment programs, weak institutions, high levels of external aid, limited FDI and economic freedom, dependence on commodities and raw materials, and, in many cases, relatively small private industrial sectors (d'Agostino et al. 2016). Pervasive corruption has resulted in poverty, slow economic growth, and unequal income and wealth distribution (Gyimah-Brempong 2002), the exact consequences that have been predicted in the literature (Mauro 1995; Meon and Sekkat 2005; Wei 2000; Bardhan 1997). These scholars predict that high corruption levels lead to lower rates of growth, as seen in Africa. However, the adverse effects of corruption have been challenged in the case of Asian economies. Surprisingly high levels of corruption in Asian countries are accompanied by high economic growth rates. The purpose of this article is to address the Asian/African paradox and answer how Asia can sustain continuous growth with such high levels of corruption, while Africa suffers from the negative consequences of corruption. More importantly, how can Africa learn from Asia and build capacity to mitigate the effects of corruption?

To better understand the Asian/African paradox, we first define corruption; second, we review the literature on the effects of corruption; third, we compare corruption and growth in Asia and Africa; and fourth, we present some corruption

[1]World Bank GDP growth (annual %) data 1996–2016.

mitigants present in Asia, but not in Africa. Fifth measures to build anti-corruption capacities are proposed, and finally we present our conclusion.

2 Corruption and Capacity Building in Emerging and Developing Countries: A Theoretical Review

Before examining the empirical data regarding the consequences of corruption, in this section, the authors review the theoretical concepts of corruption. The definition of corruption, its causes on both the demand and supply side will be identified, and the measures of corruption will be considered.

2.1 What Is Corruption?

Corruption is most commonly defined throughout the literature as the misuse or the abuse of public office for private gain (World Bank 1997; UNDP 1997; Svensson 2005; Bardhan 1997; Cuervo-Cazurra 2016). Although the term abuse often implies an illegal action, not all corrupt acts are illegal; some may simply be dishonest or unethical. Corrupt acts can come in various forms and a wide array of illicit behavior, such as bribery, extortion, fraud, nepotism, graft, speed money, pilferage, theft, embezzlement, falsification of records, kickbacks, influence peddling, and campaign contributions. While corruption is commonly attributed to the public sector, it also exists in other aspects of governance, such as political parties, the private business sector, and NGOs. Global firms often possess power equal to that of a public official and can abuse that power as such.

Certain types of corruption may involve gift giving, influence peddling, or future benefits seeking. With these types of corruption, it is quite difficult to distinguish the boundary between a corrupt and a non-corrupt behavior. For instance, giving a gift to a public official as an act of appreciation for their services may be overlooked in some cultures. Laws and definitions of corruption, in this regard, become culturally bound. Bribery is one of the main forms of corruption. Private parties might use bribes to "buy" many services provided by central or local governments, or officials may seek bribes to supply these services.

Corruption usually involves a public and a private party; the public party is a corrupt government official who is willing to misuse his power (demand side), and the private party is usually an individual or a corporation that is ready to pay the bribe in order to circumvent public policies and processes for a competitive advantage and profit (supply side).

Osbourne (1997) classifies corruption into three different types:

1. Petty, administrative, or bureaucratic corruption where individual public officials abuse their office by demanding bribes.

2. Political corruption where politicians take bribes using their positions of power.
3. Grand corruption, meaning misuse of public power by heads of states, ministers, and top officials for private, pecuniary profit.

Other authors or organizations categorize corruption differently. According to the IMF, "corruption can be:

1. Bureaucratic (or "petty") or political, i.e. corruption by the bureaucracy or by the political leadership.
2. Cost-reducing (to the briber) or benefit-enhancing.
3. Briber-initiated or bribee-initiated.
4. Coercive or collusive.
5. Centralized or decentralized.
6. Predictable or arbitrary.
7. Involving cash payments or not" (Tanzi 1998, p. 10).

Undoubtedly, other classifications could be added to this list.

Although corruption is multidimensional, it usually stems from common causes. Below, we discuss the causes of corruption.

2.2 Causes of Corruption

There is vast theoretical literature on the causes of corruption. Due to the different natures of the supply and demand sides of corruption, the causes may vary.

2.2.1 Demand Side

The reasons why public officials demand bribes have been excellently identified by Tanzi (1998), Rose-Ackerman (1999), Jain (2001), and many others. According to these scholars, there are at least three conditions necessary for corruption in the public sector to arise and persist:

1. Discretionary power: the relevant public officials (bureaucrats, politicians, etc.) must possess the authority to design or administer regulations and policies in a discretionary manner.
2. Economic rents (rent-seeking behavior): the discretionary power must allow extraction of (existing) rents or creation of rents that can be extracted.
3. Weak institutions: the incentives embodied in political, administrative, and legal institutions must be such that public officials are left with an incentive to exploit their discretionary power to extract or create rents.

Most of the theoretical literature on the causes of corruption on the demand side can be linked to these three basic conditions.

2.2.2 Supply Side

There are many reasons why companies bribe. Some of the reasons are connected to the agency theory in the literature. The agency problem arises when there is a separation between ownership and control, where the interests of the principals (shareholders) are usually different than those of agents (top management). The incentive structure for the managers differs from that of the owners, and so does their time horizon and risk attitudes. The ability to win business through bribery may also allow a nonperforming manager to conceal his failure to increase the firm value through strategic planning and hard work. In addition, bribery may actually enable the manager to shirk his duty without facing the consequence of such behavior (Wu 2005). Controlling shareholders can benefit from bribery and burden the minority shareholders with its costs. Moreover, even if top management acts ethically, low-level managers can still commit acts of bribery to boost their performance without the knowledge of managers.

Other reasons to bribe can be summed up by the company's desire to operate overseas. Corruption can also occur in cross-border businesses. Firms are often generous in bribes when they want to enter a new market, especially when that new market is not well regulated. According to Aidt (2011), the following necessary conditions provide a perfect breeding ground for firms to bribe:

1. The difference in economic and demographic factors in the host country.
2. Weak political institutions in the host country.
3. Judicial and bureaucratic differences.
4. Geographical and cultural factors.

When these factors are present, firms may opt for bribery. Due to the information asymmetry between the principals (shareholders) and the agents (top management) and the intrinsic secrecy of bribery, it is difficult for the shareholders and the stakeholders to monitor and control bribery behavior by top managers.

In another line of study, Wu (2008) identified the characteristics of firms that have a higher probability of bribing:

1. Small firms may have a higher propensity to bribe than large firms.
2. Firms with higher growth rates are more likely to pay bribes.
3. Family-run firms will be more likely to pay bribes than firms under other forms of governance structure.
4. Firms with poor accounting practices are more likely to be engaged in bribery activities than firms with good accounting practices.
5. The less competitive the firms' market environment, the more likely the firms will pay bribes.
6. Firms are more likely to pay bribes if the legal system is corrupt.
7. Firms will be more likely to pay bribes if they perceive the regulation on licensing as problematic.
8. Firms will be more likely to pay bribes if they perceive that the interpretation of laws and regulations is not transparent.

9. Firms are more likely to pay bribes in an environment where the quality of government services is low.
10. Firms are more likely to pay bribes if they face high taxes.

2.3 Measuring Corruption

By the very nature of corruption (secrecy, illegality, variations across different economic activities), it is impossible to obtain precise information on the extent of corruption in a country, unlike, for instance, measuring inflation. This difficulty also precludes a precise ranking of countries according to their relative degree of corruption. That being said, one can still obtain useful information on the seriousness of corruption in a country by surveying experts or firms in that country. There are now several survey-based measures of "corruption perceptions" available. However, the Transparency International Corruption Perceptions Index (CPI) is the most widely used in the literature.

The CPI has been produced annually since 1995 by Transparency International, an international nongovernmental organization dedicated to fighting corruption worldwide. This index is constructed as a "poll of polls," combining the results of questionnaire surveys sent by various organizations to networks of correspondents around the world. The CPI is the most reliable index in the corruption literature and has been widely used by researchers to gauge the level of corruption at country level. The CPI ranks countries in terms of perceived levels of corruption on a decreasing scale from 100 to 0. Although corruption perception indices are limited in scope and have many weaknesses, they remain the only way to measure the unmeasurable.

2.4 Consequences of Lack of Anti-corruption Capacity

Many scholars in the literature have studied the consequences of corruption. It can slow economic development, deter foreign direct investment, diminish tax income, reduce efficiency in business transactions and public services, and decrease the amount of funding available to important public programs. In addition, corruption has detrimental effects of corruption on both investment and growth at the macro-level (Mauro 1995; Meon and Sekkat 2005; Wei 2000; Bardhan 1997). The literature predicts that high corruption levels lead to lower rates of growth. However, the question of causality is particularly interesting when the relation between corruption and development is being studied. Does the strong and robust correlation between GDP per capita and the various corruption indices tell us that development reduces corruption, or does it tell us that corruption is an obstacle to development? Both directions of causation are plausible. On the one hand, rents feed corruption, so corrupt public officials have an incentive to create and maintain rent seeking and an inefficient economic environment that immediately leads to a reduction in GDP.

Furthermore, corruption is an additional tax on the services provided by the government and thus retards economic growth. On the other hand, development and high levels of national income may be accompanied by a greater willingness to fight corruption. In addition, high economic growth may provide incentives for public officials to alleviate this rent-seeking, bribe-pursuing environment in order to guarantee their jobs for the future, when bigger rents can be extracted (Aidt and Dutta 2008). Focusing on the theories of corruption based on social interaction, Blackburn and Bose (2006) argue that corruption and economic development may feed off each other and that simple linear and unidirectional relationships between the two are not expected. However, empirical studies on the effects of development on corruption are scarce. There are two major hypotheses in the literature on the macroeconomic consequences of corruption: the grease the wheels hypothesis and the sand the wheels hypothesis.

2.4.1 Grease the Wheels Hypothesis

The grease the wheels hypothesis developed by Leff (1964) and Huntington (1968) states that corruption may facilitate trade that would not have happened otherwise and promotes efficiency by allowing private sector agents to circumvent cumbersome regulations. Huntington (1968) stated that "...in terms of economic growth, the only thing worse than a society with a rigid, over-centralized, dishonest bureaucracy is one with a rigid, over-centralized and honest bureaucracy" (p. 386). In other words, he explains that excessive taxes and regulations (red tape) would remain excessive without bribery. Ethical considerations aside, corruption may in fact improve efficiency, particularly in developing countries. This view has been pointed out by both political scientists and some well-known scholars in academic journals for the past three decades. According to Leff (1964, p. 11), "...if the government has erred in its decision, the course made possible by corruption may well be the better one." Lui (1985) demonstrated the efficiency-enhancing role of corruption. Leys (1965) and Bailey (1966) argued that corruption can improve a bureaucracy by improving the quality of its civil servants. Finally, Beck and Maher (1986) and Lien (1986) suggested that corruption may enhance the choice of the right decisions by officials. There are few examples that support this view, showing that in highly restrictive regulatory environments, corruption can enhance economic growth by stimulating entrepreneurship and efficiency (De Soto 1990; Egger and Winner 2005; Levy 2007).

2.4.2 Sand the Wheels Hypothesis

Opponents of the grease the wheels hypothesis have constructed a solid theoretical rebuttal by arguing that the greasing effect of corruption is only possible as a second-best option in a malfunctioning institutional setting. Thus, in order to properly evaluate the effects of corruption, one has to recognize its endogeneity with respect to institutions (Aidt 2009; Myrdal 1968). Using industrial organization models, Shleifer and Vishny (1993) showed that corruption leads to a misallocation of talents, which is very costly for the economy. Kurer (1993) argued that corrupt officials have an incentive to create other distortions in the economy to preserve their illegal source of income. Rose-Ackerman (1997a) argued that a firm may be able to pay the highest bribe simply because it compromises on the quality of the goods it will produce if it gets a license. Rock and Bonnett (2004) argued that corruption reduces investment in most developing countries, particularly in small open economies. Reinikka and Svensson (2005) found that corruption has detrimental effects on human capital accumulation. Concerning its magnitude, Fisman and Svensson (2007) estimated that a 1% increase in the corruption level (measured by the CPI) leads to a 3% reduction in firm growth. Numerous studies have been conducted that rejected the grease the wheels hypothesis and actually found the negative effect of corruption on efficiency.

2.4.3 The Econometric Approach

The goal of the debate between the grease and sand the wheels hypotheses is not whether corruption reduces investment and growth in general. Rather, the concern is whether corruption affects efficiency in highly bureaucratic environments. Both hypotheses posit an indirect relation between corruption, growth, and investment. They argue that corruption has either a positive or a negative effect on investment, which is related to efficiency. However, there are other studies that systematically examine the consequences of corruption on economic development, which are reviewed below.

2.4.4 On Domestic Investment

There exists strong empirical support for the adverse impact of corruption on the ratio of investment to GDP (Mauro 1995, 1997; Campos et al. 1999; Brunetti and Weder 1998). Mauro (1995) found that corruption lowers private investment, thereby reducing economic growth, even in subsamples of countries where bureaucratic regulations are very cumbersome. He reported a negative and significant relation between corruption and the investment rate. Moreover, Tanzi and Davoodi (1998) showed that corruption increases public investment because public investment projects lend themselves easily to manipulations by high-level officials to get bribes. According to them, corruption also reduces the productivity of public investment and of a country's infrastructure. It also distorts the effects of industrial policy on investment (Ades and Di Tella 1997). Lambsdorff (2003a) found that corruption reduces the ratio of investment to GDP.

2.4.5 On Foreign Direct Investment

There is substantial evidence for the adverse impact of corruption on foreign direct investments and capital inflows (Wei 2000; Lambsdorff 2003b; Barbopoulos et al. 2014). Shleifer and Vishny (1993) observed that foreign investors had to bribe relevant agencies to make an investment. This corruption issue prevented many foreign companies from investing in Russia, and this remains a problem. Wei (1997) provided the empirical evidence of Shleifer and Vishny's (1993) argument, and he found that the effect of uncertainty on FDI is negative and statistically significant. Wei (2000) suggests that high corruption in China may have an effect on its FDI. Habib and Zurawicki (2002) also reported the negative impact of corruption on FDI. Their analysis suggested that foreign investors in general do not want to invest in a corrupt business environment because it will create operational inefficiencies.

2.4.6 On Economic Growth

There is wide support in the literature for the view that corruption is detrimental to growth (Tanzi 2002; Svensson 2005; Gyimah-Brempong 2002). Empirical evidence shows that countries with higher levels of corruption tend to grow more slowly.

Mauro (1995) found a significant negative association between corruption and investment, as well as growth, both in a statistical and in an economic sense. Mo (2001) found the negative impact of corruption on growth. He observed that a 1% increase in the corruption level reduces the growth rate by about 0.72%. Pellegrini and Gerlaugh (2004) estimated the direct and indirect effects of corruption on economic growth. They found that one standard deviation increase in the corruption index is associated with a decrease in investments of 2.46%, which in turn decreases economic growth by 0.34% per year. Rock and Bonnett (2004) observed that corruption adversely affects growth through a reduction of investments in small developing countries in general.

2.4.7 On the Size and Composition of Government Expenditure

Tanzi and Davoodi (1998) studied the effect of corruption on the government's public finance. They found that (A) corruption tends to increase the size of public investment. (B) Corruption skews the composition of public expenditure away from needed operation and maintenance toward expenditure on new equipment. (C) Corruption skews the composition of public expenditure away from needed health and education funds because these expenditures, relative to other public projects, are less easy for officials to extract rents from. (D) Corruption reduces the productivity of public investment and of a country's infrastructure. (E) Corruption may reduce tax revenue because it compromises the government's ability to collect taxes and tariffs, though the net effect depends on how the nominal tax rate and other regulatory burdens were chosen by corruption-prone officials.

Similarly, Mauro (1997) found that corruption tends to divert public expenditure away from health and education, presumably because they are more difficult to manipulate for bribe purposes than other projects.

2.4.8 Hidden Costs of Corruption (Firm Level)

For the firms who supply bribes, corruption has several hidden costs for its shareholders, which are often overlooked or underestimated. First, firms involved in bribery will bear the risks of legal actions against them if their acts of bribery are caught. Second, the firm may lose its reputation because of these acts. Third, firms that pay more bribes face more, not less, effective red tape because corrupt officials can often customize the nature and amount of harassment on firms in order to maximize bribe collection. And fourth, firms involved in bribery practices invest less in R&D, so in the long run, they lose their competitive advantages (Wu 2005).

2.4.9 Other Consequences (Poverty and Labor Movement)

Corruption has numerous other effects, which have not been a focus in the literature. For example, Rose-Ackerman (1978, p. 195) briefly mentioned the effect of corruption on labor movements: in several instances, labor union officials have been bribed by top management in order to buy their peace and control labor unrest.

Corruption also has an effect on poverty. Rose-Ackerman (1997b) listed several channels through which poor people are hurt by corruption. (A) The poor will receive a lower level of social services. (B) Infrastructure investment will be biased against projects that aid the poor. (C) The poor may face higher taxes or have access to fewer services. (D) The poor are disadvantaged in selling their agricultural produce. And (E) their ability to escape poverty using indigenous, small-scale enterprise is diminished. In another study, Gupta et al. (2002) show that high and rising corruption increases income inequality and poverty.

3 The Asian/African Paradox and Capacity Building

In the previous sections, corruption and its consequences are discussed in detail. We know that corruption is detrimental to growth and development; it hinders business and deters investment. To illustrate this relation, Fig. 1 shows the relationship between the level of economic development measured by GDP per capita and the perceived corruption level across countries (CPI). The negative relationship is quite strong: poor countries tend to be more corrupt (World Bank 2010).

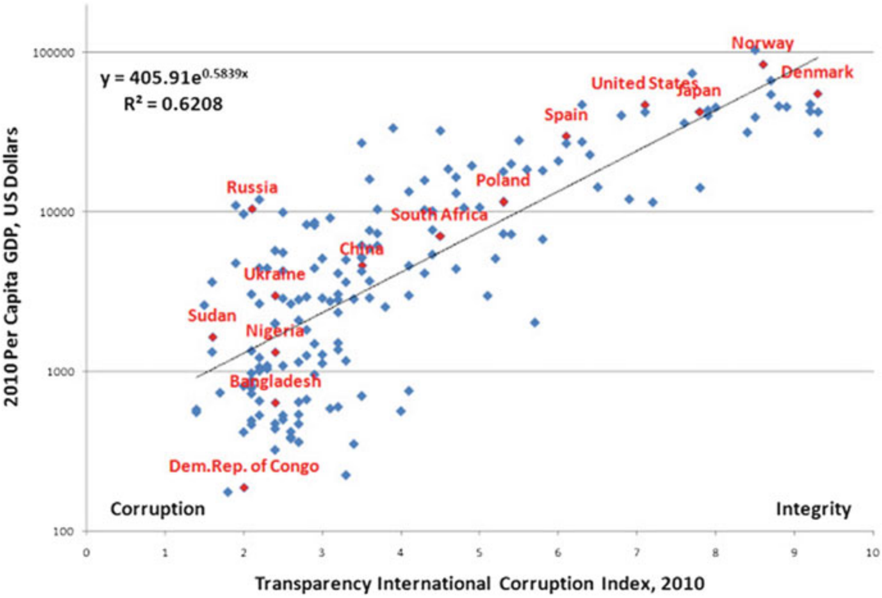

Fig. 1 Corruption and GDP per capita across countries. Source: http://dougrobbins.blogspot.ca/2011/08/wealth-of-nations.html

This relationship between per capita GDP and corruption levels is also seen in Asian and African countries. Figure 2 compares this negative relationship between Asia and Africa. The figure shows that African countries have a lower economic development compared to Asian countries. With a few exceptions, Asian countries have a higher GDP per capita at a similar corruption level. While African countries combine high incidence of corruption with slow economic growth, Asian countries combine high rates of corruption with high growth rates. For example, China and Liberia are ranked as equally corrupt (37), yet while China records an outstanding growth rate (7%), Liberia records a zero (0%) growth rate.

Asia has enjoyed long-lasting growth in the past few decades. As a continent, Asia's economy has grown faster than any other region in the world. Countries that have high levels of corruption are expected to have low growth rates. However, in Asia, high rates of growth have persisted over a long period of time despite high levels of corruption. This coexistence has posed a real challenge to the received wisdom that corruption impedes economic performance because it is inconsistent with the theory that corruption discourages investment and growth. On the other hand, Africa has not been able to combine high corruption rates with high economic growth. Should Africa learn from Asia to mitigate the detrimental effects of corruption?

As stated by Vial and Hanoteau (2010), the Asian paradox is often described as a situation where "cronyism and corruption are prevalent, but do not necessarily hamper business" (p. 693). Or, according to Wedeman (2002), it is "the achievement

Fig. 2 Corruption and GDP per capita in Asia vs. Africa

of very high growth rates in real income per capita over relatively long time periods in the face of quite high levels of corruption" (p. 34). The Asian paradox is an attempt to explain why some countries in the region have had such rapid economic growth; it does not necessarily credit the growth to corruption but rather claims that it does not hinder it either. Exploring the reasons behind Asia's rapid growth despite high corruption can help Africa build its capacity to manage and mitigate the effects of corruption.

3.1 Do All the Countries in Asia Fall Within the Asian Paradox?

Table 1 compares the corruption index and growth rate of Asia with sub-Saharan Africa. As can be observed, these regions share similar corruption ratings, but their growth performances are very different. Sub-Saharan Africa provides classic examples where high corruption is accompanied by low growth. However, this is not the case for South and Southeast Asia. A closer look at this region reveals some interesting features. Blackburn and Forgues-Puccio (2009) divide the region into three distinct groups of countries: Hong Kong, Malaysia, and Singapore; the Philippines and South Asia; and China, Indonesia, South Korea, and Thailand.

As we can see, these three groups show different behavior: in Hong Kong, Malaysia, and Singapore, low corruption comes with high economic growth; in

Table 1 Corruption and growth in selected regions of the world

Region	Corruption index	% Growth rate of GDP per capita
Sub-Saharan Africa	3.6	0.4
Latin America	3.5	0.1
South and South-East Asia	3.7	4.4
Hong Kong, Malaysia, Singapore	7.2	4.8
Philippines, South Asia	1.9	2.4
China, Indonesia, South Korea, Thailand	2.9	5.9

Note: Figures calculated as averages over 1980–1999 for Sub-Saharan Africa and Latin America and over 1980–1996 for South and South-East Asia
Source: Blackburn and Forgues-Puccio (2009)

the Philippines and South Asia, we observe high corruption and low growth; and in China, Indonesia, South Korea, and Thailand, high corruption is accompanied by high economic growth. Thus, the question that arises is what is so special about this last group of countries that has enabled them to grow in spite of being saddled with corruption? How might this East Asian paradox be explained? What are the lessons to be leaned for Africa?

3.2 Is Asia Special?

Some may assume that East Asia must be an outlier since despite high levels of corruption, it seems to be such a popular destination for foreign investment, and its growth rates have been high for the last four decades. One often hears the view that corruption has been part of the Asian culture for a long time and does not seem to hamper business there. Kaufmann and Wei (1999, p. 10) posited "Asian exceptionalism," such that Asia is an exceptional region in which corruption does not have negative effects on growth and investment. After controlling for the different factors and testing their hypothesis, they overwhelmingly rejected "Asian exceptionalism," meaning that Asia is no exception to any other regions of the world and corruption is corrosive to growth in Asia as well. In another study, Wei (1997) also tested Asian exceptionalism. Several of his findings are interesting. First, the region has received more inward FDI than other countries; second, after controlling for the East Asia effect, the effect of corruption on FDI is still negative; third, the effect of corruption in East Asia is slightly smaller than elsewhere, although it is not statistically significant. However, he found no support for the hypothesis that corruption in Asia has no or a reduced effect on inward FDI.

According to Wei (2000), within the East Asia region, foreign investors still prefer less corrupt countries. In other words, if the Asian countries were less corrupt, they would have attracted more foreign investment. Moreover, Wei (2000) showed that contrary to the impression one gets from popular media, FDI in China is significantly below its potential, and China continues to be an underachiever, rather than an overachiever, as a host of direct investment from the world's major source countries.

Thus, Asia is not special. However, there are factors in Asian countries that alleviate the effects of corruption. Unfortunately, these factors are not present in African countries, and consequently they experience low growth.

4 Corruption Mitigants

Asia benefits from the existence of several factors that could each mitigate the negative consequences of corruption. The Asian/African paradox is justified in the literature by a group of explanations: the "corruption mitigants." Corruption mitigants are specific factors that may diminish the negative effects of corruption on economic development (Forgues-Puccio and Okumu 2012). The literature on the factors that may mitigate the growth-retarding effects of corruption is still under development. However, there are some studies that introduce these factors. The coexistence of many of these mitigants in Asia, specifically in high corruption, high-growth countries, may be the reason why corruption has less detrimental effects in these countries. However, these mitigants do not exist in African countries, which means they must contend with the harmful effects of corruption.

The mitigants are:

4.1 Predictability

The arbitrariness of corruption or uncertainty is the degree of ambiguity associated with the likelihood of gaining agreed upon favorable treatments in corrupt transactions (Rodriguez et al. 2005). To get work done, investors are expected to pay bribes in corrupt countries. In countries with less arbitrariness, investors receive the goods and services they are paying for, and no further bribes are requested. While in countries with high levels of uncertainty, there is no guarantee that the goods and services will be delivered at all, and as a result, additional bribes will have to be paid. Consequently, investors are reluctant to invest in countries with uncertainty. In other terms, the predictability of corruption mitigates its negative impact on investment. Using an indicator of corruption-induced uncertainty, Wei (1997) finds that higher uncertainty about bribe payments reduces foreign direct investment. Uncertainty about bribe payments may create a situation in which two countries with similar perceived levels of corruption can have completely different levels of foreign direct investment. Campos et al. (1999) extended Wei's work by investigating the impact of the predictability of corruption on investment and growth. Using the same indicator of corruption-induced uncertainty, they found that investment and growth are higher in countries in which corruption is more predictable. They state that "corruption regimes that are more predictable—in the sense that those seeking favors from government do obtain those favors—have less negative impact on investment than those that are less predictable" (p. 1061). They conclude that "In many East Asia's miracle economies, corruption is said to be very well organized so that the degree of predictability is relatively high. This paper thus suggests that, despite high levels of corruption, these miracle economies still manage to attract significantly higher levels of investment than other developing countries" (p. 1065).

4.2 Organization of Corruption

In a seminal essay, Shleifer and Vishny (1993) argue that the impact of corruption on growth depends on the industrial organization of corruption networks. When these networks are organized and managed by a strong centralized state, as in a monopoly industry, corruption is likely to be less corrosive to investment and growth than when it is organized by numerous government officials acting as independent monopolists. In fact, when the latter happens, bribes rise to infinity, and growth and investment collapse (Shleifer and Vishny 1993, p. 606). Gyimah-Brempong and de Comacho (2006) state that "in most African countries, corruption is decentralized and uncoordinated with each agent exacting a bribe at every stage of a transaction without regard to whether the payer eventually succeeds in getting what he/she is trying to obtain." When corruption is decentralized, no coordination between the corrupt agents and one must pay a bribe at every stage without any guarantee that they would receive the service they seek. As an example, if obtaining a permit takes five stages in Africa and one has to pay at every stage, a payer is paying five times more than a similar procedure would cost in a country with centralized corruption. In addition, because corruption is not coordinated, no one is held accountable for the success of a transaction in a decentralized corrupt system. As a result, public officials may demand multiple bribe payments without delivering the service. This leads to long delays, increased costs, and decreased output, hence slow economic growth.

The centralized "one stop" variety of corruption (where one pays a bribe to a centralized agency and gets what one wants) is found in some parts of Asia. Because corruption is coordinated, once a bribe has been paid, there is incentive to ensure that the service is provided. In this system, corruption is just an additional cost or tax, but it does not lead to delays or uncertainty.

East Asia's high corruption, high investment, high-growth outcomes reflect monopoly control of corruption networks by strong overcentralized states, while South Asia's and the Philippines's high corruption, low investment, low-growth outcomes reflect control of corruption networks by competing monopolists in government. There is substantial case study evidence to support this conclusion (Bardhan 1997; Hutchcroft 1997; Johnson 1999; Kang 2002; Rock 2002). It is obvious that centralized corruption in Asia has less negative effects on growth, while decentralized corruption in Africa has a greater injurious effect on development.

4.3 Limited Bargaining Frictions

Fisman and Gatti (2006) propose another factor that may mitigate the impact of corruption. They report that the deadweight loss of corruption seems to be lower in countries with institutions that limit bargaining frictions, allowing for more efficient bribe negotiation. They suggest that there is a positive correlation between bribery and the time spent bargaining to circumvent regulation. This correlation is attenuated if the firm reports knowing in advance the amount of illegal payments required. According to them, centralized corruption in Asia helps firms identify the amount of the payments; thus the deadweight loss of corruption is reduced. However, this burden is amplified in Africa because of decentralized corruption and uncertainty.

4.4 Size of Economy

Rock and Bonnett (2004) suggest that the relationship between corruption, growth, and investment is different for small and large countries. They explain that large countries have relatively large internal markets and similarly large supplies of labor. This enables governments in large developing countries to focus on import substitution policies for longer periods of time than in smaller countries. This may help them resist pressures from international institutions and foreign investors to fight against corruption. Also, a large internal market and a large pool of labor may also mean that foreign investors are more likely to accept corruption as a way of doing business, if doing so enables them to gain unrestricted access to local goods and labor markets. Asian countries fall within this category. Their large population and large pool of cheap skilled labor force other countries to invest and accept their corruption levels. However, Africa's less populated countries and illiterate labor force do not motivate foreign investors (Asongu 2017). In another study, Forgues-Puccio and Okumu (2012) argue that the size of the economy plays an important role in the bribe negotiation process and ultimately mitigates the impact of corruption on innovation and growth.

4.5 Long-Term Strategy of Corrupt Officials

Olson (1993) explains why economic agents in any country might prefer a government of stationary bandits to one of roving bandits. As he states, rational (and successful) stationary bandits monopolize theft (corruption) in their domain while limiting what they steal because they know they will be able to extract more in the long run if their subjects have an incentive to invest and produce additional income and wealth. The prospect of a future income stream from the monopolization of theft may even encourage governments of stationary bandits to provide the public goods that enable economic agents in stationary bandits' domains to generate even higher incomes and more wealth. Conversely, roving bandits have short time horizons and few incentives to limit theft and no incentives to provide the public goods necessary to entice residents in their domains to invest and increase their incomes. Olson (1993) suggests that investment and growth should be lower in a country governed by roving bandits, as is the case in African countries. On the other hand, he asserts that if stationary bandits are committed to growth and development as a way of maximizing their long-run corruption takes, investment and growth might be substantially higher in countries governed by stationary bandits like what is seen in Asia.

4.6 Openness of Economy

Openness of trade and economy increases competition in a country. Ades and Di Tella (1999) point out that competition from foreign firms reduces rent-seeking possibilities of domestic firms and thus reduces and regulates the corrupt behavior of government officials. Asian countries are usually well integrated in the world financial system and are open to international trade. In consequence, competition decreases and regulates the rent-seeking activity of public officials. However, in countries that are not very well integrated and have closed economies (like African countries), competition is relatively lower, and thus public officials are free to continue their corrupt behavior.

4.7 Linguistic and Ethnic Ties

Wei (1997) finds that ethnic and linguistic ties lead to higher flows of FDI despite corruption. His findings show that while China is one of the most corrupt countries in Asia, most of the FDI that flows into China comes from Hong Kong, Taiwan, Macau, and Singapore (overseas Chinese). These ties mitigate the negative effect of corruption on FDI. In another study, Lu and Gangti (1995) claim that Singapore's FDI to China has been determined mainly by business networking and the confidence built on ethnic ties as well as the friendly relationship between the two nations has also played an important role. Finally, Hou (2002) notes that Taiwanese investors tend to invest in China because of the cultural and linguistic affinity between the two nations. However, Africa is home to many ethnicities and languages that do not foster such an environment.

4.8 Trust

Tang (2005) argues that a major factor that may alleviate the harmful effects of corruption is the level of trust in a society. In a society with a high level of trust, corruption tends to be less harmful to economic growth, whereas in a society that lacks trust, corruption tends to be more detrimental. According to Uslaner (2004), trust seems to facilitate corruption. Because of the time lag between the bribe payment to the corrupt official and the delivery of the service to the briber, a minimal trust must exist. Both sides want to make sure that their partners will deliver as promised (Lambsdorff 2002a, b; Graycar 2015). But who should pay first? Should the briber pay first, or should the official deliver the goods first? If there exists a high level of trust between the briber and the official, this is less of a concern. Otherwise, the deal cannot be concluded since there is no legal protection for a bribery-corruption relationship. Li and Wu (2007) investigate the relationship between trust and the negative effects of corruption and find that trust moderates the effect of corruption on economic development. They also find that there is a high level of trust in Asia (p. 140). However, mutual trust is not very prevalent in Africa.

Now, let us be clear. The aim of this section is not to say that Asia has a good model of corruption or corruption organization that should be followed by Africa. Corruption is a disease that must be eradicated wherever it exists. Within the East Asia region, foreign investors still prefer less corrupt countries. In other words, if the Asian countries were less corrupt, they would have attracted more foreign investment (Wei 2000; Mudambi et al. 2013). Then, both in Africa and Asia, the first-best solution is building a corruption-free environment.

Our argument is that while moving toward the first-best solution (corruption-free environment), instead of having a totally corrupt environment, where everyone is free to do whatever is possible to get rich, Africa can at least implement the mitigants of corruption that are present in Asia, as a second-best solution.

Everywhere around the world (including Asia), the first-best solution is to build capacities to move toward a society free from corruption.

5 Building Anti-corruption Capacities

Building anti-corruption capacities is necessary for both Asia and Africa, but Africa ranks second lowest. So, in this section, we focus on building capacities in Africa.

The United Nations Economic Commission for Africa (UNECA 2009) reports that in 2004, Africa lost more than $148 billion to corruption, approximately 25% of its gross domestic product. According to the UNECA (2005), corruption, poverty, and unemployment are the three most serious national problems African countries face. The UNECA (2016) proposed an effective economic governance approach not only to tackle corruption but also to address structural transformation and inclusive development in Africa. However, these approaches failed in reducing corruption in the continent. According to Persson et al. (2013), at the rhetoric level, much has been said about fitting anti-corruption reforms to specific country settings, and the most frequent approach has until today been to use the "tool kits" of ideas provided by the international community in line with the logic of a "one-size-fits-all" approach. In short, most systemically corrupt countries are considered to be just as corrupt now as they were before anti-corruption interventions were enforced (Persson et al. 2013). In fact, Africa suffers from many fundamental shortcomings that foster corruption. These shortcomings and their effects may vary from country to country. An extensive study per country is needed to ensure that all of these problems are relevant and addressed. Generally, we believe that Africa needs to focus on these issues to fight against corruption:

5.1 Stronger Institutions

In Africa, most governance institutions, specifically executive, legislative, judicial, and public service, are considered to be corrupt. Institutions represent the implicit or explicit rules that increase the predictability of human behavior in economic activity and maximize wealth based on economic interactions. African institutions are not necessarily dysfunctional or absent, but they do lack the regulatory effect (Kelly 2014). Indeed, these institutional weaknesses are viewed as a primary cause of prevalent corruption. The weakness in institutions can result in governmental discretion and control over resources without oversight and therefore lead to corruption (Knutsen et al. 2017). A focus on improving governance and enhancing the accountability of officials is critical for ensuring corruption is controlled, a role often played by institutions.

5.2 Clearer Regulations

In most African countries, there is no unique law or policy enacted to control, monitor, or stop corruption. Rather, a system of many legal and institutional rules has been put in place over the years (Nguemegne 2011). The IMF, the UN, and many other international organizations may force African countries to enforce and implement their sets of rules and regulations, resulting in a myriad of vague regulations without having any actual effect on controlling corruption. African countries should concentrate on developing their own system of anti-corruption laws tailored to address their country-specific weaknesses.

5.3 Rule of Law

Most African countries suffer from a weak rule of law. Laws can be bent, and their consequences can be avoided. Despite the existence of many anti-corruption laws in African countries, they are rarely enforced. There needs to be a consensus in every African country to enhance the rule of law.

5.4 Openness to Trade

"A natural approach to corruption control is to appeal to the concept of competition as it is argued that bribes are harder to sustain where perfect competition prevails" (Ades and Di Tella 1999). They claim that corruption is higher when bureaucrats have the potential to extract larger economic rents. They argue that openness to international trade will reduce the monopolistic power of domestic producers and strengthen market competition, which in turn narrows the rents available for bureaucrats to extract. This is another lesson that African countries can learn from Asia. Openness to international trade not only can increase the flow of foreign direct investment but also can introduce new norms and policies to tackle and control corruption (Mudambi et al. 2013).

5.5 Collective Action

Corruption is multifaceted, complicated, and hard to tackle. To build sustainable anti-corruption capacity, everyone in the country must join forces through a collective action to fight corruption.

Collective action against corruption would in effect be an ideal solution to the problem. Civil associations, political participation, and the media all serve to empower collective action on behalf of society and can facilitate collective action against corruption. However, everyone should be engaged in this process. This entails educating people and warning them of the detrimental effects of corruption. Poor education contributes to the issue of corruption. Because most of the population is not educated enough, they are neither aware of nor care about the detrimental effects of corruption on every person living in the country. Building capacity in combating corruption entails formal training and individual development. It requires a long-term, continuous process, lasting mentorship, coaching, and leadership development, as well as individual commitment to continued self-development. Collective action also entails motivating politicians and the government to design a national platform by implementing internationally recognized anti-corruption frameworks such as the United Nations Convention against Corruption (UNCAC) which is the first multinational legally binding anti-corruption instrument. Moreover the media should be encouraged to remind people of the importance of such a platform and to report the results.

Collective action promotes a fair competitive situation in which a transparent process based exclusively on market economic criteria (such as quality, price, innovation, and service) ensures that the contract is awarded to the best bidder. It prevents competition from being distorted and destroyed by corruption and ensures that companies acting honestly and ethically are not disadvantaged.

5.6 Fight Again Extreme Poverty

Prevalent poverty can contribute to corruption in two ways. First, poverty strongly increases the frequency with which individuals face demands for bribes in return for obtaining services from government officials (Justesen and Bjørnskov 2014). It is easier for public officers to target the poor, since in most cases the poor are forced to pay the requested bribe as they do not have an exit policy or an alternate solution. Second, public officials themselves are poor and do not earn enough to feed their family. This can help them rationalize their bribe demanding and corrupt activities.

There are other factors that cause corruption, notably, poor economic governance, lack of accountability and transparency, low levels of democratic culture and tradition, deficiency in citizen participation, lack of clear regulations, low levels of institutional control, extreme poverty, and inequality. Each African country has to identify the potential factors, prioritize them, and manage them.

6 Conclusion

Asia's growth rates were extraordinary during the last few decades compared to any other regions of the world. Surprisingly, these growth rates were accompanied by corruption. Africa, on the other hand, suffers from the negative and detrimental effects of corruption. Many studies empirically investigated the negative effects of corruption on investment and growth. While Asia is one of the most corrupt regions in the world, what sets this continent apart? What lessons can Africa learn from it to alleviate the impact of corruption?

Several studies in the field have tried to answer these questions. Although corruption is detrimental, Asia undeniably enjoys the existence of mitigants that alleviates the negative effects of corruption, while Africa lacks factors that motivate investors. When one or more of these mitigants exist, the negative effects of corruption are less harmful or cancelled out. Predictability, organization of corruption, limited bargaining frictions, size of economy, long-term strategy of corrupt officials, linguistic and ethnic ties, openness of economy, and the level of trust are some of the mitigants that are presented in the literature. Many other factors can be added to this list. Contrary to the impression one gets from the popular media, Asia is unable to achieve its potential in attracting investors. Within the East Asia region, foreign investment still prefers to go to less corrupt countries. In other words, if the Asian countries were less corrupt, they would have attracted more foreign investment (Wei 2000).

While both Africa and Asia have a long way to go to reduce their level of corruption, the road is shorter for Asia. Institutions are stronger in Asia than Africa; the Asian work force is more educated and better trained than the African labor pool; civil servants in Asia have long-term profit strategy rather than the short-term profit strategy of Africans; Asian markets and economies are more open to investment than Africans; Asia has a stronger rule of law, and rules and regulations are adjusted to the world standards, while Africa has a long way to go to implement the rule of law; grand and political corruption is more severe in Africa than in Asia; and finally, Asia has larger economies than Africa, which makes it more attractive to investors and importers.

Africa has fallen into a vicious cycle of corruption, low growth, low development, and weak institutions as well as weak rule of law foster corruption, and in turn corruption prevents countries from developing and prospering. To remedy corruption, Africa needs a strong will to work together to open its economies to foreign investment, educate, and train a work force, implement the rule of law, strengthen its institutions, and advise its people that development and growth come with hard work and sacrifice.

The argument of this paper is not that there is in Asia a corruption model that should be adopted by Africa. We argue that while moving toward the first-best solution (i.e., a corruption-free environment), instead of having a totally corrupt environment, where everyone is free to do whatever is possible to get rich, Africa can at least implement the mitigants of corruption that are present in Asia, as a second-best solution. The first-best solution is universal and involves building capacities to completely alleviate corruption.

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