CAPACITY DEVELOPMENT

INVENTORY OF DONOR APPROACHES TO CAPACITY DEVELOPMENT:

WHAT WE ARE LEARNING

OECD/DAC

Capacity Development Team

March 2009

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1. INTRODUCTION TO THIS INVENTORY

1.   Donors and partner countries acknowledge the importance of capacity development both for the relevance and the sustainability of development co-operation action. Current DAC guidelines on capacity development[1] are widely recognised as a primary international reference on this topic. Nevertheless, many donors experience difficulty in tailoring the use of these concepts for field operations. Conscious of the need to stimulate more specific application of already recognised principles, the members of the DAC decided in October 2008 to focus on the capacity development priorities expressed in the Accra Agenda for Action (AAA)[2] as a pragmatic and internationally recognised anchor for advancing the global capacity development agenda.

2.   Drawing inspiration from this mandate, the DAC Secretariat has begun a series of actions, including this inventory of current donor practice, to promote a more co-ordinated and more specific global effort in capacity development through the next High Level Forum on Aid Effectiveness in 2011. The inventory consolidates and compares information on existing approaches and strategies for capacity development across DAC and multilateral donors and through the lens of the 2008 AAA.

3.   This inventory is work in progress.[3] The Secretariat will seek the support of its informal network of capacity development correspondents to share information and continuously update donor fact sheets as their policies and approaches evolve, particularly their efforts to implement the priorities of the AAA.

4.   In approaching this inventory, the Secretariat reviewed key documents and other information gathered through interactions with donors and web-based research. Recent DAC Peer Reviews in which capacity development was addressed as a special issue were also consulted. Each fact sheet was shared with the donor under review for a factual check. These fact sheets are presented in Annex A. The first part of Annex A contains fact sheets for each DAC member system and a second part provides similar background for key multilateral partners (AfDB, ADB, UNDP, and the World Bank) and the OECD.

2. INVENTORY RESULTS

5.   This section summarises the inventory results. It provides a descriptive overview of current policies and approaches to capacity development across donors on the basis of the three categories of information collected in the inventory:

> (i) Policies
> (ii) Operational highlights
> (iii) Current focus in relation to AAA capacity development priorities

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[1] OECD/DAC (2006), *The Challenge of Capacity Development: Working Towards Good Practice.* DAC Guidelines and Reference Series. This publication collaboratively assembled empirical evidence that suggest operational approaches for the future. It emphasised the need to go beyond technical considerations alone and to ensure that primary responsibility for capacity change processes lie with partner countries, with donors playing a supporting role. The DAC guidelines were recognised for providing a set of commonly accepted definitions and language, and an agreed upon analytical framework that focused on the <u>individual</u>, <u>organisational</u> and <u>enabling environment</u> levels.
[2] For further information on the Accra High Level Forum and the AAA refer to http://www.accrahlf.net.
[3] The inventory is a first attempt by the DAC Secretariat to assemble donor practices in capacity development and it will be improved and updated over time. This version includes information on 21 of the 23 DAC members (no information yet has been obtained for Portugal, Italy and New Zealand, and the information for Belgium is still partial). Similarly, it should be noted that the fact sheets mostly have been drawn up based on headquarter documents (policy statements, guidelines, strategy papers). Country-specific case studies and other important field level documents have not been reviewed as the inventory initially aims at providing a basic overview.

2.1. Policies

6.   **How important is capacity development?** The importance of capacity development as a concept is widespread in DAC donor systems. Most view it, in the abstract, as a primary objective of their systems of development co-operation, although few have seriously focused on it analytically or even descriptively. A few donors have drawn special attention to the topic for several years. For example, CIDA (Canadian International Development Agency) has done so since the late 1990s and Swedish SIDA has put capacity development at the core of its national debate on aid for almost a decade. Current international attention to aid effectiveness has sharpened donor interest in supporting partner country capacity at all levels as a means of improving local leadership and ownership of aid objectives and processes.

7.   **How is it defined?** To explain the concepts of capacity and capacity development, many donors explicitly refer to the definitions provided in the 2006 OECD/DAC guidance (*e.g.* ADB, Germany, Netherlands, Italy) or use very similar definitions (*e.g.* Canada, Japan, UNDP). Some have not yet adopted a formal definition, although all converge towards a basic understanding of the concept: donors agree that the determinants of capacity development are not only technical but also political and governance related (strong political commitment, favourable incentive systems, government-wide reform); donors acknowledge that capacity development is multi-dimensional and that it goes beyond knowledge and skill transfer at the individual level to consider organizations, institutions, networks and the systems in which they are embedded. Several donors have raised their strategic focus on capacity at the organizational level. For example, the European Union and Denmark have adopted an approach which considers organizations as the unit of analysis: organizations are seen as open systems that interrelate through networks and are influenced by the external context. Similarly, the capacity development policies of Switzerland, Japan, and the UK openly focus on organizations, networks and institutions.

8.   **The role of written policy**. To provide guidance on capacity development and organize their thinking, several DAC members have developed written statements that explain their approach. These statements come in various forms: policy statements (Sweden, Japan, USAID), action plans (ADB), guidance or concept notes (Denmark, EC, Japan), discussions papers (Germany), or working papers (Switzerland). Some are still in draft (Germany, Netherlands) and have not been used officially within the system yet. Of the 21 DAC members reviewed to date, ten have some form of overall capacity development guidance document – either in final or draft version. Other donors do not yet have any written guidance but expect (Ireland, France, and Italy) to develop one in the near future. Among the multilaterals, ADB has a *Medium-Term Framework* and *Action Plan for Integrating Capacity Development into Country programmes and Operations* and UNDP has an approach paper and practice note, among other statements. The World Bank and the AfDB do not yet have an organization-wide policy statement or comprehensive approach.

9.   **The emerging importance of Paris Declaration principles**. At the level of policy, donor approaches to capacity development increasingly relate to the Paris Declaration principles for aid effectiveness,[4] including: demand-driven capacity development; country ownership and leadership in capacity development processes; donor alignment with national strategies and development priorities. Donors also acknowledge the need for co-ordination and joint actions on capacity development – including pooled funding, joint capacity need assessments and better division of labour. They also generally recognise the difficulty of systematically adhering to these principles at the operational level. Better harmonization and coordination remain major collective challenges for donors to address in enhancing the effectiveness of their capacity development actions.

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[4] In Germany, the BMZ 2008 (draft) discussion paper on capacity development was built essentially around the key principles of the Paris Declaration. For each principle, the paper looks at both the capacities to be strengthened in the partner country and approaches for donors to use in developing such capacities.

10.   **A policy focus at the country and sector level.** Many donors pragmatically seek to integrate capacity development concepts at the *country level,* through their country aid programmes and operations. Australia, for example, considers country strategies as a starting point for capacity action. The extent to which capacity objectives and measurable results are clearly stated at this level can vary considerably. Many donors also consider capacity development as a cross-cutting concern that can be mainstreamed in *sector and thematic strategies*. Several among these (Switzerland, USAID, Norway, Japan, and France) integrate capacity development into strategies for aid effectiveness and governance. UNDP, the World Bank, and ADB aim at integrating capacity development across all their practice areas. Some donors who have yet to develop some form of overall policy guidance on capacity development have acknowledged that failure to mainstream capacity efforts at the sector level constrains their ability to address the topic in a systematic and coordinated manner in the field.

2.2. Operational highlights

11.   **Organisation.** Several donors (Box 1) have a specifically designated organizational unit within their systems with responsibility for providing guidance and assistance on capacity development. For a some, a capacity development advisor or specialist position has been created (Australia, Ireland, Netherlands, Switzerland and multilateral donors ADB and UNDP). Countries like Australia and Spain appoint long-term capacity development specialists at some country offices. Elsewhere, various agencies may be engaged in capacity development within the same donor system. Donors often acknowledge that the complexity of the issue and the lack of an overarching strategy or policy to guide local action can lead to the involvement of multiple actors within each system and to subsequent fragmentation of effort.

Box 1. Capacity Development Responsibilities within Donor Systems

Capacity development lead responsibility within a specific organizational unit:
- Australia: AusAID Governance and Capacity Development Branch
- Austria: ADA Quality Assurance and Knowledge Management Unit
- Denmark: DANIDA Technical Advisory Services and Evaluation Department
- The Netherlands: Effectiveness and Quality Department, Directorate General for International Cooperation
- Sweden: Sida Department of Policy and Methodology
- Switzerland: SDC Capacity Development Training and Culture Unit
- UNDP: Capacity Development Group (CDG)
- Belgium: Working Party on capacity development related issues established in 2008
- Ireland: Irish Aid Policy, Planning and effectiveness Section

Examples of donor systems in which multiple actors are engaged in capacity development:
- Canada: CIDA, Foreign Affairs and International Trade (DFAIT), and Canada National Defence (DND)
- France: AFD (Agence Française de Développement) and SCAC (Service de Coopération et d'Action Culturelle)
- Germany: All BMZ directorates have interest in capacity development; GTZ; German Development Service (DED; InWent (Capacity development training) and KfW
- United Kingdom: Various DFID units engaged, including FACT (Financial Accountability & anti-Corruption Team) and the Governance and Social Development Group within the Policy and Research Division
- The World Bank: World Bank Institute, Africa Region Capacity Development and Partnerships Unit, Support to African Capacity Building Foundation and Special Partnership for Africa
- Japan: Ministry of Foreign Affairs, JICA Operation Strategy Department (Development Issues Division), JICA Research Institute

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12.   **Human resources.** A range of initiatives have been launched to enhance capacity development skills among staff at headquarters and in the field. The majority of donors have designed *ad hoc* capacity development training programmes or have revised existing training programmes to include capacity development. In addition to the required technical expertise, donors are now looking at a broader set of skills when recruiting staff for capacity development related positions. Australia has established a "Capacity Development Panel" comprised of seven Australian and seven international experts to provide guidance on capacity development action throughout their own system. A similar initiative has been launched recently by the European Union.

13.   **Tools.** A wide variety of tools, guidelines, and methodology documents have been produced to guide the design and implementation of capacity development interventions. These include capacity development handbooks/toolkits for staff (Japan, Canada), guidelines to conduct capacity development needs assessments (Sweden, UNDP, Japan), guidelines to mainstream capacity development in a sector context (ADB, European Union), capacity development outcome evaluation methodology documents (UNDP, Denmark), and guidelines to reform technical cooperation to make it more effective for capacity development (European Union, Japan). According to current plans, more tools can be expected – several of which are already in a draft form. Others have started updating existing tools. For example, Denmark is revising its technical cooperation guidelines; similarly, the European Union is revising existing tools and guidelines to adapt them to its new "Backbone Strategy for Technical Cooperation Reform".

14.   **Communication**. To collect resources on capacity development and make them widely available, several donors have dedicated websites in the form of on-line capacity development libraries, on-line resource centres, or on-line communities of practice (ADB, Canada, Australia - Intranet only, UNDP, the World Bank, and Japan).

Box 2. Assessing Training and Education Interventions: The cases of France and Ireland

- In the past 40 years, **France** has attributed a large part of its ODA to education grants and imputed student costs, training, financial support to research and to the local education sector, and to technical assistance. To assess the impact of its "40 years experience in training the elites", France has launched a study to be conducted in 2009 with the aim of evaluating, learning, and capitalising on training and other education initiatives.

- **Irish Aid** Fellowship Training Programme (FTP) constitutes an important part of the Irish capacity development approach. Through FTP, 100 postgraduate students from Irish Aid programme countries are supported annually. FTP attempts to address specific capacity deficits in target countries through the training of key individuals in the public services or non-governmental sectors, in line with priorities of Irish Aid in these countries. A review of FTP (October 2007) notes that FTP made a "genuine and visible contribution" to capacity building and that a "solid proportion" of fellows achieved their capacity building objectives. The review also pointed out that FTP can be disconnected from Irish Aid programme objectives and that its effectiveness as a capacity building tool to address specific capacity deficits in Irish Aid's programme countries could be enhanced.

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15.   **Most common practice: technical co-operation.** Technical co-operation (technical assistance, training, scholarships) is the most common practice traditionally used by donors to promote capacity development. Some 20% of all Official Development Assistance registered by the OECD (Annex B) currently is devoted to this area. This includes the provision of *technical assistance* to partner countries through technical and advisory services provided by expatriate experts. Donors such as France, Australia and Japan have a tradition of appointing experts to work as advisors within partner country systems, often in long-term positions. However, the overall current trend is increasingly to move to short-term, focused technical advisory services that avoid substitution and to increase the use of local technical expertise. *Training* and other educational interventions, such as education grants or fellowships, also are used frequently. Their effectiveness in terms of sustainable capacity development is increasingly under scrutiny and donors now are evaluating their field experience and attempting to identify good practice (Box 2).

16.   **Joint action.** Donors recognise that most capacity development action is a joint responsibility that exceeds the ability of any one partner to act alone. Donors increasingly advocate co-operation, harmonization, and co-financing of capacity development initiatives, for example through the establishment of national/regional development funds. However, donors also acknowledge that the extent of actual co-operation and harmonization has been limited. The European Union is currently promoting a "Division of Labour Fast Track Initiative", with the support of many partners. Japan is also a promoter of joint efforts for capacity development based upon comparative advantage. Examples of current attempts at joint action include Train4Dev (training), joint capacity development needs assessments, and the "joint learning package" on capacity developed by the EU Technical Group on Capacity Development.

17.   **Knowledge management.** Several donors have undertaken studies to evaluate the effectiveness of their capacity development assistance; many focus on assessing the use of technical assistance for capacity development. Donors such as Australia, the United Kingdom, Japan, UNDP and ADB have played a lead role in conducting this type of assessment. Various country level and sector-specific case studies are also available. For example, Germany has been working to review lessons learnt in developing capacity in keys sector such as education, water, and the financial sector; Norway has recently published a synthesis of environmental institutional co-operation and capacity building[5].

2.3. Current focus in relation to AAA capacity development priorities

18.   The Accra Agenda for Action joint announcement contains significant, cross cutting reference to capacity development - essentially in relation to six key areas for action (Box 3). A partnership now under construction by (i) the DAC, (ii) the Southern led CD alliance and (iii) the Learning Network for Capacity Development (LenCD) will work together to help implement these priorities through 2011. Current DAC member approaches to these different capacity development priorities are noted below.

Box 3. AAA Capacity Development Priorities

- **Civil society and private sector** - enabling local civil society and the private sector to play their role in capacity development.
- **National, sector, and thematic strategies** - ensuring proper integration of capacity development priorities in key national, sub-national, sector and thematic strategies.
- **Technical co-operation** - working towards demand-driven efforts in technical co-operation and promoting the use of local and regional resources, including through South-South arrangements.
- **Enabling environment** - addressing the systemic impediments to local capacity development.
- **Country systems** - assessing, strengthening and promoting the use of country systems to implement policies and manage public resources - incl. procurement, public financial management, results, statistics, information systems.
- **Fragile situations** - tailoring, phasing and coordinating capacity building and development in situations of fragility, including countries emerging from conflict.

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19.   **Civil society and the private sector.** Donors recognize the importance of engaging civil society and the private sector in capacity development - both to boost their potential as "non-traditional" providers of capacity development services and as the direct target of capacity development interventions. In terms of interventions, donors aim at strengthening both the legal/regulatory context and the capacities of civil society organizations, local authorities, parliaments, and private sector. These non-state entities are seen as central for (i) the generation of demand for good governance, efficient public services delivery, and public sector reform, and (ii) the provision of services that complement the public sector, particularly at the

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[5] Stein Hansen and Tore Laugerud, NCG Norway (2008). *Review and Synthesis of lessons learned from Institutional Cooperation and Capacity Building in the Environmental Sector in Norwegian Development Cooperation*. NORAD (2008).

lowest level. In donor policies and strategies, the development of civil society capacities is often an element of promoting decentralization and strengthening of local governance.

20.   **National, sector, and thematic strategies.** Donors agree that capacity development strategies and objectives should be an integrated part of partner country national, sector and thematic policies and strategies. Several donors have adopted a sector wide approach that supports capacity development for country policies and strategies in specific sectors. Most frequently addressed sectors include education, health, and environment. Donors acknowledge that one of the major challenges they are currently facing relates to the definition of clear and measurable capacity development objectives to be included in supported country strategies, so as to make capacity development an explicit policy priority.

21.   **Technical co-operation.** Donors commonly realise that technical co-operation does not equate to capacity development. They increasingly seek to integrate technical cooperation into a broader framework of capacity development vision and support, often affiliated with the political will for change. Donors acknowledge that, ideally, technical co-operation should be country led, owned, managed, and fully integrated in the context of national sector programmes. Many strongly advocate South-South co-operation approaches and the use of local capacities (Box 4). Yet, they also point out that technical co-operation at the field level may remain far from these goals. Interventions tend to focus on task specific, traditional training and skill building, sometimes qualified as "substituting" rather than enhancing local capacity. Sweden observes[6] that technical co-operation tends to focus on the "lower" target levels - individuals and organizations, and that limited experience has been gained so far at the level of systems of organizations and institutional frameworks. Various initiatives, including evaluation exercises, mapping studies and revision of guidelines, are currently taking place or have been recently launched to reform technical co-operation (Australia, Belgium, Denmark, France, Japan, Netherlands, European Union, and ADB).

Box 4. Promoting locally-won and locally managed TA: The case of Ireland

Irish Aid uses technical assistance (TA) within the context of sector or programme support and tries to embed it in the context of local structure and management systems. Many Country Strategy Plans include a process fund which can be drawn on to support demand led TA or short term consultancy inputs that support capacity development. Irish Aid promotes local knowledge and experience and the use of local consultants and local institutions. The *2008 Survey on Monitoring the Paris Declaration* reports that 97% of recorded spending for technical co-operation was disbursed in a co-ordinated manner, respecting the principle of ownership, alignment, and harmonization as defined in the Paris declaration. Irish Aid also puts emphasis on integrating technical assistance into government institutions and systems.

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22.   **Enabling environment.** Donors are increasingly aware of the importance of the enabling environment for the effectiveness and sustainability of capacity development. The context within which capacity development interventions take place can support or discourage it – this includes the institutional, political and social conditions for capacity development and learning. In this sense, donors are conscious of the importance of good governance, transparency, accountability and anti-corruption efforts. Public reforms are recognized as an essential element of capacity development—including civil service reforms, administrative reforms, and judiciary reforms. Many donors also highlight the need to go beyond the institutional framework alone so as to understand power relations, interest systems, informal norms and values. They argue as well that these dimensions need to be used to design and implement capacity development interventions. To understand this enabling environment, many donors routinely use assessment tools such as institutional analysis, power analysis, and "drivers of change" analysis (Canada, Australia, Sweden and the UK).

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[6] SIDA (2005), Manual for Capacity Development.

23.   **Country systems**. Post-Accra, most donors have committed to strengthen, use and align with country systems. This is seen as central to partner country ownership and management of their development processes, to implementation of national and sector policies, and to management of public resources. Donors have tended to focus pragmatically their capacity activity funding to date on planning, resource allocation and monitoring systems: statistics, public financial management, accountability systems, systems of oversight, taxation, fiscal systems, monitoring and evaluation, planning systems, budget management, procurement, and audit systems. Approaches used include technical assistance, twinning, establishment of national and regional technical advisory bodies, and training of local managers.

24.   **Fragile situations.** When discussing capacity development in fragile situations, most donors refer to the 2007 OECD *"Principles for Good international Engagement in Fragile States"*. They acknowledge the need to use a tailored and phased approach to capacity in fragile situations, and to prioritise essential functions and services first. Although donors increasingly promote the participation of civil society and local authorities in the capacity building process in fragile states, to date they mainly have focussed on central level state building, conducting capacity assessments and providing support through secondments, assistance by international experts, advisors, and trainers. Donors generally are aware that, in practice, capacity interventions in fragile situations often lead to substitution, because of the use of quick delivery implementing partners (NGOs, private agents, UN agencies) and parallel Project Implementation Units (PIUs). As noted by a number of donors, including Australia and the United States, a balance is needed between short term interventions that quickly guarantee security and stability, and longer-term efforts to build country capacities.

3. FUTURE CONSIDERATIONS

25.   This section summarizes the collective learning derived from this inventory of donor policies and practices in capacity development and attempts to situate it in the context of a future agenda of priority actions for DAC members and other interested parties, particularly through 2011.

26.   **Make capacity development a core and visible part of policy dialogue**: Capacity development is broadly recognised as a crucial element for sustainable development and aid effectiveness - and therefore development effectiveness. Capacity development needs to be a central focus of the mainstream dialogue between donors and partner countries. Donors and partner countries should take steps to agree on explicit and measurable capacity development objectives as part of national and sector programmes and policies, in line with partner country strategies and priorities. Capacity development is not an add-on to be tackled when other policy or aid allocation issues at national, sector or local level have been dealt with. Capacity development needs to be an integral part of the general harmonisation and alignment agenda embodied in the Paris Declaration and the AAA. *The statement contained in the AAA provides all partners with a joint political mandate to pursue this objective*.

27.   **Anchor pragmatic action in the AAA**: Donors are still in the early stages of adjusting to the new political mandate of the AAA. It provides a practical anchor for more coherent international action on capacity development. The DAC, an emerging Southern led "CD Alliance" and the Learning Network on

Capacity Development (LenCD), are now collaborating to focus their joint work on capacity development through 2011 in relation to the AAA priorities. If successful, this effort to implement the priorities of the AAA will lead increasingly to more common donor and partner country approaches to capacity development. *This will be the primary objective of joint DAC, CD alliance and LenCD action over the next two years.*

28.   **Involve partner countries fully**: It is commonly agreed that the capacity development dialogue to date has been driven largely by the donor community. It will be important that future donor work in collective learning and behaviour change includes the strongest possible involvement and leadership of partner countries and the local political context. In addition to government institutions, this process should involve those in the private sector and civil society, both at central and local levels. This may imply greater delegation of authority to donor missions in the field. Greater partner country-donor consensus should be a specific objective of this dialogue so that future directions can be jointly embraced and evaluated. *The role of the CD Alliance may be particularly important here and merits collective donor attention and support.*

29.   **Encourage individual donor coherence**: Donor approaches to capacity development vary considerably, often are internally fragmented and may be done in isolation from other donor experience. The DAC will encourage bilateral donors to better share and join up their experiences, both internally and with the broader international community, including partner countries. More coherent action at the level of the individual donor can become the building block of a more coherent approach internationally, in headquarters and in the field. Each donor should draw upon the full range of DAC member practice to examine its own internal system in relation to this objective (statement of vision; organization and administrative arrangements; human resources and skills training; use of specialised tools; approach to communication). *The DAC as a collective peer assembly will assist member states to review their own approach in this sense, including in the context of the individual DAC Peer Reviews.*

30.   **Assemble collective donor learning at the country level**: Donors globally accept the importance of the capacity development principles in the 2006 DAC guidelines. They commonly see capacity development as central to the sustainability of their funding for development co-operation and over the last few years have tested these principles and begun to evaluate their practices in a wide variety of actions in the field. The time is now right to consolidate available information and review jointly the collective lessons of their experience – fully involving partner countries in the process. This empirical information should form the basis of a joint effort to identify good practice and to modify subsequent donor behaviour. *The DAC will work with donors and partner countries alike in relation to the six capacity priorities of the AAA.*

31.   **Seek opportunities for immediate action**: Perhaps one-fifth of all ODA is currently invested in traditional technical co-operation, including technical assistance, training, scholarships and research. Consensus is possible concerning Project Implementation Units, South-South co-operation, use of local expertise, avoidance of "substitution" technical assistance and the need to promote linkages with wider public sector reform. The level of dialogue and learning around these themes is already well advanced. Many donors are ready to move quickly in formulating suggestions for more common practice here, but sustainable action will only be possible with the strong involvement of partner countries. *Lead donors currently focused in the technical co-operation area will be encouraged to broaden their collective thinking so as to leverage an international effort for greater consensus in these areas.*

ANNEX A - INDIVIDUAL DONOR FACT SHEETS

PART 1 - DAC Members

Australia

Austria

Belgium

Canada

Denmark

European Union

Finland

France

Germany

Greece

Ireland

Italy

Japan

Luxembourg

Netherlands

Norway

Spain

Sweden

Switzerland

United Kingdom

United States

AUSTRALIA

Policies

AusAID makes no practical distinction between "capacity development" and "capacity-building", although it seeks to support endogenous change as implied by the former term. AusAID does not have a formal policy on capacity development. Nevertheless, Australia is increasingly aware of the need to address capacity issues and is taking steps to mainstream this dimension within its aid programme. Consistent with OECD guidance (2008 Peer Review), AusAID defines capacity development as "the process of developing competencies and capabilities in individuals, groups, organizations, sectors or countries, which will lead to sustained and self-generating performance improvement". Capacity development is seen both as a process (how donors operate) and an objective (performance improvement).

AusAID key corporate policies and processes are being progressively reviewed and redrafted to incorporate changes arising from international trends and domestic changes. Each business process will give guidance on incorporating a capacity development perspective. Country strategies are seen as the starting point. The 2008 Peer Review suggests that Australia could improve the coordination of its support to capacity development and should consider engaging more systematically with other donors to develop, together with partner countries, joint support to capacity development as articulated in the Accra Agenda for Action.

Operational Highlights

Organization. Within AusAID, a Governance and Capacity Development Branch has been set up. A Senior Capacity Development Advisor has been appointed, together with a Manager. AusAID also has established a Capacity Development Panel (CD Panel), which includes 7 domestic (Australia-based) and 7 international specialists. Panellists have been producing papers and guidance notes on capacity development - including a paper on reforming technical assistance that is currently being finalized. Plans for the Panel to also operate as a *Community of Practice* for capacity development will be discussed throughout 2009. Within AusAID, an intranet site provides updates on international research, practical guides and tools on capacity development. Programmes in key partner countries specify long term, in-country capacity development specialist positions as part of local implementation team.

Analysis. AusAID has conducted, or participated in, a number of analytical studies to see how capacity development is mainstreamed and to draw lessons from current experience. AusAID has also co-funded wider research on capacity development. Examples are the *ECDPM Study on Capacity, Change and Performance*, the *ADB-led Pacific Capacity Development Study*, and the *ECDPM study on promising approaches to TA*, for which the Solomon Island Regional Assistance Mission –RAMSI – was selected as case study.

Technical cooperation remains the main modality of intervention for capacity building and currently represents 50% of Australia's aid programme. Technical assistance is provided both through AusAID contractors and in selected countries Australian public officials are placed in partner institutions. Most Australian technical assistants are in advisory positions; a few are in line positions, depending on context and preferences expressed by the partner government. In order to ensure a better 'fit' AusAID has been working on the distinction between direct technical assistance approaches ("externally controlled interventions" and "diagnosis and prescription" approaches) and indirect technical assistance approaches ("combination process models" and "pure process models"). This builds on earlier work in 2006, when AusAID developed a *Staged Capacity Building Model*[7]. In September 2008, a study was completed about ways to improve the results of direct and interactive connection between technical assistance personnel and PNG staff ("counterpart relationships")[8]. Two related pieces of work are being finalised in early 2009. The first is a mapping study of AusAID's technical assistance conducted by the Office of Development Effectiveness (ODE) which provides information on the levels, mix and profile of TA across the aid program. The second, with the support of the CD Panel, looks at how to reform technical assistance to make it more demand-driven and better designed to support country ownership. AusAID has also launched a six-day professional training programme – Making a Difference (MaD) - that targets counterpart staff and advisers and aims at helping them developing their capacity building tools, techniques and approaches and improve their communication and relationship skills.

Training and scholarships are other important, long-standing features of Australian aid (2500 scholarships will be provided in 2008 - 2011). Twinning also is used extensively. AusAID periodically develops informative briefs as resources for staff and other stakeholders. The latest is *Guidelines for Mentoring in Development Activities* drafted in December 2008.

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[7] This model recognises that capacity building is a process in which the role of the adviser(s) will change over time as the counterpart develops competencies to do the work, systems and processes are improved, and other causes of lack of capacity are addressed. The model describes four capacity building stages, from "highly dependent" on advisers to "full capability" (independent). It also describes useful tools for capacity development interventions (plans, progress reports, checklists of options).

[8] AusAID (2008). *Improving Counterpart Relationships in Papua New Guinea – A Study for the Governments of Papua New Guinea and Australia.* This study was important as overall the AusAID programme in PNG now has over 300 full-time staff - one of the largest programmes of its kind in the world. The study highlighted that a challenge remains for both PNG and AusAID to pay more sustained attention to these relationships and to progress on approaches to complex change and capacity development, to support to a series of strategic and operational actions to capacitate the PNG Government.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. AusAID recognizes the fundamental role that civil society can play, particularly in a context of local decentralized governance and in nation-building for fragile States. AusAID highlights the importance of providing capacity development support for civil society to enhance effective engagement, dialogue, accountability, and service delivery, and to build capacities for demand for better governance[9]. Overall AusAID supports capacity building: 1) of the private sector for good economic governance; 2) of faith-based organizations to strengthen their leadership in society and support their service delivery role; 3) of civil society organizations for their advocacy and service delivery work; 4) and of the media to reflect the lives and concerns of citizens.

National, sector, and thematic strategies. The Australian country strategies (noted above) are developed within the context of partner country national and sector strategies and the activities of other development partners. Increased devolution from head office to the field has meant that there is a stronger in-country dialogue and improved alignment with partner country objectives and strategies. In March 2008 the Prime Minister of Australia signalled a new and elevated engagement with Pacific Island partners with the intention of pursuing *Partnerships for Development.* They provide a new framework for committing jointly to shared goals and making more rapid progress towards Millennium Development Goals. The Partnerships are underpinned by the fundamental principles of mutual respect and mutual responsibility. New guidance for the whole aid programme has been developed on effective partnering approaches.

Enabling environment. AusAID's policies recognise that factors beyond formal governance systems and formal mechanisms have an impact on development outcomes – including capacity development. Accordingly, AusAID is supporting research in the Pacific and East Timor to improve understanding of the role, influence and links between traditional systems and formal institutions of the state. AusAID is conducting Drivers of Change studies in key partner countries to analyse political and institutional determinants of state effectiveness. The Building Demand for Better Governance and Leadership initiative encourages ethical and effective leadership.

Country systems. In recognition that systemic weaknesses detract from local capacity development, AusAID programmes have a focus in support of capacities essential to the reliability and assessment of country systems. In particular, public financial management, economic policy development, and procurement are core areas of AusAID support in most partner countries of Asia and the Pacific. Support is provided in a range of forms – directly through technical assistance and twinning programs, or indirectly through multi-donor programs and regional technical advisory bodies. Corporate guidance on use of country systems is currently being developed so that aid can be directed through local systems with increasing confidence.

Fragile states. Australia's immediate neighbours are also its development partners, and many of these countries are fragile or vulnerable. Australia has been active in supporting the development of, and aligning with *OECD/DAC principles of Good International engagement in Fragile States*. Australia therefore has a strong focus on understanding the capacity issues of fragile/vulnerable countries and developing appropriate responses. Australia's approach has been to balance the establishment of stability (as the base for future state-building and development efforts) with the need to develop country capacity. Australia therefore has a keen interest in prioritisation and sequencing of capacity development efforts. The study into the inputs and mix of technical assistance (being finalised first quarter 2009) shows that technical assistance expenditure in fragile states is approximately double that in non-fragile countries. This points to the need for more analysis in this area. AusAID recognizes that high levels of technical assistance can deter sustainable capacity building in a country, particularly in fragile states. In the Solomon Islands, the RAMSI programme is a partnership between the Government of the Solomon Islands and 15 countries of the Pacific region, one of which is Australia. It includes support to increase security, strengthen the law and justice sector, promote economic growth, and improve service delivery and government accountability. RAMSI is implemented mainly through technical assistance, delivered through a whole-of-region approach. Australian, New Zealand and Pacific Island government officers occupy in-line positions or advisory roles, and contractors have taken on advisory roles. The ECDPM evaluation points out that the programme should pay more attention to sustainability; many activities have been carried out with a direct approach in which the donor country essentially controls and designs the intervention, with a limited role played by the Government of the Solomon Islands.

Easy References

- ✓ AusAID website: http://www.ausaid.gov.au/
- ✓ PNG CD Showcase: http://www.ausaid.gov.au/hottopics/topic.cfm?ID=5397_541_5662_3417_8129
- ✓ Australian Development Gateway: www.developmentgateway.com.au

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[9] For example, in Indonesia AusAID has launched the Australian Community Development and Civil Society Strengthening Scheme (ACCESS), which focuses on strengthening non-governmental and civil society organizations through capacity building efforts to enable them to more effectively support the communities they serve and to empower the community in gender and poverty inclusive community led assessment and planning. The project also aims to improve the capacity of civil society organizations to promote good governance and service delivery at the district level

BELGIUM (Under construction)
Policies
Belgium's current position with respect to capacity development is characterized as 'work in progress' and 'learning by doing'. Currently, Belgium is increasingly directing its efforts to strengthening country systems and organizations, and is increasingly engaged in policy work regarding capacity development in these sectors.

Overall, there is a gradual but observable shift from predominantly service delivery projects towards a more explicit focus on capacity development initiatives in Belgian development cooperation. Belgium sees the need to move forward with respect to conceptual and methodological knowledge on this topic.

Belgium acknowledges that important challenges ahead include the development of a toolbox of sound methodological approaches for capacity assessment and development, the acquisition of specialised expertise in this area, and the mainstreaming of capacity development over the full range of policy and field interventions. |
| **Operational Highlights** |
| **Learning.** To learn from the experience of others, Belgium has been engaged in informal exchanges with a number of donors and think tanks on capacity development (e.g. ODI, DANIDA). Belgian staff has attended capacity development training where available (e.g. DANIDA training on ROACH approach). A working party on capacity development issues was established in order to clarify the use of capacity concepts (institutional analysis, capacity development, etc.) within the context of Belgian development co-operation.

Institutional and organizational capacity assessment – case studies. Several case studies dealing with institutional and organizational capacity assessment have been carried out to date (e.g. DRC and Morocco). This approach will be further extended in 2009, with case studies planned in countries such as Burundi, Rwanda and Niger. In preparation for the Indicative Cooperation Programmes 2009, a seminar was launched early 2009, incorporating specific training modules on CD and institutional & organizational assessments. |
| **Current focus in relation to AAA capacity development priorities** |
| **National, sector, and thematic strategy.** Belgium is currently revising its health strategy (DGD) with a clear focus on strengthening and building of the health systems of the partner countries. Belgium plans to generalize this focus for other sectors in which Belgium considers itself as having a comparative advantage.

Technical cooperation. A long term consultancy initiative was financed in 2008, focusing on the position and importance of capacity development within the Belgian aid portfolio and its implications for a 'restyling' of the technical assistance profile required for bilateral aid projects. This initiative also resulted in some working papers and was supplemented with an in-house training seminar in July and August 2008 on technical assistance and capacity development. |
| **Easy References** |
| ✓ Belgian Technical Cooperation Website: http://www.btcctb.org/showpage.asp?iPageID=2&sLangCode=EN
✓ Directorate General for Development Cooperation (DGDC): http://www.dgdc.be/en/index.html |

CANADA

Policies

Canada currently does not have an explicit and comprehensive policy/approach on capacity development, although CIDA (Canadian International Development Agency) has extensively worked on the topic in the late 1990s and early 2000s. In 2000, CIDA issued a paper titled **Capacity: Why, What, and How** (Capacity Paper) that contained definitions of capacity and of capacity development similar to those used by the OECD/DAC and which emphasised the need to look at the individual, organization, network, broader social system and enabling environment levels. Canada still sees capacity development as a central aspect of its aid programme, in terms of transfer of knowledge and know-how, reinforcing the policy environment, strengthening the private sector, supporting civil society, and supporting regional cooperation. The **2007-2008 Report on Plans and Priorities** (2007-2008 Report) includes the objective of "enhanced capacity of countries of concentration to achieve development goals", and allocated $ 826,205,000 to achieve this objective in the biennium. An objective for "restored capacity of public institutions and civil societies" ($ 618,242,000) is also included.

In the last years, Canada has moved from project-based toward programme-based approaches (PBAs) that emphasize comprehensive and coordinated planning in a given area of intervention, or under a broader national plan for poverty reduction. It implies: 1) leadership by the host country or organization, 2) a single programme and budget framework, 3) donor coordination and harmonization of procedures, and 4) working towards the use of local procedures. Capacity development is crucial to this process and CIDA increasingly integrates capacity development interventions in its projects - as inputs into ongoing PBA processes and/or as outcomes pursued.[10] Capacity development is a goal of the PBA approach ("no local ownership without capacity"), however CIDA does not have a comprehensive and strategic approach to guide engagement in capacity development and mainstreaming into PBA. On the other hand, it uses a learning by doing approach to capacity development that relies on on-going monitoring a dialogue rather than ex-ante capacity assessment and planning. CIDA capacity interventions still focus largely on task-specific training and skill-building, although a growing number of projects do include institutional and organizational development, the promotion of an enabling environment, community animation and mobilization, and mainstreaming of capacity development. The **2007 OECD Peer Review of Canada** (2007 Peer Review) suggested that more could be done to demonstrate commitment to Paris declaration principles. The Review notes that, although Canada's approach is to align development activities with national systems and to use local capacity for delivering the country programme, Canada has not fully addressed yet the capacity constraints which often limit or thwart poor countries' development, particularly in Africa. CIDA could help build a consensus on capacity development with national governments and other donors, making it a central topic of the policy dialogue.

Operational Highlights

Organization. Various Canadian agencies are involved in capacity development, particularly in fragile states. These include CIDA, Foreign Affairs and International Trade (DFAIT), and Canada National Defense (DND). This creates fragmentation issues and the 2007 Peer Review invited CIDA to reduce fragmentation of effort in capacity development and improve coordination. In addition, the International Development Research Institute (IDRC) focuses on building local research capacity ("CD in research").[11]

Tools. CIDA has established an online CD network to share experience and knowledge on capacity development. CIDA also developed a **CD Toolkit** that includes: 1) tools for newcomers to CIDA's approach to capacity development; 2) tools to assess the project and programme context; 3) tools to assess existing capacity and "capacity gaps"; 4) tools for deeper analysis of capacity development issues; 5) tools to plan and monitor capacity development, select indicators and develop LFAs; 6) tools for implementing projects and programmes; 7) tools for building local ownership over projects and programmes, and 8) tools for policy development.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. CIDA has the objective of building the capacity of its partners in target countries, including that of civil society, which is seen as a key partner in the fields of human rights, democratisation and governance.

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[10] Between two-thirds and three-quarters of CIDA's disbursements through its geographic branches are related to capacity development (*Peer Review*)

[11] IDRC is developing a framework to help staff and managers conceptualize, plan, monitor and evaluate capacity-building in their work. The proposed framework maps out whose capacity and what capacities are being built, how these capacities are being built in terms of IDRC's fundamental principles and why. Critical to framework development is the idea that the Centre's programme staff and managers use the research problem as a starting point for programme support, be it at the individual, organizational and/or network level. OECD latest Canada Peer Review suggests that this framework could be useful to CIDA and other agencies engaged in capacity development in developing countries, and that CIDA could take inspiration from the IDRC approach to build a comprehensive policy and strategy.

National, sector, and thematic strategies. CIDA seeks the integration of capacity development interventions within larger partner country led programmes. 2007 Peer Review highlighted that CIDA should further strengthen this approach, so that addressing capacity development constraints would become a clear objective of national and sector strategies and policies, and a central topic of policy dialogue.

Technical cooperation. CIDA emphasizes the importance of using local technical capacity for delivering a country programme. However, capacity development interventions largely remain focused on task-specific, traditional training and skill-building, and does not focus on regional expertise or South-South cooperation.

Enabling environment. Strengthening democratic governance is now a major objective of Canadian bilateral aid – in terms of improving consultation with the public, rewarding merit, sanctioning inefficiency and supporting corruption strengthening capacities for oversight, accountability, organizational and administrative policy reforms, and decentralization. The 2007 Peer Review suggested that CIDA could further strengthen its approaches for addressing systemic factors that discourage country-led capacity development (e.g. by conducting needs assessments, institutional analysis, power analysis, or drivers-of-change analysis).

Country systems. CIDA aims at strengthening, aligning with and using country systems as much as possible. In particular, CIDA is seeking to work towards strengthened national and local capacities related to: 1) financial management and accountability, including budgeting and accounting, procurement and contracting; 2) planning and design of development programmes; 3) programme implementation and service delivery; 4) development of viable data bases on development results and process indicators; 5) monitoring and evaluation.

Fragile situations. The 2007- 2008 Report focuses on enhancing or restoring capacities in fragile states. CIDA engagement in fragile and crisis situations is guided by DAC principles and aims at state-building and on strengthening of government capacity for development policies and processes (*whole-of-government* approach). The 2007 Peer Review invited CIDA to work more with non-state actors in ways that reinforce the development of public sector capacity in longer term. In practice, Canada still uses a traditional "substitution" technical assistance approach and its interventions are often fragmented and uncoordinated. CIDA recognizes the need to improve coordination and harmonization of capacity development interventions in fragile states.

Easy references
CIDA web site: http://www.acdi-cida.gc.ca/index.htm
CIDA's CD Network http://web.acdi-cida.gc.ca/cd (registration required)
International Development Research Centre (IDRC): http://www.idrc.ca/en/ev-1-201-1-DO_TOPIC.html

DENMARK

Policies

Denmark has a longstanding interest in capacity development, which is seen as a central dimension and integral part of its development assistance programmes. In 2006, the Technical Advisory Services of the Danish International Development Agency (DANIDA) built upon previous work on capacity development[12] to prepare *A Guidance Note on Danish Support for Capacity Development*. (Guidance Note). The Guidance Note translates the Danish perspective on theory and implementation of capacity development to help DANIDA staff and to guide assessments of institutional, organizational, and human capacity.

As DANIDA moves from project approaches towards more programmatic ones, it has shifted its focus from individuals towards institutional/organizational capacity and government levels. In line with this shift, the Guidance Note uses organizations as the focal unit of analysis. Organizations are seen as open systems, and the Note calls for capacity development interventions that are results-based and focused on organizations outputs and results (in terms of services and products to be delivered).

In this context, an organization's capacity is defined as the "ability of the organization to perform appropriate functions efficiently, effectively, and sustainably in pursuit of organizational goals and outputs". Capacity development focuses not only on technical or functional aspects, but also on the external context and its political issues. DANIDA foresees four types of capacity development support, based upon the combinations of political vs. functional aspects and internal vs. external issues. The Guidance Note highlights the importance of analytical understanding of the organizations and the external factors that might influence them and their results: the institutions they deal with and the context they are embedded in. It also emphasizes the importance of cooperation and joint action with other partners and donors. Capacity development is seen as a domestic matter in which outsiders and donors should play a supportive role; donor strategies should be aligned with national ones, and harmonized with capacity development support from other development partners. An exit strategy also should be agreed upon.

Operational Highlights

Organization. Within DANIDA, the Technical Advisory Services (TAS) and the Evaluation Department are dealing with capacity development issues.

Tools. DANIDA has developed several tools to guide its staff in planning, implementing, and assessing capacity development interventions. These include:

1) *ROACH – Result-Oriented Approach to Capacity Change* - framework for capacity development interventions and the level of organizations and public sectors;
2) The Guidance Note includes a set of questions to be asked when screening the need for capacity support during identification, formulation and appraisal phases of intervention;
3) *Capacity development outcome evaluation methodology*. DANIDA is putting great emphasis on assessing results of capacity development interventions to consolidate lessons learnt and share knowledge.

Furthermore, DANIDA is currently revising its Operational Guidelines for Technical Assistance (TA) in Danish Development Assistance.

Case Studies. DANIDA has produced multiple case studies that review and assess capacity development efforts in targeted countries (Ghana, Bhutan and Nepal).

Current focus in relation to AAA capacity development priorities

Civil society and private sector. DANIDA highlights the importance of strengthening civil society and the need to balance the focus of capacity development interventions between government and local civil society. The 2007 *Effective and Accountable Public*

National, sector, and thematic strategies. As organizations are seen as the unit of analysis in the Danish approach to capacity development, DANIDA views capacity development interventions within partner country sector/thematic programmes as a form o support to a number of interlinked/subordinated organizations. *A World for All – Priorities of*

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[12] Past capacity development efforts and thinking form DANIDA importantly include:

2002: A learning exercise was launched to generate a comprehensive conceptual framework for analysis of capacity development issues and to identify methodologies that assess capacity development outcomes. It permitted the development of an analytical framework for the evaluation of the impact of Danish capacity development support to public sector organizations in the context of sector programme support.

2003: A methodology was drafted for evaluation of capacity development. It outlines 15 steps to assess capacity development.

2004: A general report described a pragmatic approach to donor support for public sector capacity development.

2005: The *Result-oriented Approach to Capacity Change* (ROACH) focused on the potential constraints and the realistic options for changing and enhancing organizational capacity and capacities in key public sectors. It proposed a methodology tested in Ghana as the analytical framework.

*the Danish Government for Danish Development Assistance 2008-2012 (*A World for All) mentions health, HIVAID, education, environment, and migration as key sectors for capacity development in supported countries.

Technical cooperation. DANIDA is currently reforming its technical cooperation approach and already notes the need to enhance technical assistance effectiveness so as to contribute to capacity development. It acknowledges the need to shift its focus from individual skills and predominantly long-term technical assistance to a broader approach and to greater institution building. For example, training should become more demand driven and linked to organizational change (i.e. introduction of promotion systems based on merit). DANIDA also emphasizes that pooling with other development partners should be considered.

Enabling environment. DANIDA highlights the importance of analysis and consideration of external/contextual factors as fundamental for successful capacity development support. This includes incentive structures, power structures, and political accountability. It is recognized that same external factors may impact on organizations differently. A World for All and the 2007 Good Governance Strategy mention the need for DANIDA to strengthen its efforts to promote good governance – including support to efforts to build the administrative and judicial capacity of programme countries, and to use capacity development in the battle against corruption.

Country systems. DANIDA focuses on organizations and capacity development in public sectors and country systems (i.e.: budget management) and calls for consideration of the structural and institutional factors that might influence them. DANIDA's priority areas for capacity development concern strengthened accountability of public-sector management and public financial management. DANIDA's vision is embedded in the 2007 Good Governance Strategy, which affirms that capacity must be developed to help nurture an effective and accountable public sector capable of contributing to the reduction of poverty. Three core areas for support are identified: 1) capacities to support the fight against corruption; 2) capacities for local service delivery and governance; and 3) capacities for public financial management, especially in terms of accounting and financial reporting, procurement, and management control and internal auditing. The 2007 Good Governance Strategy also explains that Denmark will be less ambitious in terms of technical capacity in other areas of public sector management.

Fragile situations. DANIDA guidance does not mention capacity development in the context of fragile states explicitly, however it does note the need for a sequenced/phased approach in fragile situations. Danish approach to fragile states and situations is based upon A World for All and follows the OECD/DAC Principles for Good International Engagement in Fragile States and Situations. The document notes that in fragile states there will be an immediate need for assistance to build up capacity within core political and administrative areas.

Easy references
✓ Technical Advisory Services, DANIDA (2006). Guidance Note on Danish Support for Capacity Development. Ministry of Foreign Affairs of Denmark http://www.oecd.org/dataoecd/43/16/40986702.pdf ✓ DANIDA DevForum: http://www.danidadevforum.um.dk/en/Forside.htm

EUROPEAN COMMUNITY (EC)

Policies

The conceptual framework for a European Community (EC) approach to capacity development is presented in the 2005 reference document ***Institutional Assessment and Capacity Development: Why, What, and How***, which mainly focuses on capacity development in public sector areas. The document emphasises the importance of the assessment of existing capacities and capacity gaps as fundamental prerequisite to design capacity development initiatives. The EC approach to capacity development recalls the Danish approach. Organizations, which are seen as *open systems*, constitute the unit of analysis for capacity development interventions which should result in changes in organizational outputs in terms of products and services delivered. Capacity development interventions should focus on technical/operational functions, but also on *political* features – both inside (internal factors) and outside (external factors) the organizations or group of organizations under analysis. The 2005 Concept Note highlights that the capacity development process must be led and own by partner countries; donors should play a supportive and catalytic role, to assist the partner to define realistic targets, to engage to build up demand for change, provide access to knowledge, pilot different approaches, and facilitate dialogue between domestic stakeholders.

In 2008, the EC developed another key policy document, Reforming Technical Cooperation and Project Implementation Units for External Aid provided by the European Commission – A Backbone Strategy, which illustrates EC strategic framework to improve the effectiveness of EC aid with respect to capacity development, mainly in terms of reforming technical cooperation and Project Implementation Unit (PIUs) approaches. The Backbone Strategy envisages technical cooperation processes that 1) lead to sustainable changes, 2) are demand-driven and 3) result oriented. The Strategy also calls for gradually phasing-out PIUs: as technical cooperation builds national capacities, project implementation will increasingly rely upon country system, administration, and structures. The technical cooperation reform process should be guided by the following guiding principles:

✓ Technical cooperation focus should be on capacity development;
✓ A demand-led approach should be followed where technical cooperation is not provided by default;
✓ Technical cooperation should adopt a results-orientation;
✓ Technical cooperation process should be country owned and managed;
✓ Take into account country/sector requirements;
✓ Work through harmonized and aligned action, and improved coordination with other donors;
✓ Consider different and innovative options for the provision of technical cooperation – including the use of national and regional resources, twinning arrangements and knowledge transfer beyond standard training approaches.

Operational Approaches

Organization. Within the EC, the EuropeAid co-operation office manages EU external aid programs and development assistance - including capacity development related interventions. In line with the Backbone Strategy, the EC has set up a system to coordinate and oversight the technical cooperation reform process, which includes a Coordination Team and a High Level Steering Committee. The Coordination Team mostly comprises staff members from EuropeAid Directorate on Quality of Operations. Furthermore, the EC is currently working towards the establishment of a Panel of international capacity development experts to advice on the overall reform process. The EC has been reviewing existing methodological packages and developing new training material in line with the Backbone Strategy. An online platform – "www.capacity4dev.eu" - for structured communication around the themes of the CD will be launched in May 2009 and open to external stakeholders. At the field level, EC Delegations have conducted a mapping exercise of current technical cooperation operations and developed Country Action Plans for the implementation of the Backbone Strategy. The EC aims at identifying best practices for technical cooperation and capacity development, to be discussed in a seminar planned for 2010.

Tools. Technical cooperation constitutes the main approach through which the EC provides capacity development support. As foreseen in the Backbone Strategy, in March 2009 the Guidelines on "Making TC more Effective" have been issued. They provide directions on translating ownership in practice while designing TC supported programmes, assessing existing capacities, improving technical cooperation design and management, considering options for harmonisation and division of labour with other development partners, and technical cooperation quality assurance. The document highlights the importance of promoting partner country responsibility and leadership in procurement, technical cooperation provider selection, monitoring, and evaluation. Another goal of the EC is moving from PIUs to Programme Implementation Arrangements (PIAs), embedded within national country systems of partner countries. To this end, the Guidelines also discuss the design of PIAs and provide parameters to be addressed. The EC is also preparing a Practical Guide to Capacity Development in a Sector Context (Practical Guide). The Practical Guide considers sectors as networks

of organizations; it describes 10 tools that could be helpful for capacity development gaps and needs diagnosis, dialogue, and planning for capacity development interventions in a sector-wide context[13]. The EC is currently revising other existing tools and guidelines, to adapt them to the new approach descried in the Backbone Strategy. Tools under revision include the Practical Guide to Contract Procedures for EC External Actions (PRAG), the Ex-ante Quality Assessment System, and the Performance Assessment tools. The EC is also planning to adapt existing monitoring systems and evaluation procedures to assess capacity development oriented technical cooperation operations.

Harmonization. The Backbone Strategy states that harmonization of technical cooperation support is a key commitment of the EC. This commitment will be particularly addressed through the Division of Labour Fast Track Initiative*.* The EC also supports co-financing as a tool to improve coordination among donors and partners.

Current focus in relation to AAA Capacity Development Priorities

Civil society and private sector. The 2005 Reference Document invites a focus on the capacities of both public and non-public organizations. Concerning sector-wide approaches, the EC envisages that the participation of civil society in the consultation process could generate increasing domestic demand for capacity development. The EC sees civil society and private sector as potential "non traditional" technical cooperation providers.

National, sector, and thematic strategies. The EC recognizes the need to integrate technical cooperation within national and sector development strategies. Using a sector approach the EC aims at providing technical cooperation that contributes to strengthening capacities and supporting sector-wide reforms. National development strategies can be supported by integrating technical cooperation into general budget support programmes. The EC foresees that the integration of technical cooperation within national and sector strategies, plans, and budgets would increase the demand for capacity development, as national partners will be tasked to take the lead in managing and implementing technical cooperation.

Technical cooperation. The Guidelines on "Making TC more Effective" highlight the importance of looking for local expertise and promoting South-South cooperation. The EC supports the possibility of involving non-profit organizations or "think tanks" to promote diversification of sources of expertise and to facilitate access to "non-traditional" technical cooperation providers. Overall, the EC aims at the provision of quality technical cooperation that supports country-led programmes, based on partner-demand and focused on sustainable results (see above description of the Backbone Strategy to Reform TC).

Enabling environment The 2005 Reference document underlines the need to consider structural/institutional drivers and constraints and their potential influence on capacity development. The EC has a strong focus on Democratic Governance and on the fight against corruption. The Guidelines on TC and PIUs require consideration of the enabling environment. A tool for scanning the institutional and political context is included in the draft of the Practical Guide. A new work stream concerns Public Sector Reform, with regular offer of training and the development of guidance material and case studies.

Country systems. The EC strongly emphasises the need to strengthen national country systems. This constitutes a necessary step to move from PIUs to PIAs that are integrated in, and based upon the use of, country systems for procurement, M&E, public financial management, national statistics, and others. Such focus implies first a more systematic assessment of partner government capacities and procedures.

Fragile states. The EC has a political commitment to invest in developing national capacity in fragile states, and to promote alignment with national frameworks where possible. However, the latest *OECD/DAC Peer Review of the EC* noted that EC implementation still tends to use quick delivery implementing partners (NGOs, companies, UN agencies) and parallel PIUs. The Peer Review recommended that more attention should be given to strengthening and using country systems also in fragile situations, for example in terms of procurement or public financial management.

Easy References

✓ European Commission, (2008): *Reforming Technical Cooperation and Project implementation units for external Aid provided by the European Commission – A 2008 Backbone Strategy*. http://ec.europa.eu/europeaid/what/delivering-aid/aid-effectiveness/documents/backbone_strategy_on_tc-pius_final_en.pdf

✓ EuropeAid website: http://ec.europa.eu/europeaid/who/index_en.htm

✓ Web 2 Platform : www.capacity4dev.eu" – to come in May 2009

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[13] The tools include 1) Setting the Stage: Delimiting the Sector; 2) Scanning the Institutional and Political Economy Context; 3) Assessing Organizational Capacity; 4) Sector Governance Mapping; 5) Stakeholder and Actor Analysis— Capacity Development Readiness; 6) Partners' Role in Capacity Development Process; 7) Capacity Development Change Management Design; 8) Self-Assessment of Change Capacity; 9) Sequencing and Scoping of Capacity Development and Reform; 10) Logical Design of Capacity Development Processes and Support to Capacity Development.

FINLAND

Policies

Finland does not have an overall policy on capacity development, nor has it adopted a final definition of the concept. The 2007 *Development Policy Programme* of Finland focuses on the global effort to eradicate poverty through economically, socially and ecologically sustainable development. Finnish development cooperation focuses on areas where Finnish expertise and experience can be best used to support partner countries' own development programmes. Finland does not have a comprehensive strategic approach to capacity development, which is generally not stated as an explicit objective of Finland's cooperation projects or programmes – even if in reality it is often a component of many of Finland's interventions.

As pointed out in the *2007 OECD/DAC Peer Review* (2007 Peer Review), Finland has confirmed its commitment to partner country ownership as well as specific steps towards alignment and harmonisation. Finland recognises that local ownership is fundamental in development processes and that capacity development should be included in national development plans.

Operational Highlights

Guidelines for MFA Staff. Some guidance is available for the Ministry for Foreign Affairs (MFA) staff on how to address capacity development when identifying and formulating programmes and projects. The *MFA 2005 Internal Guidelines* (the Guidelines) briefly sets out the importance of capacity development and how to analyse and prioritise capacity development issues in a given project, explaining that "if local institutional capacities are inadequate, they must be identified and developed". The Guidelines explain that the design of capacity development interventions calls for the analysis of actors, institutions, individuals, and activities, as well as the careful assessment of the normative context (i.e. vision, values and policies), the societal context (i.e. political, social and cultural) and the physical resources (including financial and intellectual) required. The 2007 Peer Review noted that, although the Guidelines provide useful advice on capacity development for staff, there is room for further thought and direction on how to make capacity development operational, including how to conduct analysis and implement activities to develop capacity. The MFA is currently updating its procedures and tools for capacity development.

Technical Assistance. The MFA recognises that technical assistance has not always been conducive to comprehensive capacity development action. Besides bilateral programme based cooperation, project cooperation remains an important form of aid for Finland. Technical assistance is an important instrument used by the MFA in its projects. In the period 2001-2004, technical assistance represented 20-25% of Finland's total gross ODA disbursements, and 30-40% of bilateral aid.

Current focus in relation to AAA capacity development priorities

National, sector and thematic strategy. Finland has focussed its development cooperation in selected key sectors where it can also bring additional value and expertise. This has allowed strengthened sector specific dialogue on capacity development priorities with the partner countries.

Civil Society. NGO's have an important role to play in Finnish development policy overall. In development cooperation with NGO's, the Government strives to boost the effectiveness of operations and the NGO's general capacity while also raising the quality and effectiveness of development cooperation by providing training.

Technical Cooperation. Through a Fund for Local Co-operation, Finland provides small-scale funding for civil society organisations in supported countries. Finland also runs a student and teacher exchange programme called the North-South-South Higher Education Institution Network Programme. During the pilot phase (2004-06), 375 student scholarships and 206 teacher scholarship were granted - and the programme has since been continued. All students must return to their home countries to graduate in order to support institutional development.

Easy References

✓ Ministry of Foreign Affairs of Finland: http://formin.finland.fi/public/Default.aspx?culture=en-US&contentlan=2
✓ Development Policy Programme 2007: http://formin.finland.fi/public/default.aspx?contentid=107497

FRANCE

Policies

France does not make a clear distinction between capacity development and capacity building, but uses the expression "*renforcement des capacités*" for both concepts. Capacity building is a cross-cutting concern of French aid. Although France does not have a global strategy for capacity building or capacity development, it has indeed a long tradition of supporting national capacities (referring mostly to technical capacities, sector-specific capacities, or negotiation capacities) - through training,[14] technical cooperation, and institutional support. In particular, France promotes capacity building through its official strategies on Governance and Aid Effectiveness.

The *2006 French Action Plan for Enhancing Aid Effectiveness* includes capacity development among the main areas of commitment and provides directions in terms of:

✓ Increasing the amount of official development assistance for capacity building, with a view to foster ownership of the policies by the partner countries;

✓ Promoting multi-donor and multi-annual capacity-building frameworks, including missions, technical-expert jobs and education grants;

✓ Taking action to modernize French interventions, diversify targets, give priority to support in the field, emergence of local players and public debate;

✓ Fostering training and the use of locally existing capacities;

✓ Rekindling and leading the international debate on capacity building.

In the *2007 Governance Strategy*, France gives a central role to institutional and human capacity building, particularly in terms of targeting *agents of change*, as well as *structures of change*.

To bring coherence and enhance France strategic approach to capacity development, the *2008 OECD/DAC Peer Review of France* (2008 Peer Review) suggested developing a framework strategy that embraces all its priorities and establishes operational guidelines together with progress indicators in the field of capacity building/capacity development. In this perspective, France has recently launched a process to set up a framework strategy on capacity building by end 2009. As a first step, the French Ministry for European and Foreign Affairs and the AFD (Agence Française de Développement) have launched 2 studies on French cooperation action on capacity building.

Operational Highlights

Organization and Coordination Issues. French capacity building initiatives are carried out by various players from different parts of the French system. As France has not yet been achieved a comprehensive strategy and framework on capacity building/capacity development yet (to be set up by end 2009), the effectiveness of current interventions is limited by the lack of coordination among the actors involved. AFD, for example, favours supply of short-term technical expertise, while the SCAC (Service de Coopération et d'Action Culturelle) tends more towards long-term institutional support. The setting up of a framework strategy on capacity building will enhance the French ODA coherence on capacity building.

Instruments for Capacity Building. France pursues capacity-building mostly through education grants and imputed student costs, training, financial support to research and to the local education sector and technical assistance interventions. The 2008 Peer Review invited the country to assess the impact of its "40 years experience in training the elites", with the aim of evaluating, learning, and capitalising on its capacity-building initiatives, especially training. That is one of the purposes of the 2 studies jointly launched by French MA and AFD.

Technical Assistance. France's technical assistance presence in the field has been very significant. In the last two decades, France has made great efforts to move from massive French "substitution" technical assistance (23,000 persons in 1980) to short term, focused international technical expertise (1,200 experts in the field in 2008). France new approach to technical assistance aims at building up and supporting local expertise. France intends to improve the integration of its technical assistance into joint approaches to capacity building that will encourage ownership and reduce the risks of substitution, to align its activities with national systems, and to make use of local capacities to carry out the country's programme.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. France sees the private sector and civil society as *potential agents of change*, to be targeted with capacity building support, including their negotiation and mediation capacities to sustain the decision-making process, promote reform processes, and support decentralised cooperation. France is currently taking action to diversify its targeting of capacity-building interventions to include civil society, the media, and the private sector. France has recognized the need to update its tools for capacity building to enhance its focus on "non-traditional" local players and foster interaction between local stakeholders and institutions.

National, sector, and thematic strategy. Within France's Governance Strategy capacity building is seen as a means

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[14] In particular, France has a special focus on student education at the university level, research and scientific co-operation, and cultural programmes.

to support the formulation and implementation of national and sector strategies. However, as France so far has not yet developed a comprehensive strategy to guide actions on capacity development/building - at the overall or sector levels - the need remains to improve the effectiveness and coherence of capacity building support to national and sector strategies.

Technical cooperation. France is currently in the process of reviewing and modernizing its approach to technical assistance. This process will include the promotion of South –South cooperation and the provision of technical assistance to organizations outside government structures – such as NGOs or Civil Society Organizations (CSOs).

Enabling environment. According to the 2008 Peer Review, the Governance Strategy could be strengthened in terms of supporting capacity development for key institutional issues such as public service reform. The 2008 *France Memorandum to the OECD* acknowledges that France should enhance its efforts to tackle systemic factors that discourage capacity development – in terms of transparency, participation, and elimination of corruption.

Country systems. France's Governance Strategy has a particular focus on bolstering public finance and national statistics systems. For example, France has launched the AFRISTAT initiative to support statistical institutions in Africa and systems of national statistics. The 2008 Peer Review observed that the Governance Strategy should be strengthened in terms of supporting capacity development in key country systems and related institutions. The Review encourages France to capitalise on its experience with capacity building in order to establish a framework that combines institutional support for strengthening public systems - essential if the impact is to be lasting - with other forms of capacity building. France has also been actively involved in the Public Expenditure And Financial Accountability (PEFA) partnership which aims to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability in the framework of a deep dialogue with partner countries. MfA and AFD have launched a training program on this process in French speaking partner countries.

Fragile situation. France has extensive experience in fragile partner countries. France's approach to fragile states focuses on state-building and restoration of state functionality, with the aim of building an environment conducive to reducing poverty and fostering sustainable development, restoring the legitimacy of the State, and rehabilitating the deteriorated relationship between the State and civil society. The 2007 *French Position Document on Fragile States and Situations of Fragility* recognizes the need to tailor assistance packages to the distinctive characteristics of the operating environment, to focus on state-building and to coordinate better with other international actors. The document also highlights the need to improve the French strategy in fragile states in terms of capacity development of civil society and to develop joint approaches to local capacity building with other partners. A diagnostic tool - the "Fragilities Grid" (*Grille de Lecture des Fragilités*) – has been developed and piloted based on five clusters of national indicators and one cluster of supranational indicators of state and societal weakness. France actively contributed to the launch of an international dialogue on peace building and state capacity as well as the monitoring implementation of good international engagement in Fragile States, within the context of AAA.

Easy References

- ✓ Ministère des Affaires étrangères et européennes : http://www.diplomatie.gouv.fr
- ✓ Agence Française de Développement : http://www.afd.fr
- ✓ France Coopération Internationale : http://www.fci.gouv.fr/

GERMANY

Policies

Germany's capacity development agenda is closely linked to the international aid effectiveness agenda. Germany contributed to the 2006 OECD/DAC Guidelines on CD and refers to its definitions. To emphasize the importance of capacity development efforts for aid effectiveness, Germany drafted a discussion paper titled **Capacity Development and Aid Effectiveness** for the 2008 Accra High Level Forum. The paper uses a capacity development perspective to review the five key principles of Paris Declaration: *ownership, alignment, harmonization, managing for development results (MfDR)*, and *mutual accountability*. It looks at capacities that need to be strengthened at the partner country level and what practices/approaches should be used by donors. Key themes include the need for joint efforts, co-operation and partnership between country partners and donors, and the importance of country leadership, ownership, and self-reliance in capacity development processes.

Germany advocates flexible and adaptable capacity development support to fit specific situations. Existing partner capacities and initiatives are to be used as the starting point of all CD interventions. Germany also promotes division of labour among donors according to comparative strengths and of joint learning. As a main sponsor of the DAC workshop on capacity development in Bonn (May 2008) Germany promoted the elaboration of a CD agenda as a longer term vision and direction to help address governance, institutional and policy constraints to capacity. In Germany's system, capacity development is the key element and the overall goal, mainly of Technical Cooperation. The "**Guidelines for Financial and Technical Cooperation**" ("FC/TC Guidelines") define capacity development as a key function and service line for the complementary service providers GTZ, DED and InWEnt. The FC/TC Guidelines have been revised recently and now include aid effectiveness criteria such as part of the engagement in programme-based approaches, etc.

Operational Highlights

Organization: In the Federal Ministry for Economic Cooperation and Development (**BMZ**), capacity development is part of the policy and working agenda of all Directorates and Divisions. The special topic of capacity development for aid effectiveness is assigned to Unit 220 and involves consultation with representatives of Germany's implementing agencies (GTZ, KfW, DED, InWEnt).. Implementing agencies, specifically GTZ, support BMZ in policy and strategy development and for sector specific assignments (e.g. "Guidelines for Capacity Development in the Education Sector - FTI) as well as cross-cutting topics (e.g. CD and aid effectiveness).

Among the implementation institutions, capacity development is a core task of **GTZ**[15]. German Development Service (**DED**) also addresses CD issues at the micro and meso levels, mostly targeting civil society and public and private sector actors. DED assigns its qualified experts and provides technical advisory services mainly to partners at the decentralized/local levels, complementing measures by other actors. **InWEnt – Capacity Building International** is a German training agency with programmes designed for experts and executives from politics, administrations, the business community and civil society, qualifying people to pass on their knowledge to others and effect long term structural changes. **KfW**, the German Development Bank, considers capacity development measures as a permanent and integral component of financial cooperation. In this sense, for KfW capacity development not only focuses on the development of human capacities but also on the general sector and social conditions which influence persons in the partner countries. According to the ownership principle, KfW sees the preparation and implementation of its programmes fully in the hand/responsibility of the partner countries. In this spirit, planning, procurement, budget management capacities are strengthened to enhance the development of sustainable structures.

Instruments. Although technical co-operation is Germany's lead approach to capacity development, various instruments and services are used to support CD processes in partner countries, including integrated advisory services, training, in-process facilitation, investment accompanying measures, information campaigns, support for management and administrative reforms, internal restructuring and sector reform including PBA,, political dialogue on capacity development and contribution to joint initiatives such as Train4Dev or joint CD assessments in key sectors. Regarding advisory and training measures, Germany highlights the importance of partners to assume lead roles by deciding between various options.

Best Practices. Germany has been working on identifying lessons learnt and best practices in terms of capacity development in key sectors of intervention. Summary papers review and share German experiences in capacity development in the water sector, in education, in the area of climate protection and in the financial sector.

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[15] GTZ offers multiple services to support capacity development in partner countries, including 1) participatory capacity assessments; 2) support in setting up M&E systems; 3) technical outfitting of participating partner organizations; 4) counterpart training; 5) sector-specific and organizational advisory services; 6) inputs to strengthen the performance capacity of the state, to empower civil society and to promote the private sector; 7) advisory services with a view of improving the legal and administrative framework; 8) shaping all projects in line with the demands of professional change management which integrates capacity development services appropriately into a change process. GTZ notes that seconded experts are key for CD. They also promote better access to education services in partner countries.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. Germany emphasizes the need to involve both civil society organizations and the private sector in capacity development interventions, for example in key sectors such as education, or within key reform processes. Private sector, civil society groups, media, and political supervisory bodies – parliaments or audit offices - are supported to develop their capacities for accountability systems and oversight, to generate demand for enhanced public services and to pressure governments to keep political promises. Germany also focuses on decentralization and on strengthening the capacities of local governments and authorities.

National, sector, and thematic strategy. Germany fully supports the need to align with partner country development priorities; capacity development support should be demand-driven and aimed at strengthening partner capacities to implement national and sector strategies and programmes – at all concerned levels of administration. Therefore, capacity development strategies and objectives need to be incorporated in country strategies and policies and must contain measurable and meaningful indicators to allow monitoring. Germany's priority sectors for intervention include education and environment (water management, mitigation and adaptation to climate change).

Technical cooperation. Germany states that partner-oriented aid has long been a principle of its general policy and for capacity development in particular. The current agreements between BMZ and GTZ no longer pre-determine the implementation of specific capacity development activities or services. Instead, development results and impacts determine their scope, while the decision on use of resources and types of services will be taken during implementation, in line with partner countries needs and the change process in the partner country. Germany emphasizes the use of local and regional expertise. The number of national staff in TC programmes has increased significantly over the last years and is supported by the national staff policy of GTZ. CIM has a special service line for the reintegration of national experts from abroad. Germany recognizes the importance and potential of South-South cooperation and South-South exchange of experience for capacity development. InWEnt has developed specific service lines to emphasise South-South cooperation and experience sharing.

Enabling environment. Germany pays attention to the enabling environment and to the importance of political will and participatory governance to promote and implement comprehensive change processes and key reforms. These include legal and judicial reforms, administrative reforms and combating corruption. Germany states that donors should encourage reforms and provide capacity development support to decision-makers. The German approach also focuses on strengthening or creating the institutional, political, and social conditions necessary for learning that involves all stakeholders.

Country systems. Germany avoids parallel systems by integrating programme implementation structures into partner institutions and by using country systems and procedures to the extent possible. Capacity development through technical cooperation supports partner country reforms to meet minimum international standards for procurement, financial and fiscal systems,[16] national statistical systems, internal and external auditing, budget management, and delivery of funds. Regarding monitoring and MfDR, Germany emphasises its focus on improving capacity to identify achievable objectives for national, sector, regional strategies and policies on the basis of reliable data and information on the current status, and on enhancing M&E capacities. Germany also highlights the importance of referring to and relying on international agreements, tools, and initiatives to support capacity development in key country systems – including, for example, the recommendations of the Joint Venture on Procurement, or existing analytical tools developed within the scope of Public Expenditure and Financial Accountability (PEFA) initiative. To support capacity development in statistics and MfDR, Germany refers to the Partnership in Statistics for Development in the 21st Century (PARIS21) and to the tools developed by the Joint Venture for MfDR.

Fragile situations. Germany has longstanding relations with many partner countries that are rated fragile or with low governance performance. Its' commitment "to stay engaged" in this particular group of partner countries has been emphasized in recent policy guidelines and a conceptual framework for development cooperation that refer to the specific capacity development needs of them. This policy framework outlines different approaches based on the partner government orientation and their willingness and ability to promote change and development. The guidelines are to be adhered by all German development organisations. They outline the scope for capacity development support and define specific actions and priorities for CD interventions. They are to engage in donor-co-ordinated approaches, to respect informal and traditional structures, to act conflict and gender sensitive and to involve development oriented drivers of change from government as well as civil society or private sector.

Easy References

✓ Federal Ministry for Economic Cooperation and Development. *Capacity development and Aid Effectiveness.* Discussion Paper in preparation for the High level Forum on Aid Effectiveness in Accra (September 2008)
http://www.oecd.org/dataoecd/46/9/40976638.pdf

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[16] The draft concept note *Capacity Development in the Financial sector- Experience from the German Development Cooperation* calls for a systemic approach and a sector-wide strategy for capacity development in the financial sector. The note highlights that focus should be on institution building (financial institutions, central banks and support agencies, holding companies and platforms), and policy dialogue, and offers some guidance on delivery mechanisms.

GREECE

Policies

Greece does not have an overarching strategy or policy statement on capacity development. However, according to a recent informal Memo prepared by the Hellenic International Development Cooperation Department (Hellenic Aid) of the Ministry of Foreign Affairs, capacity development is a high priority topic of Hellenic Aid development cooperation policy. It also notes that capacity development and technical cooperation interventions are designed and implemented in a manner that is demand-driven, harmonized with other donors, and in line with partner country programmes and priorities.

The *Hellenic Aid's Action Plan for Coordination and Harmonization* (2004) states that "…Greece's immediate objective is to intensify such cooperation with donor countries, with regard to capacity building focused on targeted needs, as defined by the recipient countries, so that jointly and in a coordinated manner, sustainable development and good management of environmental resources are promoted... In order to enhance its efforts on the issue of harmonization, Greece will continue to give its support to capacity building in partner countries through the formulation of sector development strategies".

Operational Highlights

Hellenic Plan for the Economic Reconstruction of the Balkans (HiPERB). HiPERB - the most important Greek Development Cooperation Programme covering the Balkan countries of Albania, Bosnia and Herzegovina, Bulgaria, FYROM, Montenegro, Romania and Serbia - is the best example for capacity development support. It is a regional multi-year programme that implements an integrated development policy for the region, mainly focusing on their economic development with a special emphasis put on the infrastructure, energy and productive investment sectors. Its ultimate goal is to contribute to the political, economic and social stability of the recipient countries and positively influence their European perspective.

Capacity development consideration in programme and project approval. The Hellenic Aid Memo emphasises that capacity development considerations receive priority attention in the approval process of programme or project proposals. Each proposal must describe how it will improve the relevant capacities of the local partner and beneficiary group. The use of local services and expertise is also considered important. Proposals also must explain which measures are foreseen to secure long-term local ownership of the results. Coordination and harmonization with other donors is emphasised: proposals should refer to programmes that are implemented by other donors in the same area of intervention and they should describe the framework for coordination these programmes.

Donor Coordination. Pursuant to Paris Declaration and the AAA, Hellenic Aid's policy gives first priority to coordination with other donors for capacity development support and can already report various examples, mainly through co-financing initiated at country level, such as with USAID in the Western Balkans on energy, tourism and property rights and in Jordan on tourism.

Current focus in relation to AAA capacity development priorities

National, sector, and thematic strategies. Greek development cooperation priority sector focus places special emphasis on capacity development of partner countries as follows: a. basic and secondary education infrastructure and vocational training, b. basic health infrastructure, c. water supply and sanitation, d. environment and agriculture, e. trade and tourism, and f. support for democratization and human rights activities (women trafficking), institution building, micro-credit and income generation.

Technical cooperation. According to the Hellenic Aid Memo, the use of local services and expertise is valued. Proposals for technical cooperation are examined with care by Hellenic Aid that prefers to integrate technical cooperation into a larger development project context, in which technical cooperation has specific and targeted outputs. Technical cooperation is to be implemented on an understanding of the political, socio-cultural, sector and institutional context.

Easy References

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✓ Hellenic Aid: http://www.hellenicaid.gr/frontoffice/portal.asp?cpage=NODE&cnode=19&clang=1
✓ Hellenic Aid's Action Plan for Coordination and Harmonization:
http://www.hellenicaid.gr/appdata/documents/hellenic_aid_action_plan_2004.pdf

IRELAND

Policies

The Irish Aid Memorandum prepared for the *2008 DAC Peer Review of Ireland* (2008 Peer Review) notes that capacity development is an essential element of Irish support to partner countries and that Ireland sees donors as responsible for providing support in ways that build partner country capacities in a sustainable manner. The 2006 *White Paper on Irish Aid* (White Paper) also addresses the concept of capacity development and commits Irish aid to help build "government systems that meets the needs of their citizens and the capacities to plan, deliver, manage, and monitor services".

Ireland has mainstreamed capacity development in its sector and thematic policy documents and programmes, but does not currently have an overarching policy statement or vision to guide its efforts in this area.

Irish Aid has demonstrated strong commitment to implement the Paris Declaration and to conform to its principles of ownership, alignment, and harmonization. In line with this, Ireland concentrates on providing support to capacity development that is demand-driven, co-ordinated with others and supportive of country ownership.

Operational Highlights

Organization. Within the new Policy Planning and Effectiveness Unit (October 2008), Ireland recruited a Capacity Development Advisor to provide programme support on capacity development, develop a policy statement and overall guidance, and engage at the international level on capacity development through the DAC and the European Union. In particular, the Advisor will be responsible for implementing the capacity development commitments of the Accra agenda for Action. He will also be working on division of labour and accountability.

Integration of Capacity Development into Sector-wide Programmes. Ireland's capacity development interventions so far have been integrated into Irish Aid programmes through the Country Strategy planning process and are driven by a highly flexible, case-by-case and learning-by-doing approach. In general, Irish Aid support for capacity development is coordinated and jointly-funded with other partners through sector-wide approaches and pooled funding, or using country systems. At the operational level, Irish Aid tries to respond to capacity needs identified through sector investment plans and programmes.

Training and Education Focus. (i) Irish Aid's Fellowship Training Programme (FTP) started in 1974 and constitutes an integral part of its capacity development approach. Through FTP, 100 postgraduate students from Irish Aid Programme countries are supported annually. FTP attempts to address specific capacity deficits in target countries through the training of key individuals in the public services or non-governmental sectors, in line with priorities of Irish Aid in these countries. A review of FTP (October 2007) notes that FTP made a "genuine and visible contribution" to capacity building and that a "solid proportion" of fellows achieved their capacity building objectives. On the other hand, the review also pointed out that FTP can be disconnected from Irish Aid programme objectives and that its effectiveness as a capacity building tool to address specific capacity deficits in Irish Aid's programme countries could be enhanced. (ii) Irish Aid's Programme for Strategic Co-operation between Irish Aid and Higher Education and Research Institutions, launched in December 2006, has the objective of promoting innovative and collaborative research across a range of subject areas and developing the capacity of the higher education sector in Ireland and developing countries. Managed by Ireland's Higher Education Authority on behalf of Irish Aid, the first phase of the programme (2007-11) focuses on building capacity of Irish higher education on developmental research. All the funded projects include collaboration between Irish and southern institutions, with a particular focus on Africa, and include activities such as establishing research and professional networks, sector training, research capacity building and academic material development.

Partnership and Joint Efforts. Irish Aid is a member of the EU Technical Group on Capacity Development which is working on a Joint Learning Package on Capacity Development. Irish Aid also supports the Capacity Collective (based at the Institute of Development Studies in Sussex, UK), which critically reviews capacity development practices and suggests innovative approaches at the country level.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. Ireland work closely with Civil society Organizations (CSOs) and seeks to build their capacities to deliver aid more effectively and efficiently. Irish Aid *Civil Society Policy* (2008) commits Irish Aid to support capacity building and organizational development for CSOs. In particular, the policy supports: 1) an enabling environment for NGOs to organise and engage with its own broader constituencies; and 2) the role of NGOs to promote participation and good governance, pro-poor service delivery and growth, and build a constituency for development, human rights, and social justice. Irish Aid *Local Development Policy* also emphasises the target of building strong local institutions, such as local governments, local civil and private sectors.

The 2008 Peer Review notes this policy places relative emphasis on empowering Irish NGOs as opposed to local ones, although direct support also may be provided to local NGOs in partner countries to strengthen their capacities. Irish Aid country programme budgets also provide capacity development support for building the research and policy analysis capacity of local civil society organizations. Irish Aid also favours joint mechanisms for supporting civil society.

National, sector, and thematic strategies. Irish Aid puts great emphasis in aligning its programmes with partner countries' national development strategies, sector strategies, and plans. Furthermore capacity development is a strong component of Irish Aid sector and thematic area policies. According to *Irish's Aid Operational Plan 2008-2012*, Ireland focuses on completing and building the national and local capacities for the effective delivery of services in the sectors of health, education, water, and sanitation. The 2008 Peer Review observed that Ireland's long-term aid engagement in programme countries has tended to focus on a few sectors and thereby has allowed it to build strong partnerships with line ministries.

Technical cooperation. Irish Aid uses technical assistance within the context of sector or programme support, and tries to fully embed it in the context of local structure and management systems. Many Country Strategy Plans include a process fund which can be drawn on to support demand-led technical assistance or short term consultancy inputs that support capacity development. The Memorandum also notes that Irish Aid promotes local knowledge and experience and the use of local consultants and local institutions to the maximum extent possible. In 2007, Irish Aid disbursed 20 million for technical cooperation. The *2008 Survey on Monitoring the Paris Declaration* (2008 Monitoring Survey) reports that 97% of recorded spending for technical cooperation was disbursed in a coordinated manner, respecting the principle of ownership, alignment, and harmonization as defined in the Paris declaration. Irish aid also puts emphasis on integrating technical assistance into government institutions and systems.

Enabling environment. Governance, accountability, and anti-corruption are priority topics for Irish Aid. The draft paper *Building Better Governance: A Strategy for Irish Aid* includes among its key themes i) building effective institutions for service delivery, ii) building strong civil society and iii) building democratic systems of governments. Irish Aid works in partnership with government, donors and civil society on governance-related topics and consistently aims at using and strengthening partner country's capacities for financial accountability and transparency. Irish Aid has signed a support partnership with the African Capacity Building Foundation as part of its support to the governance area.

Country systems. Irish Aid has a strong commitment to using country systems for the implementation of its programmes. The 2008 Peer Review noted that Irish Aid's "hands-off" approach towards capacity development encourages partner countries to use their own systems. For Irish Aid, the use of partner country systems constitutes a means for strengthening government's capacities to implement and manage public resources. The 2008 Monitoring Survey confirms that Irish Aid channels a significant amount of its aid through country public financial management and procurement systems and national budgets, and does not use parallel project implementation units.

Easy References

✓ Irish Aid Website: www.irishaid.gov.ie
✓ OECD/DAC Peer Review of Ireland, 2008
✓ Government of Ireland (2008), *Operational Plan 2008-2012: Embracing Change and Making a Difference*, Paris, France

ITALY (Under construction)

Policies

Italy does not have yet an overall strategy on capacity development. As reported in the final draft of the **Memorandum** prepared by the Italian Ministry of Foreign Affairs for the *2009 Peer Review of Italy*, the concept and actual implications of capacity development – as defined by the DAC - are however widely understood and accepted within the Italian Cooperation, both at the headquarter and field level. Italy is currently planning to prepare some capacity development guidelines to orient the work of its Units at the headquarter and field levels. The Memorandum notes that, at country level, Italy increasingly takes part in donor coordination activities and has a growing focus on capacity development issues as part of the policy dialogue on the implementation of the Accra Agenda for Action (AAA). The Memorandum also states that, in general, the Italian Cooperation has a long lasting tradition of programmes and projects deemed to strengthen institutional capacities in partner countries. The document asserts that almost all programmes, regardless of their core sector of activity, are conceived so as to entail a capacity building component.

Operational Highlights

Inventory of "good and bad" practices and lessons learnt. In the past months, Italy has been engaged in the DAC dialogue on capacity development. It has expressed commitment to support mainstreaming of capacity development as a cross-cutting issue while capitalising upon the vast vary of practices used at the field level and that are connected to capacity development. To this scope, in early 2009 the network of Italian cooperation's UTLs (Local Technical Units) has been mobilized through a survey to complete a first inventory of "good and bad" practices and lessons learnt which could inform the drafting of capacity development guidelines.

The role of Italian NGOs. Within the Italian Cooperation systems, Italian NGOs often play a crucial role in mediating with local CSOs. Therefore, as noted in the Memorandum, Italian NGOs play a significant role in capacity development related needs assessment and impact evaluation and, for this reason, they are increasingly more involved in capacity development mainstreaming.

Tools and Approaches. Italy has been frequently using "traditional" technical cooperation tools such as training for the enhancement of skills and capacities. Several programmes develop life-long training systems, especially through e-learning. The Memorandum notes that the Italian Cooperation is increasingly recurring to budget support, whereas the use of multi-donor pooled funding has become widespread: through such approach, together with the provision of *ad hoc* technical assistance, Italy aims at strengthening partner countries' capacities in managing external funds.

Current focus in relation to AAA capacity development priorities

Civil society and Private Sector. Italy recognizes the important role played by NGOs and civil society towards the promotion of development, good governance and democratization process. Planning of intervention is as much as possible carried out in close coordination with partner countries, donors, civil society, Local Authorities and all the relevant stakeholders. Capacity building of all these actors is considered a key component in order to foster the sustainability of development.

National, sector, and thematic strategies. Italy acknowledges that institutional capacity to design clear development strategies is still an issue in many Countries. Where strategies exist, alignment is a major commitment of Italy.

Technical cooperation. The Memorandum observes that, over the recent years, Italy has been engaged in promoting triangular cooperation, in particular in Latin America. Italy is aware that, in the case of technical assistance, there is still room for increasing the use of local expertise and to further explore the great potentialities of South-South cooperation.

Country systems. In various supported countries, the Italian Cooperation carries out programmes to support the development of public administrations' capacities. Particular attention is paid to modernising public administration at the local, regional and national level, for example on procurement or information management. The Memorandum observes that, as Italy is increasingly using budget support, it provides technical assistance aimed at developing local capacities in managing public procurement, financial and monitoring systems. As noted in the Memorandum, Italy is aware of the need to further decrease the number of Project Implementation Units (PIUs) - to this regard, Italy suggests that intermediate steps will be to reduce existing PIUs to one single sector/country unit, while gradually shifting to direct secondment of experts to the partner country systems in close coordination with other donors.

Fragile Situations. Italy acknowledges that effective coordination with states, international actors and the civil society are essential to develop the capacities to provide the basic functions needed for poverty reduction, development, security and human rights protection.

Easy References

✓   Cooperazione Italiana: http://www.cooperazioneallosviluppo.esteri.it/pdgcs/inglese/intro.html

JAPAN

Policies

JICA (Japan International Cooperation Agency defines capacity development as the "process in which individuals, organizations, institutions, and societies develop abilities either individually or collectively to respond to issues to perform function, solve problems, and set and achieve objectives"[17]. *As* JICA policy focuses on technical cooperation, in the early 2000s JICA launched an exercise to review its technical cooperation approach and its effectiveness in terms of capacity development, based on UNDP's three-layered capacity development framework (individuals, organizations, and society).

In a 2003 study titled *Capacity Development and JICA's Activities* (2003 CD Study), JICA notes that Japan's technical cooperation mainly targets government institutions and can contribute to broad-scale capacity development by developing the capacities of counterpart agencies to respond to the needs of their beneficiaries and to establish solid networks with beneficiaries and other important stakeholders[18] Regarding the effectiveness of technical cooperation in promoting country ownership of the development process, Japan recognizes that ownership by the partner country is vital and that capacity development is an endogenous process. JICA points out that, as a former recipient country itself, it sees technical cooperation as a means of supporting the partner country through joint project design based on partner country ownership, on consensus building among stakeholders, on use of existing public organizations, and according to cost sharing between the government of Japan and the partner countries. JICA also acknowledges that knowledge cannot be simply transferred from developed to developing countries, but it should be willingly acquired by the recipients. JICA aims at delivering technical cooperation in a way that knowledge is effectively acquired by partner countries, building upon Japan's experience of importing, absorbing and internalising Western knowledge as part of its modernization process.

Capacity development constitutes one of *JICA's Mid-Term Objectives.*[19] Furthermore, the *JICA Technical Cooperation Implementation Guidelines* (JICA TC Guidelines) also provide some policy guidance on capacity development[20]: "JICA encourages to mainstream capacity development in all projects and programmes, and to formulate explicit capacity development targets at the organization and/or institution levels.

Operational Highlights

Instruments. In 2004, JICA Task Force on Aid Approaches produced the *Capacity Development Handbook for JICA Staff* (CD Handbook) to provide a framework to improve the management of JICA technical cooperation interventions. The document invites staff to use a capacity development perspective to look at and assess JICA technical cooperation. Following the production of CD handbook, JICA's Institute for International Cooperation (IFIC) in collaboration with other JICA's departments and field offices has also produced several operational instruments which deal with capacity development - including *Program and Project Management Handbook* (Japanese only) in Dec. 2007 and *Capacity Assessment Handbook* (Japanese only) in Sep. 2008.

Organization. The CD Handbook explains the role and "good behaviour" for JICA staff to ensure that Japanese technical cooperation supports capacity development. This includes having a broad knowledge and understanding of the country context, appraising appropriate project objectives and approaches, being flexible and strategic and maintaining regular dialogue with all relevant actors. In particular, JICA experts – consultants, advisors, or coaches - should act as facilitators or catalysts to allow for mutual interaction between individuals, organizations, institutions, and social systems. The experts' contribution should help to draw out local needs.

Coordination Approach. JICA highlights that its technical assistance must be strategically synchronized and harmonized with other projects and funding, supported by other donors, and the initiatives of the developing countries themselves, so as to support the achievement of partner country overall development goals. JICA encourages division of labour and cooperation among donors and other implementing partners, and notes that a single donor organization cannot provide support in all areas and sectors in need of capacity development intervention. JICA suggests an initial assessment of partner country's capacities, of existing efforts by its government and other donors, of capacity gaps and of JICA's comparative strengths and weaknesses. The best approach can then be identified to support capacity development in a sustainable and effective manner. As a result of this process, JICA's interventions may vary from large and comprehensive programmes to the dispatch of short-term experts to complement existing initiatives.

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[17] *Capacity Development Handbook for JICA Staff* (2004).
[18] JICA foresees that if institutions can strengthen their networks with other relevant institutions and promote a relationship of mutual trust with stakeholders, their motivation to respond to the needs of the stakeholders is likely to be enhanced. This can create incentives for the institutions to make continuous efforts for improvement in their public functions.
JICA Mid-Term Objectives notes: "In order to promote self-help efforts of developing countries to solve their problems, Japan's approach should emphasize cooperation toward comprehensive capacity building in such areas as human resources development and the design of policies and systems. In this regard, the Agency's role as the primary executing body for technical cooperation within Japan's ODA system has vital importance."
[20] "By assisting in establishing systems, strengthening organizations, and supporting human resources development in developing regions for the development and reconstruction of their economies and societies, technical cooperation projects aim to support the endogenous capacity development initiative at various levels by the partner countries to address their various development challenges".

Current focus in relation to AAA capacity development priorities

Civil society and private sector. So far, JICA has extended its technical assistance mainly to public sector organizations. However, JICA has been moving towards a more comprehensive approach that involves non-governmental actors such as the private sector, NGOs, civil society organizations, and other informal citizen groups. JICA seeks to strategically formulate interventions based on the assessment of the overall situation of each partner country and of the roles and capacities of its various actors. While the direct counterpart for a JICA's technical cooperation project is usually a public sector organization, the project may need to pay attention to its beneficiaries and stakeholders in order to attain project objectives. In such cases, the project or programme may strategically extend assistance to strengthen the capacities of non-government organizations.

National, sector, and thematic strategy. JICA points out that although technical cooperation concretely focuses on individual skills and knowledge transfer, it inherently targets governmental institutions as partner/counterpart institutions and attempts to improve their functions to provide public services in key sectors and thematic areas. JICA sees technical cooperation playing a key role in building public sector capacities and contributing to capacity development on a broader scale. Technical cooperation to support core public functions constitutes a potential entry point for capacity development support, for example in key sectors such as the education sector.

Technical cooperation. Given Japan's focus on technical cooperation, JICA has made a special effort to assess and prove the validity of its use for capacity development, for example with the 2003 CD Study. JICA currently is trying to further strengthen its approach by strategically blending aid modalities such as technical assistance, grant aid, loans as well as private-sector investment finance. In 2008, Japan participated in and co-financed a ***Joint Study on Effective Technical Cooperation for Capacity Development*** on how to make technical cooperation work better for capacity development. The 2008 joint TC Study provides recommendations and identifies six key features to enhance the effectiveness of technical cooperation for capacity development: 1) Country-led planning; 2) flexible and responsive design; 3) capacity development within an organizational change process; 4) country-led management; 5) complementarities with other forms of support; and 6) capacity development within an organizational learning process.

In addition, recognizing the efficacy of South-South Cooperation, based on the government ODA policy of Japan and JICA's Mid-term Plan, JICA has actively been promoting South-South Cooperation, and enhancing its support for South-South and Triangular Cooperation, which facilitates Capacity Development in developing countries.

Enabling environment. The CD Handbook highlights the need to consider the institutional and social environment within which capacity development interventions take place - both at the sector and macro-levels. JICA also observes that while other donors are placing strong emphasis on transformational reforms in major institutional or organizational frameworks - including reforms toward a market economy or democracy, administrative and financial reforms, Japan instead has adopted a more "bottom-up" and "learning-by-doing" approach that supports incremental change for gradual policy and institution development. JICA points out that this approach reflects the Japanese desire to refrain from being involved in changes that may be seen as external interference in country sovereignty.

Country systems. JICA attempts to avoid the establishment of parallel implementation management units and promote the use of existing public organizations and systems. Capacity development in key government functions – including country systems – is a fundamental objective of JICA's technical cooperation, which facilitates developing abilities to perform function, solve problems, and set and achieve objectives of developing countries.

Fragile Situations. In fragile situations, JICA seeks to use it strengths, expertise and experience in human development and capacity development and focuses on reconstruction assistance for: 1) social and basic infrastructures; 2) economic activities; 3) governance; and 4) human security to the countries in situations of fragility - including countries emerging from conflict. JICA has been providing capacity development assistance especially for governance and economic activities, and commits to take part in joint assessments.

Easy References

✓ JICA website: http://www.jica.go.jp/english/

✓ Towards Capacity Development of Developing Countries Based on their Ownership: Concept of CD, its Definition and its Application in JICA Project http://www.jica.go.jp/english/publications/reports/study/capacity/200807/pdf/007.pdf

✓ Joint Study on Effective TC for CD: http://www.jica.go.jp/cdstudy/about/output/index.html

LUXEMBOURG

Policies

The *2008 OECD/DAC Peer Review of Luxembourg* observes that Luxembourg shares the conviction that capacity development is essential for successful development and that it is the prime responsibility of partner countries with donors playing a supporting role. In its most recent Indicative Co-operation Programmes - PICS, **Lux-Development** defines capacity development as "the common thread running through the multi-year action plans".

Luxembourg does not have a formal policy or general strategy on capacity development. The 2008 Peer Review observes that directives on capacity development remain largely implicit and that a pragmatic approach is considered to be sufficient. For Luxembourg's co-operation authorities, capacity development is a concept to be mainstreamed and operationalized during implementation. Capacity development is rarely the explicit aim of a project.

Operational Highlights

"Three phase" approach to capacity development. In its *Memorandum* to the 2008 Peer Review, Luxembourg divides capacity development into three distinct operational phases: 1) training (initial, vocational); 2) strengthening, in the strict sense, of existing capacities (adaptation of knowledge, capitalisation of experience, reorientation, and in-career training); 3) strengthening of institutions (management, adaptation, results-orientation at organization level). According to the Memorandum, each bilateral project contains these three forms of capacity development

Methodological guidance. Lux-Development has taken capacity development (in terms of strengthening existing capacities) into account in its methodological guide (*Monitoring des résultats et du partenariat*) and encourages staff designing operations and projects to include it from the beginning of the intervention. When seeking to strengthen the capacities of participants and institutions, and increase ownership of the project, project designers are invited to examine several aspects of capacity, for example, economic, human, political and socio-cultural.

Future considerations. As reported in the 2008 Peer Review, the Ministry of Foreign Affairs recognises that project aid has not always led to integrated capacity development interventions. The Luxembourg government and parliament have expressed their desire to explore new types of capacity development assistance. The 2008 Peer Review encourages greater discussion of the use of analysis, field implementation and more systematic learning from capacity development successes and failures.

Current focus in relation to AAA capacity development priorities

Civil society and private Sector. In its projects and programmes, Lux-Development puts emphasis on involving all players in interventions in favour of national systems and the provision of capacity development support at all levels. This includes the public sector, civil society, local communities, decentralized administrations and the private sector.

National, sector and thematic strategies. Most recent Lux-Development country-level Indicative Cooperation Plans seek coherence of action in relation to partner country policies and strategies.

Technical cooperation. The 2008 Peer Review notes that under the heading of "technical assistance", Luxembourg includes many interventions: JPOs (Junior Professional Officers), JEV (EU volunteers), trainees and scholarships. The total cost of these interventions amounted to some USD 6 million in 2006, or little more than 2% of Luxembourg's total ODA (compared with an average of 15% for EU countries).

Country systems. Lux-Development has adopted an approach to capacity development which aims at transferring responsibilities to partner countries. Projects systematically include a component for training local managers. The 2008 Peer Review asserts that, in country programmes, capacity development is most frequently seen as external, aimed at bringing national competences up to standard and not as a support for the emergence of local capacity.

Easy References

✓ OECD/DAC, (2008). Peer Review of Luxembourg
✓ Lux-Development: http://www.lux-development.lu/

THE NETHERLANDS

Policies

The **2007-2011 Dutch Aid Policy**[21] discusses key issues in line with Paris Declaration and Accra Agenda for Action (AAA), such as the need to improve the quality of political and economic performance, donor policy co-ordination, promotion of ownership, policies in favour of demand-driven development co-operation practices, commitment to focus on and work in fragile states/situations, and engagement of the private sector and civil organizations. The policy document does not include explicit reference to capacity development concepts and issues. The Netherlands do not have a formal policy on capacity development. In late 2008, however, The Netherlands drafted a document titled **Guidance on Capacity development: "All models are wrong, but some are helpful"** (Draft CD Guidance), which sought to offer guidance to Dutch staff in dealing with capacity development. While this draft language has yet to be formally adopted, it has the potential to promote a more common definition and understanding of capacity development within the Dutch system. The draft guidance explicitly refers to the DAC definition of capacity development and the May 2008 Bonn Consensus. Because it was prepared following the Accra High level Meeting, it is in line with the emerging international consensus around capacity development as expressed in the AAA and offers a useful starting point for Dutch capacity development action in the field.

Operational Highlights

Organization. Within the Dutch Ministry of Foreign Affairs, the Effectiveness and Quality Department (DEK) of the Directorate General for International Cooperation (DGIS) plays a major role on capacity development. To improve capacity development skills of staff members in Dutch missions, the Support Program for Institutional and Capacity Development (SPICAD) was launched in 2006 and renewed for two more years in 2008. The programme focuses on awareness, knowledge and skills for capacity development, to increase the effectiveness of development activities carried out by the Netherlands in partner countries. Furthermore, DEK is planning to organize a master class on capacity development to bring together good practices and lessons from the DGIS experiences practice with key insights from leading academic circles and national and international think tanks and knowledge institutions.

Tools. The Draft CD Guidance offers a question checklist to guide inclusion of capacity development considerations in the DGIS design phase and project cycle; it also offers guidance on summarizing capacity assessments. If formally adopted, this guidance will be complemented by more specific good practice notes on ways to deal with the practical issues raised by the question checklist. The Draft CD Guidance also refers to strategic learning, discovering of emerging patterns, and reflection on capacity development. It offers examples of analytical tools for evaluating the capacity development angle in existing strategies and portfolios.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. The 2007-2011 Policy envisages a greater role for parliaments, political parties, CSOs and private sectors in the development process but does not address clearly the role of these non-state actors in national capacity development.

National, sector, and thematic strategy. The question checklist included in the Draft CD Guidance comprises key questions to address the alignment of proposed capacity development interventions with country priorities. Dutch aid is currently moving towards focus at the sector level rather than overall national policies (sector approach). In this vision, capacity development interventions should also be designed within the context of sector approaches.

Technical cooperation. In 2002, the former Dutch Minister for Development Cooperation decided to discontinue the provision of technical assistance, which she saw as too supply-driven. The Netherlands strongly supports the shift towards demand-driven development co-operation practices and is currently in the process of rethinking its technical cooperation approaches and modalities. Current guidance or that in draft has yet to expressly support South-South cooperation and the use of local expertise for the provision of technical assistance, or the need for technical cooperation to be implemented with partner country leadership and ownership.

Enabling environment. Current documentation draws attention to the political dimension of capacity development, the political and power relations, and the institutional context. Similarly to the Danish approach, the Draft CD Guidance considers organizations and their systems as the unit of analysis and makes a distinction between internal and external factors, functional and rational aspects of capacity, and recognises the political aspects of capacity. The Netherlands acknowledge the need to address external factors and promote changes in power relations, political governance and accountability for capacity development to be sustainable.

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[21] *Our Common Concern - Investing in Development in a Changing Word.* Policy Note Dutch Development Cooperation 2007-2011

Country systems. The Netherlands considers strengthening key government structures and country systems as a focus and objective of Dutch development efforts. In particular, the Draft CD Guidance emphasises the importance of capacity development interventions to enhance monitoring and evaluation systems – including participatory monitoring and learning systems, accountability systems; the 2007-2011 Policy mentions the importance of improving transparency and efficiency of budget policy and management.

Fragile situations. The 2007-2011 Policy strongly focuses on fragile states, and emphasizes the need to enhance legitimacy and capacity of governments in such situations. The Policy invites to focus on capacity development interventions to confront the shortages of capacity in government services. It makes specific reference to the *OECD/DAC Principles for Good International Engagement in Fragile States and Situations*, which contains elements of guidance on capacity building in these special contexts.

Easy References
✓ Dutch Ministry of Foreign Affairs – Development Cooperation: http://www.minbuza.nl/en/developmentcooperation
✓ Dutch Development cooperation (2007). Our Common Concern- Investing in Development in a Changing Word. Policy Note Dutch development Cooperation 2007-2011(2007).

NORWAY

Policies

The Norwegian **Development Assistance Strategy for 2008** includes some reference to capacity development**.** The strategy explains that a fundamental principle of Norway's long-term development cooperation is to support the growth of strong, democratic states that are able and willing to fight poverty and respect human rights. Norway commits to increase budget support to selected partner countries to strengthen their ability to develop well-functioning states with greater capacity to deliver public welfare services.

Norway Memorandum (Memorandum) to the **OECD/DAC Peer Review** (2008) also emphasises that capacity development is a key pillar of Norwegian development policy. NORAD **Development Co-operation Manual** (2005) states that Norwegian development co-operation shall "contribute to strengthening of partner capacity to plan, implement and monitor programmes and to report on results". Nevertheless, as noted in the 2008 Peer Review, the Manual provides little specific guidance on how to integrate and address capacity development in specific sectors or on how to monitor and measure the results of such intervention.

The 2008 Peer Review observes that the Norwegian approach to capacity development appears focussed on mainstreaming such activities into sector and thematic development policies and programmes, and that the concept receives little explicit attention in strategic and policy documents and guidance notes. The 2008 Peer Review points out that capacity development is not currently explicitly included in the list of priority areas for Norwegian development co-operation, and Norway does not have an official policy statement to guide the design and implementation of capacity development interventions and integrate capacity development into development programmes.

Operational Highlights

Internal Learning. Norway is actively reviewing its thinking on the topic of capacity development and recently completed relevant studies in this sense. In 2008, NORAD (the Norwegian Agency for Development Cooperation) commissioned a **Review and synthesis of lessons learned** from Institutional Cooperation and Capacity Building in the Environmental Sector in Norwegian Development Cooperation. The Review findings reveal that long-term resident advisors have a tendency to themselves execute the task instead of assisting the local counterpart to do it. Furthermore, the study highlights the importance of sounds human resource strategies and incentives for local staff, and the need to promote country ownership of and commitment for development interventions.

Also in 2008, NORAD contracted a Study on Best Practices and Innovative Approaches to Capacity Development in Low Income Countries in Africa (2008 Study). Interesting conclusions include:

✓ Pooled funding tends to centralize resources and thus makes less available for directly poverty-relevant capacity development;
✓ Local ownership and participation were critical for the alleged success of capacity development projects;
✓ Because the context is so important for capacity development to be sustainable, considerably more resources are required for planning and performance monitoring than donors normally use;
✓ Many criticisms have been raised so far to donor-driven vehicles like technical assistance and the use Project Implementation Units. Hoverer, the question remains on how to actually address capacity development and build indigenous delivery capacity;
✓ The study distinguishes two operational dimensions in the capacity development concept: (i) Social level, and (ii) Task complexity. The assessment of these two dimensions allows drafting a *matrix of capacity development needs*. As task complexity increases, the type of intervention required moves from skills transfer to facilitating and process management.

Instruments for action. The 2008 Study identifies four potential categories of capacity development interventions:

(i) "Software" support by promoting knowledge and organizational know-how. This includes technical assistance, twinning, training, knowledge and information sharing.[22]
(ii) "Hardware" support to capacity development, favoured by donors' recognition of the need for workplace incentives and by falling prices and increasing range of technologies for capacity development and broader access to information that are also beginning to spread to rural areas.
(iii) Financial support for capacity development, which is becoming more strategic with increasing shares of resources going through contracted intermediaries contracted to improve targeting and results – generally, joint rather than single-donor funding; and
(iv) Pooled Funding - a more structured form of financial support that organizes many donors around common objectives, focuses on using national implementation systems and thus encourages allows national partners to take the "driver's seat".

Joint Approaches. According to 2008 Peer Review Norway strongly supports the use of the multilateral system to strengthen capacity development in partner countries. It participates actively in international networks and

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[22] The report also mentions salary support, which is often a "worst practice" - not sustainable, it undermines long-term local capacity development in a variety of ways, and should be abandoned in favor of more transparent and merit-based incentive schemes;

organizations, including OECD/DAC and UNDP.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. Norway places particular emphasis on establishing local capacity ad strengthening NGOs to perform key government functions. Norway is also working to strengthen civil society organizations and the media to enable these to hold their governments accountable. The 2008 Peer Review notes that Norway strongly relies on and uses NGOs in capacity development in terms of engaging in anti-corruption and accountability work.

National, sector, and thematic strategies. Norway development assistance focuses on five major areas: environment and sustainable development; peace building; human rights and humanitarian aid; oil and clean energy; and good governance and fight against corruption. Norway aims at mainstreaming capacity development efforts into sector programmes and projects. The 2008 Peer Review reports that the current *White Paper* (2004) guiding Norwegian development co-operation emphasises that national priorities and systems should be used as a basis for delivering Norwegian aid, but does not tackle the practicalities of capacity development in greater detail.

Technical cooperation. As with other donors, technical assistance remains a major capacity development expenditure item. The 2008 Peer Review observes each embassy with a development co-operation budget has a local consultancy fund for hiring local expertise and building capacity among local trained professionals, rather than bringing in consultants from Norway. Regarding South-South cooperation, the Norwegian Development Assistance Strategy for 2008 explicitly mentions the goal to increase capacities at institutions in the South, and stimulate South-South-North cooperation in the education sector.

Enabling environment. As pointed out in the 2008 Peer Review, Norway considers good governance and anti-corruption at the country level as a core objective of its programmes. Main aspect of the Norwegian approach is to work with and improve national systems and institutions to ensure transparency in national budgets and decision-making. This is largely achieved through a focus on public financial management and capacity development and through more specific support to statistical offices and anti-corruption bureaux.

Country systems. Among its priority areas, the Norwegian Development Assistance Strategy for 2008 includes the provision of support for building up and developing countries' financial management and auditing capacities. Norway's approach to capacity development emphasises the use of national systems as a delivery basis for Norwegian development assistance.

Fragile situations. Norway does not have a specific policy on capacity development in fragile states. However, some interesting observations are mentioned in the 2008 Study. This includes the finding that donor funds in post-conflict situations generally target the public sector at the national level, with subsequent over-centralising effects. CD support for strengthening civil society and democratic accountability would seem equally important but has so far received less attention. The study observes that some post-conflict situations may be deteriorating (e.g. Central African states and Afghanistan) in part due to the lack of attention to building civil society capacity.

Easy References

- ✓ NORAD: http://www.norad.no/default.asp?V_Lang_ID=0
- ✓ OECD/DAC Peer Review of Norway, 2008: http://www.oecd.org/dataoecd/10/40/41847146.pdf

SPAIN

Policies

Spain has neither an overall strategy nor a policy statement for capacity development. As observed in the **2007 OECD/DAC Peer Review**, some references to the topic can be found in the language of the **2005-2008** Master Plan, that mentions "increasing social and institutional capacities", "increasing human capacities", and "increasing capacities to improve environmental sustainability" as objectives of Spanish assistance. However, Spain has yet to elaborate a general definition of capacity development and a common understanding of how to support capacity development operationally.

Operational Highlights

Latin America. According to the Peer Review, Spain's close political relations with Latin America constitute a powerful capacity development asset. Spain's policy dialogue, based on a comprehensive understanding of key development concerns (including important human rights and democratisation issues), complements the use of capacity development instruments available at the project level.

In-country presence. The 2007 Peer Review observes that the permanent in-country presence of Spanish experts (some of them in the technical co-operation offices, others representing NGOs or Spanish decentralised co-operation) provides a platform for a good understanding of country context, continuous dialogue with partner country stakeholders and the building of mutual trust.

Future considerations. The 2007 Peer Review notes that Spain does not yet have a systematic approach to defining, measuring and monitoring results for its capacity development activities. This limits the opportunity to identify and share important field lessons and to replicate or adapt successful examples elsewhere. Moreover, the Peer Review invites Spain to strengthen its analytical approach to capacity development; greater effort in field-based analytical work could accompany the development of policy frameworks. As a possibility, Spain could make greater use of analyses shared by other donors, thereby supporting harmonisation.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. Spain's strategic approach includes a strong focus on decentralisation, support to municipalities and regions, and empowerment of citizens and civil society at the local level.

National, sector, and thematic strategies. The 2007 Peer Review reports that Spain's support for capacity development is well linked to partner country priorities and plans, as well as to the demands of change agents in these countries. Rather than being supply-driven, Spain's work in this area gives tangible form to the principle of national ownership

Technical cooperation. According to the 2007 Peer Review, Spanish technical assistance remains in demand, as it fits into local processes and priorities. Demand for this is particularly strong in Latin America because of historical and cultural ties and affinities, as well as similarities in administrative and legal systems. An additional driver for the use of Spanish expertise in development co-operation programmes could be to maintain support for development co-operation within the Spanish public. Spain increasingly seeks to provide technical assistance using locally or regionally available expertise, thereby strengthening South-South co-operation. The Peer Review recognizes Spain's good experience with technical assistance, and suggests the utility of analysing "where, why and how" that its support to capacity development has been effective and what lessons could be replicated elsewhere.

Enabling environment. The 2007 Peer Review notes that Spain attaches importance to the concept of the enabling environment for capacity development. Spain acknowledges that, to be successful, capacity development needs strategies that support accountable leadership, strengthened public systems and communication mechanisms between citizens and the state. It also needs institutions that ensure responsive public and private sectors, managing and delivering services to those who need them most.

Easy References

✓ OECD/DAC 2007 Peer Review of Spain:
http://www.oecd.org/document/57/0,3343,en_2649_34603_39675257_1_1_1_1,00.html
✓ Spain Ministry of Foreign Affairs and Cooperation:
http://www.maec.es/en/MenuPpal/Ministerio/Paginas/postingTXT(17-2)Ministerio.aspx

SWEDEN

Policies

As stated in the **2008 OECD/DAC Peer Review of Sweden Memorandum** (Memorandum), capacity development has been at the core of SIDA (Sweden International Development Agency) support to many sectors and actors for a long time. In November 2000, SIDA published the document **SIDA Policy for Capacity Development**, in which capacity and institutional development are identified as key methods "to make sustainable development possible and development cooperation superfluous in the long-run". SIDA defines capacity development as the *combined efforts to support the development of knowledge, competence, well functioning organizations and institutions*. SIDA specifically identifies as a priority to increase support for capacity development in partner countries.

SIDA recognizes that the political, economic and social environment is changing in many partner countries, as well as the interactions between the state, the private sector and the civil society. SIDA highlights the need to develop the capacities of institutions and organizational structures and create the conditions for their professional sustainability - in the public, private, and civil society domains. In SIDA's vision, this should be achieved through:

✓ The systematic integration of capacity development as a clear objective in SIDA projects and programmes;
✓ Developing SIDA's staff competences and ability to work on and play a catalyst role for capacity development, in partnership with others;
✓ Improving and strengthening SIDA's cooperation with and professional exchange with Swedish partners;
✓ Provide more support, financially and professionally, for the strengthening of national systems of education, training, and research.

The Memorandum mentions that this policy statement will be replaced with guidelines that are linked more clearly with relevant international methodological guidelines, primarily from the OECD/DAC and the EU. The revised guidelines will be more clearly linked with the Paris declaration and the Accra Agenda for Action. The 2005 **SIDA Manual for Capacity Development** focuses on organizations and institutions and distinguishes between *political* and *functional* capacities. The Manual emphasises that capacity development:

✓ Refers to knowledge and competence of the 1) individuals, 2) functioning organizations and systems, 3) development oriented formal and informal frameworks,
✓ Is context-specific and requires a detailed assessment of the conditions at each level of intervention and of the overall social, political, and economic context.

The SIDA approach to capacity development is not primarily concerned with filling gaps, but rather with strengthening existing capacities. The Manual also underlines the need to move beyond the traditional approach that equated capacity building with transfer of knowledge through technical assistance, as the determinants of capacity development are indeed not only technical but, first and foremost, political and institutional.

Operational Highlights

Organization. SIDA policy (2002) encourages its staff – in Stockholm and at the embassies - to play an active role as capacity builders and promote SIDA's role as capacity development "dialogue partner", with the support of in-house consultants. Within SIDA, capacity development is primary a responsibility of the *Department of Policy and Methodology*. SIDA has also developed an e-learning training programme which explains what capacity development is and how it can be used in development cooperation. Capacity development is now a regular feature of training programmes for new programme officers.

Tools. The 2000 SIDA Policy for Capacity Development was followed by the production of various reports, tools, and methodology documents to provide guidance to SIDA staff in implementing capacity development interventions. These include a tool for the **Analysis of Needs for Capacity Development** (2000), developed by the Methods Development Unit in SIDA to assess constraints to capacity development.

The 2002 SIDA report **Methods for Capacity Development** analyses and presents SIDA's practices when selecting capacity development interventions, which are regrouped into five main categories:

1. *Education* and *training* (support to training institutions and education systems, courses, study visits, other forms of training);
2. T*winning* (exchanges of staff, education and training, support for equipment, long-term placement of experts and the supply of expertise in the form of short-term consultants);
3. *International expertise for participation in implementation* (implementing consultants, "technical advisers", high level advisers);
4. Provision of *support to other capacity development networks* and *cooperation* with other professional organizations which work on capacity development (i.e.: African Capacity Building Foundation);
5. Support to capacity development channelled through national/regional development funds.

The Memorandum notes that as the definition of capacity development is too broad to be operationally useful, the capacity development practice vary substantially between countries and departments.

The *2005 Manual* also provides guidance to assist SIDA staff with the initial analysis of existing capacities and capacity gaps, and with the choices of the approach and type of capacity development intervention to be used. The manual explains the importance of defining realistic and relevant goals and results, and discusses the importance of motivation and incentives for change at the individual and organizations levels ("*staircase model*")

Current focus in relation to AAA capacity development priorities

Civil society and private sector. SIDA approach strongly emphasises need to develop and strengthen institutions and organizations in the private sector and in the civil society[23]. The 2005 *Manual* also identifies NGOs and private sectors as key potential partners for capacity development in specific sectors and country systems.

National, sector, and thematic strategies. The Memorandum explains that SIDA support to capacity development is to a great extent aligned with organizational policies and the priorities of partner countries, although the actual practice varies between countries. SIDA staff is instructed to take their starting point in their partners' plans, priorities, capacity needs assessments, etc. for any support to capacity development, in a context and sector-specific way[24]. Priority sectors include education sector (national systems of education, training, and research), and healthcare.

Technical cooperation. SIDA has been using technical cooperation to support capacity development, mostly in the forms of education and training, twinning, and technical assistance delivered by international experts. The 2005 Manual recognises that SIDA capacity development interventions have primarily focussed on the "lower" target levels, i.e. the individual and organizational levels, with little concrete experience on influencing systems of organizations and institutional frameworks. In relations to support to public sector reform and major programme based approaches, the memorandum explain that local capacity (consultants, training institutions, think tanks, universities, etc.) are often recruited to provide technical assistance as part of the capacity development or reform programmes.

Enabling environment. SIDA emphasises the importance of looking at context and existing institutional frameworks, as they can strongly affect capacity development. SIDA's approach to capacity development calls for assessment of these factors – both formal (political systems, laws and ordinance, official strategies, power structures, responsibility structures, administrative systems and procedures) and informal (values, attitudes, traditions, power relations, norms, beliefs and behaviours). The Memorandum includes SIDA long tradition of providing support to institutional development and public sector reform among its main approaches to capacity development. This type of support focuses on areas such as public finance management, civil service reform, audit, legal sector reform, ombudsman institutions and local governance.

Country systems. As explained in the Memorandum, SIDA takes a flexible, demand-driven approach to the contracting of consultants and other external support in relation to public sector reforms and enhancement of country systems. It either provides funds for the partner organization to procure these services itself, or it tries to ensure that the partner organization is in the lead of both defining the needs and in recruiting and implementing the technical cooperation. As part of its support to sector programmes or overall poverty reduction strategies, SIDA often supports public finance management, procurement, statistics and other systems.

Fragile situations. According to the Memorandum, SIDA experience of support to capacity development has been more developed in long-term cooperation countries, than in e.g. situations of fragility. SIDA is currently working on increasing its focus on capacity development also on fragile environments, recognizing that one of the main challenges to be faced is the conflict that arises from demonstrating short-term results and ensuring long-term sustainability of the capacity development. The Memorandum also mentions that SIDA is planning to set up a "results committee" which will be responsible for monitoring results achieved and promoting learning on how to deal with this tension and ensure that the future guidance related to results measurement and capacity development are mutually coherent.

Easy References

✓ SIDA: http://www.sida.se/?language=en_us
✓ SIDA (2000). Policy for Capacity Development: www.sida.se/shared/jsp/download.jsp?f=Sida+_Capacity_Dev.pdf&a=2464

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[23] SIDA Policy on Support to Civil Society (2007) aims at providing support to CSOs to strengthen their capacities as democratic actors in civil society. In particular, the policy refers to capacities for decision-making, internal and external communication, and delivery of services/products. SIDA policy also supports the private sector (Policy Guidelines for SIDA's Support to Private Sector Development, 2004) and promotes capacity development to facilitate sound business environment and good governance.

[24] In particular, SIDA sees sectors as complex systems of organizations – public or private - involved in providing services. When planning capacity development interventions for a specific sector, SIDA highlights the need to consider all organizations that might – directly or indirectly - exert influence in activities in the sector. Indeed, certain functions that are of decisive importance for service and product delivery in a specific sector may be responsibility a larger public sector or country system – including ministry of finances or central political planning bodies, budgeting systems, accounting systems, and legal systems.

SWITZERLAND

Policies

Switzerland acknowledges that capacity development is critical to the development of democratic ownership in partner countries and thus to the achievement of its cooperation objectives, as articulated in fundamental documents – such as the last Bill to Parliament on the *Continuation of Technical Cooperation and Financial Assistance for Developing Countries* (March 2008). Switzerland sees capacity development as a crosscutting priority and one core task of Swiss international cooperation. Capacity development constitutes a means to "help towards self-help of the poor" and to promote poverty reduction.

SDC (Swiss Agency for Development and Cooperation) defines capacity development as a process with four interdependent dimensions – 1) the development of individual competencies, 2) organizational development, 3) development of networks, and 4) development of systems. The SDC approach to capacity development emphasises the two dimensions of developing organizations and networks, within a system prospective.

In April 2006, SDC prepared a working paper on capacity development titled ***Capacity Development in SDC.*** The paper aims at offering orientation guidance to SDC staff in regards to the capacity development concept, principles and the terminology normally used to describe it. Capacity development is seen both as a means and an objective in itself. SDC used a 4-dimensional model to explain capacity development support, based on the interdependent dimensions noted. The paper highlights that capacity development is a political concept, much broader and more complex than knowledge transfer or training. In the SDC approach, capacity development is not a simple question of know-how, but is a common learning process, is flexible, results-oriented and context-specific.

Operational Highlights

Organization. SDC delegates the responsibility for implementation at the country level to Swiss Cooperation Offices (COOFs), which define concrete action lines in partnership with the partner the countries' authorities and the development community in the given country, as well as with other donors. At headquarters, a Capacity Development Training and Culture Unit was created in October 2008 as part of SDC's reorganization. This unit, incorporated in the Knowledge & Learning Processes Division, is oriented towards the needs of SDC partners in the priority countries and in the global programmes of the SDC. It will work in close relationship with other units in SDC headquarters, in particular those responsible for working on the AAA, and with country operations. The intended objectives include the supporting of and advising on CD activities of selected COOFs and better integration of this issue in new country strategies as well as the collecting and sharing of the different key documents on capacity development within SDC.

Tailor-made and context specific approaches. SDC emphasises that its operational approach varies depending on the region, depending on each country specific context and in response to country capacity development priorities. The *Capacity Development in SDC* paper notes that country-level capacity interventions require an understanding of existing competencies, knowledge and know-how of the various actors from which capacities can be built and for which a vigorous analysis of the actors is indispensable. SDC seeks to orient its capacity development support towards partners or end-users, and their tasks/objectives. Based on country-specific analysis and defined needs, SDC headquarter supports the country offices and their partners in terms of policy and strategic guidance. Several Country Offices have explicit and context specific concepts for Capacity Development as part of their Cooperation Strategy: Latin America Division (2003), Pakistan (2003), India (2004), Peru (2005), Bangladesh (2006) and Nepal (2007).

Instruments. SDC seeks (*Capacity Development in SDC)* to remain an external actor in the capacity development process. It expects to provide the following types of support:

- ✓ Access to know-how, experience, technology;
- ✓ financial resources for Change- Management, or Network Management between organizations; reforms/change;
- ✓ (Multi-actor) platforms for learning.

Focus on coordination. SDC emphasises coordination of capacity development interventions carried out by the various operational units within the Swiss cooperation system. In the SDC vision, these units should be guided by a set of common principles such as process-orientation, long-term commitment, explicit context-specific adaptation and working in alliance to avoid uncoordinated efforts.

Current focus in relation to AAA capacity development priorities
Civil society and private sector. SDC approach to capacity development focuses on organizations and networks of organizations. Target organizations include NGOs and the private sector.
National, sector, and thematic strategy. SDC emphasises that capacity development support must respond to country capacity development priorities – including national, sector, and thematic priorities.
Technical cooperation. Technical cooperation – in the forms of access to know-how, experience, technology – is seen by SDC as a potential instrument to provide capacity development support; it must be a means to an end, which is fostering local knowledge and autonomous capacity for action. The *Capacity Development in SDC* paper observes that SDC seeks to provide this support usually through partner organizations and makes use of measures to explicitly strengthen its partners in the South and the East so that their own competencies, performance and ability to learn can be improved. SDC tries to build capacity development support upon competencies and experience that are available locally.
Enabling environment. SDC considers capacity development of all actors and stakeholders as a key component of an empowerment process that ensures entire and meaningful participation. Although SDC approach to capacity development focuses on organizational development and development of networks, the importance of the systems in which organizations and networks of organizations are embedded is clearly recognized. This includes social and political rules, fundamental values, formal and informal norms, power structure and relations and incentive systems. SDC acknowledges (Capacity Development in SDC) that capacity development is closely linked to good governance. The paper also explains that context-specific, political, socio-economic and cultural frameworks influence the various actors in the system and define their behaviour. The system also includes the specific tasks and functions of its actors, the reciprocal relationships between these and the formal and informal incentives to maintain and improve the system itself. System support may consist of changing the rules for collaboration between the actors in such a way that the actors can develop their capacities successfully and achieve the performance that is needed.

Easy References
✓ SDC - Swiss Agency for Development and Cooperation**:** http://www.sdc.admin.ch/en/Home
✓ Swiss Agency for Development and Cooperation - SDC (April 2006). ***Capacity Development in SDC***. Working Paper, April 2006.

UNITED KINGDOM (UK)

Policies

From an early focus on individual skills in the 1970s, the United Kingdom (UK) approach to capacity development evolved to a focus on organizations in the 1980s (capacities for policy and decision-making, human resource management, financial management, and service delivery). In the 1990s and early 2000s, UK thinking evolved further to an understanding that even direct interventions for organizational change and capacity development might not succeed if the wider state and institutional framework is not supportive.

In 2002, DFID (Department for International Development) published **Capacity Development: Where do We Stand Now?** (CD Note) which recognizes that capacity development requires a mix of interventions at three levels (individuals, organizations, and networks of organizations) and a detailed understanding of the context in which individuals and organizations operate. The CD Note suggests that capacity development initiatives should be structured to ensure linkages and coherence among individual needs, organizational reform and institutional change. Because of the importance of institutional change and of formal and informal incentives within the broader country institutional framework, DFID now focuses on state-building/ building capacity and accountability in developing country governments, while recognizing that this is a governance challenge.

The CD Note defines organizational capacity development as the "planned attempts to establish, develop or improve the ability of a formal organization effectively and efficiently to carry out its full range of prescribed tasks on a sustained basis without repeated external assistance". It also acknowledges that capacity development processes should be owned by supported countries: under local control, led by "change champions" and supported with technical advice as necessary. The UK also supports the Paris Declaration on Aid Effectiveness commitment to strengthen capacity by coordinated support consistent with national development strategies.

Operational Highlights

Organization. Within DFID, various teams work on capacity development related issues. For example, the Financial Accountability & anti-Corruption Team (FACT) works on strengthening capacities for public financial management and accountability, reducing corruption, and managing fiduciary risk; within the Policy and Research Division, the Governance and Social Development Group works on State-building. DFID teams have produced various guidelines that relate to state-building and capacity development, including guidance on institutional development, on understanding state building, and on improving public financial management.

Drivers-of-Change. DFID has been using a drivers-of-change approach to identify the opportunities, incentives, and blockages to pro-poor change in a given country. The approach has also been applied to capacity development and state-building. DFID has carried out various studies involving in-depth, country-level analysis to apply the *drivers-of-change* approach

Technical Cooperation Evaluation. In 2006, DFID published *An Evaluation of DFID funded Technical Cooperation for economic management in Sub Saharan Africa* (2006 TC Evaluation) that offers an analysis of existing DFID technical cooperation practices in Sub Saharan Africa and provides recommendations to enhance the effectiveness and sustainability of technical cooperation interventions.

Capacity Building Research. As part of its Research Strategy 2008-2013, DFID published a **Working Paper on Capacity Building** (2008) that presents the case for DFID-funded research capacity building. DFID funds a range of programmes that support development of research capacity, including 1) core support to international organizations that develop research capacities (e.g. CGIAR, Who/TDR); and 2) directly managed and joint programmes that are primarily about research capacity development; 3) research programme consortia which include capacity building to facilitate research in their objectives.

Current focus in relation to AAA capacity development priorities

Civil Society and Private Sector. DFID acknowledges that private sector and non-profit organizations can be essential service providers to supplement public delivery. It also advocates assessment and consideration of potential capacity development needs in the private sector and among civil society organizations.

National, sector, and thematic strategies. DFID focuses on selected public sectors such as education. It recognizes the need to use a holistic approach for capacity building at the sector level, which should include the broader institutional context – e.g. public service-wide rules and regulations and necessary reforms. Strengthening the capacities of key organizations in a given sector might not lead to improved service delivery if the contextual factors are not properly taken into consideration. DFID aims at being as specific and selective as possible when working on organizational capacity at the sector level and in defining capacity development interventions.

The CD Note suggests that when planning interventions to enhance organizational capacity at the sector level donors should encourage partner countries to ask themselves:

1. What are the appropriate and priority tasks for government to perform? What tasks should instead be performed by the private sector on NGOs? Once priority tasks are identified for the government, what are desired outputs and outcomes?
2. What is the extent to which governments are able to restructure the way functions are performed and services delivered? What should be privatised?
3. How effectively and efficiently are priority tasks being met? Is there a need to improve performance management, provide right incentives? Is there a need to reform the civil service systems and pay?

Furthermore, DFID invites consideration of short-term policies to improve capacity while long term structural change is taking place.

Technical Cooperation. As a short-term measure, DFID suggests the use of external expertise to fill gaps in the public sector while long-term structural changes and capacity development take place. DFID supports a vision of technical cooperation that is harmonized with that of other donors (for example through pooled funding arrangements), demand-driven, country-led and easy for partner countries to access, preferably through a well functioning market for advisory services that offers real choice to the partner country.

The CD Note explains that, when feasible, external inputs should be locally sourced. If this is not possible, any "extra-national" assistance should work with local providers in order that the latter gain experience and expertise. DFID also encourages donors to avoid the parallel provision of technical assistance that can subvert the function of established government systems. DFID recognises that the actual implementation of these policies at the field level can be lacking. The 2006 TC Evaluation notes a tendency in donor implementation practice to equate technical cooperation with capacity development. The Evaluation highlights the fact that the institutional and organizational context can be crucial if technical cooperation activities are to contribute to the sustainable building of capacity. Findings revealed that lack of progress in civil service reform is the most significant factor explaining limited capacity development impact achieved in the technical cooperation initiatives reviewed. The Evaluation also invites DFID to emphasise and reinforce commitments towards strengthening harmonization and alignment that are set out in the Paris Declaration.

Enabling Environment. DFID acknowledges that the implementation of public reforms and the strengthening of management and regulation within the public sectors are essential for the effectiveness of capacity development processes. Therefore, DFID focuses on institutional change and uses a drivers-of-change approach to identify the political institutions, structures and agents that can act to create political will for the reform process and for challenging the forces against change.

Country Systems. DFID seeks to strengthen and use partner country systems for budget management, public financial management, accountability, procurement and management of technical cooperation where possible. It calls for governments in supported countries to commit to improve and use their national systems and procedures. Regarding tools to develop capacities in key country systems, DFID states that technical support has contributed in many cases to the development of improved systems and procedures (e.g. for budgeting, financial management, monitoring and evaluation, audit, payroll management). The 2006 TC Evaluation points out that failure of technical cooperation to enhance country systems is associated with situations where support has been terminated because of lack of government commitment and progress; uncertainty about the mandate of the organization supported; and management weaknesses o design flaws.[25] Regarding public financial management, FACT is developing some good practice guidance to assist country offices in their work to strengthen local public financial management and accountability systems, using coordinated and commonly programmed donor support.

Fragile Situations. Regarding state-building and capacity development in fragile states, DFID emphasises the importance of sequencing, targeting first political settlements, followed by survival functions (security, revenue, and law) and, later, by expected functions. DFID believes that the drivers-of-change approach could also be used to support state-building in fragile situations.

Easy References

✓ DFID - UK Department for International Development: http://www.dfid.gov.uk/
✓ Drivers of Change: http://www.gsdrc.org/go/topic-guides/drivers-of-change#start
✓ DFID (2006). Developing Capacity? An evaluation of DFID funded Technical Cooperation for economic management in Sub Saharan Africa. Technical Cooperation for economic Development (Synthesis report)
✓ Governance Department, DFID (2002). Capacity Development: Where do We Stand Now?

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[25] The Evaluation also observes that in some other cases, support has been mainly transactional – that is assisting organizations to perform their functions without necessarily strengthening their capacity to perform the functions without continued support

United States

Policies

The policies and strategies of the U.S. Agency for International Development (USAID) reflect a strong commitment to promoting host country (state and non-state) capacity development. USAID sees capacity development as a cross-cutting issue; guidance on capacity development has therefore been mainstreamed and integrated in USAID sector and other policy documents (e.g. fragile states, regional strategies). USAID has recently approved an overarching operational **Policy statement on human and institutional capacity development (HICD)**. The thrust of the policy is to integrate a HICD approach in strategic planning and activity design for development assistance. Coupled with sector and thematic guidance in USAID's sector and other strategies, the policy statement puts capacity development at the centre of USAID's development assistance objectives.

The U.S. Millennium Challenge Corporation (MCC) does not have an explicit capacity development policy; nor does it have a stand-alone capacity development program. Instead, through its country-driven approach, MCC gives its partner countries the opportunity to identify and request capacity development assistance as part of their large-scale grant programmes, or "compacts."

Operational Highlights

The United States has 27 units of government in 22 agencies that manage U.S. Official Development Assistance (ODA). On average, approximately 40%, or $8 billion, of U.S. ODA is identified as technical cooperation, suggesting that attention to capacity development in U.S. foreign assistance is very significant. Each agency has its independent policy and operational emphases. In conflict situations USAID, the US Departments of Defense (DOD) and State work together with other specialist agencies as indicated by the partner country situation. The Government Accountability Office (GAO) organizes training programmes for 20 Supreme Audit Institutions per year in developing countries. The US Treasury Office provides technical assistance on financial management to the Ministries of Finance of partner countries. With US ODA, CSOs (including faith-based organizations) are also involved in capacity development, for example in the areas of disaster mitigations. The US also makes a substantial investment in private sector capacity development, for example, in 2008 the US provided $2.2 billion in trade capacity development assistance.

MCC typically provides capacity development assistance as an integral component of all compact projects, and most compacts also include capacity development assistance to help "MCA accountable entities," the units designated by partner countries to manage MCA compacts, effectively implement their programmes - in procurement, financial management, program management, monitoring and evaluation, and other fields as requested. The level of assistance is actually tailored to each country, with compact countries in what MCC calls "oversight" receiving (i.e. needing) less capacity development assistance and other compact countries receiving more assistance. MCC Threshold Programmes, which are smaller grants to help countries improve their policy performance and qualify for a compact, generally contain considerable capacity development assistance as well. . In the Threshold Programmes most partner countries aim to improve performance in a specific policy area(s) by strengthening capacity, e.g. of reporters, civil society monitors, judges or prosecutors to address corruption.

Current focus in relation to AAA capacity development priorities

Civil society and private sector. USAID's **Democracy and Governance Strategy** (2005) aims at developing the capacity of communities, civil society groups, and media groups to improve reporting, enhance leadership capacity, and increase citizen participation and active involvement in political processes. Regarding private sector and economic growth (2008 **Strategy for Economic Growth**), USAID also works on strengthening a reform-oriented government enabling environment and directly with the private sector to deliver growth as well as advocate for economic policy reform in developing and transitioning countries. USAID also recognizes the importance of strengthening the capacities of the private sectors and NGOs in fragile situations such as Afghanistan.

MCC requires that countries consult with civil society and the private sector as they develop their compacts, and actively involve them in ongoing consultations during implementation. MCC Threshold Programmes, which are largely administered by USAID, also include activities to strengthen the capacity of civil society and the private sector.

National, sector, and thematic strategy. Key references and guidance related to capacity development can be found in USAID's **Agriculture** Strategy (2004); **Civilian-Military Cooperation** Strategy (2004); **Conflict Mitigation and Management** Strategy (2005); **Democracy and Governance** Strategy (2005); **Economic Growth** Strategy (2008); **Education** Strategy (2008); **Fragile States** Strategy (2005); and **Mitigating the Impact of HIV/AIDS** strategy (2005). As explained in the education strategy, USAID advocates a sector-wide approach to systemic reforms, and emphasises the need to provide support to sector reforms and capacity-building efforts that are developed and led by

host country governments and also addresses systemic issues such as corruption, governance, and resource allocations[26]. MCC aligns its assistance (including any capacity development) by asking compact-eligible countries to identify their own constraints to growth and design their own compacts to address those constraints. Several MCC compacts have a sub-national focus, targeting those provinces that MCC partner governments, in broad-based consultation with their people, have identified as priority. Many compacts include projects and accompanying capacity development activities that are part of government-led sector strategies. **Technical cooperation.** USAID and the US Government generally extensively use training, technical assistance, mentoring, professional exchange and scholarships to strengthen the public, private, and civil society sectors in assisted countries.

MCC's approach to technical cooperation is demand-driven, in that MCC allows partner countries to design and propose their own compacts, inclusive of any necessary technical cooperation. MCC follows World-Bank modified procurement guidelines, which allow for international competitive bidding. As a result, many MCC contracts have been awarded regionally in the countries where MCC works.

Enabling environment. Important quotations on the relevance of the enabling environment for capacity development are included in some USAID sector policies and strategies. USAID Agriculture Strategy recognizes that good governance is an essential element of the enabling environment for science-based, market led, sustainable agriculture". USAID also asserts that most of the work done in the area of Democracy and Governance relates to capacity development, for example in terms of developing capacities of national and local governments. Furthermore, USAID Strategy for Economic Growth explains that USAID supports local capacity development to achieve economic growth through assistance in fiscal policy and administrative reforms, monetary policy formulation, reforming regulatory systems; strengthening systems to establish and enforce property rights; developing systems of commercial law; trade capacity building, financial sector reform, or workforce development.

MCC believes strongly in the importance of an enabling environment for sustainable economic growth and, therefore, only enters into compacts with those countries that demonstrate a commitment to sound policies. The prospect of large-scale grant assistance from MCC creates an incentive for interested governments to address some of the more systemic, yet actionable impediments to capacity development. There are also a number of "enabling environment" components within MCC compacts, including property rights strengthening, financial sector strengthening, and enterprise and workforce development.

Country systems. USAID, GAO, the Treasury and other governmental units undertake capacity development related activities to strengthen key country systems, often in public financial management and audit systems.

MCC works within and strengthens country systems upon partner country request. In Ghana, Cape Verde, and in a number of Threshold Program countries (including Kenya, Tanzania, Uganda, and others), MCC is building public procurement capacity, increasing transparency around financial transactions, and otherwise strengthening public institutions and administration. In several Compact countries, MCC uses the Ministry of Finance for all fiscal management-related functions and other ministries for procurement agent functions. MCC also relies on partner countries' national statistics agencies, universities, and other research institutions and domestic data collection bodies to strengthen national statistics capacity and information systems for managing aid.

Fragile situations. The *Fragile States* strategy explains that USAID has four interrelated priorities to strengthen fragile states: 1) enhance stability; 2) improve security; 3) encourage reforms; and 4) developing the capacity of institutions that are fundamental to lasting recovery and transformational development. USAID recognizes that short-term efforts to help meet immediate needs and promote security should be integrated in the context of longer-term efforts required to advance stability, reforms, and institutional capacity. USAID coordinates with the DOD in joint planning, implementation, assessment and evaluation, training and strategic communication to work effectively together to ensure the stability of fragile states and the achievements of overall national security objectives. The Civilian-Military Cooperation Policy explains that "DOD acknowledges that USAID's expertise in building the capacity of local institutions is key to stability and reconstruction". Currently, the United States have a strong focus on Afghanistan, where the Capacity Development Programme (CDP) aims at strengthening the public, private and NGO sectors, through a combination of targeted training, technical assistance, mentoring, professional exchanges and scholarships. This is complemented by use of host country contracting and limited sector budget support to enable capacity development through experience. In Iraq, USAID is implementing the national Capacity Development (NCD) programme.

Easy References

✓ USAID: http://www.usaid.gov/
✓ MCC: www.mcc.gov

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[26] For example, regarding education USAID acknowledges the importance of helping host countries to develop their own capacities to design appropriate policies on an ongoing basis, manage human and financial resources effectively, and build sustainable capacity. The Education Strategy also commits USAID to enhancing the capacity of higher education institutions to contribute to development. MCC's founding legislation requires that compacts take into account partner countries' national development strategies.

Part 2 - DAC RESEARCH ON KEY MULTILATERAL DONORS

Africa Development Bank (AfDB)

Asia Development Bank (ADB)

International Bank for Reconstruction and Development (The World Bank)

United Nations Development Programme (UNDP)

Organization for Economic Cooperation and Development (OECD)

AFRICAN DEVELOPMENT BANK (AfDB)

Policies

The AfDB does not have a formal policy or a strategic document on capacity development. Nevertheless, the AfDB has launched and supports various initiatives on capacity development and capacity building in key areas of competence, in cooperation and partnership with other organizations and institutions in Africa (NEPAD, African Union, and the African Capacity Building Foundation - ACBF) or other multilateral donors (e.g. World Bank).

AfDB does not make a clear distinction between capacity building and capacity development, and has not yet taken up a definition of capacity development. The African Development Institute (ADI) web page reports various definitions of CD and its dimensions – citing UNDP and the World Bank, among others.

The AfDB has embraced development effectiveness principles expressed in the Paris declaration - ownership, harmonization, alignment, results-based management and mutual responsibility. It has been looking to simplify and harmonize its operational policies, procedures and requirements, as well as to reduce operational costs by aligning its assistance with national poverty reduction strategies. AfDB sees capacity building as an essential element of the development initiatives of Regional Member Countries.

Operational Highlights

African regional economic communities. In 2008 the AfDB and the World Bank launched an initiative to develop and strengthen the capacity of the Regional Economic Communities (RECs) to promote sub-regional and continental integration. This initiative targets the broader agenda of building the capacity of the RECs to harmonize regional policies, strengthen their coordination and knowledge sharing, and to provide support in prioritised functional areas. The initiative seeks to help build synergies among the RECs and leverage results of the existing capacity building facilities, including those targeted at building capacity at the national levels. Suggested CD approaches for the initiative include a TA Multi-Donor Facility and a Multi-Donor Fund to support 1) staff-exchange programs with multi & bilateral institutions; 2) partnerships with private sector for staff exchange programs; 3) partnership with African (and other) universities, research institutions and NGOs; 4) ACBF proposal of a Centre for Integration, Trade Policy Development and Negotiations.

Capacity Building in Infrastructure. When NEPAD (New Partnership for Africa's Development) was adopted in 2001, the AfDB was appointed lead agency for the infrastructure sector and for regional infrastructure development. As part of its mandate, the Bank takes the lead in supporting infrastructure-related capacity building initiatives and creating an enabling environment for Public-Private Partnerships and private sector participation in infrastructure development and sustainability. A Capacity Building Facility for RECs in infrastructure also has been incorporated in the NEPAD-IPPF Special Fund which aims at strengthening the institutional capacities of regional and national institutions in planning, developing, and facilitating the preparation and implementation of regional infrastructure projects.

Knowledge sharing. AfDB has an initiative to share development knowledge in Africa, through provision of knowledge services and the establishment of knowledge networks. This contributes to capacity development of its regional member countries. Since 2000, a document titled ***Bank Group Strategy and Framework for Support to Research and Capacity Building Institutions in Africa*** has provided a comprehensive set of guidelines for selecting beneficiary institutions. The African Development Institute - ADI or EADI in the current Bank's structure - has the mandate to conduct training and other capacity development activities in the Bank's Regional Member Countries (RMCs). The Bank is at the forefront of setting up and supporting capacity building and training institutes as well as research institutes in Africa and was instrumental in establishing ACBF, EADI, and the Joint African Institute (JAI), which are working for the capacity building in RMCs.

Current focus in relation to AAA capacity development priorities

Enabling environment. AfDB works to promote good governance, transparency, and anti-corruption policies. It works to support governments of RMCs to build implementation capacities and debt management capacity, to strengthening institutional capacity of the judiciary, anti-corruption bodies, and legislatures, and to reinforce legal and judicial reforms. Support is also provided for public sector reforms, decentralization and local governance, and to strengthen institutions of accountability.

Country systems. AfDB focuses on building capacities in key public sectors and country systems, according its mandates, including infrastructure, agriculture, statistics, and taxation. AfDB is also playing a strong role in statistical capacity building in Africa, with the aim of strengthening national statistical systems in Africa, in collaboration with World Bank and Paris 21. Regarding taxation, AfDB – together with OECD, the World Customs Organizations and other bilateral partners - has supported the African Tax Administration Forum (ATAF) initiative launched in 2008 which primarily focuses on capacity development in African tax administrations. AfDB recognizes that improving taxation and domestic revenues are means to build a path towards fiscal independence on Africa. More generally, AfDB aims at

developing national capacities to improve financial governance, as part of his overall governance strategy.

Fragile situations. AfDB recognizes that fragile states constitute a critical development challenge and refers to *2007 OECD Principles for Good Engagement in Fragile States* for guidance. AfDB strategy in fragile states identifies specific areas of engagement based on the organization mandate and competences. These are:

- Building state capacity and accountability;
- Rehabilitation and reconstruction of basic infrastructure, defined to include roads, water and sanitation, energy and power; and
- Knowledge building and transfer.

Regarding building state capacity, AfDB strategy includes targeted interventions that comprise provision of policy advice and efforts to strengthen institutional and administrative capacity. The AfDB foresees the potential to attract nationals from the African diaspora and refugees who fled the country as result of conflict or poor socio-economic conditions, to return to leadership positions in Government, civil society and private sector. The AfDB also recommends the use of the secondments for capacity-building.

Easy references
✓ African Development bank website: http://www.afdb.org/portal/page?_pageid=473,1&_dad=portal&_schema=PORTAL
✓ African Development Institute (ADI): http://www.afdb.org/portal/page?_pageid=473,8852233&_dad=portal&_schema=PORTAL

ASIA DEVELOPMENT BANK (ADB)

Policies

Capacity development has been a key aspect of ADB agenda since August 2004. ADB acknowledges that strengthened country capacity is a means to achieving public sector performance and a goal in its own right. Capacity development has also become a new thematic priority for ADB lending and technical assistance operations. ADB refers to DAC 2006 guidelines for definitions of "capacity" and "capacity development".

ADB's approach to integrating capacity development into its internal operations and in Developing Member Countries (DMC) partnership strategies is outlined in its 2007 ***Medium-Term Framework and Action Plan*** (CD Action Plan)[27], which was developed by the ADB Capacity Development and Governance Division (RSCG). Country capacity is also highlighted as a top priority in the ***Managing for Development Results in the ADB*** (MfDR in the ADB). ADB focuses on capacity development interventions at 3 main levels: 1) Institutional (formal and informal rules that govern the institutional, political, legal and regulatory framework and that might affect capacity outcomes); 2) organizations (capacity development for improving organizational and management processes); and 3) network and partnerships (processes necessary for improved communications and interactions across sectors and among multiple actors including government agencies, the private sector, non-government organizations, consumer groups, advocacy and watchdog groups, and external development partners e.g. other donor agencies). This last level aims at supporting joint planning, harmonization, and alignment with country policies and systems, joint M&E tools, and mutual accountability mechanisms.

In 2001 ADB introduced the practice of preparing a Country Strategy and Programme (CSP), which integrated the country operational strategy study and country assistance plan processes and documents. In 2006 ADB launched the Country Partnership Strategy (CPS) as part of the reform to enhance CSP formulation. CSP/CPS intend to reflect major country-specific development issues, priorities, and constraints, and specify key approaches to remove constraints on country development – including capacity development. They are prepared with the supported country's active participation through extensive consultations with government and other country stakeholders -civil society, non-government organizations, private sector as well as other development agencies.

Operational Highlights

Organization. The CD Action Plan sets a strategy to improve human resource management for capacity development, emphasizing learning and experience sharing. The plan foresees the development of: 1) a human resources initiative – including the recruitment of sector specialists with capacity development competencies and resident mission staff with change management expertise, and a capacity development training programme; 2) Results M&E system and reporting formats; 3) an operational support system that would include development of quality-at-entry criteria, capacity development guidelines, sample terms of reference, and selected operational support; and 4) a knowledge management system with a capacity development website resource centre, a systematic approach to documenting and sharing good practice, a consultant database, and intra- and inter-organizational networking. A knowledge exchange and learning programme should also be set up. So far, to support development of MfDR capacities, a virtual Resource Centre and Community of Practice have been established to facilitate access to practical tools and references on MfDR approaches and related topics.

Tools and Effectiveness. The main tools used by ADB for capacity development support so far have included technical assistance and loans. In 2007, OED (Operations Evaluation Department) conducted an evaluation of the effectiveness of ADB capacity development assistance[28]. In the same year, another study was conducted to assess

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[27] The CD Action Plan highlights the importance of country ownership and leadership in capacity development, and demands to move forward result-oriented and inclusive processes and interventions with accountability structures primarily aimed at domestic constituencies. It recognizes that capacity development requires time and involves changes to organizational structures, business processes and procedures, and aid modalities at funding agencies – including ADB - and country level. The CD Action Plan notes the need to: 1) strengthen the capacity development focus in country development strategies as well as in ADB-supported sector and thematic strategies and road maps; 2) improve the capacity development focus in ADB-supported programmes and projects; 3) develop and pilot appropriate modalities for delivering capacity development assistance that is flexible, programmatic, and managed by results; 4) develop effective mechanisms to engage civil society and the private sector in the delivery of capacity development support; and 5) strengthen country capacities as a basis for aligning funding agency assistance with country systems. It also calls for wider use of all available sources for providing capacity development, and continual, structured learning and information exchange. Overall, the objective of the CD Action Plan is to strengthen ADB assistance for CD in DMCs so that it becomes more demand-driven, effective, and efficient. This will be reached through the achievements of two key outcomes: 1) institutionalizing a capacity development focus in country programmes and operations and 2) establishing internal support systems for capacity development

[28] ADB (2008). *Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right. Operations Evaluation Department, Asian Development Bank*. The overall findings revealed mixed results, with no consistent patterns of success across sectors, countries, regions, or time. The evaluation observed and identified a consistent set of factors/issues affecting capacity development performance - factors driving success and factors deterring success. Based upon findings, the evaluation recommended 1) providing guidance and tools to conduct capacity assessments (existing capacities, capacity development needs); 2) substitute stand-alone advisory/technical assistance grants with an appropriate mix of loans, technical

the impact of capacity development interventions on the capacity of key executing agencies (EAs) in selected sectors to perform their functions satisfactorily.[29] In 2008, to react to the findings and recommendations of the 2007 evaluations of ADB CD interventions, ADB drafted a *Practical Guide to Capacity Development in a Sector Context*, with the aim of increasing demand-orientation and effectiveness of capacity development support. The guide also intends to provide guidance on assessing capacity needs and strategies, as for the recommendation made by OED. The Guide presents an approach and tools that are very similar to the one presented in the *Practical Guide to Capacity Development in A Sector Context* developed by the European Community

Current focus in relation to AAA capacity development priorities

Civil society and private sector. The CD action Plan calls for the development of effective mechanisms to engage civil society and the private sector in the delivery of capacity development support. The Plan emphasizes need for various government and nongovernmental organizations and groups to network and act in partnership to achieve agreed objectives. These organizations and groups should own and lead efforts to improve their capabilities and performance. Such entities represent key entry points for ADB capacity development interventions.

National, sector, and thematic strategies. ADB sees developing countries playing a leading role in defining capacity development objectives within their own development policies and strategies. CSP/CPS focus on sector, thematic focus areas that are aligned with national/sector priorities and with ADB priority areas (education, road transports and rural infrastructure, governance, and public financial management).

Technical cooperation. The Community of Practice for MfDR, which is managed by partner countries with logistical and financial support from the Asian Development Bank, is seen by ADB as an example of South-South and triangular cooperation. Examples of South-South Cooperation supported by ADB occurred between Cambodia, Laos and Vietnam in developing a joint approach on mutual accountability. ADB is also promoting regional and sub-regional cooperation – a particular form of South-South Cooperation – through the Greater Mekong Sub region (GMS), the Central Asia Regional Economic Cooperation (CAREC), and in sub-regional country groupings in South Asia.

Enabling environment. The CD Action plan recognizes the importance of the enabling environment and institutional context for capacity development. Capacity development and governance are seen as strictly linked: capacity development is instrumental to achieving governance objectives; governance in turn supports capacity development, as progress with regard to improved accountability and financial management is likely to strengthen the capacities of an organization to achieve its objectives. ADB aims at supporting civil service reforms, decentralization, and the fight against corruption. ADB also administers a multi-donor MfDR Cooperation Fund to support pilot initiatives that promote the adoption of results based initiatives in public institutions.

Country systems. CD Action Plan highlights that at the country level funding agencies need to be able to use and align with country systems**.** ADB focuses on systems and capacities that are fundamental to enable countries to successfully manage for development results, including strategic planning, public financial management (PFM), monitoring and evaluation (strong focus on evaluation of capacity development interventions at the country and sub-region levels), and statistics (through advisory technical assistance at the country or regional level). ADB focuses on building country capacities to control government spending and make agencies operate efficiently and effectively – mainly through loans and technical assistance.

Fragile states. ADB supports capacity development in fragile states through technical assistance grants focused on capacity building and constraints, and on strengthening the abilities of government ministries to formulate policies and plans and implement development activities across a range of sectors. Technical assistance grants also have funded organizational capacity assessments and provided international experts as advisors and trainers. Under the grants, officials have formulated sector master plans and laid the groundwork for essential policy and institutional reforms[30].

Easy References

✓ ADB Capacity Development website: http://www.adb.org/Capacity-Development/default.asp

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assistance grants, and economic/thematic/sector work, including clearly strategic road maps for long-term engagement; 3) pilot test alternative capacity development approaches (i.e. regional technical assistance); 4) adjust staff recruitment skills mix to emphasize the "soft skills "required for capacity development (not only technical expertise).

[29] ADB (2007). *Capacity Development in South Asia*. The study identified key determinants and best practices of capacity development performance, including importance of institutional environment, combination of institutional and organizational interventions, importance of identify and foster champions to transform the culture and performance of an organizations (prime movers), and importance of incentives for public sector employees ("without right incentives, training is likely to be a waste of resources"). The study makes relevant suggestions, including: 1) establish a CD Fund (CDF) for long-term capacity development financing South Asian DMCs – national CDF allocations should be administered by DMC governments: and 2) establish and strengthen a clear link between approval of investment project loans and evidence of DMCs' commitment to and progress with capacity development in the selected sectors.

[30] In particlaur, since 1997 ADB has been managing the **CAREC programme** that targets countries in transition in Central Asia – and neighbouring countries: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Afghanistan, Mongolia, and Xinjiang Uygur Autonomous Region in China. Knowledge and capacity building constitute a main pillar of CAREC, which aims at increasing the capacity of a core group of reform agents among mid-level and senior government officials in each country to formulate and implement mutually beneficial regional initiatives.

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

Policies

The **UNDP Strategic Plan 2008-2011** positions capacity development as "UNDP core contribution to the development effectiveness principles of national ownership, effective aid management and South-South cooperation" and places it at the heart of its mandate. UNDP has long considered capacity development to be fundamental to achievement of sustainable human development. At the country level, all UN Development Assistance Frameworks (UNDAF) must 'mainstream' capacity development. Consistent with OECD/DAC, UNDP defines capacity as the "ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner, and capacity development as the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time".

The **Capacity Assessment – Practice Note** (October 2008) and the **Capacity Development – Practice Note** (October 2008) offer an overview of UNDP approach to capacity development. UNDP calls for a shift from a supply driven approach to an endogenously led change process that aims at giving tangible form to the principle of national ownership. Key features of the capacity development process include: its long term nature; its simultaneous linkages to the enabling environment, institutions and individuals; its emphasis on use of country systems; its linkages to broader reforms, such as those in education, wage policies and civil service reform; and its orientation beyond a single focus on training which addresses broader questions of institutional change, leadership, empowerment, and public participation. UNDP sees the capacity development process as consisting of 5 steps: I) engaging stakeholders; II) assessing capacity assets and needs; III) formulating a capacity development response; IV) implementing a capacity development response; and V) evaluating capacity development. Monitoring and evaluation of capacity development is considered essential for national clients to track progresses in enhancing capacities.

UNDP sees four complementary and mutually reinforcing core issues that drive capacity change at the individual, organizational and enabling environment levels. These are 1) institutional arrangements; 2) leadership; 3) knowledge; and 4) accountability. A capacity development response will be a collection of actions that address one or more of these four issues. UNDP has been gathering country experience and emerging good practices in relation to the four core issues. UNDP has a strong emphasis on developing and supporting capacities for integrated local development, which is seen as essential to achieve the Millennium Development Goals (MDGs)[31]. It advocates the integration and mainstreaming of capacity development processes across all UNDP practice areas, "making it everybody's business and responsibility to support it effectively"[32].

Operational Highlights

Organization. The UNDP Capacity Development Group (CDG) of UNDP's Bureau for Development Policy (BDP) conducts (i) applied research to develop and review capacity development policy for UNDP's partners and for UNDP, (ii) works to mainstream capacity development across UNDP practice areas as a driver of development, as well as into internal UNDP programme procedures and results management and (iii) adapts and/or designs a range of capacity development resources and tools to support the implementation of field based programmes. The group works with OECD DAC, Organization UNDG and UNDP to integrate the commitments on harmonization expressed by the Rome Declaration, the Accra Agenda for Action (AAA) and the Secretary General's Reform Agenda.

At the country level, in line with its leading role within the UN Resident Coordinator System, UNDP works through the UN Inter Agency Working Groups and UNDG for creating:

- ✓ A common UNDG position and approach to capacity assessments and capacity development;
- ✓ A new stream of work on UNDG common positions on the AAA and Doha follow up – including on capacity development related aspects.

Services: UNDP and its network of partners support national stakeholders with advocacy, policy advisory and implementation services in the four core issue areas mentioned above:

- ✓ *Institutional Arrangements*: support the creation of incentive systems to attract, motivate and retain capacities, support to civil service reform processes, strengthen human resources and financial management systems, clarify roles and functions within a public entity;
- ✓ *Leadership:* support to strategic planning, mentoring, career management and targeted leadership development programmes;
  Knowledge: the access and use of knowledge, through training, education and learning exchanges for needed expertise and solutions.

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[31] In particular, UNDP has a focus on capacity development for local service delivery. The **UNDP Practice Note on Supporting Capacities for Integrated Local Development** (November 2007) adapts the 5 steps approach to address capacity challenges at the local level and to enable local development and local communities' empowerment from a capacity development perspective.
[32] In this regard, with the Practice Note on Capacity Development during periods of Transition (September 2007) UNDP provides an overall framework and cross cutting capacity development response required in transition processes, be they driven by politics, social change or economics.

✓ *Accountability* that includes the promotion of state-citizen voice and accountability mechanisms that manages risk, queries corruption, demand transparency and supports participation;

Tools. Various resources, guides and tools have been developed within UNDP to support the capacity development processes. These include:

1. UNDP Capacity Assessment Methodology, including a User's Guide and Supporting Tool;
2. A series of action briefs and research briefs identifying and documenting good practices and lessons under the 4 capacity development core issues described above;
3. Concept notes on capacity development applications – capacity development and aid management and national implementation capacities like procurement capacities;
4. An evaluation framework for capacity development – including illustrative indicators for capacity development.

UNDP has also developed Capacity Development and Capacity Assessment training modules for UNDP staff.

Special initiatives. Various initiatives have been launched in relation to capacity development. The Reforming Technical Cooperation initiative ran in the period 2001-2003 to explore the fundamentals of capacity development and how technical cooperation can best contribute to the development of lasting indigenous capacities[33]. Recently, an independent evaluation of UNDP's overall contribution to national capacity development - covering an 8-year period – has been commissioned, the report of which is expected for the fall of 2009.

Guided by the principles of national ownership and South-South cooperation, the UNDP is currently implementing a global project to support the development of national policy frameworks and institutional capacities for effective aid management and mutual accountability; ensure the UN development system is better equipped to support countries in adapting to changing aid modalities and development finance contexts; provide a systematic and accessible body of evidence and tools to support capacity development for aid effectiveness for development practitioners. UNDP has been working in partnership with other organizations and networks to share experiences and disseminate best practices on capacity development. Furthermore, UNDP has established a knowledge resource list including key capacity development publications, an on-line roster of consultants and experts, and a Capacity Development Network and Community of Practice (capacity-net@groups.undp.org).

Current focus in relation to AAA capacity development priorities

National, sector, and thematic strategies. UNDP strongly emphasises the need to integrate capacity development objectives into national and sector policies and strategies at the country level and to engage country stakeholders in the process, to embed capacity development into broader national development priorities and to establish it as a political priority. UNDP has a strong focus on health (HIV/AIDS), education, and environment sector.

Technical cooperation. UNDP has been revising its approach to technical cooperation to enhance its impact on capacity development and has outlined a new paradigm for technical cooperation to support a nationally-owned and country driven capacity development process. UNDP is also supporting South-South cooperation and has established a Special Unit for South-South Cooperation (SU/SSC) that works in three main areas: 1) Offering a platform to foster global South-South policy dialogue on major development issues and challenges, 2) creating an enabling environment for South-South private sector development and business collaboration for development; and 3) brokering for the sharing of Southern development knowledge and solutions.

Enabling environment. UNDP highlights the importance of public and institutional reforms for capacity development to be effective – particularly regarding education reform, wage reform and civil service reform ("there is little value in capacity development initiatives that are designed as one-offs or in isolation"). In general, UNDP calls attention to the importance of the enabling environment to sustain or constrain capacity development, including such key issues as the rule of law, human resource management systems, incentive systems and corruption.

Country systems. UNDP supports Sector Budget Support (SBS) as a form of development assistance and the strengthening and use of country systems "beyond the use of national plans and expertise". It also "questions the use of stand-alone implementation units; if national systems are not strong enough, they should be reformed and strengthened, rather than bypassed" (UNDP, 2008). UNDP particularly looks at procurement, accountability/oversight mechanisms, monitoring and evaluation and country capacities to manage SBS.

Fragile situations. On fragile states, UNDP adopts the approach of institutionalizing Capacity Development Facilities (CDF) which aims at providing concerted capacity development support over a defined period of time. Capacity Development Facilities are designed according to needs of specific contexts and settings. They are rooted in diagnostics of capacity assets and needs.

Easy references

✓ UNDP and Capacity Development: http://www.undp.org/capacity

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[33] The effort comprised a series of thematic and country studies, e-discussions, international round tables and country consultations. Key results have been captured in a series of publications.

The World Bank (IBRD)

Policies

According to the World Bank Institute's Capacity Development Resource Centre (CDRC), capacity development is a major focus of the Bank, "to help adapt global knowledge to local needs". More than 20% of Bank lending and a majority of non-lending services are now directly focused on capacity building activities. CDRC sees capacity development as the key to development effectiveness. At the "Reducing Poverty Sustaining Growth" Shanghai conference (May 2004), the Bank recognized that gaps in capacity prevent countries from applying to their own circumstances successful practices used elsewhere.

Bank definitions of capacity and capacity development are consistent with those in the OECD/DAC. The Bank does not have a policy statement or comprehensive approach on capacity development. As explained in the recent World Bank Institute **CD Framework for Collective Action** (CD Framework), capacity development is seen as a process and an objective to be integrated within other development objectives and programmes. The CD Framework highlights the need for capacity development to be driven by local demand and ownership, built on existing capacities, integrated with other development objectives and programmes, and focused on functional capabilities. Governance and political issues also must be considered when they are "make or break issues" for capacity development. The Bank emphasizes that partner countries should lead in capacity development and aid management, and should set priorities for implementation in line with their medium-term strategies, such as those of poverty reduction. It also recognizes the need to harmonize donor support for capacity (World Bank Task Force on Capacity Development in Africa, 2005). Geographically, capacity development discussions within the Bank are particularly active in the Africa Region[34].

An OED 2005 *Evaluation of Capacity Building in Africa* suggests that the Bank needs a comprehensive operational framework to help countries prioritise capacity building activities; to link institutional, organizational, and human capacity developments; and to transform traditional capacity building tools to improve results.

Operational Highlights

Organisation. The most recent reference describes engagement in capacity development in three ways (OED, 2005):

- Capacity development/capacity building support designed and managed <u>operation by operation</u>. Many projects have capacity building activities in their operational components. The *OED 2005 Evaluation* notes that "capacity development objectives often have been poorly defined, achievements poorly tracked/reported; capacity needs are not always carefully identified".

- A small but growing number of operations address capacity building as the <u>primary project objective</u>, such as the *new generation of country strategies and sector-wide capacity building projects.* These entail detailed capacity needs assessments and processes for establishing capacity building outcome indicators for monitoring progress and measuring results.

- <u>Corporate and regional mechanisms</u>: the *World Bank Institute* (WBI); Support for the *African Capacity Building Foundation* (ACBF) and the Special Partnership for Africa; and the *Institutional Development Fund* (IDF).

The first and second types have been the responsibility of the various units in the Bank, which have tried to mainstream capacity development in their programmes and strategies. Particularly, capacity development has been a strong focus of the Africa regional office "CD and Partnerships Unit" and the WBI. WBI works with other Bank units to integrate and deliver country specific programmes, knowledge products and services aimed at capacity development. It emphasizes links between capacity and knowledge, and aims at helping countries share and apply global and local knowledge to meet development challenges. During its 2009 renewal process, WBI signalled its emerging role as an anchor for capacity development within and outside the IBRD. WBI will seek to connect the many capacity development teams and activities in different parts of the IBRD as well[35].

In the third type of involvement, ACBF is an independent institution based in Zimbabwe that provides grants to national and regional institutions to help strengthen economic policy analysis and development management; the Bank is its major source of funding. IDF is a Bank programme that provides grants to governments to fund small-scale and pilot capacity building activities for up to three years. Regional offices dealing with CD issues include the MENA "Knowledge Network Agency" which supports CD and facilitates knowledge sharing and learning throughout the Middle East and N. Africa. Similarly, the Africa Region "Knowledge and Learning Center" promotes African capacity building.

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[34] Capacity development strategies within the Bank are used differently according to country category: (i) Middle income countries – capacity development interventions focus on country systems, specific technical issues, or MDG goals; (ii) Low income countries -- specific capacity development interventions must be linked to PRS priorities and the results agenda; (iii) Low-Income Countries Under Stress (LICUS) -- capacity development approaches are opportunistic and focus on promoting reform, a change agenda and supporting political leadership.

[35] This role includes engaging with internal and external partners to: (i) develop methodology and pilots for needs assessments and monitoring results, (2) develop learning and knowledge exchange programmes to be used across countries, (3) connect networks with global and regional centres of excellence, (4) support practitioner networks in priority areas, (5) support global efforts and donor partnerships. In WBI, the CDRC promotes sharing of IBRD work on capacity, highlighting country and sector approaches focused on results. CDRC disseminates practices at the sector level, highlighting new approaches to sector challenges. The CDRC compiles working papers, strategy notes and diagnostics related to capacity development.

Instruments. The Bank has developed a ***Rapid Results Approach*** (RRA*)* toolkit to provide guidance on a results-focused implementation and learning processes aimed at starting change efforts and enhancing implementation. This seeks to complement the traditional training - knowledge transfer approach. A ***Public Expenditure Management Toolkit*** is under development for a common approach to assess public expenditure institutional arrangements and capacity needs. WBI also relies on indicators and data to track capacity trends and country performance[36].

Emphasis. Within the Bank, commonly used approaches include technical assistance, training, training of trainers, organizational or institutional reorganization, improved access to information, establishment of partnerships, communities of practice, help desks, study trips, and improved material conditions such as purchase of computers. The OED 2005 Evaluation (which focussed on capacity building in the public sector) points out that Bank support has moved from government units and individual skills towards broadening support for public institutions and the fostering of demand for public service improvements. The Evaluation describes capacity support as "fragmented" and mostly designed and managed operation-by-operation. Technical co-operation, especially in the form of training, has not been seen as effective for long term and sustainable capacity development where skills building is synchronized with the organizational and institutional changes needed to improve public sector performance.

Current focus in relation to AAA capacity development priorities

Civil society and the private sector. A WBI Working Paper (2002) aims at "an engaged and capable civil society" that can play an essential role as a demander of reform, holding authorities accountable, participating in public decision making and contributing to provision of public goods and services. The Bank promotes participation of community groups, NGOs and civil society in planning and implementation of government projects and programmes. It also promotes the capacity of CSOs and their ability to generate and carry out community initiatives.

National, sector, and thematic strategies. The CDRC website and OED 2005 Evaluation note a movement towards sector wide programmes and budget support that identify long term capacity needs. The Bank often supports local authorities to prioritise capacity development activities, to integrate capacity development objectives into national and sector policies and plans, and to guide support from donors. The Bank has focused these actions largely in the health, education, roads, environment, and agriculture sectors.

Technical co-operation. The Bank supports South-South co-operation, exchange and learning through various programmes such as the *South-South Experience Change*. To facilitate the use of local expertise, it addresses issues of brain drain and the national diaspora, with the aim of retaining existing capacity and knowledge within the countries. In 2005, the World Bank Task Force on Capacity Development in Africa recognized the need to move towards pooling donor funds and technical assistance, and to rethink the use of technical co-operation overall. In Africa, the Africa Region Knowledge and Learning Centre promotes South-South learning exchange. Bank evaluations suggest that technical co-operation needs review and re-direction so as to contribute effectively to capacity development. Corporate and regional mechanisms also are seen as useful for promotion of capacity development.

Enabling environment. The CD Framework recognizes that capacity is largely a governance challenge and calls for the careful analysis of systemic constraints, including the assessment of the local political economy, rules of law, rules of the game, and the investment climate. In-depth reform of the State may be essential for development. The Bank expects to move toward new approaches which address, in an integrated way, the institutional, organizational, and human resource changes needed to improve public sector performance.

Country systems. Within its focus on public sector capacity, the Bank also promotes the enhancement of national capacities in key country systems and functions, such as general management, financial management, statistics and monitoring/evaluation systems. In addition to the Public Expenditure Management Toolkit, the WBI online library includes various references to capacity development in these public sectors.

Fragile situations. Capacity is seen as fundamental to the objective of transforming fragile states into stable nations (CDRC Website). The Bank focuses on reform and an agenda for change. Quality political leadership is seen as key for reform and good governance, and for addressing corruption. WBI provides leadership services and customized assistance to decision-makers. The Bank conducts research on fragile states, good governance and capacity development. Lessons include: 1) need to address incentives and institutions to strengthen governance; 2) need to be selective and focus on state primary functions; 3) need to adopt incremental approach to build and sustain capacity over time; 4) need to define a role for non-state actors in capacity (private sector, NGOs, and regional organizations).

Easy references

✓ Capacity Development Resource Centre: www.worldbank.org/capacity
✓ World Bank Institute: www.worldbank.org/wbi

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[36] WBI data includes that of the Governance group, the Knowledge Assessment Methodology, and the Country Policy and Institutional Assessment. Indicators at project levels are considered although focus is on implementation rather than progress towards broader capacity. WBI on-line library offers capacity related documents, references and case studies on donor practice, measurement/indicators, and regional and sector approaches.

OECD

Policies

For many years the DAC has considered capacity development a high priority. Its 2006 guidance, ***The Challenge of Capacity Development: Working Towards Good Practice***, is currently a key international reference which has helped spawn many actions at a more operational level. Several thematic and sector work streams that address issues of capacity development now are ongoing in DAC subsidiary bodies and elsewhere in the OECD. Capacity development has been identified by donor and partner countries alike as a priority for implementation of the Paris Declaration aid effectiveness agenda.

In February 2008 the DAC initiated a new work stream in capacity development by recruiting a "Senior Coordinator for Capacity Development" with the objectives of raising the visibility of capacity development in the Accra High Level Forum and identifying a fuller learning process post-Accra. In collaboration with the Learning Network on Capacity Development (LenCD) and Germany, a workshop (May 2008) of capacity development specialists -- equally represented from donor and partner countries -- assembled in Bonn. That event culminated in the widely distributed "Bonn Consensus" of priorities for capacity development. The Bonn Consensus successfully found its way into HLF discussions, including the Accra Agenda for Action (AAA), which referred to capacity in relation to the priority topic of "ownership" but also across the entire aid effectiveness agenda. The sixteen passages in that document which directly relate to capacity development now have been condensed into the six capacity development priorities listed below.

In October 2008 the DAC approved a funded work plan for capacity development action over 2009-2010. That work plan is built on the principle of joint partner country – donor collaboration in implementing the capacity priorities of the Accra Agenda of Action through the next HLF in 2011.

Operational Highlights

Organization. A small capacity development unit located in the DAC Secretariat (DCD/POL) works closely particularly with colleagues in the DCD divisions dealing with governance and aid effectiveness. At the request of the DAC, this unit does not have its own subsidiary body (it reports directly to the DAC), but co-ordinates, as needed, with other relevant subsidiary bodies (to date these are the WP-EFF, ENVIRONET, POVNET and GOVNET). To ensure regular communication with the DAC, the unit has constituted an informal DAC delegate working group (Belgium, Canada, Germany, Japan, Netherlands, United States). Given the DAC expectation that the unit will work across an international partnership, special relationships are being cultivated with the Southern-led "CD alliance" and with LenCD.

Donor inventory and correspondent network. By March 2009 the Secretariat expects to complete a summary inventory of DAC member policies and practices, with some reference to key multilateral institutions (UNDP, IBRD, ADB, AfDB) as appropriate. As a part of this inventory process, it also has set up an informal network of capacity development correspondents, which can be used to help evolve donor collaboration in this area through 2011.

Informal OECD work group on capacity. Secretariat experience at the international level will offer perspectives on capacity development that can usefully inform the many OECD work streams (18 identified so far) in this area. In November 2008 an "informal OECD group on capacity development" was organised and will sponsor four internal events of possible subsequent interest to the international agenda (country systems, fragile situations, southern perspectives, integrated learning around capacity principles) over the course of 2009.

Docking with the WP-EFF. The joint DAC – CD alliance – LenCD collaboration through 2011 to implement the capacity priorities of the AAA logically need to be linked to the overarching AAA implementation architecture set up through the Working Party on Aid Effectiveness (WP-EFF). Discussions to date demonstrate the importance of capacity for all clusters, although most significant input at the cluster level may be at the "country system" level and to a lesser extent that of "ownership" and possibly "Managing for Development Results". This relationship will be defined in time for the 31 March – 1 April WP-EFF meeting.

Current focus in relation to AAA capacity development priorities

Six priority themes in relation to capacity emerge from the Accra Agenda for Action. In order of presentation in the AAA, they are:

   i. **Civil society and private sector -** enabling local civil society and the private sector to play their role in capacity development;
  ii. **National, sector, and thematic strategy** - ensuring proper integration of capacity development priorities in key national, sub-national, sector and thematic strategies;
 iii. **Technical co-operation -** working towards demand-driven efforts in technical co-operation and promoting the use of local and regional resources, including through South-South arrangements;
  iv. **Enabling environment** – addressing the systemic impediments to local capacity development;
   v. **Country systems** - assessing, strengthening and promoting the use of country systems to implement policies and manage public resources - incl. procurement, public financial management, results, statistics, information systems; and
  vi. **Fragile situations** - tailoring, phasing and coordinating capacity building and development in situations of fragility, including countries emerging from conflict. Although this inventory is too soon after the Accra HLF to identify strong donor trends, most donors already are engaged in some aspect of this agenda, based on the use of capacity development principles.

Civil society and the private sector. Within OECD, the Directorate or Financial Enterprise and Affairs has an initiative aimed at enhancing government capacities to improve policies and business climate and attract private investment (Initiative on Governance and Investment for Development).The Centre for Entrepreneurship, SMES, and Local Development works on building capacities to design effective policies for local development, entrepreneurship and enterprise development.

National, sector and thematic strategy. Within DCD/POL, the Health Advisor focuses on strengthening the capacities for effective health systems. The Poverty Reduction and Growth group works on developing the capacities of the private sector and other non-state actors in key sectors such as agriculture. The Environment Directorate, in cooperation with DCD/POL Environment team, is currently drafting a revised version of the Guidelines for Capacity Development in Environment, and has been discussing the possibility to launch a country–level initiative to identify best practices in the environment sector.

Technical co-operation. The DCD capacity development unit has been discussing and providing feedback to DAC members that are currently in the process of rethinking and reforming their approaches to technical cooperation, including the European Community and Denmark.

Enabling environment. The Governance, Peace and Security team within DCD/POL (DCD-Governance) works on key areas such as corruption and accountability, underlining the importance of capacity development at the level of parliaments, civil society, media, and political parties. Capacity development for good governance and institutions is one of five focal areas of the Heiligendamm Dialogue Process, which has a special focus on Africa. The Sahel and West Africa Club support its partners – including country intuitions and regional institutions – to enhance their capacities.

Country systems. Within DCD, several work streams are dealing with capacity development issues concerning key country system – including evaluation, MfDR, Public Financial Management, procurement, and statistics. The Centre for Tax Policy and Administration works on capacity development of the taxation systems. Taxation is also an area of focus of t DCD-Governance

Fragile situations. DCD-Governance works in fragile states through state-building lens. In such approach, creating political settlement and building effective relationship between the state and the civil society is seen as priority, to be then followed by capacity development in priority areas and sectors. The Partnership for Democratic Governance works on capacity development in fragile states and post-conflict countries to build capacities for core state functions.

Easy References

✓ OECD (2006), *The Challenge of Capacity Development: Working towards Good Practice*, Paris,
✓ OECD capacity development website: www.oecd.org/dac/governance/capacitydevelopment
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ANNEX B - TECHNICAL CO-OPERATION IN DAC MEMBER STATES
(USD Millions, Current Prices)

	2006				2007			
	ODA	Technical Co-operation	Of which: Imputed student costs	Technical Cooperation as % of Total ODA	ODA	Technical Co-operation	Of which: Imputed student costs	Technical Cooperation as % of Total ODA
DAC Countries Total	104369.64	22242.12	2266.98	21.31	103491.39	14779.14	2565.59	14.28
Australia	2123.22	859.75	..	40.49	2668.52	1157.6	..	43.38
Austria	1498.43	161.75	69.11	10.79	1808.46	190.23	85.8	10.52
Belgium	1977.81	580.13	10.95	29.33	1952.83	510.83	32.7	26.16
Canada	3684.04	530.23	79.14	14.39	4079.69	583.39	140.79	14.30
Denmark	2236.12	110.17	..	4.93	2562.23	93.04	..	3.63
Finland	834.4	81.27	..	9.74	981.34	242.25	..	24.69
France	10600.59	2805.47	1127.72	26.47	9883.59	2897.32	1203.81	29.31
Germany	10434.81	3115.95	899.93	29.86	12290.7	3526.61	959.34	28.69
Greece	423.99	88.88	10.28	20.96	500.82	137.68	47.31	27.49
Ireland	1021.66	19.76	3.42	1.93	1192.15	20.17	4.49	1.69
Italy	3641.08	171.4	..	4.71	3970.62	141.41	..	3.56
Japan	11135.74	1847.58	..	16.59	7678.95	1812.61	..	23.60
Luxembourg	290.71	5.5	..	1.89	375.53	8.02	..	2.14
Netherlands	5451.72	464.49	..	8.52	6224.26	475.52	..	7.64
New Zealand	258.65	48.88	..	18.90	319.8	56.98	..	17.82
Norway	2954.09	365.6	..	12.38	3728.02	435.8	..	11.69
Portugal	396.35	117.14	33.18	29.55	470.54	153.23	35.88	32.56
Spain	3813.67	437.58	32.05	11.47	5139.8	390.51	53.88	7.60
Sweden	3954.96	131.68	..	3.33	4338.94	159.68	..	3.68
Switzerland	1646.44	160.87	1.2	9.77	1689.16	165.49	1.59	9.80
United Kingdom	12459.02	860.08	..	6.90	9848.54	888.29	..	9.02
United States	23532.14	9277.96	..	39.43	21786.9	732.48	..	3.36

Source: *OECD International Development Statistics*

ANNEX C - BIBLIOGRAPHY

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