

**LenCD Assembly
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Kigali**

**Workshop 1:
Capacity Development and Aid Effectiveness:
On the road to Busan and beyond**

DAC Perspectives Notes on Capacity Development

Messages for Busan

This document is a compilation of the draft messages for Busan contained in the five Perspectives Notes, and which will be discussed in Kigali. The full documents can be downloaded at <http://sites.google.com/site/lencdorg/aid-effectiveness>

Background

In November 2011, the global community will meet in Busan, South Korea, to review progress on implementation of the Paris Declaration and Accra Agenda for Action. Through the Working Party on Aid Effectiveness (WP-EFF), preparations are under way to take stock of progress made by donors and partner countries in implementation of joint commitments.

To complement this effort, the OECD/DAC, in cooperation with the Learning Network on Capacity Development (LenCD) and the Southern initiative CD Alliance, has launched a process to reflect on the specific commitments and implications of the Paris Declaration and the AAA for capacity development. The preparation of a set of technical Perspectives Notes is a key input to that process. In all, five papers have been prepared on capacity development priorities in relation to:

- the enabling environment
- sector strategies and country systems
- fragile situations
- technical co-operation
- civil society actors

These papers can be viewed and downloaded at <http://sites.google.com/site/lencdorg/aid-effectiveness>

The purpose of drafting these Perspectives Notes is threefold: (i) Provide a review of the current state of play with respect to CD priorities highlighted in the Paris Declaration and the AAA. (ii) Provide an input to the Synthesis Report on CD key messages for Busan, to be led by a CD Alliance coalition. (iii) Set an agenda for further technical work post-Busan. These Notes also will provide background for LenCD resource corners and learning materials.

To ensure coherence and consistency across the five papers, the OECD/DAC definition of capacity and capacity development is adopted as a default: **Capacity** is the ability of people, organisations and society as a whole to manage their affairs successfully. **Capacity development** is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time. These definitions remain quite general and call for further precision in order to be operationally useful (see box).

Box 1: Discussing Capacity Development

Different organisations and institutional networks view capacity development in a variety of ways, for example:

- **UNDP** concentrates on four strategic priorities: institutional arrangements and incentives, leadership, knowledge and accountability.
- **NEPAD's** Capacity Development Strategic Framework has six cornerstones: leadership transformation; citizen transformation; knowledge and innovation; using African potential, skills, and resources; capacity of capacity builders; integrated planning and implementation.
- The **ECDPM** capacity study distinguishes five core capabilities: 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.
- The **Accra Agenda for Action's** strategic priorities are: civil society and private sector engagement, country systems, enabling environments and incentives, capacity development in fragile situations, integrating capacity development in national and sector strategies, relevance, quality, and choice of capacity development support.

It is difficult to discuss "capacity development" without first determining what kind of capacity is needed and what it should look like in operation. Without this clarity, discussions on capacity development tend to become general exchanges on what makes for good development practice. Regardless of which of these or other approaches is used, it is critical for practitioners to understand what they are seeking in terms of capacity and to use this as the basis for identifying activities which will help to encourage its development, rather than assuming that certain mechanisms will automatically enhance capacity.

Sector Capacity Development

This Perspectives Note discusses opportunities for and challenges of capacity development in a sector context. It examines these challenges from an endogenous vantage point. Sectors are thus regarded first and foremost as frameworks for organizing the design and implementation of domestic development policies, rather than as instruments for structuring the delivery of aid. The endogenous perspective is, however, used to consider how external support for capacity development at sector level can be effectively provided, as an adjunct to locally driven processes

- The “sector” can provide a relevant entry point for partner countries and donors to jointly address challenges of capacity development, development performance and aid effectiveness. However, a narrow interpretation of the sector should be avoided, and joined up approaches that take account of cross-cutting public sector management issues, as well as cross-sector challenges is imperative.
- A sector CD strategy should be an integral part of any sector development plan or strategy, and not regarded primarily as an instrument to manage donor technical co-operation inputs. Furthermore, it needs to be developed as part and parcel of the sector planning/ strategy process and not as a “bolt on” added after the plan has been completed and approved. This will help ensure that any CD support provided contributes to enhancing overall sector capacity and performance, rather than addressing the more limited implementation requirements of donor projects/ funding modalities.
- A multi-actor/stakeholder approach should ideally inform the way sector capacity challenges are addressed. This is important because sector ownership needs to take account of the full range of actors and stakeholders that engage around a sector. It is also important because sector capacity is more than central government capacity. Effective sector performance depends on effective mobilization and coordination of sector actors and stakeholders and recognition of their potential contributions. Discussing the role and contribution of different actors and stakeholders should be a focus of dialogue between partner countries and donors.
- Addressing sector CD needs also to take account of related public sector reforms and processes including pay reform and decentralization. A “joined up” approach will help promote coherence both among country stakeholders (sectors, central agencies, sub-national government) and among donors (sector, governance and civil society specialists). It will also help to identify factors beyond the sector that facilitate or constrain sector performance.
- Implementation of aid effectiveness principles can help promote sector capacity, especially in aid dependent countries. It can reduce many of the distortionary effects of fragmented aid that undermine capacity, while the focus on working through country systems, places greater demand on local systems to perform.
- While considerable research and analysis has been conducted on programme-based approaches, such as SWAPs, and on budget support, comparatively little work has been done on capacity development at the sector level. The guidance produced is a step in the right direction but more needs to be done to learn from field experiences of what works and what doesn’t in terms of the incentives to drive good CD practice at the sector level.

Enabling Environment for CD

The context matters for capacity development (CD). It sets the stage on which actors pursue their interests and agendas – both of which are affected by change processes. And CD is change, in most cases producing winners and losers and reconfiguring the balance of influence and power in and between individuals, organizations and groups of organizations.

This perspective paper collects evidence about how the environment can be more or less enabling for CD, how actors can adapt to or influence the context they operate in, and what the implications are when country and development partners promote CD.

Country and donor actors can do better for CD when they understand the context and how it influences performance and capacity development. Successful country managers – and successful donor staff - influence what is within their reach and adapt to what they cannot influence. That implies sometimes doing less, sometimes doing more for CD. First of all, it demands a *more managerial, strategic and dynamic look at capacity development and change*, requiring that country and development partners change the mental mode in which they traditionally dialogue about and deal with capacity issues as if it was mainly a technical issue. This Perspectives Note highlights three key messages that will help strengthen CD processes and support to such processes:

- *Make the understanding of the context operationally relevant.* This entail getting roles right: country actors need to factor the context in, departing from a specific CD agenda and respecting the sensitivities involved. Donors can support and broker context analysis and CD strategizing – if they take it over it is likely to stay at the margins, no matter how well researched and argued.
- *Get CD ambitions right.* Successful CD depends on the change readiness shaped by the context, the vision and the capacity and power of those leading and managing change. This may often imply more incremental approaches, a focus on quick visible wins, longer overall timeframes, as well as flexible adaptation to exploit opportunities and avoid dead ends.
- *Harness the leadership and management for change.* Country champions need to invest visibly in CD. They need space, capacity and support when they adapt to and influence the context. Donors need to understand the limitations of the change leadership and management capacity, and abstain from trying to replace endogenous leadership with their own.

Taking the context into account implies recognizing – operationally - that CD is much more than a technical discipline. It affects interests, reshapes configurations of influence and power, and generates or diminishes energies of external and internal stakeholders. Successful CD requires constant strategizing, brokering, coalition building and conflict management. Dealing sensibly and pragmatically with these often thorny issues is a new challenge that in itself has to be addressed:

- *Open the dialogue and learning between country and development partners:* A more frank and unpretentious dialogue about context factors, stakeholder and change readiness can help get CD and support to CD on a better footing on the road to and after Busan.

CD and Civil Society Organisations

Within the framework of the Accra Agenda for Action (AAA, art 13.b), CSOs and other non-state actors (NSAs) have an active role to play to support country development; they should therefore as well be part of country capacity development (CD) processes – both as recipients as well as providers of CD support. While acknowledging that other NSAs (e.g. political parties, local authorities, research institutes, media and the private sector) have also crucial roles to play, this note focuses on development-oriented CSOs in partner countries. It looks at two key capacity questions:

- **CSOs for Capacity Development:** *What are the strengths and opportunities CSOs offer to support national and local CD processes? What are the challenges and shortcomings they face?*
- **Capacity Development for CSOs:** *How have CSOs been supported to develop and strengthen their capacities to effectively play their development roles to their full potential?*

General Messages

- ✓ **Partner country ownership of CD processes goes beyond the State.** All state and non-state actors – including CSOs – have an active role to play into the design, implementation, management and assessment of national and local CD strategies, both as providers and as recipients of CD support, according to their needs and comparative advantages.
- ✓ Engaging with CSOs and more broadly with NSAs might bring **dilemmas** because of the multifaceted and wide-ranging nature of CSOs and other NSAs and the complex, sometimes hostile, relationships with state institutions. The diversity of CSOs mandates and constituencies must be understood and considered, as well as the dynamics of their relationship with state institutions. State and CSOs should mutually commit to strengthen their own capacities to engage with and support each other for national and local CD processes to be effective.
- ✓ **A joint learning effort.** CSOs and other NSAs involved in CD can engage actively with donors, partner country governments and other development partners in the on-going, joint South-North effort to consolidate lessons learnt and identify CD good practices – on the road to Busan and after. This should also look at good practices to support CSOs - and other NSAs - to reach their full potential as development actors and as CD providers. Donors and partner country governments should be responsive to the lessons learnt and experiences that CSOs can share, and vice-versa.

Messages in Relation to CSOs for Capacity Development

- ✓ As CSOs have a long and diverse experience in CD and are increasingly providing CD support to other non-state and state actors, there is a need for **donors, northern CSOs and INGOs along with other international CD support providers to assess their role in CD support in relation to strengthen CSO ownership in developing countries.** Where CD is supported as a contractual relationship, phasing out and exit strategies should be carefully planned for and agreed upon by all actors involved. A shift is needed towards a transparent market for CD, open and accessible to local CD providers including southern CSOs.
- ✓ Enhancing the **evidence base on CD modalities and support by CSOs** is a critical step to improve learning on what works and what does not work. All actors can support and commit to use available tools and process to assess the impact of CSO CD support and CD aspects of CSO partnership – both for accountability and learning purposes. One option to this end could be to integrate CSO performance into sector reviews and other thematic evaluations.

Messages in Relation to Capacity Development for CSOs

- ✓ Partner country governments and donors have a key role in setting up a conducive enabling environment that facilitates and values CSOs engagement in development processes.
- ✓ Effective support to capacity development requires a **contextualised, coordinated, long-term, demand-driven and comprehensive approach** which goes beyond training for individual skills to provide support to key organizational capacities. This also applies to supporting CD of CSOs and can be an important aspect of North/South CSO partnerships. Especially in least developed countries and post-conflict situations, donors, northern CSOs and INGOs must move carefully and do not push for the creation of “donor-oriented” CSOs as this might worsen rather than enhance the state-citizen-CSO relationships as well as undermine sustainability.
- ✓ All actors in donor and partner countries should join effort to seek for and promote **innovative and flexible support mechanisms for CD of CSOs** - including appropriate, more flexible and impartially managed funding mechanisms.

CD and Technical Cooperation

This Perspectives Note summarizes the considerable learning about technical co-operation for capacity development that has occurred in recent years, particularly in support of the international aid effectiveness process. Specifically, reference in the 2008 Accra Agenda for Action is found at the level of paragraph 14 where it is agreed "...that technical co-operation is one means among others to develop capacity..." Paragraph 14(b) goes on to affirm that "Donors' support for capacity development will be demand-driven and designed to support country ownership".

Three caveats about this Note merit remarking at the outset. (i) Because of the range of opinions and analysis on technical co-operation, it is modestly intended as an inventory of what has been said and where core consensus seems possible. (ii) It offers options rather than prescriptions. (iii) It is not meant to be a definitive conclusion, but rather the starting point of a process of collective dialogue and change.

Key Messages

- **Organized, South-North collective action on technical co-operation for capacity development is possible now:** There is a willingness to carry forward the current reforms of donor supported technical co-operation. Its vision must be clear and better integrated with the broader issues of capacity development than that of technical co-operation alone.
- **Donors play a critical supporting role:** Technical co-operation approaches can change substantively when donor policies and resources can be brought to bear on these issues. Much can be said about the need for the political will for change at the level of partner countries and this applies to the donor community, as well. Donors need to assess their own internal capacity to change if they hope to be effective in supporting the direction of this reform.
- **Future directions in aid-supported technical co-operation must be guided by the actual experience of partner countries.** Effective action is highly context specific and for impact and sustainability must be guided by local stakeholders. Organized Southern leadership is emerging, including in Africa. Partner countries can help rationalize technical co-operation by setting out clear national policies and joint management arrangements.
- **Joint learning to joint doing:** Considerable room still exists for better joined up learning about more effective use of technical co-operation. This should continue to be organized and could make better use of global or regional networks. Post Busan, partners also have an opportunity to more pragmatically implement, monitor and adjust.

Operational challenges post Busan

- *A longer term determination to change*
- If partners seek to evolve from a 'second' to a 'third generation' model of technical co-operation, it will require a deliberately structured effort, implying an evolution away from narrowly interpreted managerial, technical and task oriented systems of thinking and doing, to one that proactively anticipates the complexity and risk reflected in the realities of country level action. This new relationship needs to be built on greater mutual accountability and constructive collaboration. This will require that donors improve the overall framework for aid, rather than working only at the level of procedures. Similarly, partner countries can no longer absorb aid without translating it into improved service delivery.

Southern leadership

- By definition, partner countries with weak capacities will find it more difficult to shape and invest scarce resources in the management of technical co-operation at the local level. Nevertheless, where political will is present, several countries already have shown that it is possible. Because of their significant resources and experience, donors play a critical role in supporting this leadership. Not only do donors need to ask if they really are willing to give up the “driver’s seat”, partner countries must ask if they are ready to take the wheel.

Greater involvement of non-state actors

- Especially when looking at technical co-operation with a capacity development lens, the current aid focus on functions, institutions and skills in the public sector cannot be a long term solution. It is imperative that partner countries and donors shift greater attention over time to the appropriate empowerment of key non-state actors, especially civil society and the private sector, who already are recognized as the predominate developers of most forms of capacity in the formal and informal sectors of today’s partner countries. Future approaches to aid and development effectiveness need to identify the approaches, institutions and individuals who can best drive these agendas from the partner country perspective.

Capacity as the “exit strategy” for technical co-operation

- Aid professionals have long contemplated “capacity” as the ultimate objective of development co-operation and aid agencies routinely use technical co-operation as a primary instrument to address this objective. At any level of partnership, more routine joint examination of impact and sustainability over time and their logical end point would be a simple way to ensure that technical co-operation (experts, training, educational grants) are regularly framed with a similar sense of urgency and focus.

CD in Fragile Situations

This Note summarizes the considerable body of theory and evidence now emerging from multiple work streams on topics relating to capacity development in fragile situations, especially that done under the aegis of the Southern led International Dialogue and the International Network on Conflict and Fragility (INCAF), a subsidiary body of the OECD Development Assistance Committee, and the joint work on capacity development and fragile states being done by the UNDP's Bureau for Conflict Prevention and Recovery and the World Bank Institute. Other documentation has also been consulted. It looks more closely at the operational implications of this information for donors and partner countries looks ahead to and beyond the next High level Forum in Busan, South Korea.

Key Messages

- Current approaches to capacity development have not been very effective in most fragile and post-conflict states and have been detrimental in some cases .
- Fragile and post-conflict states are rife with dilemmas where no solution will accommodate all concerns and solutions may be far from ideal. Careful analysis is required to understand the implications of various choices.
- Linear planned approaches are not appropriate in many fragile situations. Emergent or incremental approaches provide more flexibility to adapt to complex and changing contexts and increased complexity. Emergent approaches require much more attention to both the evolving context and to on-going learning from experience so that activities can be adapted appropriately.
- The role of donors may need to expand or change to include new activities, such as insulating or protecting partner organizations from political pressures so as to give them space to develop their capacity, including their legitimacy. One way of doing this is to ensure that the management frameworks for projects and programs provide room for experimentation with and testing of new ideas and approaches and that monitoring criteria focus on processes of learning rather than specific tangible results.
- Monitoring and evaluation systems for capacity in general need to take into account both tangible and intangible results, including resilience, sustainability, and legitimacy, and how they interact.

Thinking about increasingly operational approaches post-Busan

- Develop a common understanding between country partners and donors of what capacity is to be developed and for whom. This may take considerable time and may require activities to assist in the process, such as informal exchanges and formal dialogue among stakeholders with disparate views. Use political economy analysis to identify entry points for action. Ensure that technical plans complement efforts to overcome political tensions as these are often the more critical obstacles to developing capacity.
- Identify the serious leaders in the country (politicians, ministers, NGO leaders) who want change and reform and who are motivated to make positive changes. Encourage them to form a network to exchange ideas and promote reform.
- Reduce the complexity of donor systems to lighten the pressures on developing partners' capacity. The requirements for project proposals and for monitoring are discouraging to

many country partners. Such requirements should reflect the management systems and processes of the country as much as possible so as to avoid partners having to learn and apply two systems (shadow alignment).

- Use dilemma analysis to help recognize and manage trade-offs. Donors can help assess the implications of tradeoffs to avoid solutions, which might undermine the state over time.
- Leave room for bargaining and re-strategizing during implementation of activities to accommodate changes in needs and priorities.
- Plan transitions from donor-controlled programs to co-managed ones. This will require thinking through the incentives for donors to make such a move and how they contribute to such a process.
- Draw on the diaspora where possible and use international TA sparingly. Regional advisers seem to be more appropriate for coaching and mentoring than other internationals because of better cultural understanding.
- Ensure that country partners have a role in the management of TA from the beginning of the program and increase this in phases as national capacity is built and demonstrated. Use partner country systems where possible, for example, Afghanistan has a performance appraisal system to measure skills transfer and capacity enhancement of counterparts.
- Agree to topping up of salaries only when there is broad agreement among the main donors working in the country on how it should be done, including a code of conduct specifying how to avoid “sucking out” capacity from the public service.