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Capacity building in developing and transitional economies – transport sector

Next to business ethics and good governance, capacity building has evolved into one of the most significant issues that exerts a decisive impact on the way today's businesses function. While capacity building is rather well documented in available sources, and in particular in the UN reports [UN, 2006, 2011], some aspects of this problem may still remain ambiguous and leave room to various interpretations.

The present paper is looking into these aspects of capacity building that constitute a hindrance to transfer of technology and managerial efficiency and effectiveness from the industrialized world to developing nations and some of the transitional economies. While the reasons behind that are of a different character in the developing countries and the former communist states that adopted a market economy model, many causes behind insufficient progress in capacity building are of similar nature in both cases.

Capacity building defined

The history of the term goes back a few decades but gained notoriety within the last 20-25 years. In the most conventional way capacity building, sometimes identified with institution building means: *a long-term continual process of development that involves all stakeholders; including ministries, local authorities, non-*

governmental organizations, professionals, community members, academics and more. Capacity building uses a country's human, scientific, technological, organizational, and institutional and resource capabilities. The goal of capacity building is to tackle problems related to policy and methods of development, while considering the potential limits and needs of the people of the country concerned. The UNDP states that capacity building takes place on an individual level, an institutional level and the societal level [UNDP, 2011].

This definition, one of many to be exact, links together the three levels of capacity building: individual, institutional and societal. Understandably, this is a right approach since institutional/societal level would not be possible without individual level. Conversely, individual capacity building would be impossible without institutional and societal capacity building. Consequently, individual capacity building seems to be the core of the whole process of capacity building in a society. As such it is invariably linked to and dependent on education and training.

It would be wrong, however, to state that education and/or training are the only conditions. Capacity building is much more than training and typically includes the following:

Human resource development, the process of equipping individuals with the

understanding, skills and access to information, knowledge and training that enables them to perform effectively.

Organizational development, the elaboration of management structures, processes and procedures, not only within organizations but also the management of relationships between the different organizations and sectors (public, private and community).

Institutional and legal framework development, making legal and regulatory changes to enable organizations, institutions and agencies at all levels and in all sectors to enhance their capacities [UCBN, 2014].

Most published enunciations on capacity building focus on institutional aspects and the issue is typically referred to as community capacity building. Nearly all donor organizations and NGOs have community capacity building incorporated in their agendas. This is understandable as the capacity building has been universally recognized as a precondition for good governance, itself an issue that warrants economic development and social progress of a nation.

Rather than repeating the well documented concept of community capacity building [Linnell, 2003, Chabbott, 1999, Kaplan, 2000] this paper will be focusing on capacity building in business administration of developing and transitional economies. More specifically the transport sector will serve as a reference field for the discussion that ensues.

Capacity building in the transport industry

Frequently, capacity building initiatives in the developing world are being identified with technical assistance, because it implies that outside assistance is used to build local capability to define and execute (transport) development projects. Technical assistance may or may not help build capacity since the latter is

dependent on external expertise and the extent to which it is assimilated by local staff [CCP, 2010]. The ultimate objective of capacity building in those countries would have been attained once they had achieved complete independence from external assistance in this respect. That many developing nations, but also some of the transitional economies, have not yet arrived at.

Theoretically there should be little difference of approach to capacity building in the transport sector as opposed to any other area of business administration since the former is just a part of the national economy and is ruled by the same economic principles. However, there are some issues that make the transport industry a rather special part of this economy, not the least of which is the importance of this sector for the proper functioning of all the other sectors of the national economy. Transport is a nervous system of each and every country's economy.

Capacity building in any economic domain, and not solely the transport sector on which this paper is focusing, seems to be one of the most crucial conditions for breaking away from the vicious circle of perennial dependence of many nations on foreign assistance to development. Without a solid base in the form of an efficient and effective business administration capable of a proper use of external aid, this aid may either be misallocated or altogether wasted. This is why the strategy of capacity building in business administration has gained so much significance over the past few decades. This is particularly important for the vast majority of the developing nations.

In the developed world the capacity building in the transport sector has already moved into a higher gear and focuses on what can be termed as environmentally friendly and sustainable transport system for the future. UN is one of the champions of such a transport system.

For instance, the effort of this organization in-as-much- as Europe is concerned focuses on the following objectives:

- Providing advisory services, strategic guidance and administrative support for technical cooperation projects designed to develop coherent pan-European transport networks, corridors and areas, and Euro-Asian transport links.
- Strengthening national legal and regulatory frameworks of road safety.
- Capacity-building projects, workshops, seminars and training courses aimed at assisting countries in acceding to and implementing UNECE legal instruments, norms and standards, transferring of know-how and sharing best practices, as well as implementing global commitments in transport.
- Providing support to transport initiatives and projects carried out by sub-regional groupings, in particular, in the framework of the UN Special Programme for the Economies of Central Asia (SPECA), the Black Sea Economic Cooperation Organisation, the Central European Initiative, etc. [UNCTAD, 2006].

For these purposes, UNECE also works in close cooperation with the other four regional commissions of the United Nations, namely the Economic and Social Commission for Asia and the Pacific (UNESCAP), the Economic Commission for Latin America and the Caribbean (UNECLAC), the Economic Commission for Africa (UNECA) and the Economic and Social Commission for Western Asia (UNESCWA).

Capacity building in the transport sector of developing nations

Capacity building in the transport sector of many developing nations appears to be at the fore front of their concerns. Many of these countries, particularly some of the most vulnerable in terms of

their economic structure based predominantly on a limited variety of export commodities, including the outdated and inefficient agriculture, face formidable obstacles of foreign market accessibility for their products. This relates principally to land-locked countries, such as Mali, Niger, Chad or Burkina Faso. High cost of transport is often too much of a burden for their economies which cannot fully enjoy their comparative advantage on overseas markets.

All this has been rather well described in various sources and little originality can be added to the already available sources. Poor transport infrastructure which is decaying, lack of connectivity between transport routes, particularly in rail connections, excessive intra- and extra-modal competition, mismanagement and other factors are quoted as principle causes of transport system's inefficiency of the region.

Less highlighted, however, is the issue of good governance, itself tributary of capacity building. The lack of proper capacity is visible in the administration of transport, where various government agencies often operate in quasi-isolation from one another. One of the West African nations had in the not-so-distant past three different ministries overseeing the activities of a sector that represented a relatively insignificant contribution to the nation's GDP. Needless to say, these ministries were jealously watching over their respective fields, preventing any coordination of their routine activities. The project devoted to capacity building in the area of transport planning in Bangladesh [ADB, 2012], for instance, revealed that each transport agency was moving forward with its own agenda and inter-agency coordination was almost non-existent among transport sub-sectors. There was no national integrated transport master plan that would guide or provide direction for coordinated multi-modal transport development. Few plans

developed were very mode-specific and offered no options to anticipate the idea of or any procedure in setting up a transport project priority by combining with other modes that could maximize the system-wide efficiency. In many developing countries inadequate institutional set-up and the omnipresent managerial inefficiency plague their transport sectors.

Politics, as anywhere else in the world, plays important role in this status quo. Appointments to the posts of responsibility are of a purely political nature and often have little to do with genuine competencies and expertise of high ranking civil servants. If the latter are unable to build good teams of experts in their departments the results are not difficult to predict.

Another important aspect of the issue of capacity building is the lack of stability of employment of higher ranking civil servants in the transport industry. These can be moved easily and frequently from one government agency to another, within a different field and have to start the process of capacity building nearly from scratch. The author of this paper was confronted with this practice in one of the South-East Asian nations, meeting several years later again one of his senior counterparts in the Ministry of Transport in a totally unrelated position at a different ministry. This way the precious experience gained by this servant in the transport sector was of no practical use in his new work environment. In the meantime his position in the Transport Ministry was filled by a complete freshman who had to start the capacity building process all over again.

Fortunately, such practices are today decreasing in importance, but the problem of keeping the experienced people on their jobs is far from being solved. Needless to say that transport administration requires a good deal of technical expertise and experienced civil servants should continue within the field of their expertise.

Only then can they be fully used for the benefit of the industry.

While training is not the only condition for capacity building, it is nonetheless of crucial significance for the latter. One of the success stories in this context is the case of the UN-sponsored TRAINMAR programme started more than 30 years ago. It is rather well documented and it would be superfluous to describe it in great detail. Some aspects of the programme are, however, relevant for the present paper and are worth quoting.

TRAINMAR was started in 1980s with funding from UNDP to promote training in port operations. After a period of initial success, funding for the programme was substantially reduced and a new strategy had to be established which occurred in the early 2000s [UNCTAD, 2006].

TRAINMAR had exceeded its objectives in numerical terms having trained large numbers of port managers in many developing countries. As such it could serve as a model for capacity building processes in the less developed countries, not only in the field of maritime transport, the crucial mode of transport for the world trade, but also in other sub-sectors.

TRAINMAR, despite its undeniable significance, could not be a *panacea* for all the problems resulting from capacity building requirements. In fact it was confronted with problems of its own. Some of these issues were the result of the over centralized form of courses developed and manned by UNCTAD at the initial stage of TRAINMAR's evolution, with insufficient input from the local recipients of the Programme. On the other hand, local inputs were extremely diversified and often went beyond the mainstream objectives of the centrally defined Programme.

The success of the Programme depended to a large degree on the involvement of local course developers. The evaluation of

TRAINMAR by external experts stressed the need to:

- create conditions that will attract the right applicants and reduce the turnover rate through greater incentives in terms of status, salaries and other benefits, including housing and career possibilities;
- provide better and longer training, as well as selective on-the-job advice, until self-sufficiency is achieved;
- involve line managers more actively in training process, perhaps by providing training to them as well, so that they can recognize the benefits in terms of operational improvements that can result directly from training and take initiatives themselves to use training resources and training in an optimal manner [UNCTAD, 2001].

All these factors, and others not elaborated here due to space constraints, contributed to the change of philosophy that lay behind training as a crucial component of the capacity building. A side-effect of the traditional approach to training/capacity building was a brain-drain practice, with private sector taking the most capacitated individuals, leaving the public sector with only the least successful trainees. It should be stressed, however, that such a brain-drain is not the case of the developing world alone, and the transitional economies of the former communist states suffer from a similar malaise.

The change of approach to capacity building in the transport industry, and in particular in the public sector and transport administration, recognizes its dependence on a continuous process of training and education in the field of transport economics and management. This process cannot be occasional; it has to be continuous. Neither can it involve one or two levels of the system of transport management, but all the three levels: operating,

medium and top management, in a way that will make them internally consistent with each other.

The experience with TRAINMAR has shown that capacity building projects of that magnitude, with hundred, or even thousands of graduates with identical certification, may be after all less productive than tailor-made training programmes targeting specific populations of transport specialists. There were various reasons for that, and among the most significant ones one could indicate the following:

- training needs in the port sector vary from one country to the other and between regions; thus one training package may not be suitable for all ports [CFCAP, 2010];
- the trained personnel to be effectively used has to be incorporated into a system that will not dramatically differ from what the trainees had acquired within the programme or else the newly acquired skills would not be adequately used or would be altogether wasted;
- new skills have to be smoothly incorporated into the existing heretofore system without undermining it at its core because no system that has to be reformed would sustain revolutionary changes of its structure.

The latter aspect proved decisive in the transition period of the former communist states where the principles of a market economy did not automatically fit into the existing so far system of centrally-planned economy and distortions became inevitable.

But even a well conceived and executed system of training and education of transport specialists in most countries will not be fully successful if it does not translate into a coherent and consistent system of capacity building and good governance because the industry's capacity is not a simple *sum mum* of individual ca-

capacities (competences) of transport managers. Individual capacities will be productive only if they are incorporated into a management system that is capable of fully taking advantage of each and every individual's expertise in the field to build efficient and effective system of transport management.

That goal has not been yet attained in many developing nations. There is more than one reason for that and this short contribution will not be able to identify all of them. It seems, however, that the common denominator of the perennial problem of ineffective transport management and administration in many developing nations is to a large extent related to motivation, and in particular to the pecuniary aspect thereof.

It would, however, be unreasonable to believe that raising emoluments of transport managers and administrators would automatically help to keep the best of them and that would encourage efficiency. Furthermore, few transport administrations in developing countries could afford that. Nonetheless, a system in which good work is rewarded is the first step to attain this objective.

Training and education, capacity building and good governance are thus cornerstones of transport sector's efficiency and effectiveness in the majority of developing nations. Neither of these taken individually would ensure satisfactory results. Only a properly designed and implemented system composed of all these elements would lead to the attainment of such a goal.

There have been many initiatives at the national and international level alike that aimed at the establishment of a system based on good governance in the transport sector and elsewhere. The results varied and the main reason for that was the

lack of coordination between these initiatives. Repetitions, redundancies and other ill-effects of such a state of affairs were inevitable. More coordination among donors, NGOs, national agencies and training institutions at every level is needed.

Training initiatives run individually, regardless of who carries them out, will probably not succeed in the short run unless such coordination is ensured. On the other hand, however, it would be unjust to say that scarce resources spent on training that does not bring immediate results are wasted. Time is necessary to attain training objectives. What makes a training initiative unproductive is not the training *per se* but its linkages to inadequate governance.

Challenges in the transport sector of transitional economies

Most of what has been said so far in relation to developing nations, in-as-much as their transport sector is concerned is also true for the former communist states which a quarter century ago embarked upon the process of building market economies. They inherited from the period of centrally-planned economies a transport sector that was inefficient, wasteful and inept to meet the requirements of an emerging market economy based on an extended network of economic ties with the industrialized world.

Most of the former communist states of Central and Eastern Europe were confronted with a totally new commodity structure and geography of their foreign trade. Rather than relying on trade with their principle partner – the former Soviet Union – they have now found new markets for their exports and imports. Poland, for example, whose trade with the Soviet Union, prior to 1989, represented 2/3 of her total external trade, now directs 40% of her foreign trade to and from Germany alone. Other countries of the region

have seen similar changes, although to a different degree.

These changes have had a decisive impact on these countries' transport industries which immediately found themselves unable to stand up to the challenges of the market economies. One of these challenges, apart from the system's shortages in terms of infrastructure and operations, was a totally outdated and rigid economic system. Profound changes were indispensable and it took a long time to implement the necessary reforms.

One of these changes involved the system of governance and its necessary condition, viz. capacity building. However, contrary to most of the developing nations, it was not the lack of dedicated training and educational facilities in the field of transport but their inappropriate structure and the main objectives that were set. Most of training and educational facilities in the field of transport and transport-related domains were no different from any other institution training business managers and other specialists; they were deeply entrenched in the socialist dogma.

The general lack of proper exposure to the developed market economies' management practices and good governance lay at the core of difficulties experienced by the nascent market systems in the former communist states at the initial phase of economic and political transformations. Transport was no exception in this respect. Market rules which were forced into the system that was not ready for such deep reforms were often distorted and reforms were only partially implemented or abandoned altogether. That was particularly visible in the process of privatization of large state-owned corporations which were expected to be productive but in reality were huge money losers. Market reforms hurt most of them because many

of these huge entities collapsed under the burden of their indebtedness. Only some survived. Most were wiped out because they were hardly prepared for such a shock therapy which occurred almost overnight.

To say that capacity building and good governance might have played a more significant role in the quest for smoother and more successful economic transformations in the former communist states would be sheer speculation because never before in the economic history of mankind had such a monumental change taken place. In the rich literature on the subject opinions that mistakes were inevitable in the process are quite frequent. While such views cannot be dismissed it should be stressed, however, that the price the populace of these countries has paid and is continuing to pay for the market reforms could have been less heavy had the reforms been properly prepared in advance.

What has been said earlier may suggest that reforms should have been initiated before they were started. But was that feasible in a system that fiercely opposed any reforms that might undermine its very existence? It is rather doubtful.

Reforms rarely succeed if they are initiated by the very same people they are supposed to reform. Neither can they be partial and unfinished. One should not forget that the reality that existed in the former communist countries in Central and Eastern Europe was not favourable for reforms of this magnitude. Furthermore, these reforms were realized upon the live organism, i.e. the populations that suffered hardship and discomfort. Consequently, they had to be introduced quickly regardless of the cost of their introduction [Kiezun, 2012, Kowalik, 2005].

Capacity building or rather the lack of capacity in business administration at the

initial stage of system transformation can be regarded as one of the major causes of errors committed during this time. The consequences of these mistakes are still felt and the damage inflicted is hard to repair. High priority must be given to capacity building in the transition economies to avoid negative consequences of ill-conceived or improperly implemented reforms in the next phase of system transformations.

Towards an efficient system in the transport sector

Ready usable models for capacity-building for the transport sector are difficult to find. Needs for capacity-building vary for each mode of transport and for particular countries. It is easier to train a truck driver or crane operator than a jet pilot. Likewise, it is easier to train such personnel in an industrial country than in a developing one where it is usually done at a much higher cost.

Capacity-building in transport management and administration can prove complex because methods and practices applied in the developed market economies do not fit into the reality of many developing countries and require profound changes in the existing *modus operandi* there. Such changes are not always possible in the short term. The conflict between the requirements of modern management and the existing business culture was especially visible in the former communist states, particularly at the beginning of their system transformations.

Capacity-building, together with good governance, starts with a good educational system in a given country. Otherwise even the best capacity-building mechanisms will not work simply because the recipients who are expected to apply these mechanisms will not feel the need to change their behaviour. There are nu-

merous examples of such attitudes in the transition economies. Although the new generation of students, born after the demise of the communist system, are receiving proper basic education in business management, they do not always follow the rules of the modern day-to-day work requirements. Being watchful observers they simply adapt to the style of work and motivation of their parents who still remember the past era. Needless to say such attitudes do not follow the requirements of capacity building.

While there are no readily available, packages for capacity-building training in the transport sector, some sources provide useful recommendations as to directions such training initiative should take. The report by the Center for Clean Air Policy quoted earlier in this paper is one of such sources, and although it is strongly focusing on anti-pollution measures it is worth quoting.

The Report recommends the following measures [CFCAP, 2010, p. 11-12]:

Engaging in a range of capacity-building activities because it is impossible to generalize as to which type of capacity-building activities are the most needed or useful. General tools, such as calculation methods, checklists, decision support tools, together with the best practice case studies adaptable to local conditions, can be very helpful. Such training tools would be most productive if they are combined with hands on, in-person assistance in the training of local practitioners to use them. Such assistances should be provided at all stages of the training process: planning, implementation and evaluation.

Tailoring of the capacity-building to local needs. Each country or region may have different needs in this area, depending upon the specific types of projects or programmes being considered in relation to the existing local knowledge and financial resources, institutional set-up and

other important factors. Capacity building efforts focused on specific countries or regions should start with an assessment of the most critical local needs in this domain.

Linking of capacity-building to a specific project. Local practitioners need concrete examples with which they will be able to test and apply planning, implementation and monitoring practices. “Learning-by-doing” is often the most effective form of education.

Ensuring that technical assistance supports the long-term objectives of capacity building since not all technical assistance activities build capacity. For technical assistance efforts to effectively build capacity, local practitioners should be given increasing responsibility for carrying out specific activities, should have an understanding of *why* they are doing something, and should be involved in making important project decisions.

Starting with a sustainable development plan which could involve, for instance, low carbon emission plan. Such a plan could be subsequently built into a broader transport development plan involving such goals as transport safety, mobility, accessibility and general economic development.

Building of a consulting capacity. Currently most local agencies in developing countries, but also in some post-communist nations, rely on external consultants to support some or most of their transport planning and implementation activities. With thousands of cities located in these countries it would be impossible to provide hands-on assistance to local staff. Training local consultants who work in many cities could relieve some of the burden currently supported by international organizations.

Using of university partnerships to train the next generation. Partnerships with universities can help to train university researchers – who often work directly

with local agencies – as well as students who will become the next generation of local staff and consultants.

Involving a full range of local stakeholders. Planning and implementation activities will be more self-sustaining if a broad range of stakeholders are involved, including transport planners at various levels of government, land use planners, elected officials, citizen and business groups, and other interests.

Focusing on transportation activity data. Good data is essential for making good decisions, and high-quality transport data in particular is lacking in most developing countries. Capacity-building should focus on helping local agencies develop programmes to routinely collect and update key types of transportation data such as traffic counts, speeds, trip lengths, modal split, etc., as to ensure the quality of data.

Coordinating the development of analysis and evaluation methods in order to minimize redundancy and inefficiency. It will be essential to ensure close coordination among lending agencies to provide a common resource/methodology evaluation that is currently used by various agencies and local project sponsors.

The above recommendations which have been slightly modified to correspond to the main spirit of the present contribution can be a starting point for a more detailed analysis of a general methodology for creating a workable system of capacity-building within the transport sector of both developing and transitional economies. The accumulated experience in this field is sufficiently relevant to build such a system that would profit all the parties involved.

Conclusions

Capacity building in general and in the transport sector in particular, has become one of the biggest challenges for a

further economic progress worldwide. Many developing countries suffer from inadequate and inefficient transport systems that prevent them from a full integration into the world economic system. It is not only the financial aspect of transport activities (infrastructure, fleets and auxiliary equipment) but capacity-building and good governance. The latter two components are strictly interconnected.

Capacity building efforts will not be very helpful if they are not backed by good governance. Conversely, good governance depends on managerial and administrative skills of those who run the transport systems. Synergy of both these elements is crucial for the creation of an efficient and effective transport system, not only in many developing nations, but in some transitional economies as well.

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