

Capacity Development and Aid Effectiveness

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1. **From a country based perspective what makes sense viz a relevant and responsive aid architecture today?** And if it needs to be something quite different to what we know today, then what motivates the need for change? The need to ensure the high quality of dev finance into the country to meet the country's development goals. And knowing that such can only truly be realized at a country compact level. We see these country negotiations under way that is redefining the lines of the aid debate and architecture in countries. And the global level often has to play catch-up.
2. **This means a different starting point of the development results to be achieved.** That leads us to two questions: (i) What and Who is financing the country's development trajectory towards the MDGs and greater HD (is it primarily domestic resources, remittances, is it ODA or FDI? If ODA, is it global vertical funds, loans, DBS?); and (ii) Who is in charge of the decisions and directions of this flow of development finance? Not always clear cut even within govt, where central and line ministries may have different approaches and aspirations, as have sub national entities. Bottom line for national leadership and for external partners is knowing the multiple financing and partnership choices available to a country.
3. **From a capacity perspective this provides a pragmatic translation of the concept of national ownership** – it is about what empowers and informs the review of choices so the best decisions can be made on the relevant sources and uses of aid. So it is about capacities nationally, that brings together the resources that support a country's development plan, about ensuring a behaviour change among donors and line ministries for example, to ensure that more and more of these resources are on-budget, and about capacities for informed visioning by leaders and in parliament, and it is about capacities for more integrated approaches to address the real hard issues that debilitate capacities in each country context, such as HIV/AIDS or brain drain or food scarcity or recurrent floods where development responses need to be met urgently but with CD for the long haul. Case of Malawi doctors and Ghanaian nurses and Chinese professors and South African engineers.
4. In this context, **what capacities make most sense in terms of a country's own investment in an aid architecture?** A focus on two critical aspects: the links between capacity development for AE to longer term reform processes underway in the country, such as PAR, wage and education reforms; and secondly, the role of an informed and capacitated parliament and other representative bodies, including at sub national levels. We have a tendency to look outside of such bodies to create more new mechanisms. Peer review and state-citizen monitoring mechanisms are wonderful, but not in the absence of the role and oversight of such representative bodies. And yet, they are often absent in the aid architecture.
5. **The development finance dynamics today throws out the conventional divides and categories** of traditional and non traditional, South and North, donor and recipient. All a mixed medley now. In one country, both traditional and non traditional "donors" exist – take China and the US (govt aid, post grad scholarships, vertical funds, trade and aid, contributions to Global Funds....). The receiving end is a mix of traditional and non traditional options as well. Do all need to be a part of a formal aid architecture, and if so how? Should all be expected to align to the same standards at the same time?
6. **Such demands a national development finance oversight mechanism that is inclusive and more of a principle and standard setting body.** Therefore, in-country overall coordination capacities that are needed may not look like what we know today. Maybe a more inclusive and principles driven model where there is a strong vetting of dev finance sources, including ODA, along those lines. Whether one provides different sets of such

standards to different groups of external partners, or accepts one set as a donor and another when same is a recipient, needs a debate.

7. **A national capacity in this regard can be well guided and supported by a global capacity that supports the aid architecture in three respects:** a) hosting a consultative process for standards and principle setting as a guiding frame; b) providing a forum for continued political dialogue in a non political setting on these issues; and c) growing that base of evidence and facilitating the exchange of lessons on what works among countries go through similar trajectories and gains and challenges. But let us not force structure where there need not be one. Today, most learning and knowledge exchange and demonstration is happening in open spaces. Real-time knowledge and learning hardly requires management. So let us not straight jacket through the Paris Agenda for Action by driving it via intl structures.

8. **What seems to be motivating these transformations?**

- Lessons of past performance – mixed record on TA, on DBS...
- The hard issue of capacity retention. CD still not focused on this critical issue.
- For the UN dev system, stronger push and enforcement from 2007 TCPR – quote...."the UN system must deliver together for national capacities as its core contribution to development"
- Emerging forms of development finance – other options available today; the quick responder scoring the points....sobering reality setting in on both ends.
- The mutual drive to deliver, with quality and accountability for results.
- And most of all - missing the MDGs as a minimum standard for dev results.

9. **A recap of specific capacity questions around which we need to dialogue around and take into the Accra Agenda for Action:**

- Is there the political space and will to articulate and monitor a basic set of principles and standards for all who want to engage, as an essential part of the national development strategy that embeds national CD priorities within? Helps us move away from a cash based conversation to one of pragmatic capacity development relations: mutual roles for development results (dealing with brain drain and gain; climate change, HIV/AIDS; focuses on leadership peer exchanges; supports mutual learning and knowledge exchanges; provides demonstration on what works on incentive systems and inst arrangements. Case of Ethiopia on presenting a national CD strategy as underpinning its development strategy and aid policy that looks at it this way....
- Are there capacities in national and local level representative bodies to ensure the critical analysis, and the inclusive dialogue spaces to make informed decisions on what dev finance works best for what priority development ends, and exist over the long term? Case of South Africa, India, Tanzania...
- Are the capacities in-country to manage and monitor how this dev aid is then used in the right places? Is there a vibrant mix of state-citizen-donor accountability mechanisms and processes that are active and contributing Case of Viet Nam, PHI and Rwanda on results tracking; peer review mechanisms; citizen card and social watch processes...
- From a CD perspective, are we investing in country systems rather than limiting the conversation and indicators only to the *use* of country systems?
- Do we have the capacity at different levels to evaluate what works best for what end, and provide this feedback back into the core principles and processes above? We are all still looking for more hard evidence and for demonstration effects. But we need to look beyond the project case studies to longer term policy and investment choices that moved longer term reforms. Also at impact of the current set of indicators (do less PIUs and country systems use etc really make a difference to development results?)