Introduction

Rethinking capacity development

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While financial aid was intended to close the domestic and external resource gaps of developing countries, the original objective of technical cooperation[1] was to compensate for skills. But we have known for a long time that this 'skills gap' was much too narrow a concept. For while technical cooperation has over many years successfully purveyed training and expertise across the full range of lacking skills, there has been limited impact on the ability of countries to manage their own development processes, and thus enable them to become more independent of aid. Development management is a much broader and deeper process, subtly differentiated country by country, which technical cooperation can only partially assist.

This chapter sets out to examine the real target of technical cooperation: the development of the capacity to manage. But what does this really mean? What is the nature of capacity development? Against what do we measure progress? How much can technical cooperation assist, and in what ways?

The three-dimensional nature of capacity development

Among development practitioners, capacity has traditionally been conceived in two dimensions: human resources and organisational functions. Capacity building – as it has most commonly been referred to – therefore involved human resource development and organisational engineering, or 'institution building', with particular reference to the public sector. The organisational dimension significantly extended the human resource dimension since it implied the need for management skills that reached beyond the technical (ECOSOC 2002).

But it has become apparent that institution building, as a basis for development capacity, also needs to expand beyond the formal functions of organisations in the public sector, for at least two reasons. In the first place, the functioning of the public sector is itself influenced by non-organisational factors, including in particular what might be termed the 'state of governance': the legitimacy and independence of the various organs of state, the relevance and quality of public policy, and so on. Secondly, capacity for development increasingly encompasses organisations and institutions that lie entirely outside the public sector: private enterprise and civil society organisations in particular.

In the companion volume to this book, UNDP has defined capacity as "the ability to perform functions, solve problems, and set and achieve objectives". This generic

[1] In this book technical cooperation is assumed to refer to free-standing (as opposed to investment project-related) technical assistance.

definition builds on an earlier one drawn up by UNDP and UNICEF[2], but is a significant departure from the earlier thinking about capacity. UNDP has also proposed three levels of capacity development, which essentially adds a third dimension to those of human resource development and institution building: grounding the *individual* and the *institutional* levels in the *societal*, involving "capacities in the society as a whole" (Fukuda-Parr et al., 2002).

The first level is that of the individual. The second level – institutional - merits an interpretation beyond merely the organisational. Institutional capacity involves laws, procedures, systems and customs. As a symptom of the importance of these institutional factors, some of the country papers allude to the problems of corruption and the misuse of power and resources, which detract from capacity development. Two other indispensable facets suggested by the book are policies and leadership.

The policy environment is critical to capacity development. But the mere enunciation of 'good' policy is not enough. It must be consistently and transparently enacted, for which there need to be capacities for implementation, and mechanisms of objective inspection, monitoring and audit systems.

Policies are determined in large part by the qualities and commitments of leaders, and recent development history is replete with examples. Leadership is important for another reason. Development is a process of transformation, and capacities are continually needing to change and adapt. Strong leadership – and the strategic vision that goes with it – is necessary to anticipate change and adjust to it.

The third dimension, the societal, encompasses the facilitatory processes which lie at the heart of human development: the opening and widening of opportunities that enable people to use and expand their capacities to the fullest. Social capital and cohesion are also at the core of societal capacity and apply both nationally and locally. Capacity development cannot ignore the critical importance of decentralised village and community-based organisations and units, right down to the individual household, where the empowerment – or 'capacitation' - of women is an important consideration.

Capacity development also needs to take account of the global environment - which increasingly impinges on the capacity of countries, at all three of these levels, to address the challenges of development. People, goods, finance, technology and information are moving across the globe in increasing quantities and frequencies. The ramifications of globalisation can be positive or negative, but they cannot be ignored. The globalisation of the skilled labour market, the opportunities and adversities of more open external markets, and the impact of the digital divide, all have important consequences for the development of capacity.

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[2] *A UNDP/UNICEF study in 1999 described capacity as "the ability to define and realize goals effectively" (Capacity Development: an analysis and synthesis of its current conceptualisation and implications for practice, Harare, 1999).*

In sum, capacity is both easy and hard to define. A generic definition, at its simplest, includes both the attainment of skills and the capabilities to use them. But the answers to the questions "which skills?" and "whose capabilities?" are much more complex because each development context is unique, and none is static. It is the very particularized circumstances of countries and communities which make capacity development such an inexact science. A flavour of these particularities is provided by the six country studies in this book.

Achieving the Millennium Development Goals: not just resources but capacities

The answer to the question "for what?" may be somewhat easier to determine. In September 2000, a large majority of the world's heads of government met in New York at the Millennium Summit and agreed to the Millennium Declaration, the most comprehensive development agenda ever endorsed at that level. The Millennium Development Goals (MDGs), which it contains, have brought a much clearer focus to the global development task, together with the target date of 2015 (see box). The MDGs represent the internalisation of global norms and standards. Their realisation is a task to which all countries – aid recipients and donors – are called to assist in.

For the developing countries, these goals are clustered around four main development domains: economic governance, health, education and the environment. The UN system – led by its UN Development Group (principally UNDP, UNICEF, UNFPA, World Food Programme) – has begun to monitor the status of the MDGs and report on progress towards their realisation, through a series of regular country reports. These reports are an essential frame for the massive two-fold development challenge of marshalling the resources and developing the country capacities to meet the goals.

Resources. After a long and barren period, the development resources picture has begun to change. Overall official development assistance (ODA) from the OECD countries fell steadily in real terms after reaching a peak in 1992. The poorest countries were doubly handicapped by the overall decline in aid, and by the shift in resources during this period towards the newly independent states of Europe and Central Asia and away from Sub-Saharan Africa. The Heavily Indebted Poor Countries (HIPC) Initiative of 1996, and its enhanced version two years later, heralded the beginning of change. Although very slow to work through, lower debt servicing obligations have begun to make significant sums available to certain HIPC countries, for spending on poverty-related programmes. HIPC relief has come partially from existing ODA allocations.

A more significant watershed was reached at the International Conference on Financing for Development at Monterrey, Mexico in March 2002. Many of the European donors renewed their determination to advance their ODA contributions towards the 0.7% of GNP target level, and the USA decided to increase its aid through a new Millennium Challenge Account. The combined new commitments of Europe and the USA are expected to lead to an immediate reversal in the downward ODA trend, and could help aid levels to grow by up to 25% by the middle of this decade. For many donors, the financing of the MDGs has provided the principal rationale for the aid increase. Although

the projected increases fall far short of the 50-100% additional aid resources which some have estimated to be needed to meet the MDGs (Zedillo 2001, World Bank 2002, OXFAM 2002), these new commitments will put significant new funding at the disposal of many poor countries.

Millennium Development Goals and Targets
Goal 1: Eradicate extreme poverty and hunger
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2: Achieve universal primary education
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Goal 3: Promote gender equality and empower women
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015
Goal 4: Reduce child mortality
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
Goal 5: Improve maternal health
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio
Goal 6: Combat HIV/AIDS, malaria and other diseases
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases
Goal 7: Ensure environmental sustainability
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
Goal 8: Develop a Global Partnership for Development*
Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system that deals with a reduction in debt to sustainable levels
Target 13: Address the Special Needs of the Least Developed Countries
Target 14: Address the Special Needs of landlocked countries and small island developing states
Target 15: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
Target 16: In cooperation with pharmaceutical companies, provide access to affordable medicines

Target 17: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Capacities. New resources – large or small – will not be sufficient, however. How they are absorbed and managed, the commitment of leaders, the ability of the organisational structures to deliver benefits and the wider policy and institutional environment of facilitation and enablement will all be of primordial importance to the achievement or non-achievement of the goals. These are critical concerns of capacity development.

Some of the HIPC countries are already encountering problems of absorbing and spending additional resources productively, and in ways likely to impact on the MDGs themselves. There need to be guarantees that resources will be used for their intended purposes. Beneficiaries themselves - women and minority groups in particular – need to be involved in evaluating the purposes and impact of public spending.

Commitment is needed from the top down to ensure the optimal management of resources, but also to ensure that the organisational capacities are developed to meet human needs. These are not just concerns of delivery, but of enablement, implying an appropriate policy environment which encourages the involvement of organisations in and outside the public sector.

Capacity is also needed to measure needs, establish and refine the goals and monitor their realisation. And effective monitoring will need to be done non-governmental organisations and the beneficiaries themselves.

The lessons of history

In numerous ways, and over long periods of time, societies have been adapting and transforming. They have done so through complex processes of cumulative learning, combining different actors, and in ways specific to local circumstances. These processes are virtually impenetrable to the outside eye. Local self-reliance and grassroots initiatives – discussed as optional paradigms in the development literature - have always been the basis of human advance for most of the world.

In some countries, change has been sponsored and abetted by strong public administration. Two millennia ago, China wedded literacy and political culture and developed an efficient merit-based civil service, founded on the institutional and moral precepts of Confucianism. For one thousand years, the civil service performed a critical and unifying role, compiling regular censuses and land registers and collecting taxes. The modern equivalent might be the emergence of the Indian Administrative Service, (formerly the Indian Civil Service) in the 20th century. The strength of the IAS lies in its recruitment, transfer and promotion systems, its assured place within the Indian Constitution and its relative autonomy from political pressures. The prestige of IAS service derives from the respect accorded to it by Indian society, and helps to compensate for the modesty of the pay and conditions (de Silva, 2002). The origins of public service

in what are now the world's two largest countries are a reminder that these foundations for development capacity in public administration were laid down well before the era of aid and technical co-operation.

There are some obvious lessons to be drawn from history; here are three. First, capacity is an indigenous phenomenon and its development has always been largely an indigenous process. It follows, secondly, that capacity development is inherently idiosyncratic, being substantially determined by local contexts. It resists rigour and blueprinting. Third, capacity development occurs as a result of interactions among different parties and at different levels: from metropolitan-based public administrations down to distant rural communities; between the public sector and civil society; between politics and administration.

Capacity development can also be quickened and broadened in response to outside stimuli. Throughout history, there have also been numerous instances of countries turning to foreign sources for technical assistance. In the 18th century, Russia brought in experts and technology from western Europe in substantial quantities for its own modernisation. In the second half of the 19th century it was Japan. After the Second World War, a devastated Europe was rebuilt with the help of American capital and technical aid. Also in the 20th century, China has acquired technical help, partly through the aid window. In all these cases, the importations were transformative, as the countries concerned strove to emulate and catch up with their richer suppliers.

These were just a few of the many successful examples of how countries, over the centuries, have benefited from international partnership. Leaders with a clear vision of the direction they wanted to take could perceive the gaps in their capacities, and would seek to buy the help and expertise they needed from wherever it was available.

History, therefore, yields us lessons four and five: the importance of enlightened leadership and the need for the demands for assistance to be self-determined. Post-war technical cooperation, however, has altered the parameters.

When the aid era arrived after World War II, this concept of 'gap-filling' became enshrined in development theory, to a degree which encouraged the idea that aid was synonymous with development (Browne 1990). Technical cooperation – skills and know-how – was the means to fill the third gap characterising developing countries (along with the two financial gaps represented by the budget deficit and the imbalance of external payments).[3] The concept was convenient for, as independence progressed, the rich countries sought to extend post-colonial patronage through transfers of capital and skills into the gaps that appeared to hamper development progress.

In contrast to the historical process of the requesters of skills purchasing them from the suppliers, the partnership was now very different (Morgan 2001):

[3] There have been many exponents of gap-filling, among which Rostow (1960) and Chenery and Strout (1966).

- **Control**: Demand was manufactured not self-generated. The capacity gaps came to be perceived and funded by donor country governments, not the recipients, and control of the transfer arrangements shifted accordingly. The recipient countries owned neither the gaps nor the resources put up to fill them. For as long as there has been aid, there have been concerns about country ownership.

- **Public sector bias**: The reversal of control was facilitated by the fact that aid was in the public funding domain of the donors. This has had various consequences:
    - Technical cooperation became the preserve of bureaucratic minds and processes in the donor countries, with an often-limited comprehension of the character and context of the recipient countries;
    - Each donor bureaucracy has devised its own set of procedures and practices for the administering of technical cooperation; consequently the number has proliferated;
    - Projectisation has become a feature. TC has been conceived in time- and money-bound segments, a configuration which has best suited public spending patterns.

- **Accountability:** Aid had key stakeholders in the donor countries, but clients elsewhere, setting up a potential tension between two sets of objectives. The stakeholders had expectations of how aid should 'perform', and the criteria of success were often commercial, political or in other ways strategically significant, rather than developmental.

Donor-driven, public sector-managed and internally accountable technical cooperation has yielded very mixed results. There have been numerous micro-successes. Millions throughout the developing world have benefited from better infrastructure, health care, education, housing and improved means of productive livelihoods in agriculture and industry, as a result of projects underwritten by aid. These micro-successes have been confirmed by the results of evaluations conducted by development agencies, showing that the proportion of 'effective' projects is usually over 60%, and rising over time.

But the macro-failure of aid has been the inability to render itself redundant. Half a century has witnessed over one million technical cooperation projects. Many of them have been strung end to end, repeating the same objectives, and targeting the same countries and beneficiary organisations. The most aided countries have generally remained so.

The outputs of aid projects have abounded and these are manifestations of development. But they are also in part a substitute for it, to the extent that technical cooperation has not resulted in the building of sustainable capacities to enable countries to manage their own development independently. The word sustainable is important. Inappropriate technical cooperation, far from building sustainability, may undermine it. An example is provided by the exodus of skilled personnel from the organisations in which they have been trained ('brain drain'), often under TC programmes.

If sustainable capacity is to be developed, then the lessons of history should be heeded. A clearer understanding of the nature of capacity development is indispensable to increasing the effectiveness of technical cooperation. This calls for a new paradigm.

A new paradigm for capacity development as the target for technical cooperation

In the first book, *Capacity for Development: New Solutions to Old Problems*, UNDP outlined a new paradigm of capacity development, setting it in the broader context of transformative development. The table from the Overview of that book is reproduced below:

	Current paradigm	New paradigm
Nature of development		
Etc		

In the present book, we begin to take that analytical framework a practical step further. Drawing on country experience - of which the six country studies in this book are representative examples - we have disaggregated some of the key elements of capacity development and knowledge acquisition (the last three categories in the above table) in terms of the current and new paradigms, and illustrated these by reference to specific examples of TC support. In terms of the CD/TC relationship, the 'current paradigm' is a slightly exaggerated caricature of capacity development driven by technical cooperation in an asymmetric donor-recipient relationship. The 'new paradigm' is characterised as nationally-owned and country-driven capacity development supported by donor technical cooperation.

The terms ‘current’ and ‘new’ may seem awkward. The ‘new’ paradigm contains the modern features of change, but is based on principles of capacity development that are redolent of the historical indigenous processes of adaptation and transformation: self-determined, organic and participatory.

In this new paradigm, we have outlined six facets of capacity development:

Knowledge acquisition: Human resource development has long been perceived as the core of capacity development, and pursued through formal training schemes which aim to transfer knowledge in vertical (top-down) mode. In the new paradigm, knowledge acquisition is understood as a much more subjective process, fostering an environment of interactive learning able to respond more readily to the demands of learners. Rather than formal training events and courses, it relies more on group and on-the-job learning. New information and communication technologies are helping to vastly expand individualised learning opportunities.

Institution building: Organisational strengthening has been perceived as a technocratic add-on process. Technical cooperation has proposed and sponsored imported ‘best practices’, which have often been applied in piecemeal fashion. But institution building eschews easy prescription. Every organisation is unique because of the particularity of the institutional environment. In the new paradigm, capacity development is a more organic process. It starts with an assessment of each organisation’s capabilities and builds on them in a manner which respects continuity and fosters sustainability. In every organisation, change has to start from within. Leaders need to be committed to change, and key change-agents identified within the organisation to help develop and pursue the agreed new direction. Concern with capacity retention has to be built in. There needs to be attention to the factors and conditions that motivate or de-motivate people.

Institutional environment and partnerships: Traditionally, capacity development has tended to focus on individuals and organizations within the state sector. This focus has always been too narrow, because it leaves out of account the many agents of developmental transformation that lie outside the state sector. As the role of the state changes – e.g. by doing less, and by facilitating and regulating more – it is even more imperative to conceive capacity in a holistic sense, and capacity development as a process which encompasses a range of different stakeholders and organizations in the public, private and civic domains, at central and at local levels.

Thus, while institution building is pursued at the level of individual organisations, there must be cognisance of the relevance of each organisation within a wider institutional framework. The benefits of collaboration and interaction among different organisations need to be sought out, leading to the forging of public-public and public-private partnerships.

Policy environment: The hitherto more technocratic approaches to capacity development have tended to leave the policy environment out of account. The new paradigm recognises that a conducive policy environment is fundamental to, and needs to be

included in the concept of, capacity development. Policies can both hinder and facilitate the ability of individuals and organisational entities to perform functions and can prevent or ensure that these functions enhance the collective good.

Country commitment: Under the traditional paradigm, country commitment is manifested by governments contributing counterpart resources to technical cooperation projects, whether in cash or in kind. This is tantamount to the obverse of the TC-for-CD process. Countries must take charge. They should make their own determination of capacity development needs, as part of a coherent development strategy, in which there is a clear focus on development goals. They should identify how technical cooperation could be used in support.

Strong and legitimate leadership is also a part of country commitment. Leadership is required to ensure beneficial change and adaptation, whether at the level of the individual organisation or the polity.

Results and accountability: Each country determines its own development goals, and these are enshrined in periodic development plans, longer-term vision statements and poverty reduction strategies. An important focus is now provided by the Millennium Development Goals, which codify the basic human indicators which have long been considered critical outcomes of the development process. Capacity development, therefore, should no longer be focused exclusively on externally-prescribed criteria such as 'sound' economic governance and 'efficient' public institutions. These 'means' need to be seen in relationship to the broader 'ends' of income poverty reduction, better education, health and other targets. Capacity development objectives need to be framed by the need to ultimately reach those human development outcomes.

A more 'macro' or holistic orientation of capacity development implies major changes in how accountability is perceived and practiced. Hitherto, with the focus on training and institutional strengthening, the trainees and their organizations have been considered the 'beneficiaries' of traditional capacity development. The true beneficiaries, however, are not usually even conscious of – let alone involved in conceiving – the capacity development programmes that are ultimately designed to benefit them. Effective CD needs to involve the real beneficiaries in the conception, design and evaluation of programmes.

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