Capacity enhancement has been defined in multiple ways; its ultimate purpose is to leave behind better skilled and oriented individuals, more responsive and effective institutions, and a better policy environment for pursuing development goals. For the purposes of this brief, capacity enhancement denotes the development of formal and informal institutions and organizations—that is, changes in the rules of the game and organizational behavior that lead to improvements in service delivery to the public and in the country’s investment climate. Capacity enhancement at the institutional or policy level has three main ingredients (see figure 1):

- The country’s resources and capabilities
- An enabling institutional environment
- Motivations and incentives/pressures that promote and help to sustain behavioral change.

To isolate factors that affect success and failure in capacity enhancement, this three-way framework was used to analyze experience in telecommunications reform in three countries—Mali, Mauritania, and Morocco (see box 1). It is important to note that the framework was designed to capture the three main levels at which capacity enhancement occurs: individual, organizational, and institutional. Due to the limited information available on the country studies, however, this note focuses primarily on the elements influencing capacity enhancement at the institutional level. Telecoms was chosen as a sector in which understanding on how to sequence reforms aimed at deregulation and privatization and how to maximize the impact of reforms seems to be well advanced. The following three lessons for capacity building emerged:
1. Strengthen Resources and Capabilities

The Bank has a menu of resources available to help support capacity enhancement in a country (see figure 2). A good deal of knowledge on international best practices is readily obtainable, and knowledge transfer can greatly impact behavior, but only if it is applied to the local institutional environment and combined with a country-specific strategy for building stakeholder commitment and ownership and addressing risks.

In Mali, Mauritania, and Morocco, making the best use of international knowledge required a process of joint and continuous learning, in which the Bank played the role of a facilitator making best practices available, while the clients adapted these practices for a good fit to local circumstances.

2. Understand the Institutional Environment

Before knowledge and best practices can be usefully shared, it is important to:

- **Gather information** to understand the political, country, and sector risks that are likely to affect the outcome of reforms.

- **Understand and use incentives and conditionality** to influence the behavior of key actors and organizations.

- **Assess risks and define the problem.** Understand the main constraints that affect the implementation of a policy and identify the supporters and opponents of reform and the underlying risks.

- **Understand the institutional context.** In Mauritania and Mali, successful capacity enhancement support used a participatory process to identify existing capacity, develop options for filling gaps, and understand possible implications for stakeholders. Bank teams and management need to allow enough flexibility and time for such an assessment.

- **Assess client commitment and ownership.** The information needed to make this assessment is often hard to acquire, especially when vested interests are at work. Even when the client takes the initiative, actions should be monitored to be sure that deeds match words.

- **Support key actors.** Bank teams and management, based on their country knowledge and sectoral expertise, should encourage clients to innovate and take responsibility for their own actions.

3. Use Incentives and Pressures

The assessment of the institutional environment should provide the basis for developing a strategy to build ownership and reduce the risks to successful implementation of reforms. Such a strategy can center on support for the key champions of reform—as in Morocco and Mauritania—and on the careful use of incentives (development assistance, debt relief, and international reputation) and pressures (suspension of project, loss of heavily indebted poor country (HIPC) debt relief, and public opinion) to motivate the supporters and opponents of reform.

A New Approach?

The arrows in figure 2 show the role the Bank plays and the methods it uses for each of the three areas of capacity enhancement. In most of these areas, diagnostic and process tools have been developed in different parts of the Bank (see box 2). These tools and the thinking that has gone into their design could be used more deliberately to define CE objectives better, capture existing capacity and gaps, shape preparation of CE activities, and help mitigate risks. Sector- and task-specific selection, adaptation, and integration of these tools, especially if used jointly with the client, could help to generate and track information that would make it easier to learn from success and failures. This learning process could not only shape Bank strategy, but also help to broaden client ownership and commitment. In addition, clearer guidelines for staff on the preconditions for engagement (i.e., client readiness for reform) and triggers on which to build an exit strategy could support risk management and policy dialogue.
**Box 1: Telecom Reforms in the Three Countries**

**Mauritania**
In 1998 Mauritania had only five telephone lines per 1,000 inhabitants—one of the lowest ratios in the world. At first, the key decisionmakers were loath to liberalize the telecom sector, because of its potential to threaten the country’s tightly managed security. But in discussions of Mauritania’s economic prospects as the basis for a new World Bank country assistance strategy, they came to see telecom reform as a magnet for foreign investment and a means for economic development.

Mauritania had no institutions with experience in liberalizing, privatizing, or introducing competition in this or other sectors. Even so, it introduced genuine competition in telecoms and established a transparent regulatory framework in little more than two years—widely regarded as a record. The investments generated by the new operators amounted to 10 percent of Mauritania’s GDP in the first two years and doubled existing telecom services in the first four months of the reform program.

The Bank’s main contribution was to codify global knowledge into actionable steps that helped to close institutional gaps, while building up stakeholders’ commitment and ownership and supporting an autonomous process of local learning. The support of the country’s President and other key decisionmakers was critical in Mauritania’s highly centralized system. Unlike in Mali and Morocco, incentives were mainly positive, such as the lure of resources from the HIPC Initiative and prospects for the country to attract foreign investment and create jobs. Other success factors included the commitment of key decisionmakers, which kept vested interests at bay, and the very favorable international context for telecom reform at the time.

**Mali**
The Bank went into Mali in 1998 with higher expectations than it had in Mauritania. Mali—with its more developed economy, larger market, more participatory political process, and well-developed media—appeared more attractive to investors. It had good export revenues from cotton and gold and enjoyed good relations with the donor community. But despite the government’s expressions of enthusiasm for telecom reform and a good deal of technical work, the words did not translate into action and the reforms stalled. Two factors eventually turned things around: the government’s need to maintain good relations with the donor community, especially in view of HIPC, and an outcry from civil society and labor unions. By August 2002 Mali had garnered $44 million for the license of a second national telecom operator, alongside the yet-to-be-privatized state operator. This was one of the highest prices ever paid per inhabitant, in a region not known for attracting great investor interest. The mobile market grew from 150,000 to 6,500,000 customers within a few years. Morocco’s initial success stemmed from having set up a transparent regulatory framework and bidding process, as well as its willingness to offer a license with attractive terms. Although the reforms on the mobile market were highly successful, they resulted in a debacle in the Internet market, where the incumbent operator grew its market share to about 70 percent due to unfair competition practices.

The initial keys to success were a long and sustained set of continuous actions by King Hassan II and his advisors, demonstrating clear objectives and commitment to reform; the Bank’s support in the form of analytical work and knowledge to the champions of reform, using windows of opportunity; and the King’s identification of the vested interests opposed to reform and the design of a strategy to derail them.

By mid-2002, however, Morocco’s reforms were backsliding. The two directors of the regulatory agency Agence Nationale de Réglementation des Télécommunications (ANRT) previously ranked as the most independent in Africa, resigned due to excessive government interference. In the end, ANRT was not able to protect fair competition in the Internet market. The experience illustrates the fragility of institutional capacity building and the vulnerability of new rules of the game when faced with vested political interests and a weak institutional environment. The Bank’s strategy of supporting a few key actors and champions of reform and involving civil society in the process showed limited results overall. The institutional constraints proved too strong to allow the independent regulator to consolidate its role or civil society and consumer groups to exert effective pressures. The lack of transparent institutions and processes ultimately jeopardized the broader success of Bank-supported reforms.

**Common Lessons**
The overall experience in the three countries highlights the importance of the following:

- **Clear objectives**, in particular those relating to capacity enhancement, which are often embedded in broader goals
- **Good understanding of the institutional environment** and realistic assessment of the implicit risks related to implementation
- **Increasing leverage** by engaging civil society and the donor community
- **Role of successful communication and knowledge sharing** to engage and empower the client.
Box 2: Capacity Enhancement Tools and Handbooks

Bank documents:


External Handbooks:


Peer reviewers: Carlo Maria Rossotto, Regulatory Economist, Global Information & Communications Technologies, and Poul Engberg-Pederson, Senior Public Sector Specialist, PRMPS


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