

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

SUPPORTING PARTNERS TO DEVELOP THEIR CAPACITY

12 Lessons from DAC Peer Reviews - Draft

In accordance with the schedule and process for the development of further 12 Lessons publications by DCD (DCD/DIR(2011)9), this document has been approved by the DAC's designated editorial board and is submitted to the DAC for APPROVAL under the written procedure.

If no objection is received by 24 April 2012, the document will be considered approved and issued as FINAL.

Following approval of the document it will be readied for publication in the 12 Lessons from peer reviews series in accordance with the format agreed with the editorial board and would be launched and disseminated through a range of channels, including via DAC delegates, subsidiary bodies, DCD meetings and events and web-based media.

Contact: Michael Ward - Tel. +33 (0) 1.45.24.76.47 - E-mail: michael.ward@oecd.org

JT03319293

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**SUPPORTING PARTNERS
TO DEVELOP THEIR CAPACITY
Twelve Lessons from DAC Peer Reviews
Third Draft, 3 April, 2012**



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Supporting partners to develop their capacity: Twelve lessons from peer reviews

Preface

Peer reviews of DAC members are based on the dual principles of peer pressure and peer learning. The reviews are the only international process regularly to examine key bilateral development co-operation systems and offer constructive commentary for their reform. In doing so, peer reviews constitute a yardstick against which the DAC can measure the influence – or lack of it – of its good practice principles on members' behaviour, both in the field and at headquarters. The ultimate aims of DAC peer reviews are to:

1. Help improve the quality and quantity of aid
2. Provide credible analyses based on common principles that can be used by both OECD countries and the wider international community
3. Enable DAC members to share experiences, identify good practices and improve co-ordination.

Over the period 2006 to 2010 capacity development was treated as a special topic in a total of 19 peer reviews in recognition of its increasing importance in development co-operation. In addition, how DAC members work to support capacity development in their partner countries has been discussed in many other peer reviews under the heading of aid effectiveness. This booklet draws out some common themes or lessons regarding capacity development from these peer reviews, including technical co-operation which is one of the main forms of DAC members' assistance to partner countries. The lessons are focused on how DAC members can reform their technical co-operation and other practices to better support partners to develop their own capacity. The booklet includes examples of DAC members' practices and experiences, and sketches out the challenges donors still face as they move towards better support for capacity development. While the lessons are very much targeted at DAC members, they are relevant for others too. The lessons are grouped under the following headings:

- the strategic framework;
- delivering effective support for capacity development; and
- learning and accountability.

These lessons also take into account other relevant research and consultations the OECD has conducted in relation to capacity development. In particular, the lessons are aligned with the conclusions reached at the 2010 workshop in Paris on "Capacity development in donors' business processes", the 2011 Cairo workshop on "Capacity development: from concepts to implementation".¹ In addition, this booklet makes use of our work on making aid more effective and on development in fragile states and situations.²

This publication was prepared by Penny Jackson, an OECD policy analyst, and draws extensively on the work of her former colleagues, Jim Hradsky and Silvia Guizzardi. Valuable comments and feedback were provided by Michael Ward and Rachel Scott. Representatives of Australia, Canada, Denmark, Japan, Norway and Poland provided oversight as members of the editorial board.

The twelve lessons series, covering a range of current issues and targeted at development policy professionals, has been developed under the direction and guidance of Karen Jorgensen, Head of the Review, Engagement and Evaluation Division of the OECD's Development Co-operation Directorate.

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INTRODUCTION

Capacity - the “ability of people, organisations and society to manage their affairs”³ - is a pre-condition for self-reliant and successful countries. All DAC members agree that a central purpose of their development co-operation is to help partner countries to build sufficient capacity so that they no longer have to rely on aid and external assistance to develop their economies and ensure better lives for their people. This is recognised in the Paris Declaration, agreed in 2005, and the Accra Agenda for Action of 2008. In the development business, the ultimate objective of DAC members should be to work ourselves out of a job. Focusing on capacity development should help us to make better progress towards that goal.

Developing capacity is a long-term process, one that cannot be led from the outside; it has to be owned and led by the very people, organisations and countries that benefit, though they can be assisted by external support. DAC members can and should play a supporting role; they can also back agents of change who can push capacity development forward. To be successful, the process needs to build capabilities up to a certain level, to achieve a critical mass or tipping point that is sustainable, so that maintaining this capacity is not reliant on either continued external support or a small number of individuals. So, the role that DAC members can play in this process is both supportive and impermanent.

Capacity development can take place at many different levels, but three of the most important are: individual, organisational and societal (often referred to as the enabling environment).⁴ A successful approach to developing capacity is likely to involve all three of these important levels. The capacity of individuals is crucial, but will not necessarily lead to an increase in the capacity of an organisation, or a society as a whole to fulfil its functions. At the individual and organisational level, capacity in technical fields as well as capacity in general areas such as leadership and management are equally important. In addition, making sure there are no systemic, political or other external obstacles that constrain the strengthening and development of either organisations and institutions or the individuals that work in them, is vitally important. Capacity of different groups within a society is also important; and DAC members can play a useful role in supporting civil service officials, women’s associations, and many others, to support their own capacity development.

These lessons focus on how DAC members can better support partners to develop their own capacity. While there is broad consensus that capacity development is important, we still struggle to support it effectively. Hence the need for this booklet, which highlights the most important lessons based on DAC members’ practices, as documented in peer reviews and our wider work on capacity development. The lessons are grouped under three headings, strategic framework, delivering effective support and learning and accountability, but all are inter-connected. Some of the lessons are not new ideas, many seem like common sense for good project management, most also reinforce the messages from the southern-led Capacity Development Alliance; all are worth ensuring we apply in practice.

The lessons are primarily aimed at DAC members and are based on evidence and experience, but would be equally applicable to CSOs or other agencies who also contribute significantly to building or strengthening capacity. These lessons can also help partners in discussions with donors about support for capacity development. In particular, the lessons are designed to inform and change DAC members’ practices so that our collective support for partners’ own efforts to develop their capacity are improved and to hasten the day when external support is no longer needed.

J. Brian Atwood
Chair of the Development Assistance Committee of the OECD

The Strategic Framework

LESSON 1: PROVIDE CLEAR STRATEGIC VISION

What: Putting the right kind of policy and strategic framework in place and giving capacity development the priority it deserves is a crucial first step for any DAC member towards ensuring its support helps partners to develop capacity. This means spelling out in policy and other guiding documents the basic meaning of the concept, whose capacity should be developed, what it entails and why it is necessary, as well as the key principles to guide how the DAC member can support it.

Why: Those DAC members that have made building sustainable capacity or self-sufficiency a core objective of their development co-operation policies have provided clarity of purpose that is unambiguous to the staff of their aid agencies and to their partners. It provides guidance to staff and helps partners to see how DAC members intend to support their capacity development objectives.

How: DAC members should develop an overall strategic framework for supporting sustainable capacity in their partner countries, one that has high level ownership within the agency; clarifies objectives; supports a consistent vision which applies to all parts of a DAC member's operations; and guides planning, implementation and evaluation. How this is applied will, of course, vary by country. In particular the approach is likely to be different in countries with strong governments than in more fragile situations. Specifically:

- DAC members can prioritise capacity development either by integrating it into the main pillars of their overarching policy, or by making capacity itself one of the main pillars. External support is most effective when building capacity in partner countries is managed as a partner-owned and partner-led process supported at various interlinked levels (the individual, the organisation and the enabling environment).
- It can be helpful to have a strategy setting out *how* the DAC member aims to support capacity development, either as an overall priority or by integrating capacity building objectives into all streams of work, particularly at sector level. In each country, however, DAC members will need to take a tailored approach, aligning with partner objectives and priorities.
- For DAC members who have more than one implementing agency or several ministries involved in development co-operation, a single overarching vision, framework, or strategy is useful to ensure consistency: first, in the approaches of the different agencies; and, second, in terms of whose and which capacity will be developed in partner countries.
- High levels of support for capacity development from the political and administrative leaders of the donor agency can contribute to the strategic vision and provide the political push that is necessary to make this key policy priority a reality at programme level.

DAC member experiences

Japan sees capacity development as a central cog in its development co-operation. The rationale for all Japanese development co-operation is based on the idea of self-help and supporting partner countries to become self sufficient. This is reflected in Japan's ODA Charter, which is the guiding policy document for all Japanese development efforts.⁵

Switzerland's recent *Bill for the South* sets out that the goal of Swiss development co-operation is to "enhance the capacity of people, organisations and societies, through efficient and sustainable use of resources, to improve their living conditions through their own means". This legislation provides the framework for all Swiss development co-operation.

The Strategic Framework

LESSON 2: TAKE PARTNER OWNERSHIP AND LEADERSHIP SERIOUSLY

What: The process of building capacity should be partner-owned rather than donor driven. The challenge for DAC members is to make this ownership operational through their policies and programmes, allowing partners to play the leading role and aligning external support with partner priorities and systems.

Why: The emphasis on local ownership and leadership is about achieving sustainable results. DAC members' involvement should be temporary, their inputs gradually replaced by partners' own efforts. Decades of experience has shown that supply driven inputs, which do not have local backing, often do not lead to sustainable capacity being developed and do not focus on the right things. Yet, historically, many DAC members have tried to drive the capacity building process in their partner countries.

How: Taking partner country ownership and leadership seriously is a challenge for many DAC members. As funders with domestic accountability requirements and their own procedures, DAC members are sometimes more concerned about "getting the job done" and delivering short term results than in supporting the development of longer term sustainable capacity in their partner countries. But the demands of capacity development are changing the role of donors and reducing the need for them to be directly involved in programme and project implementation. To achieve partner country ownership and leadership, donors' support should be focused on building sustainable capacity and respond to real demand from partner countries. It should seek to support the change agents that can make capacity development ambitions a reality. In addition, DAC members' support should be flexible and adaptable in procedures and processes so that it fits the local context and responds to local needs. This means that partners (including not only partner country central government, but in some cases also local authorities, civil society, private sector, or other non-state actors) should play the lead role in:

- Identifying capacity gaps and the priorities for external support.
- Planning how best to respond to capacity needs and designing programmes, how external support may be helpful and over what period of time.
- Contracting and managing technical services, including in drawing up terms of reference for providers of services and the procurement and decision making process – partner country procurement systems should take preference, though this may not be possible in every country.
- Implementing programmes and reviewing progress – partner leadership also requires that partners commit resources, particularly senior human resources and time to the capacity development process.

DAC member experiences

New Zealand is working to ensure that its partners are able to take the leading role in recruiting and managing technical advisors directly, shifting its own role from one of supplier and driver of technical assistance inputs to one of support and financing.

The UK builds capacity development options into broader programmes of support. Partners can request additional technical assistance, or the UK can make that assistance integral to the original project proposal. Technical assistance is usually procured through open contracting and partner countries' procurement systems can usually be used.

Norway tends to include a capacity development component within its sector programmes, which are often integrated into partners' sector-wide programmes. The content of these components is usually agreed jointly by Norway and its partners.

Delivering effective support

LESSON 3: MAKE THE CONTEXT THE STARTING POINT

What: DAC members' support for capacity development must take into consideration the political, cultural, social and economic context and the enabling environment. The entry point and modus operandi for capacity building strategies and programmes must be chosen on the basis of understanding of the structural factors shaping the performance of individuals, organisations or countries, as well as the capacity of and incentives in the country's systems to support capacity development at the various levels.

Why: Abilities, aptitude, knowledge and competence do not develop in a vacuum. Understanding the context – the political, social, power dynamics and other contextual dimensions which can impact on processes and outcomes – is decisive in whether capacity building is successful and sustainable. Contextual constraints usually include political and economic factors or they may encompass a need for wider public service reform. Understanding the context and designing and delivering support in the light of that understanding, reduces the risk of failure, and increases the likelihood that DAC members' support is effective in helping partners to develop sustainable capacity for themselves.

How: A solid understanding of context can be gained through robust analysis, as well as full involvement of local stakeholders in the design and implementation of activities. Ideally, such analysis should be done jointly with other interested partners, thus pooling information and resources while avoiding duplication. Unfortunately, as monitoring of the Paris Declaration on Aid Effectiveness has shown, less than half of DAC members' country analysis is co-ordinated. The causes of capacity gaps are usually more deep-seated than a simple lack of training and so broader, joint, analyses are helpful, particularly those that look at the binding constraints to development, drivers and blockers of change and gender equality dimensions. In their turn, capacity assessments are helpful in identifying gaps and priorities for development, as well as opportunities or potential and the most appropriate entry points for support. Helping partners to make their own capacity assessments, as part of their national development strategies, is the most effective way that DAC members can assist. In more fragile contexts or where capacity is particularly weak, external partners can usefully play a stronger role.

A strong understanding of context and need should be used to inform how activities are planned, supported and delivered. It may mean that the activities designed for building capacity are delayed until barriers to success are removed, for example public service reform may be necessary before training or some other institutional strengthening activity can be attempted. It may be necessary to integrate a specific effort into a broader programme that addresses systemic issues.

DAC member experiences

A number of members routinely conduct analysis of the overall country context, particularly in relation to governance, including country governance assessments (UK), strategic country assessments (Netherlands) and inter-agency conflict assessments (USA). Such assessments are important though may not go into depth. The UK conducts "drivers of change studies" when it needs more detail about how change is achieved or blocked.

Examples of DAC members conducting contextual analysis together include the **UK and the Netherlands** in Pakistan, where they pooled five different studies, two UK, two Dutch and one conflict analysis which they commissioned jointly. The focus of this effort was to inform broader programming decisions but the analysis was relevant for understanding challenges related to capacity development.

The **European Commission** funded a Vietnamese government led workshop on capacity development in the public sector, which brought Vietnamese government officials and staff from various DAC members together to discuss the context constraining reform and capacity development efforts.

The Strategic Framework

LESSON 4: MAKE BETTER USE OF TECHNICAL ASSISTANCE

What: Technical assistance is the provision of expertise and training and is one of the oldest forms of government- to- government development co-operation. Technical assistance has often been effective in supporting partners – most often but not always governments - to improve their operations in the short term and to complete particular tasks, such as a study or a piece of engineering design, but it has not been so useful as a tool for building sustainable capacity.

Why: Reforming technical assistance – which accounts for a substantial share of official development co-operation - is about getting better development results. Despite decades of significant investment, many DAC members continue to find it challenging to ensure that their technical assistance leads to the development of sustainable capacity rather than gap filling or “getting the job done.” The supply driven approaches that have characterised the provision of technical assistance have frequently failed to build sustainable capacity and, in many cases, have actually undermined local capabilities by creating a dependency on the expensive, international expertise funded by DAC members.

How: The issue is how to ensure that technical assistance, when used, is the right intervention for building sustainable capacity and is delivered in appropriate ways to fit this purpose. To this end DAC members should move away from donor-driven approaches to supplying technical co-operation and, instead, play the role of a supporter of partner owned, procured and managed technical assistance. This will require DAC members to ensure that their support for technical assistance:

- is responsive to partner demands rather than directional;
- is not tied to a particular supplier or source;⁶
- makes use of partner country systems wherever possible, including procurement, avoids imposing overly complex tendering procedures or establishing parallel implementation units;
- draws on local or regional resources, helping to ensure value for money, and understanding of local context, while also assisting development of local and regional markets;
- is well linked in with wider development efforts; and
- is fully transparent about the costs involved.

South-south and triangular co-operation have long been important ways for developing countries and emerging economies to share their experiences, knowledge and expertise. Helping such co-operation, with financial backing, or through networks in which southern countries or organisations can exchange knowledge and contacts can be effective ways for DAC members to support demand driven intra-regional knowledge sharing. A growing south-south and triangular co-operation sphere also means a diversification of actors in the development co-operation field, giving partner countries more options when seeking support for their capacity development efforts.

DAC member experiences

The EU is making reforms to its procedures for technical assistance to introduce more flexibility and remove procedural obstacles to partner leadership, such as its procurement rules. These reforms follow a major strategic re-think of how the EU uses technical co-operation and parallel implementation units.⁷

Australia and its partners jointly reviewed the use of advisers in order to ensure that all positions were delivering clear development results. The resulting Joint Adviser Review Report confirmed the importance of reforms which are underway to ensure that when advisers are used, they represent the best response to an identified development need/priority. The review emphasised the benefits of alternative forms of technical assistance to the use of advisers - such as training, twinning arrangements and scholarships - to achieve agreed results.

The Strategic Framework

LESSON 5: FOCUS INTERNATIONAL SCHOLARSHIPS FOR DEVELOPMENT IMPACT

What: Where DAC members are providing international scholarships for higher education, these should be focused on subjects that most meet the needs of partner countries. In 2010 around USD 1.5 billion⁸ of DAC members' total ODA was spent on international scholarships. Between 2005 and 2009 nearly USD 3 billion per year of DAC members' collective spending was accounted for by "imputed student costs". Most of the scholarships provided by DAC members (though not all) are for students from developing countries to study in donor country universities and colleges. Such scholarships are intended to develop the capacity of individuals, thus enabling them to contribute to the development of their own countries.

Why: Decades of experience highlight that scholarship programmes that are not well focused have limited development impact. Risks associated with scholarship programmes include a lack of coherence with either the DAC members' or partner's overall development priorities, inequitable distribution of aid resources, limited development outcomes and brain drain. It is estimated, for example, that one third of foreign students who study in the USA do not return to their home countries; for students from developing countries the rate is thought to be much higher. Brain drain undermines partner countries' capacity development efforts. Nevertheless, scholarships can be a useful tool – it is a question of ensuring they are managed well and tightly focused on supporting development.

How: DAC members who use international scholarship programmes, should review them to understand the impact they have on development outcomes. Some DAC members have already done so and found that how they were using scholarships was not cost-effective - in terms of achieving development results. In recognition of these failures, some DAC members have reformed both the size and focus of their scholarship programmes. A few have gone further and have significantly downsized or abolished them. Instead, these DAC members prefer to focus their support on in-country training and education, for example by supporting the development of tertiary education institutions within partner countries. Where DAC members want to retain scholarship programmes, they should ensure that the funds for these are targeted or linked to broader programmes of support, to maximise the developmental impacts and minimise any negative side effects. They can do so, for example, by:

- focusing support for study on areas that are most applicable to partner countries' development priorities and challenges;
- including incentives for beneficiaries to return and apply their knowledge and skills in key sectors in their home countries;
- supporting study at home or in the region including in key regional educational institutions, rather than study in the donor country;
- focusing scholarships for study abroad on higher level qualifications that cannot be gained in the region and that are related to development objectives and capacity needs; and
- ensuring equity and transparency in how students are selected.

DAC member experiences

New Zealand concluded that some overseas scholarships were still needed in small pacific island countries where key subjects were not available for study at home, but that New Zealand should better co-ordinate its scholarships with other providers in the region, notably Australia.

Portugal reviewed its scholarship scheme and has since reformed it to focus on study in Portugal on higher levels of education and subjects that are not available in partner countries. It is also providing scholarships for individuals to take up study in their home countries, sometimes alongside support for strengthening partner universities.

Delivering effective support

LESSON 6: TRANSLATE POLICY ASPIRATIONS INTO PRACTICE

What: This lesson is concerned with the implementation of DAC members' policies for supporting capacity development and with how decisions are made. A DAC member's policy and strategic framework may be clear and unambiguous, but to translate this into practice requires effective implementation. DAC members can identify and take practical measures to close the gaps between their policy and practice.

Why: A policy for capacity building is only worth having if it is translated into practice and produces the expected results. DAC members have found that putting their policies for the development of capacity into operation is a challenge, particularly when agency employees have so many other concerns. A number of peer reviews have observed a gap between the vision for making the development of sustainable capacity a priority or goal in policy and the reality of how DAC members are working in practice.

How: A key requirement for translating DAC members' policy aspirations into practice are clear implementation guidelines which are meaningful at the field level to programme or project staff and managers, and which can be used as a starting point to agree with partners how external support can contribute. As well as outlining key concepts and objectives and providing directions on how to monitor and understand outcomes, guidance should be practically orientated and, in this regard, real examples of good practice can be helpful. Some of the most useful guidance DAC members have established relate to specific challenges and provide clear examples of how to support the achievement of sustainable capacity; for example, priorities and lessons from fragile situations or from specific sectors. Other tools and incentives which have helped DAC members to prioritise building sustainable capacity in practice include:

- making inclusion of expected capacity outcomes and ways of measuring them mandatory in all project planning and using project appraisal to assess that this is done;
- including developing sustainable capacity as an explicit objective of consultants' or implementing partners' contracts, particularly when external consultants or organisations are used either to provide technical assistance or to deliver services; and
- establishing a specific unit or team to focus on translating policy for capacity building into practice, sometimes performing quality control as well as advice and standard setting functions.

For DAC members who have more than one implementing agency or several ministries involved, it is helpful to have one single set of policies and operational guidance and incentives to apply them, which are used by all the responsible organisations. This may mean one organisation needs to be given the mandate to take the lead and ensure all those involved are meeting similarly high standards and that they work together to support a specific partner at country level.

DAC member experiences

Sweden is agreeing new guidance following lessons from earlier experiences with support for capacity development and the core of this will be integrated into the overall staff operational handbook. This guidance was based on research conducted by a small team focused on capacity development.

Portugal has agreed one single set of guidance, which includes definitions and references to key principles such as ownership, in order to bring a range of different government entities into line with good practice. One agency is now tasked with promoting that this guidance is used by all the parts of government involved in capacity development activities.

Australia has supported its policy on the use of advisers (technical assistance) with operational tools. The tools provide staff with a range of options that encourage them to design more strategic and comprehensive interventions in capacity development.

Delivering effective support

LESSON 7: CO-ORDINATE SUPPORT FOR CAPACITY DEVELOPMENT

What: Co-ordinated support for capacity development requires DAC members to harmonise and integrate - internally, with each other and with partners - when they plan, implement and review their technical co-operation. It is also linked to respecting the principles highlighted in the Paris Declaration on Aid Effectiveness of harmonisation, alignment and ownership.

Why: With a myriad of actors operating in developing countries, co-ordinating efforts to assess and support the development of capacity is vital for success. Good co-ordination allows DAC members and their partners to ensure adequate coverage of key areas identified for technical co-operation and can assist with the process of focusing different actors on where they can add most value. The importance of supporting capacity and doing so in a co-ordinated way was highlighted in the Paris Declaration on Aid Effectiveness. As a proxy, the Paris Declaration monitoring surveys have assessed the proportion of a donor's technical co-operation that partners consider is well co-ordinated and aligned with country systems and strategies. The surveys show that DAC members have made only modest progress in this area, with 57% of technical co-operation co-ordinated in 2010 compared to 49% in 2005. For those DAC members with several agencies, internal co-ordination of technical co-operation is also a challenge.

How: Co-ordination should take place on at least three levels: (i) within each donor; (ii) between donors; and (iii) co-ordination between donors and partners. Co-ordination within each DAC member is a prerequisite for co-ordination with others. However, some DAC members who have a number of different agencies or ministries involved in capacity development have not always been able to do so. Others successfully co-ordinate different actors within their systems by either (i) giving one of the agencies or ministries a mandate to lead on capacity development across a member's development co-operation; or (ii) giving the embassy or country team for development co-operation the mandate to co-ordinate all inputs from different parts of the DAC member's government at country level.

Co-ordination among donors and between donors and partners go hand in hand and similar challenges and opportunities exist as in other aspects of development co-operation. This co-ordination is needed at the time of analysis, capacity assessments, in planning, in agreeing on funding mechanisms, in implementation and in monitoring. One way to do this most efficiently is to support partner-led "basket funds" for capacity development, which means the resources are pooled and subject to joint decision making, based on joint analysis and monitoring, all led by the partner country with a common 'rules of the game'. Another way is for donors to contribute separately under the framework of a partner strategy, supporting specific components while keeping funding separate – this too can and should be governed by a common 'rules of the game'.

DAC members should align with partner country priorities and strategies, where they exist. They can support capacity assessment, specific components of a wider partner-led capacity development programme, or provide the capacity support to a partners' wider sectoral programmes, such as through a SWAp. This becomes difficult where partner leadership and ownership of the capacity development agenda is lacking; in these contexts DAC members can usefully play a stronger role (see Lesson 3) and strengthened partner leadership becomes a capacity building objective in itself.

DAC member experiences

The Netherlands and Ireland have increased the co-ordination of their support to capacity development by directing all their financial support for capacity development funding through partner led basket funds. They made a policy decision to move away from freestanding technical co-operation and to work through co-ordinating mechanisms wherever possible.

The **European Union, Denmark, Sweden, Canada and Switzerland** have pooled their resources to support civil society organisations in Mali. They have established a fund to be managed by an independent management agency, with the aim of supporting the capacity of Malian civil society organisations active in a broad range of development and accountability issues.

Delivering effective support

LESSON 8: INVOLVE LOCAL AND NON-STATE ACTORS

What: DAC members have tended to support partner countries to develop their capacity on a government to government basis, often focusing on central government and, to a lesser extent, sub-national government. However, other actors – including local government, civil society and the private sector - can both contribute to and benefit from capacity development efforts.

Why: For some DAC members, a traditional focus on state-state relations in capacity development efforts has meant that opportunities to work with a broader range of stakeholders are overlooked. Yet, non-state actors could play a much greater role as providers of capacity development support, and in development more generally, if they had the opportunity to do so. Support for the development of democratic governance, for example, may involve activities to strengthen the capacity of both the state and civil society. Furthermore, for *genuine ownership* (as stressed in the Paris Declaration) these other actors need to play a substantive role in the broader development processes, including in strengthening national capacity.

How: DAC members and partners should work together to involve a wider range of actors in development processes through transparent and open planning and procurement procedures. This requires DAC members to ensure they have sufficient flexibility in their procedures and policies to allow wider local participation in the programmes they support. The extent to which non-state actors can be involved as providers of capacity building services will vary in each country. In some there is a booming private sector market for consulting services, a thriving civil society and other private organisations that can be contracted to deliver inputs such as technical services, training and advocacy. These things may be nascent in other countries, but just using the local market for these services can help it to grow. So, for DAC members, having the flexibility in their procedures to promote and facilitate the involvement of local providers is crucial. CSOs and other local stakeholders can also play a role in analysis such as capacity assessment; examples include the involvement of women or minority CSOs to ensure broader outreach (Lessons 2 and 6).

Some DAC members have enabled a wider range of local actors to participate in and benefit from capacity building support either through providing specific capacity development programmes for these stakeholders, or through funding specific projects. However, some have tight restrictions on the extent to which they cover overhead costs, which can make it harder for local CSOs to build their own sustainable capacities over the longer term. Moreover, some DAC members prefer to channel funds for civil society strengthening in the South through their own national NGOs rather than directly to local CSOs – be they women’s organisations or other types of local organisation - with the capacity building outcomes for local CSOs not always prioritised or monitored.

DAC member experiences

The Netherlands supported a local government reform programme in Tanzania through sector budget support; this programme has focused on strengthening the capacities of local officials while also increasing the accountability of this tier of government to the electorate.

Also in Tanzania, **a group of DAC members** have provided support to two civil society umbrella groups, one supports and co-ordinate its members to work on advocacy issues, the other focuses on the media. Both umbrella organisations have grown significantly in the period and are strategising about long term self-financing.

Germany has made a particular effort to involve both the private sector and civil society organisations in its capacity development work in the education sector.

Austria's quality criteria for capacity development include recognition that most capacity development support goes to more powerful institutions. So the Austrian development agency makes a particular effort to look at local governance and involve non state actors including both private sector and civil society organisations.

Sweden provides core funding to some southern NGOs, particularly those involved in advocacy activities, in order to support its objective of promoting a vibrant civil society.

Norway has forged links between the Confederation of Norwegian Enterprise and the Federation of Uganda Employers. This federation representing Ugandan companies has increased its capacity to lobby the government to improve conditions for private sector development while also supporting its member organisations to invest in improving working conditions for its staff.

Delivering effective support

LESSON 9: AVOID DOING HARM IN FRAGILE SITUATIONS

What: Developing capacity is a high priority in fragile states, particularly in post conflict situations, where gaps in capabilities, competencies and key skills can be found across the range of key governmental and societal functions. In these challenging contexts there are long-term as well as immediate capacity gaps that have to be addressed. The development of sustainable capacity in fragile states is therefore particularly difficult and risky. Signatories to the principles of good international engagement in fragile states have agreed to make statebuilding a central objective of their engagement in fragile situations and to endeavour to “do no harm”. The “New Deal” for engagement in fragile states also emphasises capacity development, focusing on areas of state capacity and the important role civil society should play⁹.

Why: Building capacity is often an urgent priority in fragile situations both because fragility and risk of conflict can be related to the failure of states to fulfil core functions and because capacity is often especially limited in these contexts. Within such urgent and challenging situations DAC members have not always succeeded in ensuring that what they do is well prioritised and designed to avoid negative impacts on peacebuilding dynamics or indeed sapping rather than supporting the development of capacity within key state functions.

How: In fragile situations DAC members helping to build capacity must ensure they have a solid understanding of the political context in which they are operating (lesson 6); co-ordinate closely with others (lesson 7); and, at the same time, design what they do, how, where and with whom in a way that minimises possible negative consequences – i.e. “do no harm”. Types of conflict related analysis already carried out by some DAC members include political economy, problem analysis, risk analysis, stakeholder mapping, conflict audits. Doing no harm means DAC members should:

- Avoid damaging existing capacity, which can happen as donors rush to deliver services. Where possible DAC members should avoid setting up parallel delivery systems which both bypass the state system and poach good staff from it. This may not always be possible, in which case DAC members should look at “shadow alignment”, for example in terms of aligning planning cycles, using existing regional boundaries, and including government officials (local or national) in service delivery and planning.
- Ensure they support and do not harm fragile peacebuilding dynamics: This means it is crucial to understand who benefits from an intervention, what are the implications of focusing on central state functions versus local ones, and on the state versus civil society, as perceived grievances may have geographical, ethnic or anti-state dimensions.
- Be nimble and agile partners, by taking an adaptable approach to developing capacity, attuned to the local context, the needs and openings of local actors and be able to make changes when these factors alter, and re-direct or even terminate when unintended negative impacts occur.

DAC member experiences

Canada’s work in Afghanistan has switched from a strong focus on immediate basic service provision, to combining this with longer term efforts to develop capacity. By taking a whole of government approach it has been able to combine its development, security and political arms to support capacity development.

DFID’s staff guidance on ensuring aid does no harm highlights the importance of (i) understanding who benefits from donors’ attempts to build state capacity (often elite groups); and (ii) mitigating the risk that interventions substitute rather than support capacity. In situations where immediate service delivery may be a higher priority than strengthening capacity, staff are encouraged to weigh the harms and benefits of taking different approaches, on a case by case basis.

USAID’s strategy for how it engages with fragile states emphasises the importance of supporting the state to deliver basic functions. It also acknowledges that state legitimacy may be limited and supporting capacity in other areas, such as in civil society groups and the media, can also be important in some contexts.

Learning and Accountability

LESSON 10: FOCUS ON RESULTS AND LONGER TERM IMPACTS

What: A focus on results means making it clear from the outset what the desired outcomes are – whether they are increased capacity or improved service delivery - and how progress towards these can be measured. It also means that the DAC members’ need to report on short term deliverables does not overshadow understanding of progress towards longer term objectives – actual sustainable increases in partner capacity and use of this capacity to improve broader development outcomes.

Why: There are a number of reasons why DAC members need to get better at focusing on capacity building results. First, for clarity of purpose and therefore planning and management; second, to help monitor progress and make adjustments as appropriate; third, to learn about what does and does not work to improve future outcomes; and fourth, to ensure DAC members are accountable. This has proved particularly challenging in understanding capacity development outcomes, because these are hard to measure and are often themselves intermediate outcomes which are planned to support broader development outcomes or service delivery.

How: Effectively focusing on capacity building results, such as behavioural changes arising from the use and application of acquired skills, knowledge and information, involves: (i) setting clear objectives and establishing sound baselines from the outset; (ii) monitoring and measuring results; and (iii) using results information to improve outcomes. In all three cases, it is important to ensure the focus on results is applied practically and pragmatically. It is also crucial that the monitoring of short term deliverables, such as the provision of training or a new guidance manual, and interim results, like the number of people trained, does not get in the way of a stronger focus on progress towards the ultimate objectives.

- i. Clear objectives, indicators and baselines are needed, not only at the input and output levels, but also in terms of capacity development outcomes and impacts and how these will support broader development goals. Starting from the ultimate objective helps to ensure capacity development efforts are more demand-driven and needs-based. Objective setting should also involve identifying timeframes, risks and risk management strategies. DAC members are right to be interested in inputs, annual deliverables and outputs, but only in so far as these are building blocks towards achieving longer term sustainable capacity.
- ii. Measuring capacity development outputs, outcomes and impacts requires baseline data and this should be collected as part of earlier capacity assessments, appraisal and planning stages. The clear logical hierarchy between inputs, activities, outputs and intended outcomes and impacts becomes crucially important as it is usually not possible to measure progress of final outcomes until long after project completion. Some DAC members have benefited from evaluating a series of capacity development efforts together, allowing comparison of different approaches in different contexts and reducing the risk of drawing general conclusions from specific cases.
- iii. Making use of information about results – through both monitoring and evaluation - is not only about reporting back on progress for the purpose of accountability; it is also about improving performance of ongoing and future capacity development initiatives. An increased donor and partner country interest in evaluating and reviewing capacity development efforts has a considerable value in terms of strengthened accountability. These evaluations can also provide additional value if the findings are then used to inform new policies, reforming how DAC members and partner countries work in these areas based on the evidence. The policy making and implementation communities need to be ready to learn from failure as well as from success.

DAC member experiences

The Netherlands has conducted a major evaluation of its capacity development efforts. This is a multi-part in-depth study. At the time of writing the full results had not yet been published but should provide a strong evidence base with which to reform policies and practices to achieve better developmental results through these kinds of efforts.

Norway's 2010 results report was strongly focused on its contribution in supporting partners' efforts to develop sustainable capacity. It brings together specific examples of Norway's efforts to support capacity highlighting achievements and challenges and drawing out key lessons to improve future results.¹⁰

Japan has invested effort and analysis in providing tools for staff to better measure the outputs and outcomes of its technical assistance, which it considers to be one of its main tools to support the development of partner capacity. It provides examples to help staff understand hard and soft outputs and outcomes.

Learning and Accountability

LESSON 11: BE TRANSPARENT, OPEN AND CONCERNED ABOUT VALUE FOR MONEY

What: Transparency and openness is important at all stages of the capacity development process, particularly when it comes to choices of interventions and the costs of these. All stakeholders involved in this process should be concerned about value for money, which in this case means (i) the careful use of resources to save expenses, time or effort (economy); (ii) achieving the same level of outcome for less cost, time or effort (efficiency); and (iii) getting a better return for the same amount of expense, time or effort (effectiveness).

Why: Transparency on costs and value for money from both sides of the development relationship can enhance ownership as well as the efficiency and effectiveness of capacity development efforts. It can also help respond to concerns about the costs and benefits of building capacity, particularly when it comes to the costly provision of technical experts from overseas and sending partner public officials for training in other countries. Both DAC members and partner countries should be expected to seek cost-effective options for building capacity. This does not mean settling for lower quality inputs and outputs, but rather ensuring value for money over the life of an intervention. The 2011 Cairo Consensus on capacity development (Lesson 12) also emphasised the importance of transparency in providing technical co-operation. Furthermore, DAC members cannot push for partners to increase their openness and transparency around finances unless they also practise what they preach.

How: DAC members can enhance their support by including capacity development efforts in joint accountability mechanisms that ensure transparency of objectives, results and costs (both those of partner countries *and* development partners) and that also allow for the involvement of other stakeholders.

DAC members need to ensure that their partners have full information on the costs involved in technical co-operation, including the breakdown of salary and other expenses associated with technical experts. With partners in the lead (lesson 2) on final procurement decisions, they can use information on costs to make informed decisions about whether a DAC member's proposed support represents value for money, given what it is expected to contribute within a longer term process to develop capacity. Openness and transparency on cost also facilitate oversight. This may be challenging for DAC members who provide technical co-operation "in kind". However, given that this in-kind assistance is quantified for ODA reporting purposes a breakdown should also be available to partner countries, thus increasing information available to partner and domestic stakeholders.

DAC members and partners also need to be realistic and transparent about what outcomes are expected and within what timeframe. Capacity development processes are medium to long term and the timeframes involved should be acknowledged at the outset.

DAC member experiences

Australia has reformed its remuneration of advisers or consultants through implementation of the Adviser Remuneration Framework. The framework defines appropriate fee ranges and provides a framework to ensure the past performance of a consultant is considered as part of an overall assessment on the value for money they provide. It is publicly available – thus increasing transparency to help address public concerns about costs involved.

Canada has set out a daily rate range for its consultants at international level, which is publicly available. Some of its country teams have drawn up guidance on appropriate costs for use of local consultants, in countries where the local consultancy market is strong but costs lower than internationally, such as Vietnam.

Japan's guidance to its staff is now to publish information on all (winning and losing) bids for procurement and consultant contracts, after the contract is awarded to improve transparency.

Taking Action

LESSON 12: TAKE ACTION: CAIRO CONSENSUS ON CAPACITY DEVELOPMENT

The **Cairo Workshop on Capacity Development: from Concepts to Implementation** was held in Cairo on March 28-29 2011. The event was organized by the Government of Egypt with the support of OECD and JICA. It brought together some 75 policy makers and practitioners, with a balanced representation from the South and the North.

Participants reviewed progress and shortcomings since Accra, particularly focusing on challenges faced in making the concept and key principles of capacity development more operational. Participants from Southern countries provided key evidence on their country experiences in strengthening national and local capacity; development partners also shared progress and drawbacks in promoting change towards aid business processes which better support demand-driven and sustainable capacity development approaches. Participants jointly called for more action-oriented plans in capacity development and, subsequently, have formed coalitions to take actions in a number of priority areas - prior to and post the Fourth High Level Forum held in Busan at the end of 2011.

The event generated a **Cairo Consensus on Capacity Development: Call to Action** which is presented below.

Cairo Consensus on Capacity Development: Call to Action

Building on Bonn, Accra and meetings that followed, including the Cairo Workshop, we acknowledge the progress made and take note of a number of practical results since then, yet we remain aware that more needs to be done. Progress includes recognition, based on strong evidence, that **institutional and human resource capacity development** is essential to achieve sustainable development results.

We, the Cairo Workshop participants, commit to a series of priority actions for implementation prior to and beyond the High Level Forum in Busan. This consensus statement marks a **shift to an approach which is demand-driven and results focused, owned by the country, and which builds on existing capacity.**

Capacity development is not an afterthought. We will make sure that capacity development is at the heart of all significant development efforts. We will involve state and non-state actors (parliament, media, civil society), and facilitate coalitions of local agents to drive change.

Capacity development is strategic for the achievement of development results and accountable institutions. It must deliver short, intermediate and long term results, recognizing tangible and less tangible (soft) dimensions. Short term results could include a strengthened coalition among actors to implement new policy initiatives or develop new skills to generate quick impact. Intermediate results could include improved institutions, better policy environments, and higher competences of stakeholders involved in development. Longer term results such as improved performance of a water utility or better quality learning outcomes are examples of practical results that are indispensable to wider, sustainable, development impact.

Domestic leadership of capacity development is essential. We will align capacity development efforts behind a country's vision for development and key deliverables within a national strategy. Without effective control of the process, a country will be unable to align resources for capacity development to its key priorities, and sustainable improvements in capacity will be almost impossible to achieve.

Existing capacities should be the backbone of any capacity development initiative and must be undermined. We will act to minimise distortion of incentives and labour markets, particularly in fragile and conflict affected states, and will strengthen country systems while gradually phasing out, and using very selectively, parallel units.

Systematic learning on what works and what doesn't is key to improved capacity. We will invest more in learning and knowledge networks, focussing on mutual learning through technical co-operation tailored to country context, with a focus on peer-based, flexible and long-term partnerships, designed to achieve results.

Capacity development is a top priority for all partner countries and especially countries affected by fragility. We will work with the g7+ and the International Dialogue Group to develop a protocol for adoption in Busan. This will guide effective use of limited development resources and assist in delivering critical results in the short and longer term. We commend the g7+ for showing leadership in defining capacity development as a priority.

Cairo, 29 March 2011.

For more details, see the Learning Network on Capacity Development at:
www.lendcd.org/event/2011/cairo-workshop-capacity-development-concepts-implementation

Notes

- ¹. *Capacity development in aid business processes: getting it right!* January 2011; *Cairo consensus on capacity development: call to action*, March 29 2011; *Capacity development: lesson learned and actions for Busan and beyond*, March 2011.
- ². *Supporting state building in situations of conflict and fragility: policy guidance*, 2011; *Do no harm: international support for state building*, OECD, 2010; *New Deal for engagement in fragile states*, OECD, 2011.
- ³. *The challenge of capacity development: working towards good practice*. OECD, 2006
- ⁴. *ibid*
- ⁵. The majority of these examples are taken from OECD DAC peer review of members' development co-operation, the 2009-10 synthesis report produced in 2011, and other OECD research (see footnotes i and ii) and suggestions from DAC members and observers.
- ⁶. The 2001 DAC Recommendation on Untying does not cover technical co-operation.
- ⁷. *Reforming technical cooperation and project implementation units for external aid provided by the European Commission: A backbone strategy*. EU, July 2008
- ⁸. The figure of USD 1,447,248 is provisional and no figures are yet available for the USA's ODA spent as scholarships.
- ⁹. The *New Deal* for fragile and conflict-affected states developed by the International Dialogue on Peacebuilding and Statebuilding was endorsed by the 4th High Level Forum on Aid Effectiveness, held from 29 November – 1 December 2011 at Busan in Korea. The New Deal promotes the use of peacebuilding and statebuilding goals (PSGs) as an important foundation to enable progress towards the MDGs and to guide development work in fragile and conflict-affected states.
- ¹⁰. *2010 Results Report: capacity development – building societies capable of sustaining themselves*. NORAD, 2010